
Creating **value** by using
our **financial expertise**
to do **good**
afs
Audited Consolidated and Separate Annual Financial Statements
for the year ended 31 December 2018
see money differently
NEDBANK GROUP

Contents

About this report		**3**
Consolidated and separate annual financial statements		**4**
Responsibility of our directors		**4**
Certification from our company secretary		**4**
Report from the Group Audit Committee		**5**
Directors' report		**10**
Independent auditors' report to the shareholders of Nedbank Group Limited		**13**
Audited consolidated financial statements		**18**
Consolidated statement of comprehensive income		**18**
Consolidated statement of financial position		**19**
Consolidated statement of changes in equity		**20**
Consolidated statement of cashflows		**22**
Notes to the consolidated financial statements		**23**
Section A: Accounting policies		**23**
A1	Principal accounting policies	**23**
A2	Change in accounting policies: Financial instruments	**24**
A3	Reclassification	**32**
A4	Key assumptions concerning the future and key sources of estimation	**33**
A5	Standards issued but not yet effective	**33**
Section B: Segmental and performance-related information		**33**
B1	Segmental reporting	**33**
B2	Earnings per share	**38**
B3	Dividends	**38**
B4	Share capital	**39**
B5	Holders of additional tier 1 capital instruments	**41**
B6	Revenue	**41**
B6.1	Net interest income	**43**
B6.2	Non-interest revenue	**45**
B7	Operating expenses	**47**
B8	Taxation	**48**
B8.1	Indirect taxation	**48**
B8.2	Direct taxation	**48**
B8.3	Deferred taxation	**50**
B9	Non-trading and capital items	**52**
Section C: Core banking assets		**53**
C1	Loans and advances	**54**
C2	Impairments charge on financial instruments	**62**
C3	Government and other securities	**81**
C4	Other short-term securities	**82**
C5	Credit analysis of other short-term securities, and government and other securities	**82**
C6	Cash and cash equivalents	**82**
C7	Derivative financial instruments	**83**
Section D: Core banking liabilities		**89**
D1	Amounts owed to depositors	**89**
D2	Long-term debt instruments	**90**
D3	Investment contract liabilities	**92**
D4	Insurance contract liabilities	**93**
D5	Contractual maturity analysis for financial liabilities	**94**
Section E: Asset management		**96**
E1	Managed funds	**96**
Section F: Investments		**97**
F1	Investment securities	**97**
F2	Investments in associate companies	**98**
F3	Investments in subsidiary companies and related disclosure	**102**
F4	Interests in structured consolidated and unconsolidated structured entities	**107**
F5	Securitisations	**109**
F6	Related parties	**110**
Section G: Generic assets		**114**
G1	Property and equipment	**114**
G2	Intangible assets	**118**
Section H: Other assets		**122**
H1	Long-term employee benefits	**122**
H2	Non-current assets held for sale	**131**
H3	Other assets	**131**
Section I: Financial instruments		**132**
I1	Consolidated statement of financial position – categories of financial instruments	**138**
I2	Fair-value measurement – financial instruments	**142**
I3	Assets and liabilities not measured at fair value for which fair value is disclosed	**158**
I4	Financial instruments designated as at fair value through profit or loss	**159**
I5	Offsetting financial assets and financial liabilities	**161**
I6	Collateral	**162**
Section J: Share-based payments		**164**
J1	Description of arrangements	**165**
J2	Effect on profit and financial position	**168**
J3	Movements in number of instruments	**169**
J4	Instruments outstanding at the end of the year by exercising price	**172**
J5	Instruments granted during the year	**174**
Section K: Other liabilities		**176**
K1	Provisions and other liabilities	**176**
K2	Contingent liabilities and undrawn facilities	**177**
K3	Commitments	**178**
Section L: Risk and balance sheet management		**179**
L1	Financial risk management	**179**
L2	Capital management	**179**
L3	Liquidity gap	**179**
L4	Interest rate risk in the banking book	**180**
L5	Historical value at risk (99%, one-day) by risk type	**181**
Section M: Cashflow information		**182**
M	Cashflow information	**182**
Section N: Additional information		**183**
N1	Foreign currency conversion	**183**
N2	Events after the reporting period	**184**
N3	Directors' emoluments	**185**
Audited separate financial statements		**194**
Separate statement of comprehensive income		**194**
Separate statement of financial position		**195**
Separate statement of changes in equity		**196**
Separate statement of cashflows		**198**
Notes to the separate annual financial statements		**199**
Additional information not covered by the independent auditors' report		
Compliance with IFRS – financial statement notes		**209**
Embedded-value report of Nedgroup Life Assurance Company Limited ('Nedgroup Life')		**211**

About this report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated and separate annual financial statements

Nedbank Group Limited Reg No 1966/010630/06.

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

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

Responsibility of our directors

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Limited (comprising the statements of financial position at 31 December 2018, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended) and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, 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.

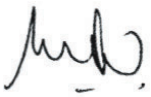
The independent auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS.

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Limited Board of Directors on 4 March 2019 and are signed on its behalf by:



V Naidoo
Chairman



MWT Brown
Chief Executive

Sandown

4 March 2019

Certification from our company secretary

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



J Katzin
Company Secretary

Sandown

4 March 2019

Report from the Group Audit Committee

The Nedbank Group Audit Committee ('GAC') is pleased to present its report for the 2018 financial year. This report has been prepared based on the requirements of the South African Companies Act, 71 of 2008, as amended ('Companies Act'), the King Code of Governance for South Africa ('King IV'), the JSE Listings Requirements and other applicable regulatory requirements. The committee carried out its responsibilities, including those relating to the audit and financial reporting obligations of the group, as set out in its board-approved charter.

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

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

Composition and governance

Members of the committee satisfy the requirements to serve as members of an audit committee, as provided in section 94 of the Companies Act, and have adequate knowledge and experience to carry out their duties. All members are independent non-executives. The composition of the committee and the attendance of meetings by its members for the 2018 financial year are set out below:

	Attendance	
Members	**Formal**	**Ad hoc**
S Subramoney (Chairman)	6/6	5/5
EM Kruger	4/5*	3/3
HR Brody	6/6	4/5*
NP Dongwana	5/6*	2/5*
NP Mnxasana	0/1*	1/1
PM Makwana	1/1	1/1

* *Apologies received.*

Errol Kruger was appointed as a member during the year, while Nomavuso Mnxasana's membership ended following her retirement from the Nedbank Group board. Mpho Makwana remains a boardmember, but has by rotation retired as a member of GAC.

All members of GAC are independent non-executive boardmembers meeting all King IV diversity requirements.

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

The GAC Chairman has regular contact with the management team to discuss relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management held during the year, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The GAC Chairman meets with the CIA and external auditors separately between GAC meetings. In addition, the GAC meeting agenda allows for a meeting solely with the members of the GAC.

Six formal GAC meetings (including the South African Reserve Bank trilateral meeting) were held in respect of the 2018 financial year, aligned with the key reporting and regulatory timelines, and at least four additional ad hoc meetings were held as part of the vigorous tender process that was followed for the selection of Ernst & Young (EY) as the new external auditors. The ad hoc meetings were also used to further discuss, monitor and address the impact of allegations of misconduct against the current external auditors on Nedbank. A further ad hoc meeting was held to review financial submissions (at time of managed separation) to the former holding company.

The key focus areas for the six formal meetings were:

9 May 2018	Review and approval of Nedbank Limited's audit report on Banks Act returns and discussion of the 2018 external audit strategy presentation and report from Group Internal Audit (GIA). Review of first-quarter performance.
20 June 2018	Annual trilateral meeting with representatives of the Bank Supervision Department of the South African Reserve Bank for discussion of, among other things, key external audit findings, internal-audit matters and reporting responsibilities in terms of the regulations.
25 July 2018	Review of the interim results for the six months to 30 June 2018 as well as the press and SENS announcements.
23 October 2018	Review of the third-quarter performance, external-audit strategy and GIA Q3 plan for 2019. In terms of Nedbank's MAFR plan, recommendation of the appointment of EY together with Deloitte & Touche, as joint external auditors for December 2019.
17 January 2019	Review of unaudited preliminary results and key financial and accounting judgements.
27 February 2019	Discussion and review of year-end reports from GIA and the external auditors, feedback from subsidiary audit committees, the Group Credit Committee (GCC), Group Risk and Capital Management Committee (GRCMC), Group Information Technology Committee (GITCO) and other relevant committees. Review and approval of annual financial statements and related SENS and results announcements.

Report from the Group Audit Committee continued

The GAC Chairman reports to the board on committee activities and the matters discussed at each meeting, highlighting any key items that the committee believes require action and providing recommendations for its resolution.

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

External-auditor independence matters

The 2018 financial year was a significant year in terms of external-auditor independence matters and the oversight of the external-audit process.

In April 2018 GAC was informed of the suspension and subsequent resignation of the KPMG lead partner. KPMG undertook a full assurance review on audits signed off by the lead partner in 2016 and 2017, and reported to GAC that it was satisfied that the quality of the Nedbank audit remained robust.

As reported previously, GAC has a well-established policy on auditor independence and audit effectiveness. The reputational risk issues in the audit industry and the continued focus on independence resulted in a further ad hoc meeting in August, where KPMG and Deloitte presented on their governance processes and controls with regard to auditor independence and audit quality. GIA also presented on its oversight role to assist GAC in assessing auditor effectiveness and audit quality, which indicated that, overall, the stakeholders were satisfied with the effectiveness of the external auditors despite the ongoing reputational and other issues affecting both KPMG and Deloitte, as well as the audit profession.

The SARB topic for presentation and discussion at the SARB/board meeting was 'Auditor independence and audit quality measures'. A thorough review of existing processes and procedures was performed, and some of the enhancements made to strengthen the processes to assess auditor independence were the following:

- Prohibiting (from 1 January 2019) the provision of non-audit services by the joint auditors, except where those services are related to their role as external auditors, for example the provision of limited assurance regarding Nedbank's key performance indicators included in the Nedbank Group Integrated Report.
- Reducing the maximum threshold of all non-audit services permissible to 25% of the statutory audit fee, from the previous 50% limit.
- Prohibiting audit service providers from performing services, as detailed in section 90 of the Companies Act.
- Including independence probity checks of banking relationships with Nedbank in the firms' independence processes.
- Implementing formal engagements between the GAC Chairman and the engagement quality reviewers of the firms.

External auditor tender

In June 2017 the Independent Regulatory Board of Auditors published a rule prescribing that auditors of public-interest entities in SA must comply with mandatory audit firm rotation ('MAFR'), which means that, with effect from 1 April 2023, audit firms may not serve as the appointed auditor of a public-interest entity for more than 10 consecutive years.

During 2018 GAC formally implemented the applicable MAFR requirements, including that Nedbank has to have joint auditors under the Banks Act and SARB regulations. GAC is responsible for appointing the external auditors and making the final recommendation to the shareholders at the annual general meeting (AGM). The GAC notified the board of directors of its process and outcome. Several ad hoc committee meetings were held to oversee the comprehensive process. GAC, based on the tender process, will make a recommendation to shareholders at the May 2019 AGM. GAC will continue to monitor the MAFR requirements as Deloitte's also has to retire by rotation from the Nedbank audit no later than 2023 after having served as the external auditors for 45 years.

GAC nominated Deloitte & Touche and EY as the external auditors for Nedbank Limited and Nedbank Group Limited, with Mr Lito Nunes remaining as the designated registered audit partner for Deloitte and Mr Farouk Mohideen being the newly appointed designated registered audit partner for EY. The appointment is effective after the AGM. The appointment of EY was approved by the Prudential Authority. This appointment is subject to shareholders approval. KPMG will retire by rotation on conclusion of its external audit responsibilities for the year ending 31 December 2018 after serving as Nedbank's external auditors for 45 years. This is expected to be at the conclusion of the AGM.

Other external auditor matters

GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely Deloitte & Touche and KPMG in 2018.

During the period GAC:

- considered and recommended to shareholders the appointment of Deloitte & Touche and KPMG, and the approval of their audit fees for the year under review;
- considered and recommended to shareholders the appointment of EY and Deloitte & Touche for 2019;
- continued to monitor allegations of misconduct against the external auditors and received positive declarations from the firms and noted that the independent inquiries have not been concluded or that the findings have not been communicated;
- approved the external auditors' 2018 annual plan and related scope of work, confirming suitable reliance on GIA and the appropriateness of key audit risks identified;
- monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan, with the annual review of the quality of the audit and the performance of the joint external auditors having been undertaken by means of questionnaires completed by key finance staff, GIA members and members of GAC;
- ensured that the 2018 and 2019 appointment and the independence of the external auditors were in compliance with the Companies Act and all other regulatory and legal requirements, which included receiving from the external auditors all decision letters and explanations issued by the Independent Regulatory Board for Auditors or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the external auditors to confirm the suitability for appointment of the external auditors and designated individual partners;
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- considered reports from subsidiary audit committees and from management on the activities of subsidiary entities and formally engaged with the chairpersons of subsidiary audit committees; and
- reviewed the findings and recommendation of the external auditors and confirmed that there were no unresolved matters.

Internal Audit

Internal Audit performs an independent assurance function and forms part of the third line of defence. The CIA has a functional reporting line to the GAC Chairman and an administrative reporting line to the CRO. GIA provides independent, objective assurance to the board of directors of Nedbank Group Limited and Nedbank Limited through the authority of GAC that the governance processes, including professional ethics, management of risk and systems of internal control, are adequate and effective to mitigate, in line with GIA's methodology, the significant control risks, both current and emerging, that threaten the achievement of the group's objectives. The refresh of GIA is now well advanced with the new CIA having occupied the position since June 2017. The focus of the GIA refresh was to build an appropriate mix of core internal-audit expertise, technical expertise, business acumen and position parity; to align its mandate; and to meet expectations of its stakeholders, including regulators. A new GIA executive layer was appointed in 2018, and the rollout of a new GIA Rest of Africa (RoA) operating model embedded. A number of culture shifts were made thus far, including a greater strategic emphasis on the GIA plan.

GAC reviewed and approved the annual internal-audit charter, and evaluated the independence, effectiveness and performance of GIA in compliance with its charter as follows:

- Received reports from the CIA, assessed the effectiveness of the group internal-audit function and reviewed and approved the annual GIA plan.
- Ensured that the CIA had a direct reporting line to the Chairman of GAC and noted the administrative reporting line to the CRO.
- Satisfied itself as to the appropriateness of the expertise, experience and resources of the CIA and the internal-audit function.
- 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.
- Monitored and challenged, where appropriate, action taken by management with regard to adverse internal-audit findings.
- Ensured that GIA complied with the reporting and independence requirements of its charter.
- Satisfied itself that GIA had conformed with the key principles of the International Institute of Internal Auditors' standards for professional practice of internal auditing. The rating in this regard was the highest attainable in terms of compliance with the standards.

Significant audit matters

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

Significant matter	How the GAC addressed the matter
Impairment of loans and advances	GAC reviewed and discussed the reports from the GCC regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances. Emphasis was placed on the impact of IFRS 9: Financial Instruments, on impairment models, key judgements by management and key disclosures. No material changes were made to the preliminary disclosures in respect of the opening balance sheet adjustment in the 2017 financial statements
Valuation of financial instruments held at fair value	GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments. Emphasis was placed on the impact of IFRS 9: Financial Instruments, on classification and measurement business models and key judgements by managements.
Associate investment in ETI[1]	GAC received regular reports from management in connection with the financial performance of Ecobank Transnational Incorporated (ETI) and the accounting considerations for Nedbank. The GAC noted the improved financial performance of ETI during the 2018 reporting period and management's assessment that no adjustment of the impairment provision is required, based on observable indications that the impairment loss previously recognised no longer exists or may have decreased.
Fraud risk in relation to revenue recognition – non-interest revenue	GAC received regular feedback from the CFO in connection with controls over the financial reporting system and, where applicable, key judgements applied in the recognition of revenue.
Fraud risk in relation to management override of controls	GAC received regular feedback from the CFO in connection with key judgements applicable to management estimates and from GIA in connection with the overall control environment and the 'tone at the top.'

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

Report from the Group Audit Committee continued

Financial legal, compliance and regulatory reporting requirements

- 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. GAC is satisfied with the appropriateness of the expertise and experience of the CFO and the resources, expertise, succession and experience of Nedbank's finance function. GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act of SA, which includes evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the financial regulatory reports by the external auditors.
- GAC received regular reports from the Group Chief Compliance Officer in respect of the compliance monitoring plan, and reviewed feedback from management regarding legal matters that could have a material impact on the group.
- Annual financial statements and integrated reporting process
- GAC reviewed all formal announcements relating to Nedbank's financial performance and found the reporting process and controls that led to the compilation of the financial information to be effective and appropriate. GAC also assessed and confirmed the appropriateness of the going concern assumption used in the annual financial statements, considering management budgets and the capital and the liquidity profiles.
- GAC reviewed and discussed the integrated report, reporting process and governance and financial information included in the integrated report after considering recommendations from the Group Transformation, Social and Ethics Committee, Group Remuneration Committee, Group Risk and Capital Management Committee and the Group Directors' Affairs Committee.
- 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 AGM.
- GAC reviewed the solvency and liquidity tests and recommended interim- and final-dividend proposals for approval by the board.
- GAC reviewed the investment in ETI and assessed the relevant impairment indicators.
- GAC reviewed and approved the high-level project plan and progress updates on the implementation of IFRS 16: Leases.

Internal control, risk management and information technology

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

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

GAC receives regular reports from GITCO regarding the monitoring of the adequacy and effectiveness of the group's information system controls and from the GCC regarding its oversight of the adequacy and effectiveness of the credit monitoring processes and systems.

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

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

Coordinated assurance

The group's Three-lines-of-defence Model is in line with Basel recommendations and requirements of the Banks Act and banking regulations, and aligns with the principles and outcomes of King IV (especially Principle 15 and the standards listed there). This model meets the requirements for Nedbank Group and Nedbank Limited to provide assurance through a coordinated approach. An Executive Coordinated Assurance Forum has been established with an aim to:

- support the CRO in embedding and operationalising the Coordinated Assurance (CA) model in Nedbank; and
- ensure that CA is 'practical' and effective, with alignment achieved on the approach across the risk, compliance and audit functions.

The establishment of the CA Forum better integrates the assurance providers within the risk, compliance and audit disciplines. Through this integrated approach all stakeholders are provided with the opportunity to understand each other's views through collaboration and agree on the group's CA principles. GAC is therefore of the view that the arrangements in place for the CA model are adequate and achieve the objective of a more effective, integrated approach across the disciplines of risk management, compliance and audit.

Future accounting developments

The International Accounting Standards Board ('IASB') published IFRS 16: Leases with an effective implementation date of 1 January 2019.

IFRS 16 replaces the current IAS 17 on-balance-sheet (finance lease) and off-balance-sheet (operating lease) model with an on-balance-sheet model for all leases. GAC received presentations from management on the accounting policy choices and practical expedients selected on adoption of IFRS 16. In addition, GAC assessed the appropriateness of the disclosure in the 2018 financial statements.

Key focus areas for 2019

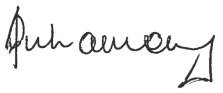
- Continued focus on ensuring that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.
- Continued role as a joint oversight committee along with the Group Remuneration Committee on the unwinding of the post-retirement medical aid (PRMA).
- Ensuring a smooth transition and onboarding of the newly appointed external auditors to ensure minimal disruptions to the 2019 year-end audit process.
- Continued monitoring of the Chairman's College forum to ensure that regular engagement is led by the GAC Chairman and the chairpersons of the subsidiary audit committees.
- The monitoring of accounting implications arising from the reported issues in the Nedbank Zimbabwe subsidiary.
- The monitoring of the implementation of IFRS 17: Insurance contracts, which replaces the current limited guidance contained in IFRS 4: Insurance contracts. IFRS 17 will come into effect for Nedbank on 1 January 2022.

Conclusion

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

GAC reviewed the group annual financial statements for the year ended 31 December 2018 and recommended them for approval to the board on 4 March 2019.

On behalf of GAC



Stanley Subramoney
Group Audit Committee Chairman

4 March 2019

Directors' Report

for the year ended 31 December

Nature of business

Nedbank Group Limited ('Nedbank Group', 'company' or 'group') is a registered bank controlling company that, through its subsidiaries, offers wholesale and retail banking services as well as insurance, asset management and wealth management. 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 18 to 213 of the audited consolidated annual financial statements, which have been prepared under the supervision of Nedbank Group Chief Financial Officer Raisibe Morathi, and audited in compliance with 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.

Integrated report

The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the report and is of the opinion that it addresses all material issues, and fairly presents the integrated performance of the organisation and its impacts.

Year under review

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

Share capital

Details of the authorised and issued share capital, together with details of shares issued during the year, appear in note B4 to the annual financial statements.

American depositary shares

At 31 December 2018 Nedbank Group had 4 694 341 (29 December 2017: 4 198 840) American depositary shares in issue through the Bank of New York Mellon as depositary and trading on over-the-counter (OTC) markets in the United States. Each American depositary share is equal to one ordinary share.

Ownership

Old Mutual Limited (OML) unbundled the majority of its shareholding in Nedbank Group on 15 October 2018 as the final step in the managed separation of the Old Mutual plc group. The OML group has retained (in its shareholder funds) a strategic minority shareholding in Nedbank Group of 19,9% to underpin the ongoing commercial relationship between Nedbank Group and OML. Further details of shareholders appear in note 12 to the separate annual financial statements.

Dividends

The following dividends were declared in respect of the year ended 31 December 2018:

- Interim ordinary dividend of 695 cents per share (2017: 610 cents per share).
- Final ordinary dividend of 720 cents per share (2017: 675 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 D2.

Directors

Biographical details of the current directors appear online at nedbankgroup.co.za. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to them are in the 2018 Remuneration Report, also available at nedbankgroup.co.za.

Details of the members of the board who served during the year and at the reporting date (including changes in directorate that occurred during the period under review) are given below:

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
Hubert Brody	Independent non-executive director	1 July 2017	
Mike Brown	Chief Executive	17 June 2004	
Brian Dames	Independent non-executive director	30 June 2014	
Neo Dongwana	Independent non-executive director	1 June 2017	
Ian Gladman	Non-executive director	7 June 2012	15 October 2018
Bruce Hemphill	Non-executive director	25 November 2015	11 June 2018
Errol Kruger	Independent non-executive director	1 August 2016	
Rob Leith	Non-executive director	13 October 2016, and 1 January 2019	15 October 2018, but subsequently reappointed
Mpho Makwana	Independent non-executive director	17 November 2011	
Linda Makalima (formerly Manzini)	Independent non-executive director	1 June 2017	
Mantsika Matooane	Independent non-executive director	15 May 2014	
Nomavuso Mnxasana	Independent non-executive director	1 October 2008	10 May 2018
Raisibe Morathi	Chief Financial Officer and executive director	1 September 2009	
Peter Moyo	Non-executive director	11 June 2018	
Vassi Naidoo	Chairman	1 May 2015	
Joel Netshitenzhe	Independent non-executive director	5 August 2010	
Mfundo Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
Stanley Subramoney	Independent non-executive director	23 September 2015	
Malcolm Wyman	Lead independent director	1 August 2009	To retire 10 May 2019

Rob Leith was first appointed to the board of Nedbank Group on 13 October 2016, shortly after being appointed as Director of Managed Separation at Old Mutual plc (which was Nedbank Group's ultimate holding company at that time). Rob Leith and Ian Gladman stepped down from the Nedbank Group Board on 15 October 2018 following OML's unbundling of its controlling interest in Nedbank Group through the distribution of approximately 32% of the total issued share capital of Nedbank Group to OML's shareholders, while retaining a strategic minority stake of 19,9% in Nedbank Group through its shareholder funds. These directors' resignations from the board were as a result of the conclusion of this Managed Separation process, and were in accordance with clause 6.1 of the relationship agreement previously concluded between OML and Nedbank Group and published on 20 April 2018 on the Nedbank Group website (www.nedbankgroup.co.za). In terms of the Nedbank Group Board Continuity Programme, the boards had previously identified the need to strengthen the investment banking skills on the boards. Having followed a comprehensive succession process, the boards concluded that Rob Leith's skills and experience in both investment banking and the rest of Africa should be retained and he was reappointed as a non-executive director on 1 January 2019. Having been off the board for less than two months, Rob's tenure on the board continues to be considered from his original date of appointment.

Following Vassi Naidoo's resignation from the Old Mutual Limited board, his designation of non-executive Chairman was changed to Independent Chairman with effect from 1 January 2019.

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

Peter Moyo was appointed by the board of directors after the AGM held on 10 May 2018 and, in terms of the memorandum of incorporation, his appointment terminates at the close of the AGM to be held on 10 May 2019. He is available for election. Similarly, Rob Leith was reappointed to the Nedbank Group Board subsequent to the AGM held on 10 May 2018 and his appointment terminates at the close of the AGM on 10 May 2019. He is also available for election.

Mike Brown, Brian Dames, Vassi Naidoo, and Stanley Subramoney are also required to seek reelection at the AGM, and make themselves available for reelection. Separate resolutions will be submitted for approval at the AGM.

In terms of Nedbank Group policy non-executive directors of Nedbank Group who have served on the board for longer than nine years are required to retire at the conclusion of the first AGM held after the nine-year term, unless agreed to otherwise by the board. Malcolm Wyman, our Lead Independent Director, was appointed to the board on 1 August 2009 and accordingly retires at the close of the Nedbank Group AGM on 10 May 2019. Mpho Makwana has been appointed as the Lead Independent Director with effect from 10 May 2019.

Directors' interests

The directors' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Limited at 31 December 2018 (and any movements therein up to the reporting date) are set out online in the full supplementary 2018 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 5 to 9 and the Group Transformation, Social and Ethics Committee Report appears in the Nedbank Group Limited Integrated Report available at nedbankgroup.co.za.

Company secretary and registered office

Following Thabani Jali's retirement, Jackie Katzin was appointed as Company Secretary on 1 January 2019. The board has satisfied itself that, in respect of the period under review, Thabani Jali was suitably competent, qualified and experienced, and adequately and effectively performed the role and duties of a company secretary. The board conducted a similar assessment of Jackie Katzin prior to approving her appointment and was similarly satisfied with the results thereof. The Company Secretary has direct access to, and ongoing communication with, the Chairman of the board and the Chairman and the Company Secretary meet regularly throughout the year. Jackie Katzin is not a director of the company.

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

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

Property and equipment

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

Political donations

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

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

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

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 Mike Brown) under most circumstances.

Details relating to the service contracts of prescribed officers are incorporated in the full online supplementary 2018 Remuneration Report.

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

Acquisition of shares
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.

On 22 November 2018 shareholders approved a proposed odd-lot offer by Nedbank Group to repurchase all of the Nedbank Group Shares of Shareholders holding less than 100 Nedbank Group Shares at a 5% premium to the 10-day VWAP of a Nedbank Group Share at the close of business on 3 December 2018. In terms of the specific authority granted by shareholders at that general meeting, Nedbank Group repurchased a total of 7 056 639 Nedbank Group ordinary shares, representing 1,41% of the then issued ordinary share capital of Nedbank Group, for a total consideration of R1 950 996 404,94.

Members will be requested to renew the general authority enabling the company or a subsidiary of the company to repurchase shares.

Events after the reporting period
The directors are not aware of any other material events that have occurred between the reporting date and 4 March 2019.

Independent Auditors' Report to the shareholders of Nedbank Group Limited

Report on the audit of the Nedbank Group Limited consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Nedbank Group Limited (the Group and Company) set out on pages 18 to 206 which comprise the consolidated and separate statements of financial position at 31 December 2018, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limited at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in relation to our audit of the separate financial statements.

Key audit matter	How the matter was addressed in the audit
Impairment of loans and advances (Consolidated financial statements)	
Refer to note C2 of the consolidated financial statements for selected disclosures applicable to this matter. Loans and advances, which represent 70,5% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements. The Group adopted IFRS 9 from 1 January 2018 which requires impairment losses to be evaluated on an expected credit loss (ECL) basis. The determination of impairment provisions for expected losses requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 are: **Accuracy of ECL models** The ECL model applies to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), lease receivables and certain loan commitments, as well as financial guarantee contracts. Under IFRS 9 loss allowances are measured on either of the following bases: • 12-month ECLs that result from possible default events within the 12 months after the reporting date. • Lifetime ECLs that result from all possible default events over the expected life of a financial instrument. The Group is required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. Indicators of SICR in the retail portfolio may include short-term forbearance, direct debit cancellation, extension to the terms granted and previous arrears within the past months.	Our response to the key audit matter included performing the following audit procedures: • Identifying relevant controls that address the impairment risks identified and evaluating the design and implementation, and in some cases the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and governance processes over allowances for loan impairments and other credit risk allowances. • To challenge the accuracy of models we: ◦ performed an assessment of changes to definitions and methodologies (at a parameter and ECL calculation level); ◦ re-performed the IFRS 9 model build at a parameter level as well as the assessment of its components, eg probability of default, loss given default, exposure at default, significant increase in credit risk; and ◦ re-performed the ECL, SICR and stage migration calculations. • We challenged the write off point used by management and the adjustments that were recorded to revise write off points for certain portfolios based on historical post write off recovery data. We also challenged key judgements including adjustments to modelled LGDs, discount rates and modification gains or losses. • We evaluated the forward looking models and focused on reviewing the suitability of the macroeconomic scenario forecasts generated as well as any changes made to processes or governance. We tested how scenarios have performed against actuals and how they compare based on our knowledge of the industry.

Independent auditors' report to the shareholders of Nedbank Group Limited continued

Key audit matter	How the matter was addressed in the audit
Impairment of loans and advances (Consolidated financial statements)	
Indicators of a SICR in the wholesale portfolio may include any of the following: significant increase in the credit spread, significant adverse changes in business, financial and/or economic conditions in which the client operates, actual or expected forbearance or restructuring, significant change in collateral value or early signs of liquidity and cashflow problems. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the Group's best available forward-looking information. The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss is low. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cashflows that the group expects to receive). ECLs are discounted at the original effective interest rate of the financial asset. The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The group measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset. The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact of the PD, EAD and LGD vary by financial instrument. The Group's economics unit provides a forecast of economic variables and an overview of the economy quarterly or more often if necessary. Significant judgement and estimates are applied in this process of incorporating forward-looking information into the SICR assessment and ECL calculation. The determination of the loan write-off points for the retail portfolio is subject to judgement. Changes to the write-off points impacts the non-performing loans ratio and resultant expected credit loss.	• We challenged the completeness, accuracy and validity of qualitative adjustments made to model results. In-model adjustments are typically audited through our independent assessment of models as we compare our model output to the final provision incorporating adjustments. • With regard to wholesale portfolio exposures: • We selected a sample of performing loans and advances and performed a detailed independent assessment of the expected credit losses, this included benchmarking internal ratings of loans and advances against external ratings and the ratings produced by a challenger model; • For a sample of loans and advances that had been individually evaluated and impaired, challenged the valuation of impairment losses by developing an independent expectation of the amount of the allowance. This involved challenging the collateral value and assessing the reasonableness of expected cashflows; and • When performing work on the valuation of allowances, considered any collateral held. Where management used specialists to perform the valuations, evaluated their competence, capabilities and objectivity in performing these valuations.
Valuation of financial instruments carried at fair value (Consolidated financial statements)	
Refer to note 12 of the consolidated financial statements for selected disclosures applicable to this matter. At 31 December 2018, financial assets at fair value through profit or loss (FVTPL) represented 13,4% of total assets and financial liabilities at FVTPL of 7,7% of total liabilities. Of the financial instruments (both assets and liabilities) carried at fair value, 5,8% were classified as level 3 in the fair value hierarchy as prescribed by IFRS 13 Fair Value Measurement. Financial instruments that are classified as level 2 or level 3 in the fair value hierarchy will have some element of estimation uncertainty inherent in their value, and the uncertainty is higher for level 3 financial instruments which, by their nature, are unobservable. These portfolios include unlisted equity investments, loans and advances, investment securities and certain derivative financial instruments which are difficult to price as a result of applying highly complex or non-standard valuation models or subjective inputs that are not readily available. This risk applies to both individual financial instruments and also to portfolio valuation adjustments which are applied to adjust portfolios for risks that are not included in the model valuation. These portfolio adjustments are subjective in nature and may rely on inputs that are unobservable.	Our response to the key audit matter included performing the following audit procedures: • As part of the audit, identified relevant controls over valuation of financial instruments carried at fair value and evaluated the design and implementation, and where relevant the operating effectiveness, of these controls. We focused on controls over model governance, independent price verification and the daily profit or loss attribution processes. • Evaluated the models used by management and rates applied at year-end, and used valuation tools to re-perform valuations across a range of financial instruments. • For portfolio valuation adjustments, focused on the appropriateness of any changes made to the valuation methodology and inputs during the year. Additionally, these were benchmarked to current market best practices to assess the appropriateness of the methodologies applied. • For portfolios of loans held at fair value, challenged the key valuation inputs, which included interest rate yield curves and adjustments for liquidity and credit risk.

Key audit matter	How the matter was addressed in the audit
Valuation of financial instruments carried at fair value (Consolidated financial statements)	

In addition certain financial instrument valuation techniques are subject to ever developing market practices which may increase the estimation uncertainty.
 	
As the determination of the fair value of certain financial instruments is a key source of estimation uncertainty, is subject to significant judgement and represents a material balance, this matter was a considered to be a key audit matter in our audit of the consolidated financial statements.
	• For unlisted private equity investments and investment securities, challenged the key inputs and assumptions driving the valuation, and evaluated the models used. Considered sensitivities to key factors including:
	  ◦ evaluated the appropriateness of the pricing multiples available from comparable listed companies, adjusted for comparability differences, size and liquidity; and
	  ◦ Evaluated the reasonability of the cash flows and discount rates used by comparing them to similar financial instruments.
	• Evaluated the disclosures made relating to the valuation of financial instruments in relation to the fair value categorisation and hierarchy, to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by management.
	• Where new valuation methodologies have been applied evaluated whether the model valuation methodologies used for material valuation risks are appropriate, utilising independent valuation experts. Evaluated the appropriateness of key assumptions and observable input sources and, where proxies were used, evaluated the appropriateness of these proxies.

Information technology (IT) environment	
The Group's key financial accounting and reporting processes are highly dependent on the automated controls over the Group's information systems. Significant audit effort is spent on the audit of these systems as part of the audit process, as it is critical for the control environment of the Group and therefore it is seen as a key audit matter. The IT environment is complex and pervasive to operations due to the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls. Gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Group has a Managed Evolution technology project that includes rationalising, standardising and simplifying large IT systems. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors as a result of the introduction of new systems, interfaces between systems and changes to applications and data.	Our response to the key audit matter included performing the following audit procedures, which included the use of IT auditors: • We evaluated the design and tested the operating effectiveness of IT controls over the applications, operating systems and databases that are relevant to financial reporting. • We evaluated user access and segregation of duties and relevant application controls within business processes. This included testing the reliability and continuity of the IT systems, the integrity of system interfaces, the completeness and accuracy of data feeds, automated calculations and specific input controls. • We evaluated and reviewed system migrations and implementation of the related technology changes, including change management controls that were material to financial reporting. Where control deficiencies were identified, we tested remediation activities performed by management and compensating controls in place. • We evaluated the reliability and continuity of the IT systems, to the extent necessary within the scope of our audit. For that purpose we included IT-auditors in our audit team. For relevant IT-dependent controls within the financial reporting process we identified supporting general IT controls and evaluated their design, implementation, and operating effectiveness.

Independent auditors' report to the shareholders of Nedbank Group Limited continued

Other information

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

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

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

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

Responsibilities of the Directors for the consolidated and separate financial statements

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

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

Auditors' responsibilities for the audit of the consolidated and separate financial statements

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

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

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

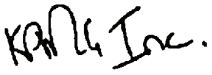
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

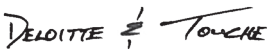
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Group Limited for 45 years and KPMG Inc. has been the auditor of Nedbank Group Limited for 45 years.



KPMG Inc.
Registered Auditor

Per: Pierre Fourie
Chartered Accountant (SA)
Director

4 March 2019



Deloitte & Touche
Registered Auditor

Per: Lito Nunes
Chartered Accountant (SA)
Partner

4 March 2019

Audited consolidated financial statements

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2018	2017 Rm
Interest received on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)	B6.1.1	**75 536**	68 245
Interest received on other financial instruments and similar income	B6.1.1	**405**	7 054
Interest and similar income		**75 941**	75 299
Interest expense and similar charges	B6.1.2	**47 122**	47 675
Net interest income		**28 819**	27 624
Impairments charge on financial instruments	C2.1	**3 688**	3 304
Income from lending activities		**25 131**	24 320
Non-interest revenue	B6.2	**25 976**	24 063
Operating income		**51 107**	48 383
Total operating expenses	B7	**31 632**	29 812
Indirect taxation	B8.1	**942**	1 001
Profit from operations before non-trading and capital items		**18 533**	17 570
Non-trading and capital items	B9	**(164)**	(224)
Profit from operations		**18 369**	17 346
Share of gains/(losses) of associate companies	F2.1	**528**	(838)
Profit before direct taxation		**18 897**	16 508
Direct taxation	B8.2.1	**4 762**	4 209
Profit for the year		**14 135**	12 299
Other comprehensive (losses)/income (OCI) net of taxation	B8.2.3	**(341)**	31
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**449**	(1 046)
Share of OCI of investments accounted for using the equity method		**(318)**	169
Fair-value adjustments on available-for-sale assets			22
Debt investments at FVOCI – net change in fair value		**(20)**	
Items that may not subsequently be reclassified to profit or loss			
(Losses)/Gains on property revaluations		**(91)**	190
Remeasurements on long-term employee benefit assets		**(345)**	387
Share of OCI of investments accounted for using the equity method		**(16)**	309
Total comprehensive income for the year		**13 794**	12 330
Profit attributable to:			
– Ordinary shareholders		**13 376**	11 621
– Holders of preference shares		**323**	338
– Holders of additional tier 1 capital instruments		**267**	252
– Non-controlling interest – ordinary shareholders		**169**	88
Profit for the year		**14 135**	12 299
Total comprehensive income attributable to:			
– Ordinary shareholders		**13 175**	11 625
– Holders of preference shares		**323**	338
– Holders of additional tier 1 capital instruments		**267**	252
– Non-controlling interest – ordinary shareholders		**29**	115
Total comprehensive income for the year		**13 794**	12 330
Basic earnings per share (cents)	B2	**2 768**	2 417
Diluted earnings per share (cents)	B2	**2 712**	2 372

Consolidated statement of financial position

at 31 December

	Notes	2018 Rm	2017 Rm (Restated)[1]	2016 Rm (Restated)[1]
Assets				
Cash and cash equivalents	C6	**13 162**	16 900	26 384
Other short-term securities	C4	**79 362**	92 775	84 679
Derivative financial instruments	C7	**22 692**	29 904	17 633
Government and other securities	C3	**96 791**	49 241	51 048
Loans and advances	C1.1	**736 305**	710 329	707 077
Other assets	H3	**19 836**	14 589	14 077
Current taxation assets		**186**	211	574
Investment securities[1]	F1	**22 404**	19 803	16 582
Non-current assets held for sale	H2	**305**	388	287
Investments in associate companies[1]	F2	**4 041**	3 553	4 210
Deferred taxation assets	B8.3	**254**	189	494
Investment property				22
Property and equipment	G1	**9 371**	8 902	8 969
Long-term employee benefit assets	H1.1	**4 966**	5 924	5 203
Mandatory reserve deposits with central banks	C6	**21 629**	19 222	18 700
Intangible assets	G2	**12 608**	11 384	10 083
Total assets		**1 043 912**	983 314	966 022
Equity and liabilities				
Ordinary share capital	B4.1	**477**	482	478
Ordinary share premium		**17 315**	18 688	18 043
Reserves		**65 986**	62 653	57 212
Total equity attributable to equity holders of the parent		**83 778**	81 823	75 733
Holders of preference shares	B4.2	**3 222**	3 222	3 222
Holders of additional tier 1 capital instruments	B5	**3 397**	2 635	2 000
Non-controlling interest attributable to ordinary shareholders		**874**	859	756
Total equity		**91 271**	88 539	81 711
Derivative financial instruments	C7	**20 003**	23 367	13 296
Amounts owed to depositors	D1	**825 804**	771 584	761 542
Provisions and other liabilities	K1.1	**25 602**	23 292	34 667
Current taxation liabilities		**363**	259	214
Deferred taxation liabilities	B8.3	**669**	761	804
Long-term employee benefit liabilities	H1.1	**2 749**	3 525	3 448
Investment contract liabilities	D3	**20 035**	18 134	15 342
Insurance contract liabilities	D4	**1 829**	2 277	2 922
Long-term debt instruments	D2	**55 587**	51 576	52 076
Total liabilities		**952 641**	894 775	884 311
Total equity and liabilities		**1 043 912**	983 314	966 022

[1] *Refer to note A3: Reclassification.*

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]	Property revaluation reserve[2]
Balance at 31 December 2016	478 388 707	478	18 043	(257)	1 863
Shares issued in terms of employee incentive schemes	2 795 439	3	684		
Additional tier 1 capital instruments issued					
Shares (acquired)/no longer held by group entities and BEE schemes	384 742	1	(39)		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive income for the year				(1 323)	190
Profit attributable to equity holders of the parent and non-controlling interest					
Exchange differences on translating foreign operations				(1 073)	
Fair-value adjustments on available-for-sale assets					
Gains on property revaluations					190
Remeasurements on long-term employee benefit assets					
Share of other comprehensive income of investments accounted for using the equity method				(250)	
Transfer (from)/to reserves					(109)
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2017	481 568 888	482	18 688	(1 580)	1 944
Impact of adopting IFRS 9, net of taxation					
Impact of adopting IFRS 15, net of taxation					
Balance at 1 January 2018	**481 568 888**	**482**	**18 688**	**(1 580)**	**1 944**
Shares issued in terms of employee incentive schemes	**2 130 389**	**2**	**626**		
Repurchase of odd-lot holdings	**(7 056 639)**	**(7)**	**(1 972)**		
Additional tier 1 capital instruments issued					
Shares (acquired)/no longer held by group entities and BEE schemes	**486 097**		**(27)**		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive income for the year				**191**	**(91)**
Profit attributable to equity holders of the parent and non-controlling interest					
Exchange differences on translating foreign operations				**589**	
Movement in fair-value reserve					
Losses on property revaluations					**(91)**
Remeasurements on long-term employee benefit assets					
Share of other comprehensive income of investments accounted for using the equity method				**(398)**	
Transfer (from)/to reserves					**(128)**
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2018	**477 128 735**	**477**	**17 315**	**(1 389)**	**1 725**

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

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

[3] *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

[4] *Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves of R143m (2017: R248m) to comply with various banking regulations. This balance is offset by the difference between the at-acquisition fair value (net basis) and gross value of the Banco Único put option of R223m.*

Reserves									
Share-based payments reserve[3]	Other non-distributable reserves[4]	Available-for-sale reserve[5]	FVOCI reserve[6]	Other distributable reserves[7]	Total equity attributable to equity holders of the parent	Holders of preference shares	Holders of additional tier 1 capital instruments	Non-controlling interest attributable to ordinary shareholders	Total equity
1 330	2	(62)		54 336	75 733	3 222	2 000	756	81 711
					687				687
					–		600		600
				(33)	(71)				(71)
					–	(338)			(338)
					–		(217)		(217)
				(6 080)	(6 080)			(12)	(6 092)
–	–	441	–	12 317	11 625	338	252	115	12 330
				11 621	11 621	338	252	88	12 299
					(1 073)			27	(1 046)
		22			22				22
					190				190
				387	387				387
		419		309	478				478
69	23	5		12	–				–
(65)					(65)				(65)
				(6)	(6)				(6)
1 334	25	384	–	60 546	81 823	3 222	2 635	859	88 539
		(384)	1 004	(3 584)	(2 964)			(14)	(2 978)
				(254)	(254)				(254)
1 334	**25**	**–**	**1 004**	**56 708**	**78 605**	**3 222**	**2 635**	**845**	**85 307**
					628				**628**
					(1 979)				**(1 979)**
					–		**750**		**750**
				(59)	**(86)**				**(86)**
					–	**(323)**			**(323)**
					–		**(255)**		**(255)**
				(6 744)	**(6 744)**				**(6 744)**
–	**–**	**–**	**60**	**13 015**	**13 175**	**323**	**267**	**29**	**13 794**
				13 376	**13 376**	**323**	**267**	**169**	**14 135**
					589			**(140)**	**449**
			(20)		**(20)**				**(20)**
					(91)				**(91)**
				(345)	**(345)**				**(345)**
			80	**(16)**	**(334)**				**(334)**
(4)	**(105)**			**237**	**–**				**–**
177					**177**				**177**
				2	**2**				**2**
1 507	**(80)**	**–**	**1 064**	**63 159**	**83 778**	**3 222**	**3 397**	**874**	**91 271**

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

[6] *This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. The expected credit loss allowance relating to such debt instruments is also recognised in OCI and accumulated in this reserve. When the debt instrument is derecognised the cumulative gain or loss is reclassified from equity to profit or loss. For investments in equity instruments the cumulative gain or loss is not recycled but may be reclassified within equity on derecognition.*

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

All movements are reflected net of taxation.

Consolidated statement of cashflows

for the year ended 31 December

	Notes	2018 Rm	2017 Rm (Restated)[1]
Cash generated by operations	M1	**26 974**	25 351
Cash received from clients	M2	**101 558**	98 607
Cash paid to clients, employees and suppliers	M3	**(76 209)**	(75 199)
Dividends received on investments	M4	**354**	719
Recoveries on loans previously written off		**1 271**	1 224
Change in funds for operating activities		**(12 369)**	(17 407)
Increase in operating assets	M5	**(65 560)**	(26 982)
Increase in operating liabilities	M6	**53 191**	9 575
Net cash from operating activities before taxation		**14 605**	7 944
Taxation paid	M7	**(4 684)**	(4 730)
Cashflows from operating activities		**9 921**	3 214
Cashflows utilised by investing activities		**(6 848)**	(6 119)
Acquisition of property and equipment, computer software and development costs and investment property		**(4 250)**	(3 299)
Disposal of property and equipment, computer software and development costs and investment property		**16**	4
Disposal of investment banking assets		**5**	36
Acquisition of associate companies[1]		**(548)**	
Acquisition of investment securities[1]		**(2 754)**	(6 853)
Disposal of investment securities[1]		**683**	3 993
Cashflows utilised by financing activities		**(4 012)**	(5 946)
Proceeds from issue of ordinary shares		**542**	616
Repurchase of odd-lot holdings		**(1 979)**	
Issue of additional tier 1 capital instruments		**750**	600
Issue of long-term debt instruments	D2.1	**9 504**	7 540
Redemption of long-term debt instruments	D2.1	**(5 495)**	(8 067)
Dividends paid to ordinary shareholders		**(6 744)**	(6 080)
Preference share dividends paid		**(323)**	(338)
Additional tier 1 capital instruments interest paid		**(267)**	(217)
Effects of exchange rate changes on opening cash and cash equivalents		**(392)**	(111)
Net decrease in cash and cash equivalents		**(1 331)**	(8 962)
Cash and cash equivalents at the beginning of the year[2]		**36 122**	45 084
Cash and cash equivalents at the end of the year[2]	C6	**34 791**	36 122

[1] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated. An amount of R1 575m, previously disclosed under acquisition of private-equity associates, associate companies and joint arrangements, have been reclassified to acquisition of investment securities and an amount of R582m, previously disclosed under disposal of private-equity associates, associate companies and joint arrangements, have been reclassified to disposal of investment securities.*

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

Notes to the annual financial statements

for the year ended 31 December

SECTION A: ACCOUNTING POLICIES

A1 Principal accounting policies

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

A1.1 Basis of preparation

The financial statements have been prepared on a going-concern basis. With the exception of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers (effective on 1 January 2018) and the change in accounting policy for investments in associate companies in the separate financial statements, these financial statements have been prepared on a basis consistent with the prior year. The amendments to standards not yet effective at 1 January 2018, except IFRS 16: Leases and IFRS 17: Insurance Contracts, are not expected to have a significant impact on implementation. During the year the group has complied with externally imposed capital requirements (refer to the Risk and Balance Sheet Management Review available at nedbank.co.za for further information).

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

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Group Limited, together with its subsidiaries, including consolidated structured entities and associates, presented as a single entity (the group). The financial information presented in the separate financial statements comprises that of the parent company, Nedbank Group Limited (the company). The financial statements of the group and company are presented in SA rand, the functional currency of the company, and are rounded to the nearest million rands.

A1.2 Accounting policy elections

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

Asset/Liability	Option	Election and implication	Note/ Section
Property and equipment	• International Accounting Standard (IAS) 16 permits the use of the cost or revaluation model for the subsequent measurement of property and equipment (choice per category).	• Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. • Revaluation surpluses are recognised in equity, through other comprehensive income. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income. • Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation.	G1
Investment in venture capital divisions	• IAS 28 provides an exemption from applying the equity method of accounting if an investment in an associate is held by, or indirectly through, a venture capital organisation.	• From 1 July 2018, the Investment Committee has elected to apply the equity method of accounting to Investment Banking's private-equity associates and joint-venture entities. As this election is made on an asset-by-asset basis on initial recognition, private-equity associates and joint-venture entities for which the FVTPL election was made prior to 1 July 2018 remain at FVTPL. In addition, Property Partners' private-equity associates and joint-venture entities continue to be measured at FVTPL.	F2
Financial instruments	• IFRS 9 permits trade date or settlement date accounting for the regular-way purchase or sale of financial assets.	• Regular-way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	I
Investments in subsidiaries and associate companies in separate financial statements	• In terms of IAS 27, investments in subsidiaries and associate companies can be accounted for in the separate financial statements at cost, or in accordance with IFRS 9, or in terms of IAS 28.	• The group has elected to recognise investments in subsidiary companies at cost in the separate financial statements. • The group has elected to change its accounting policy for investments in associate companies in the separate financial statements to recognise these investments in terms of IAS 28, ie using the equity method of accounting. Refer to note A3 for further details.	F

A2 Change in accounting policies: financial instruments

IFRS 9: Financial Instruments (IFRS 9) was issued in July 2014 and has replaced IAS 39: Financial Instruments: Recognition and Measurement (IAS 39). The standard was effective and implemented by the group from 1 January 2018. This standard incorporates amendments to the classification and measurement of financial instruments [see part (ii)], hedge accounting guidance and the accounting requirements for the impairment of financial assets measured at amortised cost and FVOCI [see part (iii)]. The group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

IFRS 15 replaces all existing revenue recognition requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments.

For notes disclosures the consequential amendments to IFRS 7: Financial Instruments: Disclosures have also been applied only to the current period. Notes disclosures for the comparative period repeat those disclosures made in the previous year. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the group.

The group's approach to transition is discussed and the resultant net impact on opening reserves on 1 January 2018 is provided in part (i).

(i) Transition approach

As permitted by the transitional provisions of IFRS 9, the group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition have been recognised in the opening retained earnings and other reserves at 1 January 2018. The following table illustrates the impact on opening reserves on transition to IFRS 9. Further information relating to this impact is provided in part (ii) and part (iii).

Rm	Balance at 31 December 2017	IFRS 9 transitional adjustments	IFRS 15 transitional adjustments	Adjusted balance at 1 January 2018
Ordinary share capital and share premium	19 170			**19 170**
Retained earnings	60 546	(3 584)	(254)	**56 708**
Other reserves	2 107	620		**2 727**
Total equity attributable to equity holders of the parent	81 823	(2 964)	(254)	**78 605**
Holders of preference shares	3 222			**3 222**
Non-controlling interest attributable to holders of additional tier 1 capital instruments	2 635			**2 635**
Non-controlling interest attributable to ordinary shareholders	859	(14)		**845**
Total equity	88 539	(2 978)	(254)	**85 307**

The group has concluded that the loyalty points awarded to clients are consideration payable in terms of IFRS 15 guidance. IFRS 15 requires revenue to be decreased by the amount expected to be payable to clients, which is recognised as a liability until payment is affected. Under IFRS 15, as clients earn loyalty points, the fee and commission income (NIR) earned from card transactions is reduced by the expected cost of the loyalty points against a loyalty points liability. On redemption of the loyalty points the actual costs incurred are offset against the liability. Under IAS 18 costs of our rewards programme were previously recognised as an expense and recognition of deferred NIR, whereas they are now recognised as a reduction in NIR.

As required by IFRS 15 because the group has applied the standard retrospectively from 1 January 2018, the following financial statement line items have been impacted when compared with IAS 18 and IFRIC 13:

	As reported 2018 (IFRS 15)	Adjustments	Applying IAS 18
Non-interest revenue	25 976	308	26 284
Total operating expenses	(31 632)	(259)	(31 891)
Direct taxation	(4 762)	(14)	(4 776)
Profit for the year	14 135	35	14 170

The table above reflects the difference in treatment of loyalty points between IFRS 15 and IAS 18, including measurement differences.

A2 Change in accounting policies: financial instruments continued

(ii) Classification and measurement of financial instruments continued

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are as follows:

Rm	Carrying amount 31 December 2017	IFRS 9: ECL remeasure-ment	IFRS 9: Classification and measurement
Amortised cost	731 952	(2 785)	54
FVTPL	201 036		(258)
Available for sale	19 775		
Non-financial assets	30 551	855	60
Total assets	983 314	(1 930)	(144)
Financial liabilities at amortised cost	759 004	205	(112)
FVTPL	127 369		
Non-financial liabilities	8 402		31
Equity	88 539	(2 135)	(63)
Total equity and liabilities	983 314	(1 930)	(144)

The following table illustrates the original assessment categories under IAS 39, the new measurement categories under IFRS 9 for each class of the group's financial assets at 1 January 2018 and the reclassifications between the IAS 39 measurement categories and the IFRS 9 measurement categories:

Rm	Carrying amount 31 December 2017 (Restated)[1]	IFRS 9: ECL remeasure-ment	IFRS 9: Classification and measurement
Financial assets			
Cash and cash equivalents	16 900	(1)	
Other short-term securities	92 775	(8)	
Derivative financial instruments	29 904		
Government and other securities	49 241	(8)	39
Loans and advances	710 329	(2 752)	(504)
Other assets	14 589	(16)	
Investment securities	19 803		261
Investments in associate companies	3 553		
Mandatory reserve deposits with central banks	19 222		
Current and deferred taxation assets	400	855	60
Other non-financial assets	26 598		
Total assets	983 314	(1 930)	(144)
Financial liabilities			
Derivative financial instruments	23 367		
Amounts owed to depositors	771 584		(112)
Provisions and other liabilities	23 292	205	
Investment contract liabilities	18 134		
Long-term debt instruments	51 576		
Current and deferred taxation liabilities	1 020		31
Other non-financial liabilities	5 802		
Equity	88 539	(2 135)	(63)
Total equity and liabilities	983 314	(1 930)	(144)

[1] *Refer to note A3: Reclassification.*

[2] *Macro fair-value hedge accounting solution – The implementation of IFRS 9 allowed Nedbank to change the accounting designation of assets and liabilities previously designated as FVTPL to amortised cost, which facilitated the implementation of macro fair-value hedge accounting. On initial application of IFRS 9 on 1 January 2018 Nedbank elected to revoke the existing designation of R72bn of loans classified in FVTPL and R60bn of deposits and long-term debt classified in FVTPL under the fair-value option of IAS 39 and reclassified the underlying assets and liabilities in amortised cost.*

IFRS 9: ETI	IFRS 15: Revenue	Carrying amount 1 January 2018	IFRS 9 measurement categories					Non-financial assets, liabilities and equity
			Amortised cost	FVOCI		FVTPL		
				Debt instruments	Equity instruments	Mandatory at fair value	Designated as fair value	
		729 221	**705 638**	**18 583**		**5 000**		
		200 778	**72 231**			**124 764**	**3 783**	
		19 775	**3 454**	**14 263**	**923**	**1 135**		
(780)		**30 686**						**30 686**
(780)	–	**980 460**	**781 323**	**32 846**	**923**	**130 899**	**3 783**	**30 686**
		759 097	**759 097**					
		127 369	**59 655**			**67 406**	**308**	
	254	**8 687**						**8 687**
(780)	(254)	**85 307**						**85 307**
(780)	–	**980 460**	**818 752**	**–**	**–**	**67 406**	**308**	**93 994**

IFRS 9: ETI	IFRS 15: Revenue	Carrying amount 1 January 2018	IFRS 9 reclassification to:					Non-financial assets, liabilities and equity
			Amortised cost[2]	FVOCI		FVTPL		
				Debt instruments[3]	Equity instruments	Mandatory at fair value[4]	Designated as fair value	
		16 899	**16 899**					
		92 767	**26 105**	**14 264**		**51 907**	**491**	
		29 904				**29 904**		
		49 272	**37 314**			**11 835**	**123**	
		707 073	**666 899**	**18 582**		**21 592**		
		14 573	**14 573**					
		20 064	**311**		**923**	**15 661**	**3 169**	
(780)		**2 773**						**2 773**
		19 222	**19 222**					
		1 315						**1 315**
		26 598						**26 598**
(780)	–	**980 460**	**781 323**	**32 846**	**923**	**130 899**	**3 783**	**30 686**
		23 367				**23 367**		
		771 472	**752 816**			**18 452**	**204**	
	347	**23 844**	**14 464**			**7 453**		**1 927**
		18 134				**18 134**		
		51 576	**51 472**				**104**	
	(93)	**958**						**958**
		5 802						**5 802**
(780)	(254)	**85 307**						**85 307**
(780)	–	**980 460**	**818 752**	**–**	**–**	**67 406**	**308**	**93 994**

[3] *Held for distribution (FVOCI) – As CIB strategically moves to increase its originate-to-distribute business model to enhance ROE and NIR, R17,8bn of loans and advances will be classified in FVOCI in terms of the IFRS 9 business model requirements. Inclusive of transitional fair-value adjustment of R820m the portfolio has a carrying value of R18,6bn.*

[4] *Fair value through profit or loss (FVTPL) – Altogether R887m of gross loans and advances and associated impairments of R474m were reclassified from amortised cost in FVTPL, because these loans include features other than 'payments solely of principal and interest'. A total of R2bn of loans and advances at amortised cost was included in a portfolio that has a sales business objective (at 1 January 2018) and reclassified to mandatory at fair value.*

A2 Change in accounting policies: financial instruments continued

(ii) Classification and measurement of financial instruments continued

The following table illustrates the IFRS 9 classification and measurement transitional impact:

	Hedge accounting[1]	FVOCI business model[2]	FVTPL business model and contractual cashflows[3]	Review of effective interest rate guidance[4]	Classification and measurement
Assets					
Cash, government and other securities, and derivative financial instruments	39				39
Loans and advances	(297)	820	(369)	(658)	(504)
Current and deferred taxation assets	72	(227)	31	184	60
Investment securities			261		261
Total assets	(186)	593	(77)	(474)	(144)

[1] *Macro fair-value hedge accounting solution – Nedbank's decision to revoke the FVTPL classification on 1 January 2018 increased government and other securities by R39m, decreased loans and advances by R297m and decreased amounts due to depositors by R112m. Nedbank implemented macro fair-value hedge accounting for fixed-rate exposures (loans and advances, bonds and deposits) that are centrally risk-managed with interest rate derivatives from 1 January 2018.*

[2] *Held for distribution (FVOCI) – The transitional fair-value adjustment of R820m increases the portfolio to a carrying value of R18,6bn. The fair value of these loans is calculated using an income approach, which discounts the contractual cashflows using market-derived discount curves adjusted for the lifetime ECLs using the IFRS 9 impairment models.*

[3] *Held for sale (FVTPL) – The loans with features other than 'payments solely of principal and interest' were reclassified in investment securities and remeasured to fair value on transition, which was R152m lower than the amortised cost. The loans with a sales business model objective have been reclassified in FVTPL on adoption of IFRS 9, together with the associated impairments of R71m. On reclassification the fair value was R44m higher than the amortised cost.*

[4] *Review of effective interest rate guidance – On adoption of IFRS 9 the group reviewed a number of accounting policies, including those on the effective interest rate and the derecognition of loans and advances and modification thereof. As a result of the review, the group determined that the judgement applied under IAS 39 and IAS 18 to recognise certain initiation fees upfront in NIR was no longer appropriate. Therefore, the group changed the recognition of these initiation fees from upfront recognition in non-interest revenue to amortisation in interest income, using the effective-interest-rate method. On adoption of IFRS 9 and IFRS 15 the cumulative impact of the change in effective interest rate is R658m (before tax) and R474m (after tax). The group assessed whether this change in judgement was a prior-period error and whether it should be corrected retrospectively as IAS 8 requires material prior-period errors to be corrected restrospectively from the earliest period presented. The group determined that the retrospective correction of the recognition of the initiation fees upfront is immaterial with respect to prior-period loans and advances of R710bn, interest income of R75bn, non-interest revenue of R24bn and the related year-on-year growth rates.*

	Hedge accounting[1]	FVOCI business model[2]	FVTPL business model and contractual cashflows[3]	Review of effective interest rate guidance[4]	Classification and measurement
Total equity	(105)	593	(77)	(474)	(63)
Amounts owed to depositors and other liabilities	(112)				(112)
Current and deferred taxation liabilities	31				31
Total liabilities	(81)	–	–	–	(81)
Total liabilities and equity	(186)	593	(77)	(474)	(144)

[1] *Macro fair-value hedge accounting solution – Nedbank's decision to revoke the FVTPL classification on 1 January 2018 increased government and other securities by R39m, decreased loans and advances by R297m and decreased amounts due to depositors by R112m. Nedbank implemented macro fair-value hedge accounting for fixed-rate exposures (loans and advances, bonds and deposits) that are centrally risk-managed with interest rate derivatives from 1 January 2018.*

[2] *Held for distribution (FVOCI) – The transitional fair-value adjustment of R820m increases the portfolio to a carrying value of R18,6bn. The fair value of these loans is calculated using an income approach, which discounts the contractual cashflows using market-derived discount curves adjusted for the lifetime ECLs using the IFRS 9 impairment models.*

[3] *Held for sale (FVTPL) – The loans with features other than 'payments solely of principal and interest' were reclassified in investment securities and remeasured to fair value on transition, which was R152m lower than the amortised cost. The loans with a sales business model objective have been reclassified in FVTPL on adoption of IFRS 9, together with the associated impairments of R71m. On reclassification the fair value was R44m higher than the amortised cost.*

[4] *Review of effective interest rate guidance – On adoption of IFRS 9 the group reviewed a number of accounting policies, including those on the effective interest rate and the derecognition of loans and advances and modification thereof. As a result of the review, the group determined that the judgement applied under IAS 39 and IAS 18 to recognise certain initiation fees upfront in NIR was no longer appropriate. Therefore, the group changed the recognition of these initiation fees from upfront recognition in non-interest revenue to amortisation in interest income, using the effective-interest-rate method. On adoption of IFRS 9 and IFRS 15 the cumulative impact of the change in effective interest rate is R658m (before tax) and R474m (after tax). The group assessed whether this change in judgement was a prior-period error and whether it should be corrected retrospectively as IAS 8 requires material prior-period errors to be corrected restrospectively from the earliest period presented. The group determined that the retrospective correction of the recognition of the initiation fees upfront is immaterial with respect to prior-period loans and advances of R710bn, interest income of R75bn, non-interest revenue of R24bn and the related year-on-year growth rates.*

A2 Change in accounting policies: financial instruments continued

(iii) Impairments

The following table illustrates the closing specific and portfolio impairment allowances in terms of IAS 39 and the opening impairment allowances in terms of IFRS 9:

	IAS 39 impairment provisions at 31 December 2017		
Rm	**Portfolio impairment**	**Specific impairment**	**Total IAS 39 provision**
Financial assets			
Loans and advances	4 921	7 081	12 002
Home loans	469	1 269	1 738
Commercial mortgages	495	319	814
Properties in possession		27	27
Credit cards	140	1 245	1 385
Overdrafts	144	596	740
Other loans to clients	2 149	2 404	4 553
Net finance lease and instalment debtors	1 434	1 209	2 643
Preference shares and debentures	90	12	102
Cash and cash equivalents			–
Other short-term securities			–
Government and other securities			–
Other assets			–
Financial liabilities			
Provisions and other liabilities			–
Total	4 921	7 081	12 002
Total ECL on FVOCI loans and advances			–
Total ECL allowance per statement of financial position			–
Total	–	–	–

	IFRS 9 ECL provision at 1 January 2018					
	Reclassification in FVTPL	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 1 January 2018	ECL impact
	(545)	2 693	3 821	7 695	14 209	(2 752)
		274	639	1 505	2 418	(680)
		314	210	320	844	(30)
		2	1	25	28	
		421	509	1 236	2 166	(781)
		131	144	602	877	(137)
	(501)	845	1 410	2 433	4 688	(636)
		680	855	1 574	3 109	(466)
	(44)	26	53		79	(21)
		1			1	(1)
		7	1		8	(8)
		8			8	(8)
		15	1		16	(16)
						(1)
		82	63	60	205	(205)
	(545)	2 806	3 886	7 755	14 447	(2 990)
		23	144		167	
		2 783	3 742	7 755	14 280	
	–	2 806	3 886	7 755	14 447	–

A3 Reclassification

During the year the group restated prior-year information. The impact of the relevant restatements on the group's statement of financial position is detailed below:

	2017			2016		
Rm	Restated	Restate-ment	As previously reported	Restated	Restate-ment	As previously reported
Assets						
Cash and cash equivalents	16 900		16 900	26 384		26 384
Other short-term securities	92 775		92 775	84 679		84 679
Derivative financial instruments	29 904		29 904	17 633		17 633
Government and other securities	49 241		49 241	51 048		51 048
Loans and advances	710 329		710 329	707 077		707 077
Other assets	14 589		14 589	14 077		14 077
Current taxation assets	211		211	574		574
Investment securities[1]	19 803	3 169	16 634	16 582	2 357	14 225
Non-current assets held for sale	388		388	287		287
Investments in associate companies[1]	3 553	(3 169)	6 722	4 210	(2 357)	6 567
Deferred taxation assets	189		189	494		494
Investment property			–	22		22
Property and equipment	8 902		8 902	8 969		8 969
Long-term employee benefit assets	5 924		5 924	5 203		5 203
Mandatory reserve deposits with central banks	19 222		19 222	18 700		18 700
Intangible assets	11 384		11 384	10 083		10 083
Total assets	983 314	–	983 314	966 022	–	966 022
Equity and liabilities						
Ordinary share capital	482		482	478		478
Ordinary share premium	18 688		18 688	18 043		18 043
Reserves	62 653		62 653	57 212		57 212
Total equity attributable to equity holders of the parent	81 823	–	81 823	75 733	–	75 733
Holders of preference shares	3 222		3 222	3 222		3 222
Non-controlling interest attributable to holders of additional tier 1 capital instruments	2 635		2 635	2 000		2 000
Non-controlling interest attributable to ordinary shareholders	859		859	756		756
Total equity	88 539	–	88 539	81 711	–	81 711
Derivative financial instruments	23 367		23 367	13 296		13 296
Amounts owed to depositors	771 584		771 584	761 542		761 542
Provisions and other liabilities	23 292		23 292	34 667		34 667
Current taxation liabilities	259		259	214		214
Deferred taxation liabilities	761		761	804		804
Long-term employee benefit liabilities	3 525		3 525	3 448		3 448
Investment contract liabilities	18 134		18 134	15 342		15 342
Insurance contract liabilities	2 277		2 277	2 922		2 922
Long-term debt instruments	51 576		51 576	52 076		52 076
Total liabilities	894 775	–	894 775	884 311	–	884 311
Total equity and liabilities	983 314	–	983 314	966 022	–	966 022

[1] *During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated by R3 169m (2016: R2 357m). The investments in private-equity associates, associate companies and joint arrangements were renamed investments in associate companies. The reclassification had no impact on the group's statement of comprehensive income and statement of changes in equity or on the group's basic and diluted earnings per share.*

A4 Key assumptions concerning the future and key sources of estimation

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

A5 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the group. The group's assessment of the impact of the new standards can be found in the following notes:

- IFRS 16: Leases (refer to note K3)
- IFRS 17: Insurance Contracts (refer to note D4).

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

SECTION B: SEGMENTAL AND PERFORMANCE-RELATED INFORMATION

B1 Segmental reporting

Accounting policy

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

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

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

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

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

Description of segments

Nedbank Corporate and Investment Banking

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

Nedbank Retail and Business Banking

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

Nedbank Wealth

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

B1 Segmental reporting continued

Description of segments continued

Nedbank Rest of Africa

Nedbank Rest of Africa is responsible for the group's banking operations and expansion activities in the rest of Africa and has client-facing subsidiaries (retail and wholesale banking) in Lesotho, Malawi, Namibia, Swaziland, Mozambique and Zimbabwe. The division also holds the 21,2% investment in ETI, manages the Ecobank—Nedbank Alliance and facilitates investments in other countries in Africa.

Centre

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

	Total		Nedbank Corporate and Investment Banking	
	2018	2017	**2018**	2017
Statement of financial position (Rm)				
Assets				
Cash and cash equivalents	**34 791**	36 122	**4 719**	5 025
Other short-term securities	**79 362**	92 775	**53 946**	60 750
Derivative financial instruments	**22 692**	29 904	**22 653**	29 840
Government and other securities	**96 791**	49 241	**51 131**	21 312
Loans and advances	**736 305**	710 329	**358 639**	356 029
Other assets	**73 971**	64 943	**16 719**	14 676
Intergroup assets	**–**	–		
Total assets	**1 043 912**	983 314	**507 807**	487 632
Equity and liabilities				
Total equity	**91 271**	88 539	**33 555**	30 437
Derivative financial instruments	**20 003**	23 367	**19 986**	23 236
Amounts owed to depositors	**825 804**	771 584	**348 310**	338 792
Provisions and other liabilities	**51 247**	48 248	**15 878**	11 690
Long-term debt instruments	**55 587**	51 576	**979**	1 350
Intergroup liabilities	**–**	–	**89 099**	82 127
Total equity and liabilities	**1 043 912**	983 314	**507 807**	487 632

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Rest of Africa		Centre[1]	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
3 105	3 692	**1 562**	2 354	**5 615**	6 791	**19 790**	18 260
		18 833	16 652	**4 776**	4 383	**1 807**	10 990
		6	1	**10**	39	**23**	24
				668	493	**44 992**	27 436
326 763	305 198	**31 111**	29 413	**21 037**	20 541	**(1 245)**	(852)
10 762	6 078	**19 630**	18 412	**4 915**	5 240	**21 945**	20 537
14 984	11 257			**497**		**(15 481)**	(11 257)
355 614	326 225	**71 142**	66 832	**37 518**	37 487	**71 831**	65 138
28 471	27 812	**4 225**	3 885	**6 812**	6 445	**18 208**	19 960
		5	2	**12**	3		126
322 520	295 294	**39 495**	35 081	**29 472**	28 129	**86 007**	74 288
3 534	1 798	**24 764**	23 016	**894**	1 034	**6 177**	10 710
1 089	1 321			**328**	223	**53 191**	48 682
		2 653	4 848		1 653	**(91 752)**	(88 628)
355 614	326 225	**71 142**	66 832	**37 518**	37 487	**71 831**	65 138

B1 Segmental reporting continued

	Total		Nedbank Corporate and Investment Banking	
	2018	2017	**2018**	2017
Statement of comprehensive income (Rm)				
Net interest income	**28 819**	27 624	**7 246**	7 216
Impairments charge on financial instruments	**3 688**	3 304	**103**	193
Income from lending activities	**25 131**	24 320	**7 143**	7 023
Non-interest revenue	**25 976**	24 063	**8 521**	7 164
Operating income	**51 107**	48 383	**15 664**	14 187
Total operating expenses	**31 632**	29 812	**6 572**	6 044
Indirect taxation	**942**	1 001	**86**	83
Profit from operations[2]	**18 533**	17 570	**9 006**	8 060
Share of profits/(losses) of associate companies	**528**	(838)	**(83)**	(96)
Profit/(Loss) before direct taxation[2]	**19 061**	16 732	**8 923**	7 964
Direct taxation[2]	**4 807**	4 267	**2 197**	1 665
Profit/(Loss) after direct taxation[2]	**14 254**	12 465	**6 726**	6 299
Profit attributable to non-controlling interest:				
– Ordinary shareholders	**169**	88	**12**	(16)
– Preference shareholders	**323**	338		
– Additional tier 1 capital instrument noteholders	**267**	252		
Headline earnings/(loss)	**13 495**	11 787	**6 714**	6 315
Selected ratios				
Average interest-earning banking assets (Rm)[3]	**790 376**	763 112	**341 863**	340 065
Return on total assets (%)[3]	**1,33**	1,22	**1,36**	1,31
Return on ordinary shareholders' equity (%)[3]	**16,8**	15,3	**20,0**	20,7
Net interest income to average interest-earning banking assets (%)[3]	**3,65**	3,62	**2,12**	2,12
Non-interest revenue to total income (%)	**47,4**	46,6	**54,0**	49,8
Non-interest revenue to total operating expenses (%)	**82,1**	80,7	**129,7**	118,5
Credit loss ratio – banking advances (%)[3]	**0,53**	0,49	**0,04**	0,06
Efficiency ratio (%)	**57,2**	58,6	**41,9**	42,3
Effective taxation rate (%)	**25,2**	25,5	**24,6**	20,9
Revenue (Rm)[4]	**54 795**	51 687	**15 767**	14 380
Contribution to group economic profit (Rm)[3]	**2 868**	1 695	**1 976**	2 039
Number of employees (permanent staff)[3]	**30 877**	31 531	**2 681**	2 756

[1] *Includes all group eliminations.*

[2] *These items are presented on a headline earnings basis and therefore exclude the impact of non-trading and capital items.*

[3] *This metric has not been audited by the group's external auditors.*

[4] *Revenue is calculated as net interest income plus non-interest revenue.*

Depreciation costs of R1 512m (2017: R1 409m) and amortisation costs of R1 033m (2017: R879m) 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.

Due to the group's strategic investment in ETI being in an associate company that the group does not control, the group's managed operations exclude ETI-related assets, funding, equity-accounted earnings and associated after-tax funding costs. The chief operating decisionmaker therefore separately reviews the performance of the group's managed operations and, on this basis, the total assets are R1 040 667m (2017: R979 994m), total liabilities are R950 406m (2017: R892 919m), revenue is R55 118m (2017: R52 008m) and headline earnings are R13 119m (2017: R12 762m). ETI forms part of the Nedbank RoA segment, the segmental information of which on a managed-operations basis includes total assets of R34 273m (2017: R34 167m), total liabilities of R28 471m (2017: R29 186m), revenue of R3 156m (2017: R2 792m) and headline earnings of R326m (2017: R165m).

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Rest of Africa		Centre[1]	
2018	2017	**2018**	2017	**2018**	2017	**2018**	**2017**
18 692	17 790	**1 113**	1 003	**1 627**	1 474	**141**	141
3 433	3 222	**39**	26	**113**	213		(350)
15 259	14 568	**1 074**	977	**1 514**	1 261	**141**	491
12 591	12 312	**3 484**	3 390	**1 206**	997	**174**	200
27 850	26 880	**4 558**	4 367	**2 720**	2 258	**315**	691
20 032	19 136	**3 012**	2 880	**2 416**	2 200	**(400)**	(448)
275	302	**108**	117	**37**	40	**436**	459
7 543	7 442	**1 438**	1 370	**267**	18	**279**	680
				611	(742)		
7 543	7 442	**1 438**	1 370	**878**	(724)	**279**	680
2 114	2 082	**305**	302	**23**	(18)	**168**	236
5 429	5 360	**1 133**	1 068	**855**	(706)	**111**	444
				153	104	**4**	
50	58					**273**	280
						267	252
5 379	5 302	**1 133**	1 068	**702**	(810)	**(433)**	(88)
328 676	306 225	**48 216**	46 639	**30 998**	29 369	**40 623**	40 814
1,58	1,68	**1,69**	1,62	**1,79**	(2,23)		
18,9	19,1	**26,8**	27,5	**10,3**	(12,6)		
5,69	5,81	**2,31**	2,15	**5,25**	5,02		
40,2	40,9	**75,8**	77,2	**42,6**	40,3		
62,9	64,3	**115,7**	117,7	**49,9**	45,3		
1,06	1,06	**0,13**	0,09	**0,52**	1,02		
64,0	63,6	**65,5**	65,6	**70,2**	127,2		
28,0	28,0	**21,2**	22,0	**2,6**	2,5		
31 283	30 102	**4 597**	4 393	**2 833**	2 471	**315**	341
1 359	1 394	**536**	522	**(259)**	(1 715)	**(744)**	(545)
19 430	20 081	**2 173**	2 231	**2 617**	2 545	**3 976**	3 918

B2 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**
2018				
Profit attributable to equity holders of the parent (Rm)	**13 376**	**13 376**	**13 376**	**13 376**
Adjusted for:				
– Non-trading and capital items (note B9)			**164**	**164**
– Taxation on non-trading and capital items (note B8.2.1)			**(45)**	**(45)**
Adjusted profit attributable to equity holders of the parent (Rm)	**13 376**	**13 376**	**13 495**	**13 495**
Weighted-average number of ordinary shares	**483 240 926**	**483 240 926**	**483 240 926**	**483 240 926**
Adjusted for:				
– Share schemes that have a dilutive effect		**9 918 265**		**9 918 265**
Adjusted weighted-average number of ordinary shares	**483 240 926**	**493 159 191**	**483 240 926**	**493 159 191**
Earnings per share (cents)	**2 768**	**2 712**	**2 793**	**2 736**
2017				
Profit attributable to equity holders of the parent (Rm)	11 621	11 621	11 621	11 621
Adjusted for:				
– Non-trading and capital items (note B9)			224	224
– Taxation on non-trading and capital items (note B8.2.1)			(58)	(58)
Adjusted profit attributable to equity holders of the parent (Rm)	11 621	11 621	11 787	11 787
Weighted-average number of ordinary shares	480 755 231	480 755 231	480 755 231	480 755 231
Adjusted for:				
– Share schemes that have a dilutive effect		9 231 135		9 231 135
Adjusted weighted-average number of ordinary shares	480 755 231	489 986 366	480 755 231	489 986 366
Earnings per share (cents)	2 417	2 372	2 452	2 406

The diluted-earnings-per-share calculations are based on the group's daily average share price of 27 017 cents (2017: 22 428 cents).

B3 Dividends

B3.1 Ordinary shares

	Last day to trade (cum dividend)	Cents per share	Rm
2018			
Final declared for 2017 – paid 2018	**3 April 2018**	**675**	**3 347**
Interim declared for 2018	**4 September 2018**	**695**[1]	**3 397**
Ordinary dividends paid 2018			**6 744**
Final ordinary dividend declared for 2018		**720**[1]	

[1] *Total dividend declared for 2018 was 1 415 cents per share and the dividend cover ratio equalled 1,97 times.*

2017			
Final declared for 2016 – paid 2017	10 April 2017	630	3 109
Interim declared for 2017	5 September 2017	610[2]	2 971
Ordinary dividends paid 2017		1 240	6 080
Final ordinary dividend declared for 2017		675[2]	

[2] *Total dividend declared for 2017 was 1 285 cents per share and the dividend cover ratio equalled 1,91 times.*

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

B3.2 Non-controlling interest – preference shareholders

Dividends declared	Number of shares	Cents per share	Amount Rm
2019			
Nedbank – Final (dividend no 32) declared for 2018 – payable March 2019	**358 277 491**	**42,23172**	**151,3**
2018			
Nedbank – Final (dividend no 30) declared for 2017 – paid March 2018	**358 277 491**	**43,17350**	**154,7**
Nedbank – Interim (dividend no 31) declared for 2018 – paid August 2018	**358 277 491**	**41,82076**	**149,8**
Total of dividends declared			**304,5**
Nedbank (MFC) – participating preference shares[1]			**50,0**
Less: Dividends declared in respect of shares held by group entities			**(31,7)**
			322,8
2017			
Nedbank – Final (dividend no 28) declared for 2016 – paid April 2017	358 277 491	43,98905	157,6
Nedbank – Interim (dividend no 29) declared for 2017 – paid September 2017	358 277 491	43,39039	155,5
Total of dividends declared			313,1
Nedbank (MFC) – participating preference shares[1]			58,0
Less: Dividends declared in respect of shares held by group entities			(32,6)
			338,5

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

B4 Share capital

Accounting policy

Share capital

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

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

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

Distributions to holders of equity instruments are recognised as distributions in the statement of changes in equity in the period in which they are payable. Dividends for the year that are declared after the reporting date are disclosed in note B3 to the financial statements.

Treasury shares

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

B4 Share capital continued

B4.1 Ordinary share capital

	2018 Rm	2017 Rm
Authorised		
600 000 000 (2017: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
493 182 664 (2017: 498 108 914) fully paid ordinary shares of R1 each	**493**	498
Treasury shares arising from share repurchases by subsidiaries of 16 053 929 (2017: 16 540 026) fully paid ordinary shares of R1 each	**(16)**	(16)
	477	482

Subject to the restrictions imposed by the Companies Act, 71 of 2008 and by shareholders in terms of the resolution passed at 2018 AGM, 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).

As part of the group's repurchase of odd-lot holdings 7 056 639 shares were repurchased at a price of R274,47 per share during December 2018. After the specific repurchase the shares were delisted, cancelled and reinstated as authorised but unissued shares. Included in the repurchase of odd-lot holdings are incremental costs of the repurchase of R28m.

B4.2 Preference share capital and premium

	2018 Rm	2017 Rm
Nedbank Limited preference share capital and premium		
Authorised		
1 000 000 000 (2017: 1 000 000 000) non-redeemable non-cumulative, non-participating preference shares of R0,001 each	**1**	1
5 000 class A redeemable cumulative preference shares of R0,0001 each	**[1]**	[1]
5 000 class B redeemable cumulative preference shares of R0,0001 each	**[1]**	[1]
Issued		
358 277 491 (2017: 358 277 491) non-redeemable non-cumulative, non-participating 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	**3 222**	3 222
	3 222	3 222

[1] *Represents amounts less than R1m.*

The preference shares are classified as equity instruments.

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 to reduce 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.

B5 Holders of additional tier 1 capital instruments

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

Instrument code	Date of issue	Call date	Instrument terms	2018 Rm	2017 Rm
Subordinated					
Callable notes (rand-denominated)					
NEDT1A[1]	20 May 2016	21 May 2021	3-month JIBAR + 7,00% per annum	**1 517**	1 517
NEDT1B[1]	25 November 2016	26 November 2021	3-month JIBAR + 6,25% per annum	**505**	505
NGLT1A	30 June 2017	1 July 2022	3-month JIBAR + 5,65% per annum	**613**	613
NGLT1B	19 October 2018	20 October 2023	3-month JIBAR + 4,64% per annum	**762**	
Total				**3 397**	2 635

[1] *These instruments were issued by a subsidiary of the group, Nedbank Limited, and are therefore classified as a non-controlling interest.*

The AT 1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Group Limited or Nedbank Limited, from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. The holders of the additional tier 1 capital instrument notes are allocated their share of equity on a time-proportionate basis. In addition, if certain conditions are reached, the regulator may prohibit Nedbank from making interest payments. Accordingly the instruments are classified as equity instruments and disclosed as part of the non-controlling shareholders.

B6 Revenue

Accounting policy

Interest income and expense

In terms of IFRS 9 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.

IFRS 15 Revenue from Contracts with Customers

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

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

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

The group has concluded that the loyalty points awarded to clients are consideration payable to our clients' customers in terms of IFRS 15. IFRS 15 requires revenue to be decreased by the amount expected to be payable to clients, which is recognised as a liability until payment is effected. The liability for the amount expected to be paid to clients under the loyalty programme increases by R353m on transition and R254m on an after-tax basis.

B6 Revenue continued

Accounting policy continued

IFRS 15 Revenue from Contracts with Customers continued

- Revenue
  The group assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS 15. If so, the revenue will be recognised only when the group can:
  - identify the contract;
  - identify the performance obligation;
  - determine the transaction price; and
  - recognise the revenue as and when the performance obligation is satisfied.

The group is able to identify the contract when both the client and the group have accepted the terms of the agreement. The contract will also identify all the services (performance obligations) the group will render to the client. Based on this, the transaction price is allocated to each identified performance obligation. The group recognises the revenue once the performance obligation is satisfied, which may occur over time or at a point in time.

- Commission and fees income
  The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:
  - Income earned on the execution of a significant performance obligation is recognised when the significant performance obligation has been performed.
  - Income earned from the provision of services is recognised over time as the performance obligation is fulfilled.
  - 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 in terms of IFRS 9.
  - Fees charged for servicing a loan are recognised in revenue as the performance obligation is provided, which in most instances occurs monthly when the fees are levied.
- Principal vs agent
  When the group acts as a principal, it is deemed to be purchasing and selling financial instruments on its own behalf and therefore reports profits and losses as part of net trading income. When the group acts as an agent, the net commission or markup earned is reported as fee income, and costs incurred on behalf of the principal are not reported in the statement of comprehensive income.

  Where costs are not directly reimbursed, or not included in the cost basis used for calculating a markup, it may be appropriate to gross up and separately report the costs within commission and fees expense.
- Directly attributable and incremental costs
  The types of expenses that are netted off against non-interest revenue are those incremental costs that are directly attributable to the revenue generated. The group defines incremental expenses as those that would not have been incurred had it not been for the acquisition of a contract that generated the revenue.
- Commitment fees
  The group typically earns commitment fees on lending facilities, such as credit facility fees and revolving-credit-facility fees. The fees are typically charged for making the facilities available to the client.

  The group recognises commitment fees as follows:
  - Commitment fees that arise from instruments that are not classified and measured at FVTPL, ie financial instruments that are classified and measured at amortised cost or FVOCI –
    - Where drawdown is unlikely, ie remote or uncertain, the related commitment fees should be recognised as revenue in terms of IFRS 15 on a time-proportionate basis and over the period that the facility is provided.
    - Where drawdown is probable, the related commitment fee is recognised as part of the effective interest rate over the life of the facility.
  - Commitment fees that relate to a loan commitment that is measured and classified as FVTPL will be included in the cash flows used to determine the fair value of the loan commitment.
- Non-refundable upfront fees
  - Non-refundable upfront fees normally relate to the issuing or administration of a loan facility. These fees will be recognised as revenue when the performance obligation is satisfied. This is applicable when the non-refundable performance obligation can be satisfied over time or at a point in time.
  - To apply this principle the group first assesses if the contract is satisfied over time. Should this be the case, the revenue is spread over the period of the contract on a time proportionate basis. If the performance obligation is not satisfied over time and instead satisfied at a point in time, the revenue is recognised when the service is complete and no further performance obligations are required according to the contract.
  - The group recognises non-refundable upfront fees that are an integral part of a loan in net interest income through the unwinding of the effective interest rate.

- Insurance income
  Insurance income comprises premiums written on insurance contracts entered into during the year, with the earned portion of premiums received recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Premiums are disclosed gross of commission payable and reinsurance premiums. Claims incurred consist of claims and claims-handling expenses paid during the financial year for the movement in provision for outstanding claims. Outward reinsurance premiums are accounted for in the same accounting period as premiums for the related direct insurance.
- Dividend income
  Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income under non-interest revenue.
- Net trading income
  Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.
- Revenue on investment management contracts
  Fees charged for investment management services in conjunction with investment management contracts are recognised as revenue over time when the performance obligation is fulfilled. 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.
- Other
  Exchange and securities trading income, from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction can be measured reliably. It is probable that the economic benefits of the transaction will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

B6.1 Net interest income

B6.1.1 Interest and similar income

	2018 Rm	2017 Rm
Home loans (including properties in possession)	**14 314**	14 073
Commercial mortgages	**15 581**	15 234
Finance lease and instalment debtors	**13 099**	12 211
Credit cards	**2 461**	2 314
Overdrafts	**2 081**	2 087
Term and other loans	**15 982**	18 135
Personal loans	**4 764**	4 716
Government and other securities	**4 388**	3 009
Short-term funds and securities	**3 271**	3 520
	75 941	75 299
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments at amortised cost	**75 031**	68 245
– Interest and similar income from financial instruments at FVOCI	**505**	
– Interest and similar income from financial instruments at FVTPL	**405**	7 054
	75 941	75 299

B6 Revenue continued

B6.1 Net interest income continued

B6.1.2 Interest expense and similar charges

	2018 Rm	2017 Rm
Deposit and loan accounts	**28 469**	27 925
Current and savings accounts	**1 016**	1 004
Negotiable certificates of deposit	**8 236**	7 809
Other interest-bearing liabilities	**4 285**	5 409
Long-term debt instruments	**5 116**	5 528
	47 122	47 675
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments at amortised cost	**47 110**	42 863
– Interest expense and similar charges from financial instruments at FVTPL	**12**	4 812
	47 122	47 675

B6.2 Non-interest revenue

	2018 Rm	2017 Rm
Commission and fees income[2]	**21 697**	20 225
Administration fees	**1 203**	1 151
Card income	**5 710**	5 556
Cash-handling fees	**1 056**	968
Exchange commission	**554**	501
Guarantee income	**275**	253
Insurance commission[3]	**780**	748
Other commission	**4 673**	3 948
Other fees	**3 098**	2 953
Service charges	**4 348**	4 147
Commission and fees expense	**(3 418)**	(3 054)
Administration fees	**(2)**	(12)
Card income	**(2 054)**	(1 855)
Insurance commission	**(236)**	(239)
Other commission	**(687)**	(370)
Other fees	**(434)**	(576)
Service charges	**(5)**	(2)
Insurance income (note B6.2.2)[3]	**1 859**	1 750
Fair-value adjustments (note B6.2.1)	**(2)**	106
Fair-value adjustments	**(30)**	(29)
Hedged-accounted portfolios	**28**	
Fair-value adjustments – own debt	**[1]**	135
Net trading income	**4 429**	3 900
Foreign exchange	**1 460**	1 378
Debt securities	**2 482**	2 158
Equities	**445**	325
Commodities	**42**	39
Private-equity income	**697**	708
Realised gains, interest and other income	**524**	413
Unrealised losses	**(157)**	(405)
Dividends received	**330**	700
Investment income	**29**	54
Dividends received on investments	**24**	18
Long-term-asset sales	**5**	36
Net sundry income	**685**	374
Rents received	**50**	47
Rental income from properties in possession	**[1]**	[1]
Other sundry income	**635**	327
	25 976	24 063

[1] *Represents amounts less than R1m.*

[2] *Commission and fees income includes R1 990m (2017: R2 170m) related to trust and fiduciary fees.*

[3] *During 2018 management reclassified certain internal insurance commission allocations earned by Nedbank Retail and Business Banking previously reported as part of commission and fee income to insurance income to ensure that the amount is appropriately eliminated against the cost recognised in Nedbank Wealth. Comparative figures have been restated accordingly (R184m).*

B6 Revenue continued

B6.2 Non-interest revenue continued

B6.2.1 Analysis of fair-value adjustments

	2018 Rm	2017 Rm
Fair-value adjustments can be analysed as follows:		
– Held for trading		(716)
– Financial assets designated as FVTPL	**65**	822
– Financial assets mandatorily at fair value	**(5)**	
– Financial liabilities designated as FVTPL	**(62)**	
	(2)	106

B6.2.2 Insurance income

Insurance contract income	**1 768**	1 620
Net insurance premium income	**3 056**	2 865
Gross premiums received[1]	**3 255**	3 108
Reinsurance premiums	**(199)**	(243)
Net insurance claims and benefits	**(1 661)**	(1 892)
Gross claims and benefits paid[1]	**(1 756)**	(2 005)
Reinsurance recoveries	**95**	113
Net commission and administration fees paid[1]	**(264)**	(243)
Investment income	**153**	250
Changes in insurance contracts[1]	**484**	640
Investment contract expense	**91**	130
Investment income	**318**	350
Changes in investment contracts	**(227)**	(220)
	1 859	1 750

[1] *During 2018 management reclassified certain internal insurance commission allocations earned by Nedbank Retail and Business Banking previously reported as part of commission and fee income to insurance income to ensure that the amount is appropriately eliminated against the cost recognised in Nedbank Wealth. Comparative figures have been restated accordingly (R184m).*

B7 Total operating expenses

	2018 Rm	2017 Rm
Staff costs	**17 450**	16 530
Remuneration and other staff costs	**14 487**	13 553
Short-term incentives	**2 625**	2 389
Long-term employee benefits (note H1.1)[1]	**(400)**	(1)
Share-based payments expense – employees	**738**	589
Computer processing	**4 341**	3 893
Depreciation of computer equipment	**753**	727
Amortisation of computer software	**958**	793
Operating lease charges for computer equipment	**336**	400
Development costs	**187**	176
Other computer processing expenses[2]	**2 107**	1 797
Communication and travel	**841**	842
Depreciation of vehicles	**8**	8
Other communication and travel expenses	**833**	834
Occupation and accommodation	**2 416**	2 329
Depreciation of owner-occupied land and buildings	**423**	408
Operating lease charges for land and buildings	**914**	866
Other occupation and accommodation expenses	**1 079**	1 055
Marketing and public relations	**1 532**	1 695
Fees and assurances	**3 989**	3 585
Auditors' remuneration	**195**	196
Statutory audit – current year	**163**	144
Non-audit services – interim reviews		10
– other services	**32**	42
Other fees and assurance costs[2]	**3 794**	3 389
Furniture, office equipment and consumables	**644**	593
Depreciation of furniture and other equipment	**328**	266
Operating lease charge for furniture and other equipment	**14**	14
Other office equipment and consumables	**302**	313
Other operating expenses	**419**	345
Amortisation of intangible assets	**75**	86
BBBEE share-based payments expenses	**3**	2
Other sundries	**341**	257
	31 632	29 812

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

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

[2] *During the year management reclassified interbank fees from other computer processing expenses to other fees and assurance costs to appropriately reflect the nature of these expenses. As a result R308m previously included in other computer processing expenses have been reclassified to be included in other fees and assurance costs.*

B8 Taxation

Accounting policy

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

Current taxation

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

Deferred taxation

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

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

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

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

B8.1 Indirect taxation

	2018 Rm	2017 Rm
Value-added taxation[1]	**730**	778
Transaction-based taxes	**212**	223
	942	1 001

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

B8.2 Direct taxation

B8.2.1 Charge for the year

SA normal taxation:		
– Current charge	**4 353**	4 129
– Capital gains taxation – deferred	**41**	(47)
– Deferred taxation	**75**	(115)
Foreign taxation	**438**	309
Current and deferred taxation on income	**4 907**	4 276
Prior-year overprovision	**(100)**	(9)
Total taxation on income	**4 807**	4 267
Taxation on non-trading and capital items	**(45)**	(58)
	4 762	4 209

	2018 Rm	2017 Rm
B8.2.2 Taxation rate reconciliation		
Standard rate of SA normal taxation	**28,0**	28,0
Non-taxable income	**(1,4)**	(3,4)
Share of profits of associate companies	**(0,9)**	1,2
Capital items	**(0,1)**	0,3
Foreign income and section 9D attribution	**(0,6)**	(0,8)
Non-deductible expenses	**0,7**	0,3
Prior-year overprovision	**(0,5)**	(0,1)
Effective taxation rate	**25,2**	25,5

B8.2.3 Income tax recognised in other comprehensive income

Rm	Gross	Taxation	Net of taxation
2018			
Exchange differences on translating foreign operations	**449**		**449**
Share of OCI of investments accounted for using the equity method	**(318)**		**(318)**
Debt investments at fair value through OCI (FVOCI) – net change in fair value	**(26)**	**6**	**(20)**
Remeasurements on long-term employee benefit assets	**(480)**	**135**	**(345)**
Gains on property revaluations	**(112)**	**21**	**(91)**
2017			
Exchange differences on translating foreign operations	(1 046)		(1 046)
Share of OCI of investments accounted for using the equity method	169		169
Fair-value adjustments on available-for-sale assets	30	(8)	22
Remeasurements on long-term employee benefit assets	533	(146)	387
Gains on property revaluations	262	(72)	190

B8.2.4 Future taxation relief

The group has estimated taxation losses of R410m (2017: R609m) that can be set off against future taxable income, of which R154m (2017: R309m) has been applied to the deferred taxation balance.

	2018 Rm	2017 Rm
B8 Taxation continued		
B8.3 Deferred taxation		
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred taxation assets		
— Deferred taxation assets to be recovered after more than 12 months	**254**	189
	254	189
Deferred taxation liabilities		
— Deferred taxation liabilities to be recovered after more than 12 months	**(669)**	(761)
	(669)	(761)
Net deferred taxation liabilities	**(415)**	(572)
The gross movement on the deferred income taxation account, is as follows:		
— Balance at the beginning of the year	**(572)**	(310)
— Statement of comprehensive income charge	**(37)**	41
— Tax charge/(credit) relating to components of other comprehensive income	**162**	(226)
— Tax (credit)/charge directly to equity	**88**	4
— Foreign exchange differences		(3)
— Reclassification between taxation types and categories	**(56)**	(78)
Balance at the end of the year	**(415)**	(572)

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

Deferred taxation assets	Credit impairments	Deferred revenue	Medical aid	Provisions	Taxation losses	Total
Balance at 31 December 2016	1 491	286	221	645	93	2 736
Charged/(Credited) to the income statement	58	(89)	32	203		204
Credited to other comprehensive income			(39)			(39)
Reclassification between taxation types and categories				(126)		(126)
Foreign exchange differences	(1)	1				–
Balance at 31 December 2017	**1 548**	**198**	**214**	**722**	**93**	**2 775**
Charged/(Credited) to the income statement	**(192)**	**19**	**(21)**	**723**	**(50)**	**479**
Charged to other comprehensive income			**100**			**100**
Charged/(Credited) directly to equity	**178**	**186**		**(136)**		**228**
Reclassification between taxation types and categories			**(214)**	**(212)**		**(426)**
Balance at 31 December 2018	**1 534**	**403**	**79**	**1 097**	**43**	**3 156**

B8 Taxation continued

B8.3 Deferred taxation continued

Deferred taxation liabilities	Accelerated asset allowances	Property revaluations	Deferred acquisition costs
Balance at 31 December 2016	(552)	(632)	(499)
(Credited)/Charged to the income statement	(41)		(96)
Credited to other comprehensive income		(72)	
(Credited)/Charged directly to equity			
Reclassification between tax types and categories	15	35	
Foreign exchange differences			
Balance at 31 December 2017	**(578)**	**(669)**	**(595)**
(Credited)/(Charged) to the income statement	**(376)**		**(107)**
(Credited)/Charged to other comprehensive income		**21**	
Charged/(Credited) directly to equity		**42**	
Reclassification between tax types and categories			
Balance at 31 December 2018	**(954)**	**(606)**	**(702)**

B9 Non-trading and capital items

Accounting policy

Profit from operations before non-trading and capital items

Non-trading and capital items and fair-value adjustments of investment properties are separately disclosed on the face of the statement of comprehensive income, being remeasurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 4/2018: Headline Earnings. The principal items that will be included under these measures are gains and losses on sale of subsidiaries and available-for-sale financial assets, gains and losses on sale of property and equipment, impairment of property, equipment and intangible assets and fair-value adjustments of investment properties (other than those arising from the investment properties held by the group's life insurance subsidiaries).

	2018		2017	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary equity holders of the parent		**13 376**		11 621
Non-trading and capital items	**164**	**119**	224	166
IAS 16 loss on disposal of property and equipment	**29**	**21**	47	35
IAS 36 impairment of property, equipment and intangible assets	**135**	**98**	163	117
IAS 39 profit on sale of available-for-sale financial assets			14	14
Headline earnings		**13 495**		11 787

Pension fund	Capital investments	Share-based payments	Available for sale	FVOCI	Acquired intangible assets	Total
(708)	(176)	(94)	(70)		(315)	(3 046)
(52)	1	2	(3)		26	(163)
(107)			(8)			(187)
		(46)	50			4
	(3)		1			48
					(3)	(3)
(867)	**(178)**	**(138)**	**(30)**	**–**	**(292)**	**(3 347)**
(42)	**(21)**	**11**			**19**	**(516)**
35				**6**		**62**
		43	**30**	**(255)**		**(140)**
214					**156**	**370**
(660)	**(199)**	**(84)**	**–**	**(249)**	**(117)**	**(3 571)**

SECTION C: CORE BANKING ASSETS

Accounting policy

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

C1 Loans and advances

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

C1.1 Categories of loans and advances

	2018 (IFRS 9) Rm	2017 (IAS 39) Rm
Mortgage loans	**322 635**	311 467
Home loans	**156 414**	149 891
Commercial mortgages	**166 221**	161 576
Net finance lease and instalment debtors (note C1.4)	**121 003**	112 141
Gross investment	**156 351**	143 875
Unearned finance charges	**(35 348)**	(31 734)
Credit cards	**16 608**	15 801
Other loans and advances	**291 547**	282 922
Properties in possession	**152**	155
Overdrafts	**22 587**	19 039
Personal loans	**22 219**	20 041
Term and other loans[1]	**191 125**	160 162
Overnight loans	**14 616**	21 165
Foreign client lending	**10 902**	20 948
Preference shares and debentures	**15 312**	18 654
Factoring accounts	**5 815**	5 461
Deposits placed under reverse repurchase agreements	**8 758**	17 279
Trade, other bills and bankers' acceptances	**13**	18
Fair-value hedge-accounted portfolios	**48**	
	751 793	722 331
Impairment of loans and advances (note C2)	**(15 488)**	(12 002)
	736 305	710 329
Comprises:		
Loans and advances to clients	**736 971**	701 836
Loans and advances to banks	**14 822**	20 495
	751 793	722 331

[1] *The balances previously presented as other term loans, other loans and remittances in transit have been aggregated in term and other loans.*

See note C1.7 for a breakdown of loans and advances by operating segment.

	2018 (IFRS 9) Rm	2017 (IAS 39) Rm
C1.2 Sectoral analysis		
Individuals	**283 244**	264 007
Financial services, insurance and real estate	**210 590**	210 172
Banks	**14 822**	20 495
Manufacturing	**60 863**	56 550
Building and property development	**10 721**	9 650
Transport, storage and communication	**34 815**	35 539
Retailers, catering and accommodation	**7 848**	9 453
Wholesale and trade	**28 256**	27 263
Mining and quarrying	**34 934**	28 039
Agriculture, forestry and fishing	**8 111**	5 738
Government and public sector	**11 830**	11 614
Other services	**45 759**	43 811
	751 793	722 331
C1.3 Geographical analysis		
SA	**664 782**	655 194
Rest of Africa	**43 157**	34 103
Europe	**33 976**	25 227
Asia	**7 220**	5 827
United States of America	**668**	436
Other	**1 990**	1 544
	751 793	722 331

C1.4 Net finance lease and instalment debtors

	2018 (IFRS 9)			2017 (IAS 39)		
Rm	Gross	Unearned finance charges	Net	Gross	Unearned finance charges	Net
No later than one year	**33 436**	**(7 494)**	**25 942**	33 230	(7 234)	25 996
Later than one year and no later than five years	**104 800**	**(23 719)**	**81 081**	96 446	(21 319)	75 127
Later than five years	**18 115**	**(4 135)**	**13 980**	14 199	(3 181)	11 018
	156 351	**(35 348)**	**121 003**	143 875	(31 734)	112 141

C1 Loans and advances continued

C1.5 Classification of loans and advances

The following table represents loans and advances at amortised cost and FVOCI (debt):

	Total	
Rm	**2018 (IFRS 9)**	**2017 (IAS 39)**
Mortgage loans	**318 225**	311 467
Net finance lease and instalment debtors	**121 003**	112 141
Credit cards	**16 608**	15 801
Properties in possession	**152**	155
Overdrafts	**22 587**	19 039
Personal, term and other loans[1]	**213 808**	201 151
Overnight loans	**14 616**	21 165
Preference shares and debentures	**15 154**	18 654
Factoring accounts	**5 815**	5 461
Deposits placed under reverse repurchase agreements	**–**	17 279
Trade, other bills and bankers' acceptances	**13**	18
Fair-value hedge-accounted portfolios	**55**	–
	728 036	722 331

[1] *The balances previously presented as term loans and other loans to clients have been aggregated in personal, term and other loans.*

Defaulted loans and advances – not impaired

Stage 3/Defaulted loans and advances – impaired

Subject to 12-month expected credit losses (stage 1)	Neither past due nor impaired	Subject to lifetime expected credit losses (stage 2) – not credit-impaired	Past due but not individually impaired	Subject to lifetime expected credit losses (stage 3) – credit-impaired	Defaulted
2018 (IFRS 9)	**2017 (IAS 39)**	**2018 (IFRS 9)**	**2017 (IAS 39)**	**2018 (IFRS 9)**	**2017 (IAS 39)**
272 858	292 755	**35 434**	10 212	**9 933**	8 500
99 599	101 931	**16 437**	6 385	**4 967**	3 825
13 384	13 099	**1 419**	1 235	**1 805**	1 467
				152	155
17 864	17 215	**3 463**	790	**1 260**	1 034
192 370	194 121	**14 728**	2 495	**6 710**	4 535
13 759	21 165	**857**			
14 658	18 654	**142**		**354**	
5 611	5 208	**154**	194	**50**	59
	17 279				
13	18				
55					
630 171	681 445	**72 634**	21 311	**25 231**	19 575
					849
				25 231	18 726
				25 231	19 575

C1 Loans and advances continued

C1.6 Credit quality of loans and advances

	Total		NGR 1–12	
Rm	**2018**	2017	**2018**	2017
Subject to 12-month expected credit losses (stage 1) (IFRS 9)/ Neither past due nor impaired (IAS 39)	**630 171**	681 445	**265 612**	306 086
Mortgage loans	**272 858**	292 755	**99 929**	118 736
Net finance lease and instalment debtors	**99 599**	101 931	**4 064**	3 478
Credit cards	**13 384**	13 099	**1 705**	1 639
Overdrafts	**17 864**	17 215	**4 304**	4 015
Personal, term and other loans[2]	**192 370**	194 121	**133 723**	128 375
Overnight loans	**13 759**	21 165	**10 507**	18 038
Preference shares and debentures	**14 658**	18 654	**9 990**	15 755
Factoring accounts	**5 611**	5 208	**1 378**	616
Deposits placed under reverse repurchase agreements	**–**	17 279		15 434
Trade, other bills and bankers' acceptances	**13**	18	**12**	
Fair-value hedge-accounted portfolios	**55**	–		
Subject to lifetime expected credit losses (stage 2) – not credit-impaired (IFRS 9)/Past due but not individually impaired (IAS 39)	**72 634**	21 311	**8 851**	63
Mortgage loans	**35 434**	10 212	**2 942**	48
Net finance lease and instalment debtors	**16 437**	6 385	**49**	
Credit cards	**1 419**	1 235	**1**	8
Overdrafts	**3 463**	790	**172**	5
Personal, term and other loans[2]	**14 728**	2 495	**5 070**	2
Overnight loans	**857**	–	**538**	
Preference shares and debentures	**142**	–	**79**	
Factoring accounts	**154**	194		
Subject to lifetime expected credit losses (stage 3) – credit-impaired (IFRS 9)/Defaulted (IAS 39)	**25 231**	19 575	**–**	–
Mortgage loans	**9 933**	8 500		
Net finance lease and instalment debtors	**4 967**	3 825		
Credit cards	**1 805**	1 467		
Properties in possession	**152**	155		
Overdrafts	**1 260**	1 034		
Personal, term and other loans[2]	**6 710**	4 535		
Preference shares	**354**	–		
Factoring accounts	**50**	59		
Total loans and advances	**728 036**	722 331	**274 463**	306 149
Provision for impairment of off-balance-sheet items[3]	**210**	–	**26**	–
Subject to 12-month expected credit losses (stage 1) (IFRS 9)	**91**	–	**20**	
Subject to lifetime expected credit losses (stage 2) – not credit-impaired (IFRS 9)	**59**	–	**6**	
Subject to lifetime expected credit losses (stage 3) – credit-impaired (IFRS 9)	**60**	–		
Total credit quality	**728 246**	722 331	**274 489**	306 149

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

[2] *The balances previously presented as term loans and other loans to clients have been aggregated in personal, term and other loans.*

[3] *Provision for impairment of off-balance-sheet items includes the ECL allowance recognised with respect to financial guarantees and loan commitments (R169m), credit balances and zero balances of the various loans and advances products.*

NGR 13–20		NGR 21–25		NP 1–3		Unrated[1]	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
327 443	322 284	**22 428**	35 217	**–**	2	**14 688**	17 856
160 307	159 493	**6 067**	8 316		2	**6 555**	6 208
88 961	81 878	**4 537**	14 362			**2 037**	2 213
8 567	8 216	**3 022**	3 173			**90**	71
11 887	11 551	**191**	266			**1 482**	1 383
45 812	50 737	**8 534**	8 997			**4 301**	6 012
3 082	2 956	**3**	103			**167**	68
4 668	998						1 901
4 159	4 592	**74**					
	1 845						
	18					**1**	
						55	
26 486	2 251	**36 732**	17 746	**–**	83	**571**	1 168
12 331	1 615	**19 968**	8 293			**193**	256
5 438	288	**10 866**	5 901		64	**84**	132
132	108	**1 282**	1 097		19	**4**	3
2 378	47	**851**	671			**62**	67
5 905	193	**3 614**	1 590			**145**	710
196		**40**				**83**	
63							
43		**111**	194				
–	–	**–**	–	**23 977**	18 549	**1 254**	1 026
				9 547	7 962	**386**	538
				4 854	3 735	**113**	90
				1 794	1 457	**11**	10
				91	31	**61**	124
				1 065	925	**195**	109
				6 222	4 380	**488**	155
				354			
				50	59		
353 929	324 535	**59 160**	52 963	**23 977**	18 634	**16 513**	20 050
87	–	**26**	–	**66**	–	**5**	–
49		**13**		**6**		**3**	
38		**13**				**2**	
				60			
354 016	324 535	**59 186**	52 963	**24 043**	18 634	**16 518**	20 050

C1 Loans and advances continued

C1.6 Credit quality of loans and advances continued

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

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

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

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

NP 1–3: Represents clients who have defaulted. Refer to note C2.6 for the group's definition of 'default'.

C1.7 Segmental analysis

	Total		Nedbank Corporate and Investment Banking	
Rm	**2018 (IFRS 9)**	2017 (IAS 39)	**2018 (IFRS 9)**	2017 (IAS 39)
Mortgage loans	**322 635**	311 467	**134 995**	133 174
Home loans	**156 414**	149 891	**11**	5
Commercial mortgages	**166 221**	161 576	**134 984**	133 169
Net finance lease and instalment debtors	**121 003**	112 141	**2 170**	2 694
Credit cards	**16 608**	15 801		
Other loans and advances	**291 547**	282 922	**223 077**	222 361
Properties in possession	**152**	155	**2**	
Overdrafts	**22 587**	19 039	**3 594**	3 248
Personal loans	**22 219**	20 041		
Term and other loans[1]	**191 125**	160 162	**172 558**	143 485
Overnight loans	**14 616**	21 165	**12 644**	19 458
Foreign client lending	**10 902**	20 948	**10 451**	20 451
Preference shares and debentures	**15 312**	18 654	**15 077**	18 438
Factoring accounts	**5 815**	5 461		
Deposits placed under reverse repurchase agreements	**8 758**	17 279	**8 758**	17 279
Trade, other bills and bankers' acceptances	**13**	18		2
Macro fair-value hedge-accounted portfolios	**48**	–	**(7)**	
Loans and advances before impairments	**751 793**	722 331	**360 242**	358 229
Impairment of advances	**(15 488)**	(12 002)	**(1 603)**	(2 200)
Total loans and advances	**736 305**	710 329	**358 639**	356 029
Comprises:				
– Loans and advances to clients	**736 971**	701 836	**348 974**	339 968
– Loans and advances to banks	**14 822**	20 495	**11 268**	18 261
Loans and advances before impairments	**751 793**	722 331	**360 242**	358 229
– Banking book	**728 395**	690 975	**336 844**	326 873
– Trading book	**23 398**	31 356	**23 398**	31 356
Loans and advances before impairments	**751 793**	722 331	**360 242**	358 229

[1] *The balances previously presented as other term loans, other loans and remittances in transit have been aggregated in term and other loans.*

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Rest of Africa		Centre	
2018 (IFRS 9)	2017 (IAS 39)	**2018 (IFRS 9)**	2017 (IAS 39)	**2018 (IFRS 9)**	2017 (IAS 39)	**2018 (IFRS 9)**	2017 (IAS 39)
153 928	146 482	**25 983**	24 502	**8 195**	7 954	**(466)**	(645)
133 163	128 161	**17 068**	15 793	**6 672**	6 170	**(500)**	(238)
20 765	18 321	**8 915**	8 709	**1 523**	1 784	**34**	(407)
116 229	106 152	**68**	74	**2 914**	3 221	**(378)**	
16 501	15 719			**107**	82		
52 836	45 796	**5 247**	4 957	**10 623**	9 862	**(236)**	(54)
68	74	**22**	25	**60**	56		
14 809	12 443	**174**	133	**4 010**	3 215		
20 005	18 125		2	**2 214**	1 914		
10 680	8 525	**4 892**	4 661	**3 287**	3 570	**(292)**	(79)
1 220	968			**752**	739		
163	145			**288**	352		
76	55	**159**	136				25
5 815	5 461						
				12	16	**1**	
						55	
339 494	314 149	**31 298**	29 533	**21 839**	21 119	**(1 080)**	(699)
(12 731)	(8 951)	**(187)**	(120)	**(802)**	(578)	**(165)**	(153)
326 763	305 198	**31 111**	29 413	**21 037**	20 541	**(1 245)**	(852)
339 501	314 104	**28 096**	27 647	**21 491**	20 827	**(1 091)**	(710)
(7)	45	**3 202**	1 886	**348**	292	**11**	11
339 494	314 149	**31 298**	29 533	**21 839**	21 119	**(1 080)**	(699)
339 494	314 149	**31 298**	29 533	**21 839**	21 119	**(1 080)**	(699)
339 494	314 149	**31 298**	29 533	**21 839**	21 119	**(1 080)**	(699)

C2 Impairments charge on financial instruments

Credit risk

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

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

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

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

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

Key assumptions concerning the future and key sources of estimation

Allowances for loan impairment and other credit risk provisions

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

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

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified as stage 1 and has its credit continuously monitored by the group.
- Where a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to stage 2, but not yet deemed to be credit-impaired. Note C2.5 describes how the group determines when a significant increase in credit risk has occurred.
- Where the financial instrument is credit-impaired, the financial instrument is moved to stage 3. Note C2.6 describes how the group defines 'credit-impaired' and 'default'.
- Financial instruments in stage 1 have their ECLs measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments at stages 2 and 3 have their ECLs measured based on ECLs on a lifetime basis. Refer to note C2.8 for a description of inputs, assumptions and estimation techniques used in measuring the ECLs.
- A pervasive concept in measuring the ECLs in accordance with IFRS 9 is that forward-looking information should be considered. Note C2.7 includes an explanation of how the group has incorporated this in the ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECLs are measured on a lifetime basis.

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

C2.1 Movement in impairments charge on financial instruments

Rm	2018 (IFRS 9)
Balance at the beginning of the year	**14 447**
Stage 1 ECL allowance	**2 806**
Stage 2 ECL allowance	**3 886**
Stage 3 ECL allowance	**7 755**
Statement of comprehensive income charge net of recoveries	**3 688**
Stage 1 ECL allowance	**174**
Stage 2 ECL allowance	**(64)**
Stage 3 ECL allowance	**3 600**
Non-loans and advances	**5**
Off-balance-sheet allowance	**(27)**
Adjusted for:	**(2 290)**
– Recoveries	**1 271**
– Interest in suspense	**434**
– Amounts written off/Other transfers	**(3 995)**
Closing balance	**15 845**
Stage 1 ECL allowance	**2 889**
Stage 2 ECL allowance	**3 587**
Stage 3 ECL allowance	**9 369**
Split by measurement category	**15 845**
Loans and advances	**15 488**
Loans and advances at FVOCI	**122**
Non-loans and advances	**25**
Off-balance-sheet allowance	**210**

C2 Impairments charge on financial instruments continued

C2.2 Impairments charge on loans and advances by classification

	Balance at the beginning of the year Rm	Impairments charge/ (release) Rm	Amounts written off against the impairment/ Other transfers Rm	Total Rm
Total impairment – 2018 (IFRS 9)				
Home loans	**2 435**	**245**	**(398)**	**2 282**
Commercial mortgages	**844**	**91**	**39**	**973**
Properties in possession	**28**	**(8)**	**(2)**	**18**
Credit cards	**2 185**	**1 059**	**(840)**	**2 404**
Overdrafts	**884**	**217**	**(152)**	**949**
Net finance lease and instalment debtors	**3 109**	**1 907**	**(718)**	**4 298**
Preference shares and debentures	**79**	**50**	**2**	**132**
Personal, term and other loans	**4 543**	**1 821**	**(1 831)**	**4 533**
Overnight loans	**115**	**(80)**	**5**	**39**
Factoring accounts	**29**	**1**	**(9)**	**22**
Trade, other bills and banker's acceptances	**1**			**1**
Financial guarantees and loan commitments	**161**	**5**	**3**	**169**
	14 413	**5 308**	**(3 901)**	**15 820**
The total of R15 820m includes the ECL relating to loans and advances at amortised cost (R15 488m), loans and advances at FVOCI (R122m) and off-balance-sheet items (R210m).				
Total impairment – 2017 (IAS 39)				
Home loans	2 029	81	(372)	1 738
Commercial mortgages	974	(66)	(94)	814
Properties in possession	36	(33)	24	27
Credit cards	1 298	1 017	(930)	1 385
Overdrafts	617	357	(234)	740
Other loans to clients	4 732	1 441	(1 620)	4 553
Net finance lease and instalment debtors	2 406	1 689	(1 452)	2 643
Preference shares and debentures	57	42	3	102
	12 149	4 528	(4 675)	12 002

C2.3 Sectoral analysis

	Total impairment 2018 (IFRS 9) Rm	2017 (IAS 39) Rm	Stage 1: 12-month ECL allowance 2018 (IFRS 9) Rm	Stage 2: Lifetime ECL allowance (not credit-impaired) 2018 (IFRS 9) Rm	Portfolio impairment 2017 (IAS 39) Rm	Stage 3: Lifetime ECL allowance (credit-impaired) 2018 (IFRS 9) Rm	Specific impairment 2017 (IAS 39) Rm
Individuals	**12 093**	7 947	**1 927**	**2 649**	2 520	**7 517**	5 427
Financial services, insurance and real estate	**1 410**	1 051	**351**	**507**	777	**552**	274
Manufacturing	**549**	625	**113**	**143**	395	**293**	230
Building and property development	**260**	139	**29**	**44**	83	**187**	56
Transport, storage and communication	**246**	646	**31**	**83**	599	**132**	47
Retailers, catering and accommodation	**48**	229	**19**	**13**	33	**16**	196
Wholesale and trade	**215**	151	**83**	**37**	94	**95**	57
Mining and quarrying	**106**	250	**79**	**15**	119	**12**	131
Agriculture, forestry and fishing	**235**	143	**46**	**20**	45	**169**	98
Government and public sector	**85**	36	**20**	**14**	18	**51**	18
Other services	**573**	785	**184**	**61**	238	**328**	547
	15 820	12 002	**2 882**	**3 586**	4 921	**9 352**	7 081

C2.4 Geographical analysis

	Total impairment 2018 (IFRS 9) Rm	2017 (IAS 39) Rm	Stage 1: 12-month ECL allowance 2018 (IFRS 9) Rm	Stage 2: Lifetime ECL allowance (not credit-impaired) 2018 (IFRS 9) Rm	Portfolio impairment 2017 (IAS 39) Rm	Stage 3: Lifetime ECL allowance (credit-impaired) 2018 (IFRS 9) Rm	Specific impairment 2017 (IAS 39) Rm
SA	**14 733**	11 058	**2 592**	**3 427**	4 541	**8 714**	6 517
Other African countries	**733**	773	**196**	**118**	257	**419**	516
Europe	**132**	151	**16**	**9**	103	**107**	48
Asia	**4**	3	**4**		3		
United States of America	**–**	7			7		
Other	**218**	10	**74**	**32**	10	**112**	
	15 820	12 002	**2 882**	**3 586**	4 921	**9 352**	7 081

C2 Impairments charge on financial instruments continued

C2.5 Assessment of significant increase in credit risk (SICR) (stage 2)

Stage 2 is comprised of all performing financial instruments that have experienced a significant increase in credit risk since initial recognition. The group recognises lifetime ECLs for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the group reverts to recognising 12 months of ECLs as the financial instrument has migrated back to stage 1.

At each reporting date the group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the probability of default (PD), over the remaining expected life, at the reporting date with that on the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information, and the impact of forward-looking macroeconomic factors.

The assessment is performed monthly and the following factors are considered:

- Established thresholds for SICR are based on a percentage change in lifetime PD relative to initial recognition.
- A set of portfolio-specific qualitative criteria that are indicative of a significant increase in credit risk are used to supplement the lifetime PD comparison.
- Instruments that are more than 30 days past due are generally considered to have experienced a significant increase in credit risk.

The group has not used the low-credit-risk exemption for any financial instruments in the year ended 31 December 2018.

C2.6 Definition of 'default'

For the purposes of determining ECLs under IFRS 9 defaulted loans and advances (DLAA) cover credit facilities that have triggered default as defined by SA banking regulations. For retail portfolios this is product-centred, and a default would be specific to a borrower account. This also applies to specialised lending exposures. For all other portfolios it is client- or borrower-centred, meaning that, should any transaction within a borrowing group default, all credit exposures to the borrower would be treated as having defaulted.

The group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due or one or more events have occurred after the date of initial recognition of the instrument that have a negative impact on the estimated future cashflows of the instrument. This includes, but is not limited to, events that indicate the borrower is experiencing financial difficulty, there is default or delinquency in interest or principal payments and/or there is a high probability of the borrower entering a business rescue or liquidation process.

'Default' and 'credit-impaired' are mutually inclusive and the same definition applies to both terms. When a financial asset has been identified as defaulted/credit-impaired, the stage 3 ECLs are measured as the difference between the asset's gross carrying amount and the present value of estimated future cashflows discounted at the instrument's original effective interest rate.

C2.7 Forward-looking information incorporated in the ECL models

To account for forward-looking information the ECL input parameters (PD, LGD and EAD) are modelled on a segment level considering macroeconomic drivers. Most portfolios are linked to macroeconomic drivers such as the prime rate, GDP growth, household debt to income and credit growth.

The incorporation of forward-looking information into the ECL models allows for a range of possible macroeconomic outcomes to capture any non-linearities. The parameter inputs used to estimate the ECL are modelled on four macroeconomic scenarios: base (expected), positive, mild stress and high stress. Scenarios are provided by Nedbank Group Economic Unit and incorporate historical trends, statistical models and expert judgement. The macroeconomic scenarios are updated quarterly, with the option of an out-of-cycle update based on significant macroeconomic events impacting our macroeconomic forecasts. There is a robust internal governance process to review and approve the forecast macroeconomic factors, which include approval by a board committee.

The ECL under each macroeconomic scenario is the product of the PD, LGD and EAD for that specific scenario. The final estimate for the ECL at each future reporting date is calculated to reflect an unbiased and probability-weighted amount, with the scenario weights estimated based on the likelihood of occurrence. The probability-weighted PD, as applied in the calculation of ECL at reporting date, is also used in the assessment of SICR.

The ranges for macroeconomic variables are determined by using the annual average forecast over the three-year period per scenario.

	1 January 2018			31 December 2018		
Macroeconomic variable (%)	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Prime interest rate	9,8–10,8	9,7–11,3	10,2–10,9	9,9–11,0	10,4–1,3	10,5–11,7
Gross domestic product	(0,3)–1,4	0,7–2,5	1,1–2,4	(0,6)–2,7	0,7–2,6	1,0–2,4
Consumer price inflation	4,5–6,5	4,5–7,1	4,7–6,1	3,3–5,9	4,1–6,4	4,5–6,3
Household debt to income	71,4–73,4	72,1–75,3	73,4–77,7	70,4–74,1	72,4–76,3	74,1–78,1

The macroeconomic factors beyond the forecast three-year period equate to a long-run average expectation.

C2.8 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The impairment calculations under IFRS 9 require the recognition of credit losses based on forward-looking ECL. Dependent on whether the financial instrument has shown an SICR since initial recognition, either a 12-month (stage 1) or lifetime (stage 2) ECL is recognised. A stage 1 ECL results from a default event that is possible within 12 months, whereas a stage 2 ECL includes a lifetime ECL that results from a possible default event over the remaining life of the financial instrument. The ECL is calculated as the product of the core model components: PD, LGD, and EAD.

For portfolios with adequate historical information, the modelling parameters are calculated on a segment level and forward-looking information is incorporated. The ECL is estimated for each individual account. Out-of-model adjustments can be made to account for any additional client or portfolio information not captured in the model, which are typically temporary in nature. For portfolios where the abovementioned approach is not possible due to a lack of sufficient data, a simplified approach is followed to estimate ECL.

The ECL is discounted back from the point of default using the effective interest rate (EIR), or a reasonable estimate thereof, to arrive at the ECL at reporting date.

C2.9 Scenario analysis

The most significant macroeconomic variables for the group have been weighted and stressed against the final weighted ECL. The different scenarios are a weighting of the different macroeconomic scenarios (for example unemployment, interest rate and gross domestic product). These are determined by Nedbank Group Economic Unit and reviewed quarterly to incorporate any changes in the macroeconomic environment. When product lines do not have any sensitivity to macroeconomic weightings, the group will use the weighted ECL for all the scenarios.

Rm	Total ECL allowance	Difference to weighted economic scenario	Percentage difference to weighted economic scenario
2018 (IFRS 9)			
Weighted economics	**15 820**		
Base	**15 688**	**(132)**	**(0,8%)**
Mild	**15 851**	**31**	**0,2%**
High	**16 430**	**610**	**3,9%**
Positive	**15 336**	**(484)**	**(3,1%)**

C2 Impairments charge on financial instruments continued

C2.10 Segmental analysis of impairments charge on financial instruments

Rm	Total	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Rest of Africa	Centre
2018 (IFRS 9)						
ECL allowance at the beginning of the year	**14 447**	**2 040**	**11 320**	**160**	**758**	**169**
Stage 1	**2 806**	**456**	**2 106**	**39**	**189**	**16**
Stage 2	**3 886**	**910**	**2 739**	**10**	**78**	**149**
Stage 3	**7 755**	**674**	**6 475**	**111**	**491**	**4**
Statement of comprehensive income charge net of recoveries	**3 688**	**103**	**3 433**	**39**	**113**	**–**
Stage 1	**174**	**142**	**(76)**		**108**	
Stage 2	**(64)**	**(399)**	**344**	**(5)**	**(4)**	
Stage 3	**3 600**	**386**	**3 155**	**44**	**15**	
Non-loans and advances	**5**	**5**				
Off-balance-sheet allowance	**(27)**	**(31)**	**10**		**(6)**	
Recoveries	**1 271**	**26**	**1 185**		**60**	
Interest in suspense	**434**	**40**	**394**			
Amounts written off against the impairment/Other transfers	**(3 995)**	**(343)**	**(3 536)**	**(12)**	**(115)**	**11**
ECL allowance at the end of the year	**15 845**	**1 866**	**12 796**	**187**	**816**	**180**
Stage 1	**2 889**	**601**	**2 042**	**25**	**220**	**1**
Stage 2	**3 587**	**548**	**2 791**	**22**	**78**	**148**
Stage 3	**9 369**	**717**	**7 963**	**140**	**518**	**31**
Split by measurement category	**15 845**	**1 866**	**12 796**	**187**	**816**	**180**
Loans and advances	**15 488**	**1 603**	**12 731**	**187**	**802**	**165**
Loans and advances at FVOCI	**122**	**122**				
Non-loans and advances	**25**	**6**			**3**	**16**
Off-balance-sheet allowance	**210**	**135**	**65**		**11**	**(1)**
2017 (IAS 39)						
Opening balance	12 149	2 165	8 907	154	423	500
Specific impairment	7 317	1 096	5 855	118	245	3
Portfolio impairment	4 832	1 069	3 052	36	178	497
Impairments charge	4 528	210	4 386	26	256	(350)
Statement of comprehensive income impairment charge net of recoveries	3 304	193	3 222	26	213	(350)
Specific impairment	3 258	(323)	3 276	24	281	
Portfolio impairment	46	516	(54)	2	(68)	(350)
Recoveries	1 224	17	1 164		43	
Amounts written off against the impairment/Other transfers	(4 675)	(175)	(4 342)	(60)	(101)	3
Specific impairments	(4 718)	(172)	(4 343)	(59)	(146)	2
Portfolio impairment	43	(3)	1	(1)	45	1
Total impairments	12 002	2 200	8 951	120	578	153
Specific impairment	7 081	618	5 952	83	423	5
Portfolio impairment	4 921	1 582	2 999	37	155	148

C2.11 Credit risk exposure

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 PD only). The comprehensive PD 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–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 that were rated higher on inception, but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments.

NP 1–3: Represents clients who have defaulted. Refer to note C2.6 for definition of 'default'.

Maximum exposure to credit risk – Financial instruments not subject to impairment

	Maximum exposure to credit risk[1]
2018 (IFRS 9)	
Other short-term securities	**37 332**
Derivative financial instruments	**22 692**
Government and other securities	**28 735**
Loans and advances	**23 755**
Other assets	**6 195**
Investment securities	**22 404**
	141 113

[1] *This amount excludes the impact of any collateral held or credit enhancements.*

Credit-impaired financial assets and related collateral held to mitigate potential losses are disclosed below:

Collateral held as security and other credit enhancements relating to credit-impaired financial assets

Rm	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
2018 (IFRS 9)				
Home loans	**6 976**	**1 430**	**5 546**	**10 045**
Commercial mortgages	**2 957**	**435**	**2 522**	**2 830**
Properties in possession	**152**	**18**	**134**	**106**
Credit cards and overdrafts	**3 065**	**2 048**	**1 018**	**398**
Personal, term and other loans	**6 710**	**2 758**	**3 952**	**758**
Net finance lease and instalment debtors	**4 967**	**2 532**	**2 435**	**3 856**
Preference shares and debentures	**354**	**62**	**292**	**375**
Factoring accounts	**50**	**8**	**42**	**51**
	25 231	**9 291**	**15 941**	**18 419**

C2 Impairments charge on financial instruments continued

C2.11 Credit risk exposure continued

The following table discloses the distribution of loan-to-value (LTV) ratios of credit-impaired financial assets:

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession
2018 (IFRS 9)			
Lower than 50%	**814**	**222**	**1**
50% to 75%	**1 317**	**1 205**	
75% to 100%	**3 717**	**1 423**	**88**
Higher than 100%	**1 128**	**107**	**63**
Total	**6 976**	**2 957**	**152**

C2.12 Loss allowance

Reconciliation of loss allowance relating to financial assets subsequently measured at amortised cost (IFRS 9)

The following table presents a reconciliation from the opening balance to the closing balance of the loss allowance, and how significant changes in the gross carrying amount of financial instruments contributed to changes in the loss allowance:

	Not credit-impaired		
	Subject to 12-month ECL		
Loans and advances Rm	Gross carrying amount	Allowance for ECL	Amortised cost
2018			
Balance at the beginning of the year	**604 150**	**2 775**	**601 375**
New financial assets originated or purchased	**167 656**	**2 280**	**165 376**
Financial assets written off			**–**
Repayments net of readvances, capitalised interest and fees	**(115 776)**	**2 394**	**(118 170)**
Transfers to 12-month ECL	**23 600**	**242**	**23 358**
Transfers to lifetime ECL (not credit-impaired)	**(43 694)**	**(1 882)**	**(41 812)**
Transfers to lifetime ECL (credit-impaired)	**(10 029)**	**(2 967)**	**(7 062)**
Foreign exchange and other movements	**(1 793)**	**39**	**(1 832)**
Net balances (refer to note C2.2)	**624 114**	**2 881**	**621 233**
Total credit and zero balances	**6 002**	**(28)**	**6 030**
Balance at the end of the year	**630 116**	**2 853**	**627 263**

Gross carrying amount of credit-impaired financial assets

Credit cards and overdrafts	Term loans	Other loans to clients	Net finance lease and instalment debtors	Preference shares and debentures	Factoring accounts
2 156	5 703	12	205		
720	15	147	208		
91	483	60	935		50
98	263	24	3 629	354	
3 065	6 464	243	4 977	354	50

			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
75 886	3 884	72 002	19 859	7 754	12 105	699 895	14 413	685 482
		–			–	167 656	2 280	165 376
		–	(3 310)	(3 340)	30	(3 310)	(3 340)	30
(20 404)	(401)	(20 003)	(4 438)	402	(4 840)	(140 618)	2 395	(143 013)
(22 110)	(190)	(21 920)	(1 491)	(51)	(1 440)	(1)	1	(2)
46 840	2 186	44 654	(3 147)	(304)	(2 843)	(1)	–	(1)
(7 491)	(1 899)	(5 592)	17 518	4 867	12 651	(2)	1	(3)
(99)	7	(106)	191	24	167	(1 701)	70	(1 771)
72 622	3 587	69 035	25 182	9 352	15 830	721 918	15 820	706 098
12	(8)	20	49	(1)	50	6 063	(37)	6 100
72 634	3 579	69 055	25 231	9 351	15 880	727 981	15 783	712 198

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Changes in model and macroeconomic factors[1]
Change in macroeconomic factors
Model reground

[1] *Represents the change in the allowance related to changes in risk, including changes to macroeconomic factors, level risk, associated parameters, and models as reflected in the closing balance.*

	Not credit-impaired		
	Subject to 12-month ECL		
Home loans Rm	**Gross carrying amount**	**Allowance for ECL**	**Amortised cost**
Balance at the beginning of the year	**128 870**	**281**	**128 589**
New financial assets originated or purchased	**10 819**	**94**	**10 725**
Financial assets written off			**–**
Repayments net of readvances, capitalised interest and fees	**(2 848)**	**327**	**(3 175)**
Transfers to 12-month ECL	**5 793**	**16**	**5 777**
Transfers to lifetime ECL (not credit-impaired)	**(7 124)**	**(212)**	**(6 912)**
Transfers to lifetime ECL (credit-impaired)	**(1 791)**	**(269)**	**(1 522)**
Foreign exchange and other movements	**7**	**(1)**	**8**
Net balances	**133 726**	**236**	**133 490**
Total credit and zero balances	**134**	**(1)**	**135**
Balance at the end of the year	**133 860**	**235**	**133 625**

	Not credit-impaired		
	Subject to 12-month ECL		
Commercial mortgages Rm	**Gross carrying amount**	**Allowance for ECL**	**Amortised cost**
Balance at the beginning of the year	**146 223**	**314**	**145 909**
New financial assets originated or purchased	**38 443**	**171**	**38 271**
Financial assets written off			**–**
Repayments net of readvances, capitalised interest and fees	**(32 689)**	**(117)**	**(32 572)**
Transfers to 12-month ECL	**7 787**	**104**	**7 683**
Transfers to lifetime ECL (not credit-impaired)	**(19 606)**	**(62)**	**(19 544)**
Transfers to lifetime ECL (credit-impaired)	**(873)**	**(107)**	**(766)**
Foreign exchange and other movements	**(287)**	**(3)**	**(284)**
Net balances	**138 998**	**300**	**138 698**
Total credit and zero balances			**–**
Balance at the end of the year	**138 998**	**300**	**138 698**

	Not credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL, excluding purchased/originated credit-impaired	Subject to lifetime ECL – purchased/originated credit-impaired
	(12)	18	2	
	161			

	Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)		
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
14 721	640	14 081	6 858	1 514	5 344	150 449	2 435	148 014
		–			–	10 819	94	10 725
		–	(279)	(270)	(9)	(279)	(270)	(9)
(865)	(51)	(814)	(1 025)	(250)	(775)	(4 738)	26	(4 764)
(5 128)	(13)	(5 115)	(665)	(3)	(662)	–	–	–
8 664	315	8 349	(1 540)	(103)	(1 437)	–	–	–
(1 817)	(276)	(1 541)	3 608	545	3 063	–	–	–
(1)	1	(2)	8	(3)	11	14	(3)	17
15 574	616	14 958	6 965	1 430	5 535	156 265	2 282	153 983
4		4	11		11	149	(1)	150
15 578	616	14 962	6 976	1 430	5 546	156 414	2 281	154 133

	Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)		
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
11 811	210	11 601	1 849	320	1 529	159 883	844	159 039
		–			–	38 443	171	38 271
		–	(15)	(34)	19	(15)	(34)	19
(2 784)	176	(2 960)	(738)	(59)	(679)	(36 211)	–	(36 211)
(7 390)	(89)	(7 301)	(398)	(15)	(383)	(1)	–	(1)
19 848	64	19 784	(242)	(2)	(240)	–	–	–
(1 629)	(123)	(1 506)	2 501	230	2 271	(1)	–	(1)
		–		(5)	5	(287)	(8)	(279)
19 856	238	19 618	2 957	435	2 522	161 811	973	160 838
		–			–	–	–	–
19 856	238	19 618	2 957	435	2 522	161 811	973	160 838

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Properties in possession Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year		2	(2)
New financial assets originated or purchased	1		1
Financial assets written off			–
Repayments net of readvances, capitalised interest and fees		(2)	2
Transfers to lifetime ECL (credit-impaired)	(1)	–	(1)
Net balances	–	–	–
Total credit and zero balances			–
Balance at the end of the year	–	–	–

Credit cards and overdrafts Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	21 525	566	20 959
New financial assets originated or purchased	5 515	161	5 354
Financial assets written off			–
Repayments net of readvances, capitalised interest and fees	1 940	1 090	850
Transfers to 12-month ECL	1 009	38	971
Transfers to lifetime ECL (not credit-impaired)	(3 139)	(473)	(2 666)
Transfers to lifetime ECL (credit-impaired)	(1 410)	(762)	(648)
Foreign exchange and other movements	(60)	(1)	(59)
Net balances	25 380	619	24 761
Total credit and zero balances	5 868	(27)	5 895
Balance at the end of the year	31 248	592	30 656

Personal, term and other loans Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	175 410	809	174 601
New financial assets originated or purchased	54 666	1 092	53 574
Financial assets written off			–
Repayments net of readvances, capitalised interest and fees	(34 894)	449	(35 343)
Transfers to 12-month ECL	5 361	43	5 318
Transfers to lifetime ECL (not credit-impaired)	(4 318)	(384)	(3 934)
Transfers to lifetime ECL (credit-impaired)	(2 399)	(1 104)	(1 295)
Foreign exchange and other movements	(1 456)	4	(1 460)
Net balances	192 370	909	191 461
Total credit and zero balances			–
Balance at the end of the year	192 370	909	191 461

			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	1	(1)	162	25	137	162	28	134
		–			–	1	–	1
		–	1		1	1	–	1
	(1)	1	(12)	(7)	(5)	(12)	(10)	(2)
		–	1		1	–	–	–
–	–	–	152	18	134	152	18	134
		–			–	–	–	–
–	–	–	152	18	134	152	18	134

			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
4 110	654	3 456	2 283	1 849	434	27 918	3 069	24 849
		–			–	5 515	161	5 354
		–	(952)	(879)	(73)	(952)	(879)	(73)
(793)	(6)	(787)	(296)	(86)	(210)	851	998	(147)
(937)	(34)	(903)	(72)	(4)	(68)	–	–	–
3 193	486	2 707	(54)	(13)	(41)	–	–	–
(741)	(415)	(326)	2 151	1 177	974	–	–	–
42	1	41	(33)	4	(37)	(51)	4	(55)
4 874	686	4 188	3 027	2 048	979	33 281	3 353	29 928
8	(8)	16	38	(1)	39	5 914	(36)	5 950
4 882	678	4 204	3 065	2 047	1 018	39 195	3 317	35 878

			Credit-impaired			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
24 073	1 308	22 765	4 893	2 426	2 467	204 376	4 543	199 833
		–			–	54 666	1 092	53 574
		–	(1 304)	(1 187)	(117)	(1 304)	(1 187)	(117)
(7 364)	(335)	(7 029)	(51)	(65)	14	(42 309)	49	(42 358)
(5 308)	(19)	(5 289)	(53)	(24)	(29)	–	–	–
4 706	507	4 199	(388)	(123)	(265)	–	–	–
(1 240)	(597)	(643)	3 638	1 702	1 936	(1)	1	(2)
(139)	2	(141)	(25)	29	(54)	(1 620)	35	(1 655)
14 728	866	13 862	6 710	2 758	3 952	213 808	4 533	209 275
		–			–	–	–	–
14 728	866	13 862	6 710	2 758	3 952	213 808	4 533	209 275

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Net finance lease and instalment debtors Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	**94 304**	**680**	**93 624**
New financial assets originated or purchased	**47 921**	**645**	**47 276**
Financial assets written off			**–**
Repayments net of readvances, capitalised interest and fees	**(32 640)**	**680**	**(33 320)**
Transfers to 12-month ECL	**2 732**	**38**	**2 694**
Transfers to lifetime ECL (not credit-impaired)	**(9 379)**	**(729)**	**(8 650)**
Transfers to lifetime ECL (credit-impaired)	**(3 342)**	**(657)**	**(2 685)**
Foreign exchange and other movements	**3**	**(2)**	**5**
Net balances	**99 599**	**655**	**98 944**
Total credit and zero balances			**–**
Balance at the end of the year	**99 599**	**655**	**98 944**

Preference shares and debentures Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	**13 475**	**26**	**13 449**
New financial assets originated or purchased	**7 181**	**36**	**7 145**
Repayments net of readvances, capitalised interest and fees	**(6 136)**		**(6 136)**
Transfers to 12-month ECL	**320**	**1**	**319**
Transfers to lifetime ECL (not credit-impaired)	**(4)**		**(4)**
Transfers to lifetime ECL (credit-impaired)	**(178)**	**(37)**	**(141)**
Foreign exchange and other movements		**42**	**(42)**
Net balances	**14 658**	**68**	**14 590**
Total credit and zero balances			**–**
Balance at the end of the year	**14 658**	**68**	**14 590**

	Subject to lifetime ECL			Credit-impaired Subject to lifetime ECL (excluding purchased/originated)			Total		
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	13 917	855	13 062	3 769	1 574	2 195	111 990	3 109	108 881
			–			–	47 921	645	47 276
			–	(753)	(969)	216	(753)	(969)	216
	(3 457)	(53)	(3 404)	(2 300)	886	(3 186)	(38 397)	1 513	(39 910)
	(2 432)	(32)	(2 400)	(300)	(5)	(295)	–	1	(1)
	10 301	792	9 509	(923)	(63)	(860)	(1)	–	(1)
	(1 891)	(453)	(1 438)	5 233	1 110	4 123	–	–	–
	(1)	2	(3)	241	(1)	242	243	(1)	244
	16 437	1 111	15 326	4 967	2 532	2 435	121 003	4 298	116 705
			–			–	–	–	–
	16 437	1 111	15 326	4 967	2 532	2 435	121 003	4 298	116 705

	Subject to lifetime ECL			Credit-impaired Subject to lifetime ECL (excluding purchased/originated)			Total		
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	4 799	53	4 746			–	18 274	79	18 195
			–			–	7 181	36	7 145
	(4 168)	(26)	(4 142)	3		3	(10 301)	(26)	(10 275)
	(320)	(1)	(319)			–	–	–	–
	4		4			–	–	–	–
	(173)	(25)	(148)	351	62	289	–	–	–
		1	(1)			–	–	43	(43)
	142	2	140	354	62	292	15 154	132	15 022
			–			–	–	–	–
	142	2	140	354	62	292	15 154	132	15 022

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Overnight loans Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	18 957	24	18 933
New financial assets originated or purchased	2 472	9	2 463
Repayments net of readvances, capitalised interest and fees	(8 067)	(8)	(8 059)
Transfers to 12-month ECL	425	1	424
Transfers to lifetime ECL (not credit-impaired)	(28)	(3)	(25)
Net balances	13 759	23	13 736
Total credit and zero balances			–
Balance at the end of the year	13 759	23	13 736

Factoring accounts Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	5 385	11	5 374
New financial assets originated or purchased	626	1	625
Financial assets written off			–
Repayments net of readvances, capitalised interest and fees	(442)	5	(447)
Transfers to 12-month ECL	173	1	172
Transfers to lifetime ECL (not credit-impaired)	(96)	(2)	(94)
Transfers to lifetime ECL (credit-impaired)	(35)	(6)	(29)
Net balances	5 611	10	5 601
Total credit and zero balances			–
Balance at the end of the year	5 611	10	5 601

Trade, other bills and banker's acceptances Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	1	1	–
New financial assets originated or purchased	12		12
Net balances	13	1	12
Total credit and zero balances			–
Balance at the end of the year	13	1	12

Subject to lifetime ECL			Credit-impaired Subject to lifetime ECL (excluding purchased/originated)			Total		
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
2 051	91	1 960			–	21 008	115	20 893
		–			–	2 472	9	2 463
(797)	(77)	(720)			–	(8 864)	(85)	(8 779)
(425)	(1)	(424)			–	–	–	–
28	3	25			–	–	–	–
857	16	841	–	–	–	14 616	39	14 577
		–			–	–	–	–
857	16	841	–	–	–	14 616	39	14 577

Subject to lifetime ECL			Credit-impaired Subject to lifetime ECL (excluding purchased/originated)			Total		
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
404	11	393	45	7	38	5 834	29	5 805
		–			–	626	1	625
		–	(8)		(8)	(8)	–	(8)
(176)	(8)	(168)	(19)	(5)	(14)	(637)	(8)	(629)
(170)	(1)	(169)	(3)		(3)	–	–	–
96	2	94			–	–	–	–
		–	35	6	29	–	–	–
154	4	150	50	8	42	5 815	22	5 793
		–			–	–	–	–
154	4	150	50	8	42	5 815	22	5 793

Subject to lifetime ECL			Credit-impaired Subject to lifetime ECL (excluding purchased/originated)			Total		
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
		–			–	1	1	–
		–			–	12	–	12
–	–	–	–	–	–	13	1	12
		–			–	–	–	–
–	–	–	–	–	–	13	1	12

C2 Impairments charge on financial instruments continued

C2.12 Loss allowance continued

Financial guarantees and loan commitments Rm	Not credit-impaired: Subject to 12-month ECL	Not credit-impaired: Subject to lifetime ECL	Credit-impaired: Subject to lifetime ECL, excluding purchased/ originated	Total
	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
Balance at the beginning of the year	**61**	**61**	**39**	**161**
New financial assets originated or purchased	**71**			**71**
Financial assets written off			**(1)**	**(1)**
Repayments net of readvances, capitalised interest and fees	**(30)**	**(20)**	**(12)**	**(62)**
Transfers to lifetime ECL (not credit-impaired)	**(17)**	**17**		**–**
Transfers to lifetime ECL (credit-impaired)	**(25)**	**(10)**	**35**	**–**
Net balances	**60**	**48**	**61**	**169**
Total credit and zero balances				**–**
Balance at the end of the year	**60**	**48**	**61**	**169**

C2.13 Financial assets written off

Key assumptions concerning the future and key sources of estimation

Writeoff and postwriteoff recoveries

IFRS 9 provides more detailed guidance on the point at which a loan and advance should be written off. In terms of IFRS 9 a loan and advance is written off when the group has no reasonable expectations of recovering the asset partially or in its entirety. This assessment is judgemental and includes both qualitative and quantitative information, including trends based on historical recoveries. The IFRS 9 writeoff requirements are applied prospectively from 1 January 2018, ie amounts written off under IAS 39 are not reassessed based on the IFRS 9 criteria.

As a consequence, Nedbank Retail and Business Banking has extended the point of writeoff for certain asset groups. This has resulted in an increase in the gross loans and advances for Personal Loans (R773m), MFC (R905m) and Card (R181m), ie R1 859m in total, and an increase in stage 3 (specific) impairments of R1 762m, being Personal Loans (R735m), MFC (R855m) and Card (R172m), compared with the writeoff definition applied under IAS 39. The extended point of writeoff means that Card will write off after a client has had four months with no payment at legal stage, which translates into approximately 12 months in default; Personal Loans will write off after a client has missed the last 12 payments; and MFC will write off after approximately 11 months in default.

The point of writeoff has remained unchanged on the adoption IFRS 9 for other products, which are generally only considered for writeoff once the underlying security has been fully realised.

The group writes off financial assets, in whole or in part, when practical recovery efforts have been exhausted and the group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- where enforcement activity is ceased; and
- where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The group may write off financial assets that are still subject to enforcement activity when there is no reasonable expectation of recovery.

The following contractual amounts outstanding on financial assets were written off during the period, and are still subject to enforcement activity:

	Rm
Contractual amount outstanding – 2018	3 215

C2.14 Modification of financial assets

The group modifies the terms of loans provided to clients due to commercial renegotiations or in cases of distressed loans, with the aim of maximising recovery. Such restructuring activities include extended payment terms, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition when the modification is not substantial and does not result in derecognition of the original assets. The group monitors the subsequent performance of the assets. The group may determine that the credit risk has significantly improved after restructuring and the assets are then moved from lifetime ECL (stage 2 and stage 3) to 12-month ECL (stage 1). This is the case for assets that have performed in accordance with the new terms for six or more consecutive months.

The group continues to monitor whether there is a subsequent significant increase in credit risk in relation to such assets. The following table includes a summary of financial assets with lifetime ECLs of which the cashflows were modified during the year as part of the group's restructuring activities and their respective effects on the group's financial performance:

Rm	2018
Modification during the year for which the loss allowance reflects lifetime ECL	
Amortised cost before modification	**1 884**
Net modification loss	**151**
Modification since initial recognition of the financial asset for which the loss allowance has changed during the year to reflect 12-month ECL	
Gross carrying amount at the end of the year	**102**
Impact of modification on the ECL allowances associated with these assets	**2**

Rm	2018	2017
C3 Government and other securities		
C3.1 Analysis		
Government and government-guaranteed securities	**70 981**	32 970
Other dated securities[1]	**25 817**	16 271
Impairment of government and other securities	**(7)**	
	96 791	49 241
C3.2 Sectoral analysis		
Financial services, insurance and real estate	**11 701**	16 533
Banks	**1 301**	1 891
Manufacturing, wholesale and trade	**8 585**	5 721
Transport, storage and communication	**1 012**	446
Government and public sector	**72 894**	24 240
Other sectors	**1 298**	410
	96 791	49 241

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

C4 Other short-term securities

Rm	2018	2017
C4.1 Analysis		
Negotiable certificates of deposit	**21 881**	25 384
Treasury bills and other bonds	**57 483**	67 391
Impairment of other short-term securities	**(2)**	
	79 362	92 775
C4.2 Sectoral analysis		
Banks	**21 638**	24 168
Government and public sector	**57 449**	67 340
Other sectors	**275**	1 267
	79 362	92 775

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

	Investment grade		Subinvestment grade		Not rated		Total	
Credit ratings	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Other short-term securities	**75 437**	88 565	**898**	1 462	**3 027**	2 748	**79 362**	92 775
Negotiable certificates of deposit	**21 881**	24 720		664			**21 881**	25 384
Treasury bills and other	**53 556**	63 845	**898**	798	**3 029**	2 748	**57 483**	67 391
Impairment of other short-term securities					**(2)**		**(2)**	–
Government and other securities	**94 539**	40 415	**957**	7 863	**1 295**	963	**96 791**	49 241
Government and government-guaranteed securities	**70 173**	25 481	**612**	7 329	**196**	160	**70 981**	32 970
Other dated securities	**24 372**	14 934	**345**	534	**1 100**	803	**25 817**	16 271
Impairment of government and other securities	**(6)**				**(1)**		**(7)**	–
	169 976	128 980	**1 855**	9 325	**4 322**	3 711	**176 153**	142 016

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 on the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy on the rating of investments. The NGR scale has been mapped to the credit-rating scales of external credit-rating agencies. According to the NGR scale, investment grade can be equated to a Standard & Poor's and Fitch rating of at least BB+ and a Moody's rating of at least Ba1. The group's investment grade includes credit ratings from NGR01 to NGR12 and subinvestment grade includes credit ratings from NGR13 to NGR25.

C6 Cash and cash equivalents

	2018 Rm	2017 Rm
Coins and banknotes	**7 945**	7 735
Money at call and short notice	**4 913**	8 975
Balances with central banks – other than mandatory reserve deposits	**304**	190
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**13 162**	16 900
Mandatory reserve deposits with central banks	**21 629**	19 222
	34 791	36 122

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

C7 Derivative financial instruments

Accounting policy

Derivative financial instruments and hedge accounting

Derivatives are classified as financial assets when their fair value is positive or as financial liabilities when their fair value is negative, subject to the offsetting principles as described under 'Offsetting financial assets and financial liabilities'. 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. The group manages its interest rate risk exposure by entering into interest rate swaps. The interest rate risk exposure is frequently updated due to new loans being originated, contractual repayments, and early prepayment made by clients in each period. As a result the group adopted a macro fair-value hedge strategy to hedge the designated risk profile by designating new swap agreements into the macro fair-value hedge accounting solution at each month-end. The group uses the macro fair-value hedge to recognise fair-value changes related to the interest rate risk to reduce the profit or loss volatility that would otherwise arise from changes in fair value of the interest swaps alone.

- 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 measurement of both the hedging instrument and the hedged item are recognised in profit and loss, for so long as the hedging relationship is effective at each testing date. Any hedge ineffectiveness is recognised in profit or loss.

If the derivative expires, is sold, terminated or exercised, no longer meets the criteria for fair-value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The fair-value adjustment to the hedged item is amortised to profit or loss over the life of the designated relationship in line with accounting standards. The unamortised fair-value adjustment of the hedged items is immediately recognised in profit or loss in the event that the hedged item is repaid or sold.

- Derivatives that do not qualify for hedge accounting

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

Embedded derivatives

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

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The combined contract is not measured at fair value, with changes in fair value recognised in profit or loss.

The host contract is accounted for:

- under IFRS 9 if it is a financial instrument; and
- in accordance with other appropriate accounting standards if it is not a financial instrument.

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

Principal types of derivatives

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

Collateral

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

C7 Derivative financial instruments continued

C7.1 Total carrying amount of derivative financial instruments

	2018 Rm	2017 Rm
Gross carrying amount of assets	**22 692**	29 904
Gross carrying amount of liabilities	**(20 003)**	(23 367)
Net carrying amount	**2 689**	6 537

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes C7.2 to C7.6.

C7.2 Notional principal of derivative financial instruments

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

	2018			2017		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	**–**			3 270		3 270
Other derivatives						
Equity derivatives	**41 318**	**25 007**	**16 311**	34 292	12 197	22 095
Options written	**8 733**		**8 733**	7 048		7 048
Options purchased	**11 250**	**11 250**		9 011	9 011	
Futures[1]	**21 335**	**13 757**	**7 578**	18 233	3 186	15 047
Commodity derivatives	**2 693**	**2 518**	**175**	30	15	15
Options written	**171**		**171**	10		10
Options purchased	**104**	**104**		10	10	
Swaps	**8**	**4**	**4**	10	5	5
Futures	**2 410**	**2 410**		–		
Exchange rate derivatives	**431 571**	**214 766**	**216 805**	345 723	199 472	146 251
Forwards	**279 289**	**139 367**	**139 922**	209 919	114 589	95 330
Futures	**2 365**		**2 365**	9	3	6
Currency swaps	**122 971**	**62 341**	**60 630**	86 481	43 273	43 208
Options purchased	**13 058**	**13 058**		41 607	41 607	
Options written	**13 888**		**13 888**	7 707		7 707
Interest rate derivatives	**5 472 217**	**2 750 743**	**2 721 474**	4 273 329	2 156 350	2 116 979
Interest rate swaps	**2 681 528**	**1 321 222**	**1 360 306**	2 119 553	1 051 993	1 067 560
Forward rate agreements	**2 744 365**	**1 412 580**	**1 331 785**	2 138 054	1 092 940	1 045 114
Futures	**11 048**	**128**	**10 920**	199	199	
Caps	**12 210**	**4 840**	**7 370**	2 212	506	1 706
Floors	**5 116**	**3 433**	**1 683**	2 300	2 300	
Credit default swaps	**14 475**	**8 325**	**6 150**	11 011	8 412	2 599
Total return swaps	**3 475**	**215**	**3 260**	–		
Total notional principal	**5 947 799**	**2 993 034**	**2 954 765**	4 656 644	2 368 034	2 288 610

[1] *Includes contracts for difference with positive notionals of R758m (2017: R1 199m) and negative notionals of R157m (2017: R463m). The equity-forward agreement has positive notionals of R957m (2017: R130m) and negative notionals of R1 550m (2017: R1 425m).*

C7.3 Carrying amount of derivative financial instruments

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

	2018			2017		
Rm	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Hedging derivatives						
Interest rate derivatives						
Interest rate swaps	–			(138)		138
Other derivatives						
Equity derivatives	**(230)**	**803**	**1 033**	(645)	558	1 203
Options written	**(937)**		**937**	(750)		750
Options purchased	**505**	**505**		424	424	
Futures[1]	**202**	**298**	**96**	(319)	134	453
Commodity derivatives	**100**	**601**	**501**	(133)	332	465
Options written	**(403)**		**403**	(243)		243
Options purchased	**440**	**440**		264	264	
Swaps	**19**	**27**	**8**	(154)	68	222
Futures	**44**	**134**	**90**			
Exchange rate derivatives	**1 092**	**7 741**	**6 649**	3 532	14 871	11 339
Forwards	**732**	**4 036**	**3 304**	2 042	8 873	6 831
Futures	**39**	**102**	**63**	(93)	23	116
Currency swaps	**284**	**3 106**	**2 822**	1 266	5 091	3 825
Options purchased	**497**	**497**		884	884	
Options written	**(460)**		**460**	(567)		567
Interest rate derivatives	**1 727**	**13 547**	**11 820**	3 921	14 143	10 222
Interest rate swaps	**1 663**	**12 585**	**10 922**	3 458	13 129	9 671
Forward rate agreements	**141**	**690**	**549**	336	840	504
Futures	**(6)**		**6**	1	1	
Caps	**(8)**	**42**	**50**	(8)	4	12
Floors	**2**	**7**	**5**	13	13	
Credit default swaps	**(6)**	**206**	**212**	121	156	35
Total return swaps	**(59)**	**17**	**76**			
Total carrying amount	**2 689**	**22 692**	**20 003**	6 537	29 904	23 367

[1] *Includes contracts for difference and an equity-forward agreement. The fair value of the contracts for difference is zero as the variation margin is settled at the end of every day. The equity-forward agreement is an asset with a fair value of R86m (2017: R61m).*

C7 Derivative financial instruments continued

C7.4 Analysis of derivative financial instruments

Rm	Hedging derivatives	Other derivatives				
	Interest rate derivatives	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets						
2018						
Maturity analysis						
Under one year		**511**	**511**	**4 883**	**1 226**	**7 131**
One to five years		**292**	**90**	**1 369**	**3 505**	**5 256**
Over five years				**1 489**	**8 816**	**10 305**
	–	**803**	**601**	**7 741**	**13 547**	**22 692**
2017						
Maturity analysis						
Under one year		454	309	10 057	1 453	12 273
One to five years		104	23	2 609	4 129	6 865
Over five years				2 205	8 561	10 766
	–	558	332	14 871	14 143	29 904
Derivative liabilities						
2018						
Maturity analysis						
Under one year		**580**	**426**	**3 936**	**1 101**	**6 043**
One to five years		**453**	**75**	**1 863**	**3 244**	**5 635**
Over five years				**850**	**7 475**	**8 325**
	–	**1 033**	**501**	**6 649**	**11 820**	**20 003**
2017						
Maturity analysis						
Under one year		791	449	8 316	1 060	10 616
One to five years		412	16	1 757	3 200	5 385
Over five years	138			1 266	5 962	7 366
	138	1 203	465	11 339	10 222	23 367
Notional principal of derivatives						
2018						
Maturity analysis						
Under one year		**34 997**	**2 644**	**323 042**	**3 477 826**	**3 838 509**
One to five years		**5 406**	**49**	**73 489**	**1 377 878**	**1 456 822**
Over five years		**915**		**35 040**	**616 513**	**652 468**
	–	**41 318**	**2 693**	**431 571**	**5 472 217**	**5 947 799**
2017						
Maturity analysis						
Under one year		29 289	22	273 512	2 802 572	3 105 395
One to five years	75	3 341	8	42 961	1 054 626	1 101 011
Over five years	3 195	1 662		29 250	416 131	450 238
	3 270	34 292	30	345 723	4 273 329	4 656 644

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

C7.5 Derivatives designated as fair-value hedges in terms of the group's fair-value hedge accounting solution (2018)

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, loans, deposits and capital market issuances.

For qualifying fair-value hedges all changes in the fair value of the derivative and in the fair value of the hedged item, in relation to the risk being hedged, are recognised in profit or loss on a monthly basis if the hedge accounting criteria are met.

IAS 39 does not specify a single method for assessing hedge effectiveness. The method an entity adopts for assessing hedge effectiveness depends on its risk management strategy. The group considers the linear regression method as the appropriate hedge effectiveness test to be used for prospective and retrospective hedge effectiveness testing. Linear regression is a statistical method that investigates the strength of the statistical relationship between the hedged item and the hedging instrument.

Linear-regression analysis involves determining a 'line of best fit' (slope) and then assessing the 'goodness of fit' (R-square) of this line. It provides a means of expressing, in a systematic fashion, the extent to which one variable, 'the dependent', will vary with changes in another variable, namely 'the independent'. In the context of assessing hedge effectiveness it establishes whether changes in the hedged item and hedging instrument are highly correlated.

The total day-to-day movement of the hedged item (due to the hedged risk) is regressed against the total day-to-day movement of the designated external swaps to calculate the hedge effectiveness, ie the degree of offset between the movements in the external swap and the hedged item (due to hedged risk).

Given the respective methodologies applied to perform retrospective and prospective hedge effectiveness testing, the number of data points considered for linear regression will not be consistent between retrospective and prospective testing and will not remain constant for all retrospective tests performed. This is in line with the requirements of IAS 39 as it proves hedge effectiveness retrospectively throughout the reporting periods for which the hedge was designated (IAS 39.99 paragraphs 89 to 102) and prospectively up to the next possible rebalancing date as documented as part of the risk management strategy for this particular hedging relationship (IAS 39.99 paragraphs 89 to 102). During 2018 the hedge accounting solution was rebalanced on a monthly basis; therefore hedge effectiveness testing was performed on a monthly basis.

The following table contains details of the hedged banking book exposures covered by the group's macro fair-value hedge accounting:

	2018			
	Notional amount of hedged items		Accumulated amount of fair-value adjustments on the hedged item	
Loans and advances				
Rm	**Liabilities**	**Assets**	**Liabilities**	**Assets**
Retail assets	**42 330**		**(75)**	
Wholesale assets and government bonds	**56 584**		**124**	
Retail deposits		**45 089**		**91**
Wholesale deposits and capital market issuances		**75 465**		**26**
Total	**98 914**	**120 554**	**49**	**117**

C7 Derivative financial instruments continued

Effectiveness testing was performed on a monthly basis with a prospective effectiveness R-square range of 98% to 100% and retrospective effective range of 84% to 100%. The table below contains the fair-value change of the hedged item and hedging instrument per month for the various hedge accounting solutions.

Rm	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018
Change in the fair value of hedged items	(106)	333	100	(107)	(316)	(444)	377	(723)	73	(257)	883	353
Change in the fair value of the hedging instruments	107	(332)	(91)	120	321	457	(362)	724	(37)	276	(834)	(285)
Net fair value change	1	1	9	13	5	13	15	1	36	19	49	68

Impact on profit or loss

Rm	2018
Profit on hedged items	166
Profit on hedging instruments	64
Movement in fair value that was recognised in profit or loss	230

C7.6 Derivatives designated as fair-value hedges in terms of the group's fair-value hedge accounting solution (2017)

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

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

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

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

Rm	2017
Profit on hedged items	139
Loss on hedging instruments	(143)
	(4)

SECTION D: CORE BANKING LIABILITIES

Accounting policy

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

D1 Amounts owed to depositors

D1.1 Classifications

	2018 Rm	2017 Rm
Current accounts	**85 267**	80 841
Savings deposits	**32 442**	30 657
Other deposits and loan accounts	**573 103**	536 113
Call and term deposits	**305 251**	291 033
Fixed deposits	**66 314**	56 821
Cash management deposits	**73 659**	67 865
Other deposits and loan accounts	**127 879**	120 394
Foreign currency liabilities	**23 316**	21 643
Negotiable certificates of deposit	**89 919**	77 525
Deposits received under repurchase agreements[1]	**21 877**	24 805
Macro fair-value hedge-accounted portfolios	**(120)**	
	825 804	771 584
Comprises:		
– Amounts owed to depositors	**765 516**	723 054
– Amounts owed to banks	**60 288**	48 530
	825 804	771 584

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 D1.4 for a breakdown of amounts owed to depositors by operating segment.

[1] *The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R24 079m (2017: R29 516m) as collateral for deposits received under repurchase agreements, of which R9 600m (2017: R10 134m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9. The associated liabilities of R21 877m (2017: R24 805m), of which R9 241m (2017: R9 807m) relates to sell-/buybacks, are disclosed in note D1.*

D1.2 Sectoral analysis

	2018 Rm	2017 Rm
Banks	**60 288**	48 530
Government and public sector	**74 837**	52 095
Individuals	**236 463**	231 258
Business sector	**454 216**	439 701
	825 804	771 584

D1.3 Geographical analysis

SA	**732 173**	697 870
Rest of Africa	**35 728**	29 026
Europe	**37 177**	28 434
Asia	**10 394**	8 147
United States of America	**10 332**	8 107
	825 804	771 584

D1 Amounts owed to depositors continued

D1.4 Segmental analysis

	Total		Nedbank Corporate and Investment Banking	
Rm	2018	2017	2018	2017
Current accounts	**85 267**	80 841	**8 385**	6 550
Savings deposits	**32 442**	30 657	**–**	2
Other deposits and loan accounts	**573 103**	536 113	**300 549**	291 785
Call and term deposits	**305 251**	291 033	**109 848**	113 473
Fixed deposits	**66 314**	56 821	**11 837**	6 857
Cash management deposits	**73 659**	67 865	**60 016**	58 294
Other deposits and loan accounts	**127 879**	120 394	**118 848**	113 161
Foreign currency liabilities	**23 316**	21 643	**17 933**	15 840
Negotiable certificates of deposit	**89 919**	77 525		
Deposits received under repurchase agreements	**21 877**	24 805	**21 443**	24 615
Macro fair-value hedge-accounted portfolios	**(120)**	–		
Amounts owed to depositors	**825 804**	771 584	**348 310**	338 792
Comprises:				
– Amounts owed to clients	**765 516**	723 054	**292 884**	296 849
– Amounts owed to banks	**60 288**	48 530	**55 426**	41 943
Total amounts owed to depositors	**825 804**	771 584	**348 310**	338 792

D2 Long-term debt instruments

Instrument type	Maturity dates	Interest rates	2018 Rm	2017 Rm
Subordinated debt[1]				
Callable notes (rand-denominated – floating)	6 July 2022 to 1 July 2025	JIBAR + 0,47% to 3,50%	**3 989**	7 028
Callable notes (rand-denominated – fixed)	8 April 2024 to 1 July 2025	10,49% to 11,29%	**891**	891
Long-term debenture	2 August 2027 to 15 September 2030	Zero coupon, JIBAR + 3,00% to 10,82%	**316**	213
Basel III subordinated debt[2]				
Callable notes (rand-denominated – floating)	15 March 2022 to 1 December 2028	JIBAR + 3,75% to 4,00%	**9 037**	4 492
Securitised liabilities[3]				
Callable notes (rand-denominated – floating)	25 May 2018 to 25 February 2042	JIBAR + 0,58% to 3,50%	**2 069**	2 672
Senior unsecured debt[4]				
Senior unsecured notes – fixed	9 September 2019 to 19 November 2027	8,79% to 11,39%	**18 833**	18 638
Senior unsecured notes – floating	21 February 2017 to 31 July 2026	JIBAR + 0,85% to 2,25%	**20 421**	17 616
Unsecured debentures	30 November 2029	Zero coupon	**31**	26
Total long-term debt instruments in issue			**55 587**	51 576

[1] *During 2018 two subordinated debt instruments were repaid and two subordinated debt instruments were issued. A sum of R50m was issued at a fixed interest rate of 10,21%, which is repayable on 28 February 2030. In addition, a sum of R50m was issued at a variable interest rate of JIBAR plus 9,80%, which is repayable on 28 February 2028.*

[2] *During 2018 two Basel III subordinated debt instruments were issued. A sum of R4,5bn was issued with variable rates ranging between JIBAR plus 2,45% and JIBAR plus 3,05%. These instruments are redeemable by 1 December 2028.*

[3] *During 2018 five securitised liabilities were repaid and no securitised liabilities were issued.*

[4] *During 2018 two senior unsecured debt instruments were repaid and eight senior unsecured debt instruments were issued. A sum of R172m was issued at fixed interest rate of 9,41%, repayable on 9 November 2023. A sum of R4,7bn was issued at variable interest rates ranging between JIBAR plus 1,20% and JIBAR plus 1,90%, repayable by 15 February 2028.*

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Rest of Africa		Centre	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
67 200	64 391	**1 777**	1 676	**7 846**	8 277	**59**	(53)
10 141	9 629	**21 354**	19 713	**947**	1 313		
240 128	215 820	**16 354**	13 692	**16 275**	14 924	**(203)**	(108)
172 663	159 681	**11 662**	9 456	**11 075**	8 505	**3**	(82)
52 385	47 501	**669**	598	**1 424**	1 865	**(1)**	
10 497	5 964	**1 939**	2 309	**1 136**	1 240	**71**	58
4 583	2 674	**2 084**	1 329	**2 640**	3 314	**(276)**	(84)
5 051	5 454	**10**		**322**	349		
				3 648	3 076	**86 271**	74 449
				434	190		
						(120)	
322 520	295 294	**39 495**	35 081	**29 472**	28 129	**86 007**	74 288
321 244	293 814	**39 486**	35 081	**28 341**	26 439	**83 561**	70 871
1 276	1 480	**9**		**1 131**	1 690	**2 446**	3 417
322 520	295 294	**39 495**	35 081	**29 472**	28 129	**86 007**	74 288

D2 Long-term debt instruments continued

D2.1 Movement in carrying amount

	2018 Rm	2017 Rm
Balance at the beginning of the year	**51 576**	52 076
Changes arising from cash movements	**(1 082)**	(5 566)
Issue of long-term debt instruments	**9 504**	7 540
Redemption of long-term debt instruments	**(5 495)**	(8 067)
Interest paid	**(5 091)**	(5 039)
Changes arising from non-cash movements	**5 093**	5 066
Accrued interest and premium discount	**5 150**	5 033
Fair-value adjustments	**(33)**	33
Other movements	**(24)**	
Balance at the end of the year	**55 587**	51 576

Investment contract liabilities and insurance contract liabilities

Contracts under which the group 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 contract liabilities. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

D3 Investment contract liabilities

Accounting policy

Linked products

Linked products are investment-related products where the policyholder bears the investment risk on the assets held in these investment products. The policy benefits are directly linked to the value of the assets in the fund. Linked products are designated and measured at FVTPL at each reporting date. Linked products are revalued using valuation techniques such as discounted cashflow methods, index values and closing market values. The valuations are also adjusted for the effects of changes in foreign exchange rates.

	2018 Rm	2017 Rm
Balance at the beginning of the year	**18 134**	15 342
Premium income	**5 882**	5 606
Investment income	**757**	1 729
Annuities	**(300)**	(287)
Death and disability benefits	**(409)**	(673)
Withdrawals/Surrenders	**(4 163)**	(3 279)
Other movements	**134**	(304)
Balance at the end of the year	**20 035**	18 134

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

D4 Insurance contract liabilities

Accounting policy

Policy liabilities

The policy liabilities under unmatured policies, including unintimated claims, are calculated in accordance with the Standard of Actuarial Practice Note (SAP) 104 as issued by the Actuarial Society of SA. Claims intimated, but not paid, are provided for. The actuarial statement of financial position is included as a separate item in the group's annual financial statements. The group performs a liability adequacy test on its liabilities in line with IFRS 4: Insurance Contracts.

New standards and interpretations not yet adopted

IFRS 17: Insurance contracts

The IASB issued IFRS 17 in May 2017 as a replacement for the IFRS 4: Insurance Contracts.

The new IFRS 17 standard is effective for reporting periods beginning on or after 1 January 2022. The new rules will affect the financial statements and key performance indicators of all entities in the group that issue insurance contracts or investment contracts with discretionary participation features.

The group will commence assessing the impact of IFRS 17 during 2019.

	2018 Rm	2017 Rm
Balance at the beginning of the year	**2 277**	2 922
Net premiums	**1 918**	1 835
Individual – recurring premiums	**2 006**	1 906
Group – recurring premiums		7
Net reinsurance premiums	**(88)**	(78)
Investment income	**534**	321
Dividends	**14**	7
Interest	**791**	287
Realised and unrealised gains on investments	**(271)**	27
Policyholders' benefits paid	**(1 160)**	(1 306)
Annuities	**(73)**	(90)
Death and disability benefits	**(569)**	(523)
Maturities	**(450)**	(629)
Gross surrenders and withdrawals	**(68)**	(64)
Total expenses	**(743)**	(796)
Administration expenses	**(369)**	(346)
Commission	**(295)**	(369)
Indirect taxation	**(79)**	(81)
Other income		[1]
Transfer to operating profit	**(997)**	(699)
Balance at the end of the year	**1 829**	2 277

[1] *Represents amounts less than R1m.*

D5 Contractual maturity analysis for financial liabilities

Rm	Statement of financial position amount	< 3 months	> 3 months < 6 months	> 6 months < 1 year
2018				
Long-term debt instruments	**55 587**	**2 293**	**6 172**	**4 555**
Investment contract liabilities	**20 035**	**20 035**		
Insurance contract liabilities	**1 829**			
Amounts owed to depositors	**825 804**	**596 989**	**75 965**	**87 220**
Current accounts	**85 267**	**85 269**		
Savings deposits	**32 442**	**32 442**		
Other deposits and loan accounts	**573 103**	**420 772**	**48 921**	**54 459**
Foreign currency liabilities	**23 316**	**16 971**	**1 444**	**866**
Negotiable certificates of deposit	**89 919**	**19 653**	**25 600**	**31 895**
Deposits received under repurchase agreements	**21 877**	**21 882**		
Macro fair-value hedge-accounted portfolios	**(120)**			
Derivative financial instruments – liabilities	**20 003**	**2 779**	**1 570**	**1 694**
Provisions and other liabilities	**29 383**			**363**
	952 641	**622 096**	**83 707**	**93 832**
Contingent liabilities and undrawn facilities				
Guarantees on behalf of clients		**29 802**		
Letters of credit and discounting transactions		**9 654**		
Irrevocable unutilised facilities and other		**136 381**		
	–	**175 837**	**–**	**–**
2017				
Long-term debt instruments	51 576	1 134	2 355	5 776
Investment contract liabilities	18 134	18 134		
Insurance contract liabilities	2 277			
Amounts owed to depositors	771 584	574 148	76 976	70 660
Current accounts	80 841	80 843		
Savings deposits	30 657	30 583	19	
Other deposits and loan accounts	536 113	402 172	59 229	35 300
Foreign currency liabilities	21 643	17 870	1 427	2 345
Negotiable certificates of deposit	77 525	17 856	16 301	33 015
Deposits received under repurchase agreements	24 805	24 824		
Derivative financial instruments – liabilities	23 367	5 146	2 357	3 114
Provisions and other liabilities	27 837			
	894 775	598 562	81 688	79 550
Contingent liabilities and undrawn facilities				
Guarantees on behalf of clients		28 402		
Letters of credit and discounting transactions		3 225		
Irrevocable unutilised facilities and other		103 562		
	–	135 189	–	–

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

> 1 year < 5years	> 5 years	Non-determinable maturity	Total
40 051	**23 500**		**76 571**
			20 035
		1 829	**1 829**
73 403	**10 174**	**–**	**843 751**
			85 269
			32 442
50 521	**10 294**		**584 967**
4 039			**23 320**
18 843			**95 991**
			21 882
	(120)		**(120)**
5 635	**8 325**		**20 003**
		29 020	**29 383**
119 089	**41 999**	**30 849**	**991 572**
			29 802
			9 654
			136 381
–	**–**	**–**	**175 837**
39 307	22 966		71 538
			18 134
		2 277	2 277
65 872	7 661	–	795 317
			80 843
56			30 658
46 945	7 658		551 304
	3		21 645
18 871			86 043
			24 824
5 384	7 367		23 368
		27 836	27 836
110 563	37 994	30 113	938 470
			28 402
			3 225
			103 562
–	–	–	135 189

SECTION E: ASSET MANAGEMENT

E1 Managed funds

Accounting policy

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. The funds under management described below are not included in the group's consolidated statement of financial position.

	2018 Rm	2017 Rm
E1.1 Fair value of funds under management – by type		
Unit trusts	**241 421**	251 088
Third party	**839**	449
Private clients	**55 078**	60 776
	297 338	312 313
E1.2 Fair value of funds under management – by geography		
SA	**241 364**	256 058
Rest of world	**55 974**	56 255
	297 338	312 313

E1.3 Reconciliation of movement in funds under management – by type

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2016	216 835	476	56 016	273 327
Inflows	393 904	25	15 123	409 052
Outflows	(367 374)	(66)	(13 124)	(380 564)
Mark-to-market value adjustment	13 156	5	2 894	16 055
Foreign currency translation differences	(5 433)	9	(133)	(5 557)
Balance at 31 December 2017	**251 088**	**449**	**60 776**	**312 313**
Inflows	**483 512**	**390**	**10 066**	**493 968**
Outflows	**(494 266)**	**(69)**	**(10 377)**	**(504 712)**
Mark-to-market value adjustment	**(7 480)**	**(32)**	**(5 793)**	**(13 305)**
Foreign currency translation differences	**8 567**	**101**	**406**	**9 074**
Balance at 31 December 2018	**241 421**	**839**	**55 078**	**297 338**

E1.4 Reconciliation of movement in funds under management – by geography

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2016	223 739	49 588	273 327
Inflows	397 830	11 222	409 052
Outflows	(373 451)	(7 113)	(380 564)
Mark-to-market value adjustment	7 940	8 115	16 055
Foreign currency translation differences		(5 557)	(5 557)
Balance at 31 December 2017	**256 058**	**56 255**	**312 313**
Inflows	**483 089**	**10 879**	**493 968**
Outflows	**(488 308)**	**(16 404)**	**(504 712)**
Mark-to-market value adjustment	**(9 475)**	**(3 830)**	**(13 305)**
Foreign currency translation differences		**9 074**	**9 074**
Balance at 31 December 2018	**241 364**	**55 974**	**297 338**

SECTION F: INVESTMENTS

F1 Investment securities

Accounting policy

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

	Carrying amount		Dividends received	Cumulative gains/ (losses)
	2018 Rm	2017 Rm (Restated)[1]	2018 Rm	2018 Rm
Private-equity investments	**5 543**	4 134	**140**	**99**
Private-equity associates – Property Partners	**1 361**	2 409	**30**	**58**
Private-equity associates – Investment Banking	**1 070**	760	**24**	**(12)**
Private-equity (unlisted) – Property Partners	**1 551**	332	**65**	**8**
Private-equity (unlisted) – Investment Banking	**1 561**	633	**21**	**45**
Listed investments	**25**	36	**6**	
Unlisted investments	**3 060**	2 924	**14**	**55**
Taquanta Asset Managers portfolio	**463**	453	**5**	**28**
Strate Limited	**143**	143	**6**	
Other	**2 454**	2 328	**3**	**27**
Total listed and unlisted investments	**8 628**	7 094	**160**	**154**
Listed policyholder investments at market value	**10 048**	9 540		
Unlisted policyholder investments at directors' valuation	**3 742**	3 188		
Net policyholder liabilities	**(14)**	(19)		
Total policyholder investments	**13 776**	12 709		
Total investment securities	**22 404**	19 803		

[1] *Refer to note A3: Reclassification.*

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

The group has designated 10 investments at FVOCI as these investments are held with strategic intent. The fair value of these investments was R942m at 31 December 2018. R8m was recognised as dividend income that related to these investments. No equity investments designated at FVOCI have been derecognised in the current year.

F2 Investments in associate companies

Accounting policy

Associates

An associate is an entity over which the group has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the group holding in excess of 20%, but no more than 50%, of the voting rights. The group accounts for its investments in associate companies (other than investments in associate companies designated at FVTPL) using the equity accounting method, ie cost plus the group's share of postacquisition changes in net asset value.

The group's share of postacquisition profit or loss and postacquisition movements in OCI are recognised in the income statement and OCI respectively. The group applies the equity method of accounting from the date on which significant influence commences until the date on which 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 of the same date as that of 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 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 in 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. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in note G.

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

Common control transactions

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

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

Associate companies and joint ventures held by venture capital divisions

Where the group has an investment in an associate or joint-venture company held by a venture capital division, whose primary business is to purchase and dispose of minority stakes in entities, the investment is classified as designated as FVTPL, 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.

From 1 January 2018 the group no longer recognises investments in associate companies held in its private-equity portfolios at FVTPL. These investments are equity-accounted.

Key assumptions concerning the future and key sources of estimation

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 2018 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 at 30 September 2018 (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 2018 and 31 December 2018 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 dollars to rand at the closing exchange rate.

The carrying value of Nedbank Group's strategic investment in ETI decreased from R3,3bn to R3,2bn during the year. The market value of the group's investment in ETI, based on its quoted share price on 31 December 2018, was R2,9bn using the Nigerian Autonomous Foreign Exchange (NAFEX) exchange rate. On 28 February 2019 the market value of the group's investment in ETI was R2,8bn using the NAFEX exchange rate. Based on the group's 2016 value-in-use (VIU) calculation, management determined that an impairment provision of R1,0bn was appropriate. This calculation must be revisited at each reporting period where the indicators of impairment are reconsidered and the VIU calculation reassessed taking into account any future changes in estimates and assumptions.

Based on management's 2018 assessment there are no observable indicators of further impairment at 31 December 2018 and insufficient observable indicators that the impairment loss recognised in 2016 has decreased. The R1,0bn impairment recognised in 2016 has, therefore, not been reversed in the current reporting period. ETI has been an important long-term investment for the group, providing our clients with a pan-African transactional banking network and access to dealflow in Central and West Africa since its acquisition in 2014. The group remains supportive of ETI's endeavours of delivering an ROE in excess of its COE in due course.

F2.1 Movement in carrying amount

	2018 Rm	2017 Rm (Restated)[1]
Carrying amount at the beginning of the year	**3 553**	4 210
Share of associate companies' (losses)/profit after taxation for the year	**528**	(838)
Share of associate companies' other comprehensive losses for the year	**(716)**	725
Acquisition of investments in associate companies	**548**	
Foreign currency translation and other movements	**128**	(544)
Carrying amount at the end of the year	**4 041**	3 553

[1] *Refer to note A3: Reclassification.*

F2.2 Analysis of carrying amount

	2018 Rm	2017 Rm (Restated)[1]
Associate investments – on acquisition: net asset value	**7 035**	6 487
Share of retained earnings since acquisition	**646**	118
Share of other comprehensive income since acquisition	**(3 207)**	(2 491)
Dividends received from equity-accounted associate companies	**(159)**	(159)
Impairment provision for investments in associate companies	**(1 000)**	(1 000)
Foreign currency translation and other movements[2]	**726**	598
	4 041	3 553

[1] *Refer to note A3: Reclassification.*

[2] *Of this amount R45m (2017: R107m credit) relates to foreign currency movements on the R1,0bn impairment recorded in 2016.*

F2 Investments in associate companies continued

F2.3 Analysis of investments in associate companies

	Nature of activities	Percentage holding 2018 %	2017 % (Restated)
Associate companies			
Listed			
Ecobank Transnational Incorporated (Togo)[3]	Banking	**21,2**	21,2
Unlisted			
Private equity: Tracker Technology Holdings Proprietary Limited	Vehicle tracking	**17,7**	
Private equity: other investments	Various	**30,0**	
Other strategic investments	Various		

[1] *Refer to note A3: Reclassification.*

[2] *Includes on-balance-sheet and off-balance-sheet exposure.*

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

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 listed above.

During the year the group reviewed the classification of certain investments on the statement of financial position. As a result of this review the group's private-equity investments have been reclassified from investments in private-equity associates, associate companies and joint arrangements to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated accordingly (R3 169m). The investments in private-equity associates, associate companies and joint arrangements were renamed investments in associate companies.

F2.4 Additional disclosure relating to material associate companies

	Ecobank Transnational Incorporated[1] 2018 Rm	2017 Rm
Fair value of investment in Ecobank Transnational Incorporated based on the closing quoted price on the Nigerian Stock Exchange		
Based on the NAFEX NGN/USD and prevailing ZAR/USD exchange rates	**2 908**	3 047
Statement of comprehensive income		
Revenue	**18 098**	18 002
Profit from continuing operations	**3 264**	2 513
Post-tax profit from discontinued operations	**9**	9
Other comprehensive (losses)/income	**(1 070)**	1 397
Total comprehensive income	**2 203**	3 919
Statement of financial position		
Current assets	**179 673**	146 768
Non-current assets	**134 865**	110 813
Current liabilities	**144 689**	124 023
Non-current liabilities	**140 763**	108 558

[1] *The information provided for ETI has been based on the latest available financial information, being the financial results available at 30 September 2018.*

			Group			
			Carrying amount		Net exposure to/(from) associates[2]	
Measurement method	Acquisition date	Year-end	**2018 Rm**	2017 Rm (Restated)[1]	**2018 Rm**	2017 Rm (Restated)[1]
Equity-accounted	October 2014	December	**3 245**	3 320	**333**	(271)
Equity-accounted	November 2018	June	**506**			
Equity-accounted	October 2018	February	**42**			
Equity-accounted			**248**	233		
			4 041	3 553	**333**	(271)

F3 Investments in subsidiary companies and related disclosure

Accounting policy

Subsidiary undertakings and consolidated structured entities

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

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

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

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

Sponsored entities

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

Company

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

Acquisitions and disposals of stakes in group companies

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

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

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

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

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

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

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

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

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

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

Investments in foreign operations

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

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

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

Key assumptions concerning the future and key sources of estimation

Derecognition

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

F3 Investments in subsidiary companies and related disclosure continued

F3.1 Analysis of investments in subsidiary companies

	Group			
	Issued capital		Effective holding	
	2018 Rm	2017 Rm	**2018 %**	2017 %
Banking[2]				
Nedbank Limited	**27**	27	**100**	100
Nedbank Namibia Limited	**17**	17	**100**	100
Nedbank (Malawi) Limited	**32**	16	**100**	100
Nedbank (Lesotho) Limited	**20**	20	**100**	100
Nedbank (Swaziland) Limited	**12**	12	**65,08**	65,08
Nedbank Private Wealth Limited (Isle of Man)	**186**	186	**100**	100
Banco Único, SA (Mozambique)	**563**	563	**50% plus one share**	50% plus one share
Nedbank Zimbabwe Limited (Previously MBCA Bank Limited)	**1**	1	**66,02**	67,48
Trust and securities entities[3]				
Nedgroup Private Wealth Stockbrokers Proprietary Limited	**[1]**	[1]	**100**	100
Nedgroup Trust Limited (Jersey)	**[1]**	[1]	**100**	100
Nedgroup Collective Investments (RF) Proprietary Limited[5]	**6**	6	**100**	100
Syfrets Securities Limited	**1**	1	**100**	100
Other companies[3]				
Nedgroup Private Wealth Proprietary Limited	**[1]**	[1]	**100**	100
Depfin Investments Proprietary Limited	**[1]**	[1]	**100**	100
Dr Holsboer Benefit Fund[4]	**[1]**	[1]	**100**	100
Nedgroup Investments Africa (Mauritius)	**[1]**	[1]	**100**	100
Nedbank Group Insurance Company Limited	**11**	11	**100**	100
Nedcapital Investment Holdings Proprietary Limited (Namibia)	**[1]**	[1]	**100**	100
Ned Settle Services Proprietary Limited	**[1]**	[1]	**100**	100
Nedcor Trade Services Limited (Mauritius)	**4**	4	**100**	100
NedEurope Limited (Isle of Man)	**6 167**	6 167	**100**	100
Nedgroup Insurance Company Limited[5]	**5**	5	**100**	100
Nedgroup International Holdings Limited (Isle of Man)	**[1]**	[1]	**100**	100
Nedbank Group Insurance Holdings Limited	**17**	17	**100**	100
Nedgroup Life Assurance Company Limited	**15**	15	**100**	100
Nedgroup Securities Proprietary Limited	**10**	10	**100**	100
Nedgroup Structured Life Limited	**1**	1	**100**	100
NedNamibia Holdings Limited (Namibia)	**18**	18	**100**	100
Visigro Investments (Proprietary) Limited	**[1]**	[1]	**100**	100
Other companies				

[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 F3.1. Unless otherwise stated, all entities are domiciled in SA. Unless otherwise stated, the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period as those 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.

Company			
Book value of investments		Net indebtedness	
2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
24 059	22 709	**2 685**	(1 705)
17	17		
19	19		
285	285	**11**	11
353	353		200
566	566		
222	172		
11	11		
25	25		
		71	71
1 612	1 612		
196	196	**260**	260
34	34		
429	429		
155			
5	5	**18**	18
27 988	26 433	**3 045**	(1 145)

F3 Investments in subsidiary companies and related disclosure continued

F3.1 Analysis of investments in subsidiary companies

Headline earnings from subsidiaries (after eliminating intercompany transactions)

	2018 Rm	2017 Rm
Aggregate headline earnings attributable to equity holders	**13 608**	12 167
Aggregate headline losses attributable to equity holders	**(113)**	(380)
Total headline earnings	**13 495**	11 787

General information required in terms of the Companies Act, 71 of 2008, is detailed in respect of only those subsidiaries where the financial position or results are material to the group. It is considered that the disclosure in these statements of such information in respect of the remaining subsidiaries would entail expenses out of proportion to the value to members. Other subsidiaries consist of nominees, property-owning and financial holding companies acquired in the course of lending activities.

Nedbank Group Limited will ensure that, except in the case of political risk, and unless specifically excluded by public notice in a country where a subsidiary is domiciled, its banking subsidiaries, and its principal non-banking subsidiaries, are able to meet their contractual liabilities.

F3.2 Major subsidiary companies

Nedbank Group Limited

Nedbank Limited 100%

Local subsidiaries

- Depfin Investments Proprietary Limited
- Peoples Mortgage Limited
- Nedcor Investments Limited
- BoE Private Equity Investments Proprietary Limited

Foreign Nedbank Group subsidiaries

- NedEurope Limited (Isle of Man)
- Nedgroup Investments Africa (Mauritius)
- Nedbank (Malawi) Limited
- Nedbank Zimbabwe Limited 66,02%
- Nedbank Namibia Limited
- Nedgroup International Holdings Limited (Isle of Man)
- Nedgroup Trust Limited (Guernsey)
- Nedbank Private Wealth Limited (Isle of Man)
- Banco Único, SA (Mozambique) 50% plus one share
- Nedbank (Lesotho) Limited
- Nedbank (Swaziland) Limited 65,08%

Trusts, securities and other entities

- Syfrets Securities Limited
- Nedgroup Private Wealth Stockbrokers Proprietary Limited
- Nedgroup Collective Investments (RF) Proprietary Limited
- Nedgroup Securities Proprietary Limited
- Nedgroup Private Wealth Proprietary Limited
- Dr Holsboer Benefit Fund

Nedbank Group Insurance Holdings Limited 100%

- Nedgroup Insurance Company Limited
- Nedgroup Structured Life Limited
- Nedgroup Life Assurance Company Limited

Other insurance

- Nedbank Group Insurance Company Limited

All subsidiaries are wholly owned, unless stated otherwise.

F3.3 Material non-controlling interests

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

	Banco Único, SA (Mozambique)		Nedbank (Swaziland) Limited		Nedbank Zimbabwe Limited	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
Financial position						
Total assets	**5 704**	5 071	**5 322**	4 759	**6 190**	4 494
Total liabilities	**5 587**	4 399	**4 539**	4 067	**5 177**	3 817
Accumulated non-controlling interests at the end of the year	**409**	373	**299**	254	**25**	210
Comprehensive income						
Income from lending activities	**260**	285	**266**	146	**279**	200
Non-interest revenue	**200**	150	**166**	88	**375**	439
Profit from continuing operations	**75**	110	**128**	69	**214**	84
Total comprehensive income	**75**	110	**126**	70	**214**	87
Profit allocated to non-controlling interests during the reporting period	**36**	41	**45**	36	**71**	26
Cashflows						
Cashflows (utilised by)/from operating activities	**(338)**	(21)	**509**	(146)	**(1 083)**	13
Cashflows utilised by investing activities	**(45)**	(4)	**(11)**	(28)	**(91)**	(26)
Cashflows from/(utilised by) financing activities		5	**(33)**	(33)		
Net increase in cash and cash equivalents	**(383)**	(20)	**465**	(207)	**(1 174)**	(13)
Dividends paid to non-controlling interests			**22**	12		

F4 Interests in structured consolidated and unconsolidated structured entities

F4.1 Consolidated structured entities

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

The group has identified the following consolidated structured entities:

- Old Mutual Alternative Risk Transfer Fund (OMART) (refer to note H1)
- Employee Benefit Trust Schemes (refer to note J3)
- Community Trust (refer to note J1)
- Dr Holsboer Benefit Fund
- Securitisation vehicles (refer to note F5)
  - Greenhouse Funding (RF) Limited
  - Greenhouse Funding III (RF) Limited
  - Precinct Funding 1 (RF) Limited
  - Precinct Funding 2 (RF) Limited

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

Securitisation

The group originated and sponsors certain securitisation vehicles and acts in various capacities with regard to these structures. The group controls these entities and has consolidated these structures since its inception.

Securitisation vehicles consist of the residential mortgage-backed securitisation programmes Greenhouse Funding (RF) Limited and Greenhouse Funding III (RF) Limited and the commercial mortgage-backed securitisation programmes, Precinct Funding 1 (RF) Limited and Precinct Funding 2 (RF) Limited. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at its inception. The group does, however, exercise some discretion in its decisionmaking, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge and credit enhancement Nedbank Limited has rights to the residual return of the vehicle. The group has concluded that it controls these entities.

F4 Interests in structured consolidated and unconsolidated structured entities continued

F4.1 Consolidated structured entities continued

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

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

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 Limited, reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services unless the founder and all the trustees unanimously agree. The group has concluded that the trustees merely act in an agent capacity and that the group has control over the trust.

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 for which the trust was formed and the group's involvement in the key decisionmaking processes relating to the operation of the trust.

F4.2 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 minumum interest in the investment fund. In determining whether the group controls such an investment fund focus is usually 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
2018	
Carrying amount of the group's interest	**5**
Fees earned	**930**
Total assets under management	**190 567**
2017	
Carrying amount of the group's interest	5
Fees earned	1 106
Total assets under management	199 266

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.

F5 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 or other residual interests (retained interests).

Active securitisation transactions

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

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

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

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

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

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

Nedbank Limited provided Greenhouse III with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

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

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

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

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

The maturity date of the Precinct Funding 1 securitisation transaction was 29 January 2018. As such all the outstanding notes issued by Precinct Funding 1 were redeemed in full.

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

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

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

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

F5 Securitisations continued

Precinct Funding 2 makes use of an internal risk management policy and uses the Nedbank Group Limited credit risk monitoring process to govern lending activities to external parties. The primary measures used to identify, monitor and report on the level of exposure to credit risk include individual loan and loan portfolio ageing and performance analysis, analysis of impairment adequacy ratios, analysis of loss ratio trends and analysis of loan portfolio profitability. The maximum credit exposure to credit risk in respect of the mortgage loans is the balance of outstanding advances before taking into account the value of collateral held as security against such exposures and impairments raised. The collateral held as security for the mortgage asset exposure is in the form of first indemnity bonds over fixed commercial property.

Nedbank Limited provided Precinct Funding 2 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

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

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

	2018		2017	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients:				
– Residential mortgage loans	**1 264**	**1 089**	1 462	1 321
Less: Impairments	**(6)**		(5)	
– Commercial mortgage loans	**979**	**979**	1 321	1 350
Less: Impairments	**(1)**			
Total	**2 236**	**2 068**	2 778	2 671

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.

F6 Related parties

F6.1 Relationship with significant investors

Following Old Mutual plc's managed separation process the group no longer has a parent (controlling shareholder) as Old Mutual Limited unbundled its direct shareholding in the group to approximately 19,9% on 15 October 2018. At 31 December 2018 Old Mutual Limited held 24,51% of Nedbank Group Limited's ordinary shares. The above shareholding is inclusive of funds held on behalf other beneficial owners. Old Mutual Limited remains a related party of the group due to its significant shareholding in the group. At 31 December 2017 the group's parent company was Old Mutual (South Africa) Limited (OMSA), which, through its subsidiaries, held 53,37% of Nedbank Group Limited's ordinary shares. The ultimate controlling party at 31 December 2017 was Old Mutual plc, incorporated in the United Kingdom.

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

F6.2 Key management personnel compensation

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

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

	Directors	Key management personnel	Total
Compensation (Rm)			
2018			
Directors' fees	**21**		**21**
Remuneration – paid by subsidiaries	**99**	**213**	**312**
Short-term employee benefits	**54**	**119**	**173**
Gain on exercise of share instruments	**45**	**94**	**139**
	120	**213**	**333**
2017			
Directors' fees	20		20
Remuneration – paid by subsidiaries	88	176	264
Short-term employee benefits	49	103	152
Gain on exercise of share instruments	39	73	112
	108	176	284
Number of share instruments			
2018			
Outstanding at the beginning of the year	**527 433**	**950 914**	**1 478 347**
Granted	**137 574**	**235 704**	**373 278**
Forfeited		**(6 868)**	**(6 868)**
Exercised	**(160 522)**	**(292 073)**	**(452 595)**
Transferred[1]		**(8 223)**	**(8 223)**
Outstanding at the end of the year	**504 485**	**879 454**	**1 383 939**
2017			
Outstanding at the beginning of the year	539 664	1 208 100	1 747 764
Granted	160 984	303 964	464 948
Forfeited		(18 131)	(18 131)
Exercised	(173 215)	(329 173)	(502 388)
Transferred[1]		(213 846)	(213 846)
Outstanding at the end of the year	527 433	950 914	1 478 347

[1] *Represents the net movement in share instruments of members appointed to and resigning from Group Exco.*

F6 Related parties continued

F6.3 Related-party transactions

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

	Due from/(Owing to)	
Outstanding balances (Rm)	**2018**	2017
Old Mutual group[1]		
Deposits owing to Old Mutual Life Assurance Company (SA) Limited	**(240)**	(1 350)
Bank balances owing to Old Mutual Life Assurance Company (SA) Limited	**(7 837)**	(6 672)
Forward exchange rate contracts with Old Mutual plc		(5)
Net bonds, derivatives and other financial instruments payable to/receivable from Old Mutual Life Assurance Company Proprietary Limited	**2 353**	(1 020)
Bonds due to Old Mutual group subsidiaries[2]	**(1 749)**	(921)
Loan due from other subsidiaries of Old Mutual Limited	**457**	381
Deposits owing to other subsidiaries of Old Mutual Limited	**(7 070)**	(8 692)
Bank balances owing to other subsidiaries of Old Mutual Limited	**(3 095)**	(2 758)

[1] *Outstanding balances at 31 December 2017 represent amounts due from/(owing to) the group's parent/ultimate controlling party and fellow subsidiaries. Outstanding balances at 31 December 2018 represent amounts due from/(owing to) companies within the Old Mutual Limited group that are related to the group because of Old Mutual Limited's significant shareholding.*

[2] *Represents bonds due to Old Mutual subsidiaries, previously not included in this analysis.*

Associate companies		
Loans due from associate companies	**2 167**	1 809
Deposits owing to associate companies	**(220)**	(168)
Bank balances owing to associate companies	**31**	(39)
Key management personnel		
Mortgage bonds due from key management personnel	**17**	20
Deposits owing to key management personnel	**(13)**	(16)
Deposits owing to, net of loans due from, entities under the influence of key management personnel[1]	**(1 372)**	(127)
Bank balances due from key management personnel	**3**	3
Bank balances owing to key management personnel	**(7)**	(9)
Bank balances owing to entities under the influence of key management personnel	**(32)**	(103)
Key management personnel – directors	**(51)**	(41)
Key management personnel – other	**(93)**	(86)
Share-based payments reserve	**(144)**	(127)

[1] *Increase mainly due to resignation of a boardmember, resulting in offsetting loan balance from a counterparty under the influence of the former boardmember no longer being included in the December 2018 net balance.*

Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(10)**	(2)
Bank balances owing to Nedgroup Pension Fund	**(32)**	(43)
Bank balances and deposits owing to other funds	**(1 358)**	(1 619)

Transactions (Rm)	Income/(Expense) 2018	2017
Old Mutual group[1]		
Interest expense to Old Mutual Life Assurance Company (SA) Limited	**(352)**	(547)
Dividend declared to the Old Mutual Group	**3 610**	(3 268)
Interest income from Old Mutual Asset Managers (SA) Proprietary Limited[2]	**7**	38
Interest income from other subsidiaries of Old Mutual Limited	**69**	59
Interest expense to other subsidiaries of Old Mutual Limited	**(810)**	(1 131)
Interest expense to Old Mutual Asset Managers (SA) Proprietary Limited[2]	**(1)**	
Insurance premiums to Old Mutual Insure Limited[2]	**(154)**	(140)
Claims recovered from Old Mutual Insure Limited[2]	**88**	69
Commission income from Old Mutual Insure Limited[2]	**27**	25
Management fee income from subsidiaries of Old Mutual Limited	**116**	127
Management fee expense to subsidiaries of Old Mutual Limited	**(19)**	(8)
Fees received for provision of information technology services from subsidiaries of Old Mutual Limited	**277**	167
[1] *Transactions for the period to 15 October 2018 represent income/(expense) from the group's parent/ultimate controlling party and fellow subsidiaries. Transactions for the period after 15 October 2018 represent income/(expense) from companies within the Old Mutual Limited group that are related to the group because of Old Mutual Limited's significant shareholding.*		
[2] *Prior to 26 June 2018 these entities were subsidiaries of Old Mutual plc.*		
Associate companies		
Interest income from associate companies	**3**	2
Interest expense to associate companies	**(16)**	(14)
Key management personnel		
Interest income from key management personnel	**2**	2
Interest income from entities under the influence of key management personnel	**10**	132
Interest expense to key management personnel	**(2)**	(2)
Interest expense to entities under the influence of key management personnel	**(123)**	(82)
The share-based payments charge in respect of the entities that are participants in the Nedbank Eyethu BEE schemes and key management personnel is detailed below:		
– Key management personnel – other	**1**	1
Share-based payments expense (included in BEE transaction expenses)	**1**	1
Key management personnel – directors	**(31)**	(24)
Key management personnel – other	**(54)**	(27)
Share-based payments expense (included in staff costs)	**(85)**	(51)
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	**(8)**	(1)
Interest expense to Nedgroup Medical Aid Fund	**(1)**	
Interest expense to other funds	**(115)**	(161)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with Old Mutual Life Assurance Company (SA) Limited in respect of its pension plan obligations. Nedbank Limited has an insurance policy (Symmetry policy) with Old Mutual Life Assurance Company (SA) Proprietary Limited in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive 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	**760**	765
– Symmetry policy reimbursement right	**1 148**	1 440
– OMART policy reimbursement right (note H1.1)	**665**	618
Included in long-term employee benefit assets	**2 573**	2 823
Optiplus policy obligation	**(760)**	(765)
Postretirement medical aid obligation	**(1 430)**	(1 440)
Disability obligation	**(463)**	(454)
Included in long-term employee benefit liabilities	**(2 653)**	**(2 659)**

SECTION G: GENERIC ASSETS

Accounting policy

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

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

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

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

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

Borrowing costs

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

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

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

G1 Property and equipment

Accounting policy

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

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

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

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

Depreciation

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

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

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

The maximum initial estimated useful lives are as follows:

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

Derecognition

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

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

Leases

The group as lessee

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

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

The group as lessor

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

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

Recognition of lease of land

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

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

G1 Property and equipment continued

	Land		Buildings	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Gross carrying amount				
Balance at 1 January	**851**	909	**6 783**	6 725
Acquisitions	**124**		**652**	340
Increases arising from revaluations[1]	**(15)**	9	**30**	190
Transfers to non-current assets held for sale		(65)		(236)
Disposals			**(97)**	(152)
Writeoff of accumulated depreciation on revaluations			**(9)**	(86)
Transfers to equipment			**(216)**	
Transfers to Intangible assets (note G2)			**9**	
Effect of movements in foreign exchange rates and other movements	**2**	(2)	**(69)**	2
Balance at 31 December	**962**	851	**7 083**	6 783
Accumulated depreciation and impairment losses				
Balance at 1 January			**1 737**	1 556
Depreciation charge for the year			**423**	408
Writeoff of accumulated depreciation on revaluations			**(9)**	(86)
Transfers to non-current assets held for sale				(25)
Disposals			**(76)**	(93)
Transfers to equipment			**(86)**	
Effect of movements in foreign exchange rates and other movements			**(19)**	(23)
Balance at 31 December	**–**	–	**1 970**	1 737
Carrying amount				
At 1 January	**851**	909	**5 046**	5 169
At 31 December	**962**	851	**5 113**	5 046

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

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

Type of property	Valuation method	Significant inputs
Commercial property	Market-comparable approach and discounted cashflow	Income capitalisation rates
Residential property	Market comparable approach and replacement value	Price per square metre
Total land and buildings		

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 028m (2017: R2 870m).

Computer equipment		Furniture and other equipment		Vehicles		Total	
2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
5 375	4 856	**3 119**	2 738	**70**	58	**16 198**	15 286
630	685	**527**	415	**5**	10	**1 938**	1 450
						15	199
						–	(301)
(149)	(173)	**(133)**	(89)	**(7)**	(3)	**(386)**	(417)
						(9)	(86)
(30)		**246**				**–**	–
142						**151**	–
16	7	**(35)**	55	**4**	5	**(82)**	67
5 984	5 375	**3 724**	3 119	**72**	70	**17 825**	16 198
3 561	3 013	**1 955**	1 716	**43**	32	**7 296**	6 317
753	727	**328**	266	**8**	8	**1 512**	1 409
						(9)	(86)
						–	(25)
(140)	(168)	**(113)**	(76)	**(4)**	(2)	**(333)**	(339)
		86				**–**	–
10	(11)	**(6)**	49	**3**	5	**(12)**	20
4 184	3 561	**2 250**	1 955	**50**	43	**8 454**	7 296
1 814	1 843	**1 164**	1 022	**27**	26	**8 902**	8 969
1 800	1 814	**1 474**	1 164	**22**	27	**9 371**	8 902

Parameters	Land		Buildings	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
8,0–13,0% (2017: 8,0–13,0%)	**957**	846	**5 103**	5 036
	5	5	**10**	10
	962	851	**5 113**	5 046

G2 Intangible assets

Accounting policy

Goodwill

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

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

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

Goodwill and goodwill impairment

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

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

Impairment testing procedures

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

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

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

Computer software and development costs (not yet commissioned)

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

If costs can be reliably measured and future economic benefits are available, expenditure on computer software and other development activities, whereby set procedures and processes are applied to a project for the production of new or substantially improved products and processes, is capitalised if the computer software and other developed products or processes are technically and commercially feasible and the group has intention and sufficient resources to complete development. The expenditure capitalised includes the cost of materials and directly attributable employee and other direct costs. Computer development expenditure is amortised only once the relevant software is available for use in the manner intended by management. Capitalised software is stated at cost less accumulated amortisation and impairment losses.

Amortisation of computer software and development costs is charged to profit or loss on a straight-line basis over the estimated useful lives of these assets, which do not exceed 10 years and are reviewed annually. Subsequent expenditure relating to computer software is capitalised only when it increases the future economic benefits embodied in the specific asset, in its current condition, to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. The profit or loss on the disposal of computer software is recognised in non-trading and capital items (in profit or loss). The profit or loss on disposal is the difference between the net proceeds received and the carrying amount of the asset.

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

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 and residual values 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.

Key assumptions concerning the future and key sources of estimation

Goodwill

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

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

The most significant amount of goodwill relates to Nedbank Limited. The goodwill impairment testing performed in 2018 indicated that none of the goodwill was impaired in the year under review. Management believes that reasonable changes in key assumptions used to determine the recoverable amount of Nedbank Limited's goodwill would not result in impairment.

Intangible assets other than goodwill

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

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

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

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

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

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

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

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

G2 Intangible assets continued

G2.1 Movement in carrying amount

Rm	Goodwill	Software	Development costs (not yet commissioned)	Client relationships, contractual rights and other	Total
2018					
Cost					
Balance at the beginning of the year	**6 608**	**11 020**	**2 415**	**810**	**20 853**
Acquisitions		**393**	**2 129**	**141**	**2 663**
Development costs commissioned to software		**2 313**	**(2 313)**		
Impairment losses[1]		**(16)**	**(128)**		**(144)**
Disposals and retirements		**(32)**	**(1)**	**(194)**	**(227)**
Transfers from property and equipment (note G1)			**(151)**		**(151)**
Foreign currency translation and other movements	**42**	**(4)**			**38**
Balance at the end of the year	**6 650**	**13 674**	**1 951**	**757**	**23 032**
Accumulated amortisation					
Balance at the beginning of the year	**1 477**	**7 427**	**4**	**561**	**9 469**
Amortisation charge		**958**		**75**	**1 033**
Disposals and retirements		**(17)**		**(53)**	**(70)**
Foreign currency translation and other movements		**(4)**	**6**	**(10)**	**(8)**
Balance at the end of the year	**1 477**	**8 364**	**10**	**573**	**10 424**
Carrying amount					
At the beginning of the year	**5 131**	**3 593**	**2 411**	**249**	**11 384**
At the end of the year	**5 173**	**5 310**	**1 941**	**184**	**12 608**
2017					
Cost					
Balance at the beginning of the year	6 676	9 864	1 596	788	18 924
Acquisitions		249	2 141		2 390
Acquisitions through business combinations					–
Development costs commissioned to software		1 257	(1 257)		–
Impairment losses[1]		(109)	(58)		(167)
Disposals and retirements		(308)			(308)
Foreign currency translation and other movements	(68)	67	(7)	22	14
Balance at the end of the year	6 608	11 020	2 415	810	20 853
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 477	6 871	7	486	8 841
Amortisation charge		793		86	879
Disposals and retirements		(300)			(300)
Foreign currency translation and other movements		63	(3)	(11)	49
Balance at the end of the year	1 477	7 427	4	561	9 469
Carrying amount					
At the beginning of the year	5 199	2 993	1 589	302	10 083
At the end of the year	5 131	3 593	2 411	249	11 384

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

G2.2 Analysis of goodwill by segment

	2018 Rm	2017 Rm
Nedbank Corporate and Investment Banking	**2 023**	2 023
Nedbank Retail and Business Banking	**1 449**	1 449
Nedbank Wealth	**1 542**	1 503
Nedbank Rest of Africa	**159**	156
	5 173	5 131

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

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

	2018	2017
— Risk-free rate range (%)	**1,25–8,77**	1,28–8,59
— Beta range	**0,56–1,06**	0,13–1,08
— Equity risk premium (%)	**5,50–6,50**	6,00
— Terminal growth rate range (%)	**0,00–5,50**	0,00–5,70
— Cashflow projection (years)	**3–5**	3
— Discount rate range (%)	**7,45–25,54**	6,85–32,81

	2018 Rm	2017 Rm
Geographical split of goodwill is based on the area in which the CGU operates:		
— SA	**4 596**	4 596
— Rest of Africa	**159**	156
— Rest of world	**418**	379
	5 173	5 131
The recoverable amount is estimated as follows:		
— SA	**172 897**	157 030
— Rest of Africa	**3 591**	4 221
— Rest of world	**4 719**	3 879
	181 207	165 130

SECTION H: OTHER ASSETS

H1 Long-term employee benefits

Accounting policy

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

Defined-benefit plans

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

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

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

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

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

Defined-contribution plans

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

Postemployment benefit plans

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

Short-term employee benefits

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

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

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

Key assumptions concerning the future and key sources of estimation

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

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

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

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

Postemployment and other long-term employee benefits

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

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

At the dates of the latest valuations the defined-benefit plans were in a sound financial position in terms of section 16 of the Pension 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 2018.

Postemployment benefits

Defined-benefit pension funds

Nedgroup Pension Fund (including the Optiplus policy).

Nedbank UK Pension Fund.

Other funds, consisting of Nedbank (Swaziland) Limited Pension Fund and Nedbank Lesotho Pension Fund.

Nedbank Private Wealth Pension Scheme.

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 OMART policy).

Insurance policies held with related parties

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

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

Rm	Notes	Assets	Liabilities
2018			
Postemployment benefits	**H1.1.1**	**4 301**	**(2 286)**
Other long-term employee benefits – disability fund		**665**	**(463)**
		4 966	**(2 749)**
2017			
Postemployment benefits	H1.1.1	5 306	(3 072)
Other long-term employee benefits – disability fund		618	(453)
		5 924	(3 525)

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 R463m (2017: R453m). The value of the OMART asset held by the group is R665m (2017: R618m).

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
H1 Long-term employee benefits continued				
H1.1 Analysis of long-term employee benefit assets and liabilities continued				
H1.1.1 Net asset/(liability) recognised (Rm)				
2018				
Present value of defined-benefit obligation	(4 476)	(1 441)		(5 917)
Fair value of plan assets[1]	6 111	1 149	774	8 034
Funded status	1 635	(292)	774	2 117
Unrecognised due to paragraph 65 limit	(102)			(102)
	1 533	(292)	774	2 015
Net fund asset[2]	3 153	1 149	774	5 076
Net fund liability[3]	(1 620)	(1 441)		(3 061)
2017				
Present value of defined-benefit obligation	(5 036)	(2 213)		(7 249)
Fair value of plan assets[1]	8 119	1 441		9 560
Funded status	3 083	(772)	–	2 311
Unrecognised due to paragraph 65 limit	(77)			(77)
	3 006	(772)	–	2 234
Net fund asset[2]	3 865	1 441		5 306
Net fund liability[3]	(859)	(2 213)		(3 072)

[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 R760m (2017: R765m) and for medical aid to the value of R1 149m (2017: R1 441m).*

[2] *The pension and provident fund net asset refers to the sum of pension and provident funds with a net positive fund value of R1 533m (2017: R3 006m) plus non-qualifying insurance policies taken on the funds of R760m (2017: R765m). The medical aid fund net asset refers to non-qualifying insurance policies taken on the fund of R1 149m (2017: R1 441m).*

[3] *The medical aid fund net liability refers to the sum of medical aid funds with a negative fund value of R292m (2017: R772m) plus the obligation on non-qualifying insurance policies of R1 149m (2017: R1 441m).*

H1.1.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 65 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2018					
Pension funds	**4 476**	**6 111**	**1 635**	**(102)**	**1 533**
Nedgroup Fund	**3 697**	**5 322**	**1 625**		**1 625**
Nedbank UK Fund	**376**	**446**	**70**	**(70)**	**–**
Nedbank Private Wealth Funds	**204**	**112**	**(92)**		**(92)**
Other funds	**199**	**231**	**32**	**(32)**	
Medical aid funds	**1 441**	**1 149**	**(292)**	**–**	**(292)**
Nedgroup scheme for Nedbank employees	**1 358**	**1 071**	**(287)**		**(287)**
Nedgroup scheme for BoE employees	**73**	**78**	**5**		**5**
Nedbank Namibia scheme (unfunded)	**10**		**(10)**		**(10)**
Contribution asset		**774**	**774**		**774**
Total	**5 917**	**8 034**	**2 117**	**(102)**	**2 015**

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 65 limit	Net asset/ (liability)
2017					
Pension funds	5 036	8 119	3 083	(77)	3 006
Nedgroup Fund	4 248	7 350	3 102		3 102
Nedbank UK Fund	368	430	62	(64)	(2)
Fairbairn Funds	202	108	(94)		(94)
Other funds	218	231	13	(13)	–
Medical aid funds	2 213	1 441	(772)	–	(772)
Nedgroup scheme for Nedbank employees	2 068	1 441	(627)		(627)
Nedgroup scheme for BoE employees	135		(135)		(135)
Nedbank Namibia scheme (unfunded)	10		(10)		(10)
Total	7 249	9 560	2 311	(77)	2 234

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Present value of defined-benefit obligation				
2018				
Balance at the beginning of the year	**5 036**	**2 213**		**7 249**
Current service cost	**22**	**42**		**64**
Past service cost	**7**			**7**
Interest cost	**390**	**150**		**540**
Contributions by plan participants	**11**			**11**
Actuarial losses[1]	**(567)**	**139**		**(428)**
Benefits paid	**(465)**	**(80)**		**(545)**
Impact of foreign currency exchange rate changes	**14**			**14**
Settlement of active members[2]	**28**	**(1 023)**		**(995)**
Balance at the end of the year	**4 476**	**1 441**	**–**	**5 917**
2017				
Balance at the beginning of the year	5 167	2 143		7 310
Current service cost	27	98		125
Past service cost	6			6
Interest cost	427	215		642
Contributions by plan participants	11			11
Actuarial losses[1]	(189)	(163)		(352)
Benefits paid	(414)	(80)		(494)
Impact of foreign currency exchange rate changes	1			1
Balance at the end of the year	5 036	2 213	–	7 249

H1 Long-term employee benefits continued

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

H1.1.2 Postemployment benefits

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Fair-value of plan assets				
2018				
Balance at the beginning of the year	**8 119**	**1 441**		**9 560**
Expected return on plan assets	**593**	**133**	**(39)**	**687**
Actuarial gains/(losses)[1]	**(663)**	**(216)**		**(879)**
Contributions by the employer	**32**		**813**	**845**
Settlement[2]	**(1 551)**			**(1 551)**
Contributions by plan participants	**11**	**25**		**36**
Refund of contributions		**(154)**		**(154)**
Benefits paid	**(465)**	**(80)**		**(545)**
Scheme-settled administration costs	**(11)**			**(11)**
Impact of foreign currency exchange rate changes	**46**			**46**
Balance at the end of the year	**6 111**	**1 149**	**774**	**8 034**
2017				
Balance at the beginning of the year	7 586	1 343		8 929
Expected return on plan assets	656	131		787
Actuarial gains/(losses)	253	(24)		229
Contributions by the employer	39			39
Contributions by plan participants	11	70		81
Benefits paid	(415)	(79)		(494)
Scheme-settled administration costs	(12)			(12)
Impact of foreign currency exchange rate changes	1			1
Balance at the end of the year	8 119	1 441	–	9 560

[1] *The R480m (2017: R581m gain) recognised in OCI is the sum of the actuarial loss on the plan liabilities and the actuarial gain/loss on plan assets less taxation, before the IAS 19 paragraph 65 limit.*

[2] *During the year, Nedbank closed the postretirement medical aid (PRMA) benefit to new members. In June 2018, Nedbank settled the existing obligations to active employees through:*

- *An actuarial computed 'no-worse-off' lump sum allocation into the employee's defined-contribution fund membership account; or*
- *An enhanced lump sum allocation into the employee's defined-contribution fund membership account, with no further ongoing contribution obligations.*

The settlement resulted in a lump sum allocation of R766m This includes R28m which was added directly to the defined-benefit fund obligation for the active members who remain members of the defined-benefit pension fund. This was funded from defined-benefit pension fund assets of R1 551m. A contribution asset of R813m was also created.

As a result of the settlement, the PRMA defined-benefit obligation decreased by an estimate of R1 023m. Therefore a net gain of R257m (reduction in PRMA obligation less lump sum allocations) was recognised in the statement of comprehensive income.

Net (income)/expense recognised	Pension and provident funds	Medical aid funds	Contribution asset	Total
2018				
Current service cost	**22**	**42**		**64**
Interest (received)/cost	**(203)**	**17**	**(39)**	**(225)**
Scheme-settled plan administration costs	**11**			**11**
Past service cost – vested benefit	**7**			**7**
Gain on settlement[2]		**(257)**		**(257)**
	(163)	**(198)**	**(39)**	**(400)**
2017				
Current service cost	27	98		125
Interest (received)/cost	(229)	84		(145)
Scheme-settled plan administration costs	11			11
Past service cost – vested benefit	6			6
Effect of application of asset ceiling	2			2
	(183)	182	–	(1)
Movements in net asset/(liability) recognised				
2018				
Balance at the beginning of the year	**3 006**	**(772)**		**2 234**
Net income/(expense) recognised in the statement of comprehensive income	**163**	**198**	**(39)**	**322**
Net remeasurements – debit for the year	**(125)**	**(355)**		**(480)**
Refund of contributions		**(154)**		**(154)**
Contributions paid by the employer	**32**	**25**	**813**	**870**
Impact of foreign currency exchange rate changes	**36**			**36**
Settlement[2]	**(28)**			**(28)**
Settlement of active members[2]	**(1 551)**	**766**		**(785)**
Balance at the end of the year	**1 533**	**(292)**	**774**	**2 015**
2017				
Balance at the beginning of the year	2 392	(800)		1 592
Net income/(expense) recognised in the statement of comprehensive income	183	(182)		1
Net remeasurements – debit for the year	394	140		534
Contributions paid by the employer	39	70		109
Impact of foreign currency exchange rate changes	(2)			(2)
Balance at the end of the year	3 006	(772)	–	2 234

H1 Long-term employee benefits continued

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

H1.1.2 Postemployment benefits continued

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Distribution of plan assets (%)				
2018				
Equity instruments	**29,48**	**48,00**		**32,40**
Debt instruments	**32,79**	**20,00**		**30,77**
Property	**4,44**	**6,00**		**4,69**
Cash	**6,64**	**18,00**		**8,44**
International	**26,65**	**6,00**		**23,39**
	100,00	**100,00**	**–**	**100,00**
2017				
Equity instruments	27,81			23,62
Debt instruments	25,16	84,00		34,01
Property	4,16			3,55
Cash	19,73	16,00		19,17
International	23,14			19,65
	100,00	100,00	–	100,00
Actual return on plan assets				
2018	**(70)**	**(83)**	**(39)**	**(192)**
2017	909	107	–	1 016

Principal actuarial assumptions (%)	Range	Used in valuation
2018		
Discount rates	**2,75–9,40**	**9,70–9,80**
Expected rates of return on plan assets	**2,75–9,40**	**9,80–9,80**
Inflation rate	**2,30–5,60**	**5,80–6,40**
Expected rates of salary increases	**6,60–6,60**	**5,80–5,80**
Pension increase allowance	**0,56–5,60**	
Annual increase to medical aid subsidy		**7,80–7,90**
Average expected retirement age (years)	**60–65**	**60–63**
2017		
Discount rates	2,45–8,80	9,60–9,70
Expected rates of return on plan assets	2,45–8,80	9,60–9,60
Inflation rate	2,25–5,80	6,00–6,40
Expected rates of salary increases	6,80–8,70	6,00
Pension increase allowance	0,55–5,80	
Annual increase to medical aid subsidy		7,50–7,90
Average expected retirement age (years)	55–65	60–63

Sensitivity analysis

Defined-benefit obligation

The defined-benefit obligation has been recalculated to show the effect of the discount rate and inflation rate assumptions on the defined-benefit obligation by adding and subtracting one percent to each assumption. This sensitivity analysis is for Nedgroup Pension Fund, Nedbank (Swaziland) Limited Pension Fund and Nedbank Lesotho Pension Fund.

Rm	Main result	Discount rate plus one percent	Discount rate minus one percent	Inflation rate plus one percent	Inflation rate minus one percent
2018					
Defined-benefit obligation	**3 702**	**3 496**	**3 927**	**3 943**	**3 479**
Change (%)		**(5,6)**	**6,1**	**6,5**	**(6,0)**
2017					
Defined-benefit obligation	4 466	4 227	4 757	4 758	4 221
Change (%)		(5,4)	6,5	6,5	(5,5)

Medical aid accrued liability

The sensitivity analysis provided below shows the impact of changes to these assumptions on the accrued liability value as at 31 December 2018.

Rm	Main result	Medical subsidy rate plus one percent	Medical subsidy rate minus one percent	Discount rate plus half a percent	Discount rate minus half a percent
Medical aid accrued liability	**1 430**	**1 529**	**1 344**	**1 383**	**1 481**
Change (%)		**6,9**	**(6,0)**	**(3,3)**	**3,6**

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

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

Pension funds

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

Weighted-average assumptions (%)	2018	2017
– Discount rate	**8,80**	8,38
– Expected return on plan assets	**8,80**	8,38
– Future salary increases	**5,75**	6,15
– Future pension increases	**5,10**	5,40

H1 Long-term employee benefits continued

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

H1.1.2 Postemployment benefits continued

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,4%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Experience adjustments on present value of defined-benefit obligations for the past five years				
2018	**(337)**	**(139)**		**(476)**
2017	(35)	162		127
2016	(51)	(98)		(149)
2015	(94)	112		18
2014	55	(42)		13
Experience adjustments on fair value of plan assets for the past five years				
2018		**(216)**		**(216)**
2017		(24)		(24)
2016		(40)		(40)
2015		(14)		(14)
2014		(24)		(24)
Estimate of future contributions				
Contributions expected for ensuing year	**50**			**50**

Fund surplus/(deficit) for the past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2018	**4 476**	**6 111**	**1 635**
2017	5 036	8 119	3 083
2016	5 167	7 586	2 419
2015	5 240	7 694	2 454
2014	5 206	7 173	1 967
Medical aid funds			
2018	**1 441**	**1 149**	**(292)**
2017	2 213	1 441	(772)
2016	2 143	1 343	(800)
2015	1 841	1 254	(587)
2014	1 780	1 170	(610)

Effect of 1% change in assumed medical cost trend rates

	2018	2017
1% increase – effect on current service cost and interest cost	**(60)**	59
1% increase – effect on accumulated benefit obligation	**(256)**	334
1% decrease – effect on current service cost and interest cost	**(42)**	(46)
1% decrease – effect on accumulated benefit obligation	**(443)**	(271)

H2 Non-current assets held for sale

Accounting policy

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

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

Non-current assets held for sale	Previously included in	2018 Rm	2017 Rm
Properties sold not yet transferred[1]	Property and equipment	**305**	388
		305	388

[1] *Commitments for the sale of properties have commenced and are anticipated to conclude within the following 12 months. Transfer of the properties is expected to take place during the following year.*

H3 Other assets

	2018 Rm	2017 Rm
Sundry debtors and other accounts	**13 659**	9 661
Trading securities and spot positions	**6 195**	4 928
Impairment of other assets	**(18)**	
	19 836	14 589

SECTION I: FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments recognised in the statement of financial position include all financial assets and financial liabilities, including derivative instruments, but excluding investments in subsidiaries, associate companies and joint arrangements (other than investments held by venture capital divisions), employee benefit assets and liabilities, and leases. Financial instruments are accounted for under IAS 32: Financial Instruments – Presentation, IAS 39: Financial Instruments – Recognition and Measurement, IFRS 9: Financial Instruments, IFRS 7: Financial Instruments – Disclosures and IFRS 13: Fair Value Measurement.

Financial assets and financial liabilities

Measurement basis of financial instruments

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument. Regular way purchase and sales of financial assets are recognised on trade date, the date on which the group commits to purchase or sell the asset.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an ECL, is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Amortised cost and effective-interest rate

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 rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (ie its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit impaired financial assets (assets that are credit-impaired at initial recognition) the group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cashflows.

When the group revises the estimates of future cashflows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate, discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a) purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

b) financial assets that are not purchased or originated credit-impaired, but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (ie net of the ECL allowance).

Fair value

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

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

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

For a detailed discussion of the fair value of financial instruments refer to note I2.

Financial assets

(i) Classification and measurement

From 1 January 2018 Nedbank applies IFRS 9 and classifies its financial assets in the following measurement categories:

- FVTPL;
- FVOCI; and
- amortised cost.

The classification requirements of investments in debt and equity instruments are described below:

Debt instruments

The classification of investments in debt instruments depends on:

- the business model within which the financial assets are held and managed; and
- the contractual cashflow characteristics of the financial assets, ie whether the cashflows represent 'solely payments of principal and interest'.

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

Financial assets are measured at FVOCI if they are held within a business model of which the objective is achieved by both collecting contractual cashflows and selling financial assets and those contractual cashflows comprise solely payments of principal and interest (ie 'hold to collect and sell' business model). Movements in the carrying amount of these financial assets are taken through OCI, except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss.

Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The remaining financial assets are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities will continue to be classified as held for trading and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cashflows are solely payments of principal and interest.

The group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Investments in equity instruments

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

Alternatively, where the group does not make the abovementioned election, fair-value changes are recognised in profit or loss. This election is made on an investment-by-investment basis. On initial recognition the group may irrevocably designate a financial asset otherwise meeting the requirements for measurement at amortised cost or FVOCI, or as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

The accounting for financial liabilities remains largely unchanged under IFRS 9, except for financial liabilities designated as FVTPL. Changes in the fair value of these financial liabilities that are attributable to the group's own credit risk are recognised in OCI. Where the financial liability is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified in equity.

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

(ii) Impairments

Impairments in terms of IFRS 9 are determined based on an ECL model, as opposed to the incurred loss model of IAS 39.

The ECL model applies to financial assets measured at amortised cost and debt instruments at FVOCI, lease receivables and certain loan commitments, as well as financial guarantee contracts.

Under IFRS 9 loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group is required to recognise an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. Indicators of a SICR in the retail portfolio may include any of the following:

- Short-term forbearance.
- Direct debit cancellation.
- Extension to the terms granted.
- Previous arrears within the past months.

Indicators of an SICR in the wholesale portfolio may include any of the following:

- Significant increase in the credit spread.
- Significant adverse changes in business, financial and/or economic conditions in which the client operates.
- Actual or expected forbearance or restructuring.
- Significant change in collateral value.
- Early signs of liquidity and cashflow problems, such as a delay in the servicing of trade creditors/loans.

I Financial instruments continued

Accounting policy continued

Measurement of ECLs

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the group expects to receive). ECLs are discounted at the effective-interest rate of the financial asset.

The assessment of the ECL of a financial asset or portfolio of financial assets entails estimations of the likelihood of defaults occurring and of default correlations between counterparties. The group measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective-interest rate of the financial asset.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The group's economics unit provides a forecast of economic variables and an overview of the economy quarterly or more often if necessary. Significant judgement and estimates are applied in this process of incorporating forward-looking information into the SICR assessment and ECL calculation.

Credit-impaired financial assets

At each reporting date the group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. The group's definition of credit-impaired is aligned to our internal definition of default.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and the amortised cost is presented on the face of the statement of financial position.

For debt securities at FVOCI the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset. For off-balance-sheet exposures, such as financial guarantee contracts, the loss allowance is presented in 'Provisions and other liabilities' on the face of the statement of financial position.

(iii) Modification of loans

The group may renegotiate or otherwise modify the contractual cashflows of loans to clients. When this happens, the group assesses whether the new terms are substantially different to the original terms. In the normal course of business restructures a combination of qualitative and quantitative factors needs to be considered to establish whether the change to the contractual cashflows is substantial. However, in a distressed restructure the group needs to determine whether it is merely attempting to recover the original cashflows in the most optimal manner, and as such the original cashflows have not expired, or whether the risks and rewards associated with the cashflows have been altered fundamentally enough for the original instrument to be derecognised.

The group is of the view that the abovementioned principle can be applied by type of modification for retail exposures, as we assume there is a homogenous business process and objective underlying each type of modification. The application to wholesale exposures should be dealt with on a case by case basis through consultation by the business unit with the group's IFRS Advisory division, as it may be necessary to consider whether the modification is considered to be substantial based on the unique facts and circumstances.

Should the terms be substantially different, the group derecognises the original financial asset and recognises a 'new' financial asset at fair value and recalculates a new effective-interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and for determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Should the terms not be substantially different, the renegotiation or modification does not result in derecognition, and the group recalculates the gross carrying amount based on the revised cashflows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cashflows at the original effective-interest rate (or credit-adjusted effective-interest rate for purchased or originated credit-impaired financial assets).

Revolving products

A revolving credit facility (RCF) may be seen as financial instrument that is either:

- one continuous instrument, with one origination date that could be many years in the past; or
- a series of one-year instruments, each of which would have a different origination date.

With respect to revolving credit facilities, the key consideration of whether the issuing of a new card, change in credit limit, or conducting a credit review results in derecognition of the loan or facility is the robustness of the process followed and the resulting impact on credit risk management. Where the process is not considered to be sufficiently robust, ie it is purely procedural in nature, the original RCF will not be derecognised and the date of origination will remain the date at which the facility was first contractually extended (or was subject to a robust process that resulted in derecognition). If the process is considered to be robust, the date of origination would be the date of derecognition of the previous facility or loan.

The group considers the following factors to determine whether a review (annual or otherwise) is robust, ie would result in derecognition:

- The effectiveness of the review in mitigating or managing credit risk until the next scheduled review;
- Evidence that specific action is taken as a result of the outcome of the review, for example:
  - Changes in facility limits;
  - Repricing of the facility;
  - Changes in required collateral or security;
  - Changes to the terms and conditions of the facility; or
  - Withdrawal of the facility.
- The review is performed at a facility or client level (or client group);
- The review takes place holistically taking into account the income derived from the facility and the other income generated from the client in comparison to the risk taken; or
- Increased monitoring or scrutiny of the facility, for example additional controls and/or approvals is put in place until the next review.

(iv) Derecognition other than a modification

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
- the group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- the group 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.

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.

The group enters into transactions where it retains the contractual rights to receive cashflows from assets but assumes a contractual obligation to pay those cashflows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition when the group;

(i) has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) is prohibited from selling or pledging the assets; and
(iii) has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the group retains a subordinated residual interest.

Financial liabilities

(i) Classification and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVTPL: This classification is applied to derivative financial liabilities, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability).
- Financial liabilities arising from the transfer of financial assets that did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expenses incurred on the financial liability.
- Financial guarantee contracts and loan commitments.

I Financial instruments continued

Accounting policy continued

(ii) Derecognition

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

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Cash and cash equivalents

Cash and cash equivalents represents cash on hand and demand deposits and cash equivalents which are short-term (ie with 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 banks.

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.

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.

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 at 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.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the group cannot separately identify the ECLs on the undrawn commitment component from those on the loan component, the ECLs on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, the ECLs are recognised as a provision.

Derivatives and hedging activities

Nedbank has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9. Nedbank has not provided comparative information for periods before the date of initial application of IFRS 9 for the new disclosures introduced by IFRS 9 as a consequential amendment to IFRS 7, as permitted by IFRS 7 paragraph 44Z.

Key assumptions concerning the future and key sources of estimation

Fair value of financial instruments

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

Other non-derivative financial assets may be designated as FVOCI. FVOCI financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of OCI and presented in equity.

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

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

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

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

Securitisations

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

I Financial instruments continued

I1 Consolidated statement of financial position – categories of financial instruments

	Notes	Total Rm
2018		
Assets		
Cash and cash equivalents	C6	13 162
Other short-term securities	C4	79 362
Derivative financial instruments	C7	22 692
Government and other securities	C3	96 791
Loans and advances	C1.1	736 305
Other assets	H3	19 836
Current taxation assets		186
Investment securities	F1	22 404
Non-current assets held for sale	H2	305
Investments in associate companies	F2	4 041
Deferred taxation assets	B8.3	254
Property and equipment	G1	9 371
Long-term employee benefit assets	H1.1	4 966
Mandatory reserve deposits with central banks	C6	21 629
Intangible assets	G2	12 608
Total assets		1 043 912
Equity and liabilities		
Ordinary share capital	B4.1	477
Ordinary share premium		17 315
Reserves		65 986
Total equity attributable to equity holders of the parent		83 778
Holders of preference shares	B4.2	3 222
Holders of additional tier 1 capital instruments	B5	3 397
Non-controlling interest attributable to ordinary shareholders		874
Total equity		91 271
Derivative financial instruments	C7	20 003
Amounts owed to depositors	D1	825 804
Provisions and other liabilities	K1.1	25 602
Current taxation liabilities		363
Deferred taxation liabilities	B8.3	669
Long-term employee benefit liabilities	H1.1	2 749
Investment contract liabilities	D3	20 035
Insurance contract liabilities	D4	1 829
Long-term debt instruments	D2	55 587
Total liabilities		952 641
Total equity and liabilities		1 043 912

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

At FVTPL		FVOCI			
Manditorily at fair value Rm	Designated[1] Rm	Debt Instruments Rm	Equity Instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
				13 162	
37 332		17 748		24 282	
22 692					
28 495	240	232		67 824	
18 288	5 467	18 426		694 124	
6 195				12 312	1 329
					186
21 462			942		
					305
					4 041
					254
					9 371
					4 966
				21 629	
					12 608
134 464	5 707	36 406	942	833 333	33 060
					477
					17 315
					65 986
–	–	–	–	–	83 778
					3 222
					3 397
					874
–	–	–	–	–	91 271
20 003					
21 579	79			804 146	
11 863				6 614	7 125
					363
					669
					2 749
	20 035				
					1 829
				55 587	
53 445	20 114	–	–	866 347	12 735
53 445	20 114	–	–	866 347	104 006

I Financial instruments continued

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

	Notes	Total Rm
2017[2]		
Assets		
Cash and cash equivalents	C6	16 900
Other short-term securities	C4	92 775
Derivative financial instruments	C7	29 904
Government and other securities	C3	49 241
Loans and advances	C1.1	710 329
Other assets	H3	14 589
Current taxation assets		211
Investment securities[2]	F1	19 803
Non-current assets held for sale	H2	388
Investments in associate companies[2]	F2	3 553
Deferred taxation assets	B8.3	189
Property and equipment	G1	8 902
Long-term employee benefit assets	H1.1	5 924
Mandatory reserve deposits with central banks	C6	19 222
Intangible assets	G2	11 384
Total assets		983 314
Equity and liabilities		
Ordinary share capital	B4.1	482
Ordinary share premium		18 688
Reserves		62 653
Total equity attributable to equity holders of the parent		81 823
Holders of preference shares	B4.2	3 222
Holders of additional tier 1 capital instruments	B5	2 635
Non-controlling interest attributable to ordinary shareholders		859
Total equity		88 539
Derivative financial instruments	C7	23 367
Amounts owed to depositors	D1	771 584
Provisions and other liabilities	K1.1	23 292
Current taxation liabilities		259
Deferred taxation liabilities	B8.3	761
Long-term employee benefit liabilities	H1.1	3 525
Investment contract liabilities	D3	18 134
Insurance contract liabilities	D4	2 277
Long-term debt instruments	D2	51 576
Total liabilities		894 775
Total equity and liabilities		983 314

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

[2] *2017 restated, refer to note A3: Reclassification.*

At FVTPL						
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
				16 900		
48 384	3 799	15 399	25 193			
29 904						
6 574	10 394	3 411	24 436	4 426		
19 598	58 550	25		632 156		
4 970				9 619		
						211
	18 863	940				
						388
						3 553
						189
						8 902
						5 924
				19 222		
						11 384
109 430	91 606	19 775	49 629	682 323	–	30 551
						482
						18 688
						62 653
–	–	–	–	–	–	81 823
						3 222
						2 635
						859
–	–	–	–	–	–	88 539
23 367						
23 201	54 762				693 621	
7 453					14 259	1 580
						259
						761
						3 525
	18 134					
						2 277
	452				51 124	
54 021	73 348	–	–	–	759 004	8 402
54 021	73 348	–	–	–	759 004	96 941

I2 Fair-value measurement – financial instruments

I2.1 Valuation of financial instruments

Background

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

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

Control environment

Validation and approval

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

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

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

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

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

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

Stress testing and sensitivity measures

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

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

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

Valuation methodologies

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

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

Quoted price

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

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

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

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

Valuation techniques

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

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

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

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

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

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

Therefore, a valuation technique:

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

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

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

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

Observable markets

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

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

I2 Fair-value measurement – financial instruments continued

I2.1 Valuation of financial instruments continued

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

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

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

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

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

Inputs to valuation techniques

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

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Limited or any other recognised international exchange. Present value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day 1 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 as FVTPL is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in profit or loss in the consolidated statement of comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

Valuation techniques by instrument

Other short-term securities and government and other securities

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

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

Derivative financial instruments

Derivative contracts can be traded either through an exchange or over the counter (OTC) and are valued using market-standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices through model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

Loans and advances

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

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

Investment securities

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

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

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

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

Other assets

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

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

Amounts owed to depositors

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

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

I2 Fair-value measurement – financial instruments continued

I2.1 Valuation of financial instruments continued

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

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

Investment contract liabilities

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

Long-term debt instruments

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

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

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

Complex instruments

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

I2.2.1 Financial assets

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	At FVTPL: Mandatorily at fair value: Level 1	At FVTPL: Mandatorily at fair value: Level 2	At FVTPL: Mandatorily at fair value: Level 3
2018		**1 010 852**	**833 333**	**177 519**	**31 913**	**96 573**	**5 978**
Cash and cash equivalents	C6	**34 791**	**34 791**	**–**			
Other short-term securities	C4	**79 362**	**24 282**	**55 080**		**37 332**	
Derivative financial instruments	C7	**22 692**		**22 692**	**38**	**22 654**	
Government and other securities	C3	**96 791**	**67 824**	**28 967**	**25 505**	**2 990**	
Loans and advances	C1.1	**736 305**	**694 124**	**42 181**	**159**	**18 129**	
Other assets	H3	**18 507**	**12 312**	**6 195**	**6 195**		
Investment securities	F1	**22 404**		**22 404**	**16**	**15 468**	**5 978**

Summary of principal valuation techniques – level 2 instruments

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

Assets	Valuation technique	Key inputs
Other short-term securities	Discounted-cashflow model	Discount rates
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted-cashflow model	Discount rates
Loans and advances	Discounted-cashflow model	Interest rate curves
Investment securities	Discounted-cashflow models	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black-Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted-cashflow model	Discount rates
Provisions and other liabilities	Discounted-cashflow model	Discount rates
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 I2.7.

			At FVOCI					
	Designated			Debt instruments			Equity instruments	
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
–	5 707	–	–	36 406	–	2	462	478
				17 748				
	240			232				
	5 467			18 426				
						2	462	478

I2 Fair-value measurement – financial instruments continued

I2.2 Fair-value hierarchy continued

I2.2.1 Financial assets continued

Rm	Note	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value
2017		952 763	731 952	220 811
Cash and cash equivalents	C6	36 122	36 122	–
Other short-term securities	C4	92 775	25 193	67 582
Derivative financial instruments	C7	29 904		29 904
Government and other securities	C3	49 241	28 862	20 379
Loans and advances	C1.1	710 329	632 156	78 173
Other assets	H3	14 589	9 619	4 970
Investment securities[1]	F1	19 803		19 803

[1] *2017 restated, refer to note A3: Reclassification.*

Summary of fair-value hierarchies	Total financial assets recognised at fair value		Total financial assets classified as level 1		Total financial assets classified as level 2		Total financial assets classified as level 3	
Rm	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Other short-term securities	**55 080**	67 582			**55 080**	67 582		
Derivative financial instruments	**22 692**	29 904	**38**		**22 654**	29 903		1
Government and other securities	**28 967**	20 379	**25 505**	5 173	**3 462**	15 206		
Loans and advances	**42 181**	78 173	**159**	78	**42 022**	78 062		33
Other assets	**6 195**	4 970	**6 195**	4 970				
Investment securities[1]	**22 404**	19 803	**18**	37	**15 930**	15 184	**6 456**	4 582
	177 519	220 811	**31 915**	10 258	**139 148**	205 937	**6 456**	4 616

[1] *2017 restated, refer to note A3: Reclassification.*

At FVTPL								
Held for trading			Designated			Available for sale		
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
10 103	99 326	1	108	87 293	4 205	47	19 318	410
	48 384			3 799			15 399	
	29 903	1						
5 133	1 441		40	10 354			3 411	
	19 598		53	58 464	33	25		
4 970								
			15	14 676	4 172	22	508	410

Reconciliation to categorised statement of financial position	Mandatorily at fair value	Held for trading	Designated as FVTPL		FVOCI: Debt instruments	FVOCI: Equity instruments	Available for sale
Rm	2018	2017	2018	2017	2018	2018	2017
Level 1	**31 913**	10 103		108		**2**	47
Level 2	**96 573**	99 326	**5 707**	87 293	**36 406**	**462**	19 318
Level 3	**5 978**	1		4 205		**478**	410
	134 464	109 430	**5 707**	91 606	**36 406**	**942**	19 775

Reconciliation to statement of financial position

Rm	Note	2018	2017
Total financial assets	I1	**1 010 852**	952 763
Total non-financial assets	I1	**33 060**	30 551
Total assets		**1 043 912**	983 314

I2 Fair-value measurement – financial instruments continued

I2.2 Fair-value hierarchy continued

I2.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost
2018		**939 906**	**866 347**
Derivative financial instruments	C7	**20 003**	
Amounts owed to depositors	D1	**825 804**	**804 146**
Provisions and other liabilities	K1.1	**18 477**	**6 614**
Investment contract liabilities	D3/D4	**20 035**	
Long-term debt instruments	D2	**55 587**	**55 587**

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost
2017		886 373	759 004
Derivative financial instruments	C7	23 367	
Amounts owed to depositors	D1	771 584	693 621
Provisions and other liabilities	K1.1	21 712	14 259
Investment contract liabilities	D3/D4	18 134	
Long-term debt instruments	D2	51 576	51 124

Summary of fair-value hierarchies	Total financial liabilities recognised at fair value	
Rm	**2018**	2017
Derivative financial instruments	**20 003**	23 367
Amounts owed to depositors	**21 658**	77 963
Provisions and other liabilities	**11 863**	7 453
Investment contract liabilities	**20 035**	18 134
Long-term debt instruments	**–**	452
	73 559	127 369

Reconciliation to categorised statement of financial position	Mandatorily at fair value		Held for trading		Designated as FVTPL	
Rm	**2018**		2017	**2018**		2017
Level 1	**11 440**		6 983			
Level 2	**41 574**		46 603	**20 114**		73 348
Level 3	**431**		435			
	53 445		54 021	**20 114**		73 348

Reconciliation to statement of financial position

Rm	Note	2018	2017
Total financial liabilities	I1	**939 906**	886 373
Total equity and non-financial liabilities	I1	**104 006**	96 941
Total equity and liabilities		**1 043 912**	983 314

Total financial liabilities recognised at fair value	At FVTPL					
	Mandatorily at fair value			Designated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
73 559	**11 440**	**41 574**	**431**	**–**	**20 114**	**–**
20 003	**8**	**19 995**				
21 658		**21 579**			**79**	
11 863	**11 432**		**431**			
20 035					**20 035**	

Total financial liabilities recognised at fair value	At FVTPL					
	Held for trading			Designated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
127 369	6 983	46 603	435	–	73 348	–
23 367		23 367				
77 963		23 201			54 762	
7 453	6 983	35	435			
18 134					18 134	
452					452	

	Total financial liabilities classified as level 1		Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
	2018	2017	**2018**	2017	**2018**	2017
	8		**19 995**	23 367		
			21 658	77 963		
	11 432	6 983		35	**431**	435
			20 035	18 134		
				452		
	11 440	6 983	**61 688**	119 951	**431**	435

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.

I2 Fair-value measurement – financial instruments continued

I2.3 Details of changes in valuation techniques

There have been no significant changes to valuation techniques.

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

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during 2018.

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

I2.5 Level 3 reconciliation

Assets

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2018		
At FVTPL – Mandatorily at fair value	**4 607**	**240**
Investment securities[1]	**4 607**	**240**
At FVOCI – Equity instruments	**410**	**–**
Investment securities	**410**	
Total financial assets classified as level 3	**5 017**	**240**

[1] *Certain investments have been reclassified from debt instruments to investment securities in the current year to align business model principles introduced by IFRS 9. Therefore the 2018 opening balance does not correspond with the 2017 closing balance.*

Rm	Opening balance at 1 January	Gains/(Losses) in non-interest revenue in profit for the year
2017		
Held for trading	37	18
Derivative financial instruments	37	18
Designated as fair value	3 116	126
Loans and advances	77	45
Investment securities[1]	3 039	81
Available for sale	410	–
Investment securities	410	
Total financial assets classified as level 3	3 563	144

[1] *2017 restated, refer to note A3: Reclassification.*

Gains/(Losses) relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
–	**–**	**2 086**	**(114)**	**(841)**	**–**	**5 978**
		2 086	**(114)**	**(841)**		**5 978**
15	**–**	**–**	**–**	**–**	**53**	**478**
15					**53**	**478**
15	**–**	**2 086**	**(114)**	**(841)**	**53**	**6 456**

Purchases and issues	Sales and settlements	Transfers from level 2	Closing balance at 31 December
–	(54)	–	1
	(54)		1
1 747	(784)	–	4 205
	(89)		33
1 747	(695)		4 172
–	–		410
			410
1 747	(838)	–	4 616

12 Fair-value measurement – financial instruments continued

12.5 Level 3 reconciliation continued

Liabilities

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2018		
Mandatorily at fair value	**435**	**(4)**
Provisions and other liabilities	**435**	**(4)**
Total financial liabilities classified as level 3	**435**	**(4)**

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

Rm	Opening balance at 1 January	Gains/(Losses) in non-interest revenue in profit for the year
2017		
Held for trading	330	105
Provisions and other liabilities	330	105
Total financial liabilities classified as level 3	330	105

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

12.6 Unrealised gains

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

	2018 Rm	2017 Rm
Private-equity gains	**240**	144
	240	144

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

The fair value of financial instruments is, in certain circumstances, measured using valuation techniques that include assumptions that are not market observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. When 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.

Gains/(Losses) relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
–	–	–	–	–	–	**431**
						431
–	–	–	–	–	–	**431**

Gains/(Losses) in fair-value adjustments on available-for-sale assets in other comprehensive income for the year	Purchases and issues	Sales and settlements	Transfers from level 2	Closing balance at 31 December
–	–	–	–	435
				435
–	–	–	–	435

I2 Fair-value measurement – financial instruments continued

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

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
2018		
Assets		
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Total financial assets classified as level 3		
Liabilities		
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts
Total financial liabilities classified as level 3		
2017		
Assets		
Derivative financial instruments	Discounted cashflows	Discount rates, Ebitda
Loans and advances	Discounted cashflows	Credit spreads and discount rates
Investment securities[1]	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Total financial assets classified as level 3		
Liabilities		
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts

[1] *2017 restated, refer to note A3: Reclassification.*

	Variance in fair value %	Amounts recognised in the statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
	between (10) and 13	**6 456**	**851**	**(670)**
		6 456	**851**	**(670)**
	between (10) and 10	**431**	**43**	**(43)**
		431	**43**	**(43)**
	between (12) and 9	1	[1]	[1]
	between (12) and 9	33	3	(4)
	between (12) and 9	4 582	428	(538)
		4 616	431	(542)
	between (10) and 10	435	36	(43)

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

Certain financial instruments of the group are not carried at fair value and are measured at amortised cost. The calculation of the fair value of the financial instruments incorporates the group's best estimate of the value at which the 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
2018					
Financial assets	**786 230**	**773 670**	**44 554**	**24 241**	**704 875**
Other short-term securities	**24 282**	**24 241**		**24 241**	
Government and other securities	**67 824**	**67 036**	**44 554**		**22 482**
Loans and advances	**694 124**	**682 393**			**682 393**
Financial liabilities	**55 587**	**56 404**	**27 944**	**28 460**	**–**
Long-term debt instruments	**55 587**	**56 404**	**27 944**	**28 460**	
2017					
Financial assets	686 211	681 307	23 993	29 962	627 352
Other short-term securities	25 193	25 130		25 130	
Government and other securities	28 862	28 825	23 993	4 832	
Loans and advances	632 156	627 352			627 352
Financial liabilities	51 124	52 018	23 975	28 043	–
Long-term debt instruments	51 124	52 018	23 975	28 043	

Loans and advances

Loans and advances, recognised in note C1.1, that are not recognised at fair value principally comprise variable-rate financial assets. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rate changes.

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

For specifically impaired loans and advances, the carrying value as determined after consideration of the group's IFRS 9 expected credit losses, is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's probability of default (PDs) and loss given defaults (LGDs) for the periods 2019 to 2021 (2017: for periods 2018 to 2020) are based on the latest available internal data and are applied to the projected cashflows of the first three years. 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 used 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 3), where an instrument is not quoted or the market is considered to be inactive. See note C3 for further detail.

Other short-term securities

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

Long-term debt instruments

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

Amounts owed to depositors

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

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

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

I4 Financial instruments designated as fair value through profit or loss

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

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

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are measured at fair value in terms of IFRS 9. 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 FVTPL and are held at fair value.

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

I4.1 Financial assets designated as FVTPL

	Maximum exposure to credit risk	
Rm	**2018**	**2017**
Negotiable certificates of deposit		2 124
Treasury bills and other bonds		1 675
Government guaranteed	**217**	419
Other dated securities	**23**	9 975
Mortgage loans	**2 188**	24 386
Net finance lease and instalment debtors		20 691
Leases and debentures		54
Preference shares		192
Loans and advances (secured and unsecured)	**3 278**	5 671
Other loans	**1**	7 555
Private equity associates[2]		3 169
Listed Investments		15
Unlisted Investments		2 972
Policyholder assets		(19)
Policyholder investments		12 727
	5 707	91 606

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

[2] *2017 restated, refer to note A3: Reclassification.*

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 FVTPL are determined at inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate charged to the client. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as FVTPL.

A breakdown of the financial assets that are designated as FVTPL can be found in note I1. A detailed explanation of how each financial asset is valued can be found in note I2.1.

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

I4.2 Financial liabilities designated as FVTPL

2018

Financial liabilities required to present the effects of change in credit risk in OCI:

			Financial liabilities where change in credit risk is recognised in OCI[2]		
Rm	**Fair value**	**Contractually payable at maturity**	**Current period**	**Cumulative**	**Amount of cumulative gains/(losses) transferred within equity**
Promissory notes and other liabilities	**79**	**79**	[1]	[1]	[1]
Investment contract liabilities[4]	**20 035**				
	20 114	**79**	[1]	[1]	[1]

2017

			Change in fair value due to change in credit risk[2]	
Rm	**Fair value**	**Contractually payable at maturity**	**Current period**	**Cumulative**
Long-term debt instruments[3]	452	452		
Call and term deposits[3]	37 683	37 616	(99)	(127)
Investment contract liabilities[4]	18 134	18 134		
Negotiable certificates of deposit[3]	17 079	17 079	(36)	(79)
	73 348	73 281	(135)	(206)

[1] *Represents amounts less than R1m.*

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

[3] *IFRS 9 provides for a once-off de-designation on adoption of IFRS 9 for all IAS 39 designated instruments. These instruments are no longer designated as FVTPL under IFRS 9.*

[4] *The value of investment contract liabilities changes according to changes in the value of the unit-linked assets. Unit-linking asset features contain specific asset performance risk rather than credit risk.*

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

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

15 Offsetting financial assets and financial liabilities

Accounting policy

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

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

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

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

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

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

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

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

2018

	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position			
Rm	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Amounts that may be netted off on the occurrence of a future event	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
Financial assets							
Derivative financial assets	**22 744**	**(1 123)**	**21 621**	**(16 049)**	**5 572**	**1 071**	**22 692**
Loans and advances	**25 190**	**(14 984)**	**10 206**		**10 206**	**726 099**	**736 305**
Cash and cash equivalents	**1 914**	**(1 553)**	**361**		**361**	**12 801**	**13 162**
Total financial assets	**49 848**	**(17 660)**	**32 188**	**(16 049)**	**16 139**	**739 971**	**772 159**
Financial liabilities							
Derivative financial liabilities	**(23 236)**	**4 311**	**(18 925)**	**16 049**	**(2 876)**	**(1 078)**	**(20 003)**
Amounts owed to depositors	**(77 763)**	**13 349**	**(64 414)**		**(64 414)**	**(761 390)**	**(825 804)**
Total financial liabilities	**(100 999)**	**17 660**	**(83 339)**	**16 049**	**(67 290)**	**(762 468)**	**(845 807)**

[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.*

I5 Offsetting financial assets and financial liabilities continued

2017

Rm	Gross amounts	Effects of netting on the statement of financial position: Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Related amounts not set off in the statement of financial position: Amounts that may be netted off on the occurrence of a future event	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure[2]	Total amounts recognised in the statement of financial position
Financial assets							
Derivative financial assets[3]	30 815	(978)	29 837	(17 283)	12 554	67	29 904
Loans and advances	63 026	(40 107)	22 919		22 919	687 410	710 329
Cash and cash equivalents	4 772	(3 286)	1 486		1 486	15 414	16 900
Total financial assets	98 613	(44 371)	54 242	(17 283)	36 959	702 891	757 133
Financial liabilities							
Derivative financial liabilities[3]	(30 742)	7 507	(23 235)	17 265	(5 970)	(132)	(23 367)
Amounts owed to depositors[4]	(115 705)	36 864	(78 841)		(78 841)	(692 743)	(771 584)
Total financial liabilities	(146 447)	44 371	(102 076)	17 265	(84 811)	(692 875)	(794 951)

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

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

[3] *In the previous year the 'Amounts that may be netted off on the occurrence of a future event' for derivative financial assets was incorrectly disclosed as negative R27 097m instead of negative R17 283m. Thus the 'Net amounts reflecting the effect of master netting arrangements' for derivatives financial assets should have been positive R12 554m rather than the previously reported positive R2 740m.*

[4] *In the previous year the 'Amounts that may be netted off on the occurrence of a future event' for derivative liabilities was incorrectly disclosed as negative R21 097m instead of positive R17 265m. Thus the 'Net amounts reflecting the effect of master netting arrangements' for derivative liabilities should have been negative R2 138m rather than the previously reported negative R44 332m.*

[5] *In the previous year R101 065m of call and term deposits not subject to IFRS 7 disclosure were incorrectly disclosed under gross amounts of balances that are subject to offsetting. Thus the 'Gross amounts' for 'Amounts owed to depositors' should have been negative R115 705m rather than the previously reported negative R216 770m and the 'Amounts not subject to IFRS 7 offsetting disclosure' should have been negative R692 743m rather than the previously reported negative R591 678m.*

I6 Collateral

Accounting policy

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

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

I6.1 Collateral pledged

The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R24 079m (2017: R29 516m) as collateral for deposits received under repurchase agreements of which R9 600m (2017: R10 134m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9. The associated liabilities of R21 877m (2017: R24 805m), of which R9 241m (2017: R9 807m) relates to sell-/buybacks, are disclosed in note D1.

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

I6.2 Collateral held to mitigate credit risk

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

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

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

(i) Financial collateral

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

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

(ii) Non-financial collateral

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

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

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

(i) Retail portfolio

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

(ii) Wholesale portfolio

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

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

Management considers collateral held in the retail portfolio to be homogeneous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles and physical inspection is performed for other types of collateral. Furthermore, physical valuations are performed six-monthly on the defaulted book. At 31 December 2018 management considered R274 734m (2017: R210 085m) to be a reasonable estimate of the gross collateral held in the retail portfolio.

Management considers collateral held in the wholesale portfolio to be non-homogeneous 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 2018 management considered R249 459m (2017: R260 154m) to be a reasonable estimate of the gross collateral held in the wholesale portfolio.

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

As part of the reverse repurchase agreements, the group has received securities as collateral that are allowed to be sold or repledged in the absence of default. The fair value of these securities at the reporting date amounts to R9 513m (2017: R17 828m), of which R7m (2017: Rnil) have been sold or repledged.

I6 Collateral continued

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

Included in properties in possession (note C1.1) is an amount of R91m (2017: R99m) related to retail assets and an amount of R47m (2017: R46m) related to wholesale assets that the group has acquired during the year by taking possession of collateral held as security.

SECTION J: SHARE-BASED PAYMENTS

Accounting policy

Equity-settled share-based payment transactions with employees

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

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

Cash-settled share-based payment transactions with employees

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

Measurement of fair value of equity instruments granted

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

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

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

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes, the Nedbank Wealth Management International schemes and the Nedbank Africa scheme, all of which are cash-settled.

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

J1 Description of arrangements

Scheme	Trust/Special-purpose vehicle	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, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. All LTIs are discretionary and motivated by the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Three years' service and achievement of performance targets based on average return on equity, as well as the Nedbank Group Limited share price performance against the financial index (2016 and 2017 tranches). In addition, the grants include a strategic initiative component in connection with benefits from the Target Operating Model and a strategic initiative component in connection with growing the transactional banking franchise applicable to group and cluster executives only. Where the performance targets are not met in full a minimum of 50% will vest, where applicable, for staff other than group and cluster executives, provided that the three years' service has been reached. The performance condition against the financial index was replaced with diluted headline earnings per share compound annual growth rate in 2018.	3 years
Nedbank Group (2005) Matched-share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Limited performance target. Where this performance target is not met, 50% will vest provided that the three years' service has been reached.	3 years
Nedbank UK Long-term Incentive Plan (LTIP)	n/a	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights (SARs). SARs are similar to options in that they are granted at a predetermined exercise price vesting and expiry date. When the participant elects to exercise SARs, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank UK Matched Scheme	n/a	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years

J1 Description of arrangements continued

Scheme	Trust/Special-purpose vehicle	Description	Vesting requirements	Maximum term
Nedbank Wealth Management International Long-term Incentive Plan	n/a	Restricted shares, granted as part of the LTI scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Wealth Management International Matched Scheme	n/a	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Africa Restricted-share Scheme	n/a	Restricted shares, granted as part of the LTI scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. Grants are made twice a year for new appointments and annually for existing staff, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	3 years
Nedbank Africa Matched-share Scheme	n/a	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of corporate performance targets. Where these performance targets are not met, 50% will vest provided that the three years' service has been reached.	3 years

Scheme	Trust/Special-purpose vehicle	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes – Employees				
Black Executive Scheme	Nedbank Eyethu Black Executive Trust	Restricted shares and share options were granted to certain black employees at senior management level. The beneficial ownership of the shares lies with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	7 years
Black Management Scheme	Nedbank Eyethu Black Management Trust	Restricted shares and share options were granted to certain black employees at a middle and senior management level. The beneficial ownership of the shares lies with the participants, including the voting and dividend rights.	Participants must remain in service for four, five and six years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	7 years
Nedbank 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 Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.
Nedbank Swaziland Sinakekelwe Schemes – BEE and LTIP				
Swaziland Broad-based Employee Scheme	Nedbank Sinakekelwe Trust Broad-based Employee Scheme	Restricted shares were granted to qualifying non-managerial employees who do not participate in any other incentive schemes within the group. The beneficial ownership of the shares lies with the participants, including dividend rights.	No dealing in these shares during the restricted period of five years.	5 years
Swaziland Management Scheme	Nedbank Sinakekelwe Trust Management Scheme	Restricted shares and share options were granted to key management personnel as an incentive to remain within the group. Grants are allocated on the basis of job level, performance, potential and skills and competencies portrayed by the employee, entirely at the discretion of the trustees, and are allocated under recommendation of the group's executive management team. The beneficial ownership of the shares lies with the participants, including dividend rights.	Participants must remain in service for three, four and five years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	5 years

J1 Description of arrangements continued

Scheme	Trust/Special-purpose vehicle	Description	Vesting requirements	Maximum term
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 lies with the participants, including dividend rights. Grants to staff have yet to be made.	Participants must remain in service for three, four and five years, after each of which one-third of the shares become unrestricted and one-third of the options vest.	5 years

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

J2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve/liability	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Traditional employee schemes	**738**	589	**1 421**	1 225
Nedbank Group (2005) Share Option and Restricted-share Scheme	**608**	477	**1 123**	910
Nedbank Group (2005) Matched-share Scheme	**123**	122	**253**	239
Old Mutual UK Sharesave Scheme				40
Nedbank UK Long-term Incentive Plan[1]	**(3)**	(18)	**13**	10
Nedbank UK Matched-share Scheme[1]	**2**	1	**2**	3
Nedbank Wealth Management International Long-term Incentive Plan[1]	**4**	(1)	**14**	9
Nedbank Wealth Management International Matched-share Scheme[1]	**1**	1	**2**	2
Nedbank Wealth Inc Scheme[1]		1		1
Nedbank Africa Restricted-share Scheme and Matched-share Scheme[1]	**3**	6	**14**	11
Nedbank Eyethu BEE schemes	**3**	2	**131**	145
Community Scheme			**124**	124
Black Executive Scheme	**2**	2	**7**	18
Black Management Scheme	**1**			3
	741	591	**1 552**	1 370

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

J3 Movements in number of instruments

	2018		2017	
	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	**9 401 279**		9 630 296	
Granted	**2 983 119**		3 252 604	
Transfers	**5 472**			
Forfeited	**(415 109)**		(495 899)	
Exercised	**(2 605 086)**		(2 985 722)	
Outstanding at the end of the year	**9 369 675**		9 401 279	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**299,11**		251,80
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**2 245 223**		2 213 243	
Granted	**711 361**		811 034	
Forfeited	**(148 130)**		(175 301)	
Exercised	**(629 455)**		(603 753)	
Outstanding at the end of the year	**2 178 999**		2 245 223	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**285,00**		241,50
Old Mutual UK Sharesave Scheme				
Outstanding at the beginning of the year	**1 362 766**		1 928 473	
Forfeited	**(344 179)**		(64 360)	
Other	**(5 967)**		9 549	
Exercised	**(1 012 620)**		(510 896)	
Outstanding at the end of the year	**–**		1 362 766	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		1,57
Nedbank UK long-term Incentive Plan				
Outstanding at the beginning of the year	**94 132**		102 536	
Granted	**18 179**		43 932	
Forfeited	**(2 957)**			
Exercised	**(27 634)**		(52 336)	
Outstanding at the end of the year	**81 720**		94 132	
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	**16 779**		14 249	
Granted	**3 294**		5 341	
Exercised	**(7 240)**		(2 811)	
Outstanding at the end of the year	**12 833**		16 779	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

J3 Movements in number of instruments continued

	2018		2017	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	**76 267**		72 917	
Granted	**50 826**		22 624	
Forfeited	**(4 602)**			
Exercised	**(21 160)**		(19 274)	
Outstanding at the end of the year	**101 331**		76 267	
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	**13 059**		15 915	
Granted	**7 024**		4 757	
Exercised	**(4 122)**		(7 613)	
Outstanding at the end of the year	**15 961**		13 059	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Africa Restricted-share Scheme				
Outstanding at the beginning of the year	**107 264**		56 270	
Granted	**35 764**		49 496	
Granted prior year			5 770	
Transfers	**(5 472)**			
Forfeited	**(20 406)**		(4 272)	
Exercised	**(16 416)**			
Outstanding at the end of the year	**100 734**		107 264	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–
Nedbank Africa Matched-share Scheme				
Outstanding at the beginning of the year	**2 840**			
Granted	**1 142**		731	
Granted prior year			2 109	
Outstanding at the end of the year	**3 982**		2 840	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

	2018		2017	
	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	**287 101**		518 456	
Forfeited			(52 104)	
Exercised	**(171 249)**		(179 251)	
Outstanding at the end of the year	**115 852**		287 101	
Exercisable at the end of the year	**70 807**	**171,83**	79 087	170,79
Weighted-average share price for share instruments exercised (R)		**285,25**		237,03
Black Management Scheme				
Outstanding at the beginning of the year	**83 248**		277 806	
Forfeited	**(2 125)**		(20 686)	
Exercised	**(47 490)**		(168 581)	
Expired	**(27 689)**		(5 291)	
Outstanding at the end of the year	**5 944**		83 248	
Exercisable at the end of the year	**5 944**	**161,88**	63 599	137,08
Weighted-average share price for share instruments exercised (R)		**279,76**		242,05
Community Scheme				
Outstanding at the beginning of the year	**1 689 648**		1 689 648	
Outstanding at the end of the year	**1 689 648**		1 689 648	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

[1] *At the end of the lock-in period the shares are subject to a call option that allows Nedbank Group Limited to acquire shares, at market value, equal to the outstanding notional funding pool.*

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

	2018		2017	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option and Restricted-share Scheme				
0,00	**9 369 675**	**1,2**	9 401 279	1,3
	9 369 675	**1,2**	9 401 279	1,3
Nedbank Group (2005) Matched-share Scheme				
0,00	**2 178 999**	**1,2**	2 245 223	1,3
	2 178 999	**1,2**	2 245 223	1,3
Old Mutual UK Sharesave Scheme (options over Old Mutual plc shares – GBP)				
1,10				
1,28			5 859	0,3
1,51			998 052	1,5
1,63			173 706	1,6
1,87			185 149	1,9
	–		1 362 766	2,2
Nedbank UK Long-term Incentive Plan				
0,00	**81 720**	**1,2**	94 132	1,4
	81 720	**1,2**	94 132	1,4
Nedbank UK Matched-share Scheme				
0,00	**12 833**	**1,2**	16 779	1,1
	12 833	**1,2**	16 779	1,1

	2018		2017	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**101 331**	**1,3**	76 267	1,2
	101 331	**1,3**	76 267	1,2
Nedbank Wealth Management International Matched-share Scheme				
0,00	**15 961**	**1,4**	13 059	1,0
	15 961	**1,4**	13 059	1,0
Black Executive Scheme				
0,00	**14 622**	**0,2**	70 508	0,7
161,88	**39 574**	**0,2**	104 906	1,2
182,98	**24 690**	**0,6**	41 509	1,6
189,90	**36 966**	**1,2**	70 178	2,2
	115 852	**0,6**	287 101	1,4
Black Management Scheme				
0,00			1 737	1,2
128,44			34 749	0,1
139,69			18 893	
161,88	**5 944**	**0,2**	27 869	1,2
	5 944	**0,2**	83 248	0,2
Nedbank Africa Restricted-share Scheme				
0,00	**100 734**	**1,0**	107 264	1,8
	100 734	**1,0**	107 264	1,8
Nedbank Africa Matched-share Scheme				
0,00	**3 982**	**1,6**	2 840	1,4
	3 982	**1,6**	2 840	1,4
Community Scheme				
0,00	**1 689 648**	**12,0**	1 689 648	13,0
	1 689 648	**12,0**	1 689 648	13,0

J5 Instruments granted during the year

	Nedbank Group (2005) Share Option and Restricted-share Scheme[1]	Nedbank Group (2005) Matched-share Scheme[2]
2018		
Number of instruments granted	**2 983 119**	**711 361**
Weighted-average fair value per instrument granted (R)	**293,21**	**198,87**
Weighted-average share price (R)	**293,21**	**285,54**
Weighted-average life (years)	**3**	**3**
Number of participants	**1 464**	**2 047**
Weighted-average vesting period (years)	**3**	**3**
2017		
Number of instruments granted	3 252 604	811 034
Weighted-average fair value per instrument granted (R)[3]	261,40	193,47
Weighted-average share price (R)	261,87	241,50
Weighted-average life (years)	3	3
Number of participants	1 437	1 730
Weighted-average vesting period (years)	3	3

[1] *The weighted-average fair value of instruments granted during the year has been calculated using the closing price of Nedbank Group Limited quoted on JSE Limited.*

[2] *The weighted-average fair value of instruments granted during the year has been calculated using the closing price of Nedbank Group Limited quoted on JSE Limited of R285,54 (2017: R241,50) less the present value of dividends anticipated over the vesting period.*

[3] *Fair value per instrument has been recalculated in line with a change in the valuation methodology for shares linked to the financial index.*

Nedbank UK Long-term Incentive Plan[1]	Nedbank UK Matched Scheme[1]	Nedbank Wealth Management International Long-term Incentive Plan[1]	Nedbank Wealth Management International Matched Scheme[1]	Nedbank Africa Restricted-share Scheme[1]	Nedbank Africa Matched-share Scheme[1]
18 179	**3 294**	**50 826**	**7 024**	**35 764**	**1 142**
295,80	**285,00**	**292,56**	**285,00**	**295,79**	**285,00**
295,80	**285,00**	**292,56**	**285,00**	**295,79**	**285,00**
3	**3**	**3**	**3**	**3**	**3**
10	**4**	**17**	**20**	**55**	**2**
3	**3**	**3**	**3**	**3**	**3**
43 932	5 341	22 624	4 757	49 496	731
255,74	193,47	263,31	193,47	261,26	193,47
260,26	241,50	263,31	241,50	261,26	241,50
3	3	3	3	3	3
7	6	12	17	65	1
3	3	3	3	3	3

SECTION K: OTHER LIABILITIES

K1 Provisions and other liabilities

Accounting policy

Provisions

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

Reimbursements

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from an executory contract are lower than the unavoidable cost of meeting the obligations under the contract. Future operating costs or losses are not provided for.

Client loyalty

When a cardholder makes a purchase that is regarded as eligible spend, the person or entity is 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. Client loyalty programmes are accounted for in accordance with IFRS 15 and a contract liability is recognised. The revenue normally earned by the group when clients transact on their Nedbank cards is reduced by the expected amount payable arising from the issue of points.

If the expectation regarding the amount to be paid changes, this is recognised in revenue. When the group settles the liability, there will be no additional revenue recognised and the costs will be offset against the liability.

K1.1 Analysis of carrying amount

	2018 Rm	2017 Rm
Creditors and other accounts	**9 675**	12 386
Client loyalty programmes liability	**462**	182
Insurance contracts provision	**307**	512
Short-trading securities and spot positions	**11 432**	6 987
Provision for the impairment of off-balance sheet items	**210**	
Provision for bonuses (note K1.2)	**2 609**	2 338
Provision for onerous contracts (note K1.3)		2
Leave pay accrual (note K1.4)	**907**	885
	25 602	23 292

K1.2 Provision for bonuses

Balance at the beginning of the year	**2 338**	2 340
Recognised in profit or loss	**2 625**	2 389
Utilised during the year	**(2 362)**	(2 391)
Foreign currency translation and other movements	**8**	
Balance at the end of the year	**2 609**	2 338

	2018 Rm	2017 Rm
K1.3 Provision for onerous contracts		
Balance at the beginning of the year	**2**	3
Recognised in profit or loss	**(2)**	(1)
Balance at the end of the year	**–**	2
K1.4 Leave pay accrual		
Balance at the beginning of the year	**885**	810
Recognised in profit or loss	**576**	345
Utilised during the year	**(554)**	(270)
Balance at the end of the year	**907**	885

K1.5 Day 1 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 1 profit or loss.

The difference between the transaction price and the valuation amount, commonly referred to as 'day 1 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 1 gains are attributable to loans and advances.

	2018 Rm	2017 Rm
Gains recognised in the statement of comprehensive income	**427**	

K2 Contingent liabilities and undrawn facilities

	2018 Rm	2017 Rm
Guarantees on behalf of clients	**29 802**	28 402
Letters of credit and discounting transactions	**9 654**	3 225
Irrevocable unutilised facilities and other	**136 381**	103 562
	175 837	135 189

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

There are a number of legal or potential claims against Nedbank Group Limited and its subsidiary companies, the outcome of which cannot currently be foreseen. None of these matters are material in nature. The two claims by Absa Bank Limited relating to Pinnacle Point Group, reported in previous financial statements, were settled during 2018.

K3 Commitments

New standards and interpretations not yet adopted

IFRS 16: Leases

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

The group as lessee

IFRS 16 introduces a 'right of use' model whereby the lessee recognises a right-of-use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months.

The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit or loss using the effective-interest-rate method.

The group as lessor

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

Transitional approach and initial impact

The group has elected to apply IFRS 16 retrospectively using the modified approach. The modified approach posits that comparative figures under the preceding accounting regime (IAS 17, IFRIC 4 and SIC 27) will not be restated. Corresponding transitional adjustments will be made through opening retained earnings (including reversals of existing balances under the old lease accounting standards). The implementation of IFRS 16 results in the recognition of lease liabilities of R4,2bn and accompanying right-of-use assets of R3,2bn, with reserves decreasing by R0,7bn on an after-tax basis. The lease liability was recognised by present-valuing future lease payments using an incremental borrowing rate. The lease-specific discount rate is based on an interpolated interest yield curve that factors in the tenor and characteristics of the lease.

An IAS 17 credit straight-lining balance of R126m and an accompanying deferred tax entry of R35m will be reversed against retained earnings.

In applying IFRS 16, assumptions and judgements will be reviewed frequently to ensure practise that is congruent, non-contradictory, neutral, reasonable and rational when considered in conjunction with other assumptions, judgements and the prevailing facts and circumstances surrounding the group's lease activities.

K3.1 Capital expenditure approved by directors

	2018 Rm	2017 Rm
Contracted	**530**	463
Not yet contracted	**2 811**	2 433
	3 341	2 896

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

K3.2 Operating lease commitments

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

2018	2019 Rm	2020–2024 Rm	Beyond 2024 Rm
Land and buildings[1]	**958**	**2 628**	**1 721**
	958	**2 628**	**1 721**

2017	2018 Rm	2019–2023 Rm	Beyond 2023 Rm
Land and buildings[1]	938	2 263	1 609
Furniture and equipment	40	61	44
	978	2 324	1 653

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

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

K3.3 Commitments under derivative instruments

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

SECTION L: RISK AND BALANCE SHEET MANAGEMENT

L1 Financial risk management

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

L2 Capital management

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

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

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

Capital, reserves and long-term debt instruments

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

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

L3 Liquidity gap

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

In terms of measuring, managing and mitigating liquidity mismatches Nedbank focuses on two types of liquidity risk: funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend.

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

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

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

L3 Liquidity gap continued

Rm	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year < 5 years	> 5 years	Non-determined	Total
2018							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	**34 236**	**282**	**54**	**50**	**169**		**34 791**
Other short-term securities	**30 393**	**17 602**	**22 958**	**8 308**	**101**		**79 362**
Derivative financial instruments	**3 218**	**1 920**	**1 993**	**5 256**	**10 305**		**22 692**
Government and other securities	**792**	**587**	**1 305**	**42 984**	**51 123**		**96 791**
Loans and advances	**116 856**	**41 698**	**61 812**	**313 401**	**202 538**		**736 305**
Other assets						**73 971**	**73 971**
	185 495	**62 089**	**88 122**	**369 999**	**264 236**	**73 971**	**1 043 912**
Total equity						**91 271**	**91 271**
Derivative financial instruments	**2 779**	**1 570**	**1 694**	**5 635**	**8 325**		**20 003**
Amounts owed to depositors	**592 462**	**72 911**	**83 973**	**66 356**	**10 102**		**825 804**
Provisions and other liabilities	**20 035**		**363**			**30 849**	**51 247**
Long-term debt instruments	**1 468**	**5 070**	**2 293**	**27 531**	**19 225**		**55 587**
	616 744	**79 551**	**88 323**	**99 522**	**37 652**	**122 120**	**1 043 912**
Net liquidity gap	**(431 249)**	**(17 462)**	**(201)**	**270 477**	**226 584**	**(48 149)**	**–**
2017							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	35 303	249	320	52	198		36 122
Other short-term securities	37 035	24 427	22 858	8 455			92 775
Derivative financial instruments	6 124	2 828	3 321	6 865	10 766		29 904
Government and other securities	171	3 602	3 309	23 449	18 710		49 241
Loans and advances	160 344	37 656	50 886	265 141	196 302		710 329
Other assets						64 943	64 943
	238 977	68 762	80 694	303 962	225 976	64 943	983 314
Total equity						88 539	88 539
Derivative financial instruments	5 146	2 357	3 113	5 385	7 366		23 367
Amounts owed to depositors	568 525	73 269	65 080	57 089	7 621		771 584
Provisions and other liabilities	18 134					30 114	48 248
Long-term debt instruments	475	1 432	3 720	27 858	18 091		51 576
	592 280	77 058	71 913	90 332	33 078	118 653	983 314
Net liquidity gap	(353 303)	(8 296)	8 781	213 630	192 898	(53 710)	–

This note has been prepared on a contractual maturity basis.

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

L4 Interest rate risk in the banking book

	2018 Rm	2017 Rm
Net interest income sensitivity		
One percent instantaneous decline in interest rates[1]	**(1 466)**	(1 363)

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

Management of interest rate risk in the banking book

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

Sensitivity analysis

At the reporting date, the net interest income sensitivity of the banking book for a 1% parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately R1 466m before tax (2017: R1 363m), which is within the board's approved risk limit. The group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pretax net interest income of similar amounts should interest rates increase by one percent. Net interest income sensitivity is actively managed through on- and off-balance-sheet interest rate risk management strategies for the group's expected interest rate view and impairment sensitivity.

L5 Historical value at risk (99%, one-day) by risk type

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

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

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

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

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

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

	2018				2017			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**3,2**	**0,6**	**11,5**	**3,5**	4,5	0,9	11,5	3,8
Interest rate	**30,7**	**16,0**	**45,8**	**31,3**	21,2	11,1	38,3	31,3
Equity	**3,9**	**0,8**	**17,2**	**1,9**	3,3	0,9	13,7	3,7
Credit	**9,2**	**6,9**	**12,3**	**8,2**	9,2	6,2	16,1	12,1
Commodity	**0,1**	**< 0,1**	**2,1**	**0,2**	0,1	< 0,1	0,7	0,7
Diversification	**(17,7)**			**(15,8)**	(15,3)			(27,6)
Total VAR exposure	**29,4**	**14,6**	**49,2**	**29,3**	23,0	13,0	40,2	24,0

SECTION M: CASHFLOW INFORMATION

M1 Reconciliation of profit from operations to cash generated by operations

	2018 Rm	2017 Rm
Profit from operations	**18 369**	17 346
Adjusted for:		
– Depreciation (note B7)	**1 512**	1 409
– Amortisation: computer software and intangible assets (note B7)	**958**	793
– Amortisation: other intangible assets (note B7)	**75**	86
– Movement in impairments on financial instruments	**4 959**	4 528
– Net income on investment banking assets	**(5)**	(36)
– Non-trading and capital items (note B9)	**164**	224
– Indirect taxation (note B8.1)	**942**	1 001
Cash generated by operations	**26 974**	25 351

M2 Cash received from clients

Interest and similar income (note B6.1.1)	**75 941**	75 299
Commission and fees income (note B6.2)[1]	**18 279**	17 171
Net trading income (note B6.2)	**4 429**	3 900
Insurance income (note B6.2.2)[1]	**1 859**	1 750
Private-equity income	**367**	8
Other non-interest income	**683**	479
	101 558	98 607

[1] *During 2018 management reclassified certain internal insurance commission allocations earned by Nedbank Retail and Business Banking previously reported as part of commission and fee income to insurance income to ensure that the amount is appropriately eliminated against the cost recognised in Nedbank Wealth. Comparative figures have been restated accordingly (R184m).*

M3 Cash paid to clients, employees and suppliers

	2018 Rm	2017 Rm
Interest expense and similar charges (note B6.1.2)	**(47 122)**	(47 675)
Staff costs (note B7)	**(17 450)**	(16 530)
Computer processing	**(2 630)**	(2 373)
Communication and travel (note B8)	**(833)**	(834)
Occupation and accommodation	**(1 993)**	(1 921)
Marketing and public relations (note B7)	**(1 532)**	(1 695)
Fees and assurances (note B7)	**(3 989)**	(3 585)
Furniture, office equipment and consumables	**(316)**	(327)
Other operating expenses	**(344)**	(259)
	(76 209)	(75 199)

M4 Dividends received

Dividends received on investments	**354**	719
	354	719

M5 Increase in operating assets

Other short-term securities	**13 413**	(8 273)
Government and other securities	**(47 550)**	1 807
Loans and advances and other operating assets	**(31 423)**	(20 516)
	(65 560)	(26 982)

	2018 Rm	2017 Rm
M6 Increase in operating liabilities		
Current and savings accounts	**6 211**	4 231
Other deposits, loan accounts and foreign currency liabilities	**38 663**	12 735
Negotiable certificates of deposit	**12 394**	(12 327)
Deposits received under repurchase agreements	**(2 928)**	5 403
Creditors and other liabilities	**(1 149)**	(467)
	53 191	9 575
M7 Taxation paid		
Amounts receivable at the beginning of the year	**(48)**	360
Statement of comprehensive income charge (excluding deferred taxation)	**(4 726)**	(4 294)
Other taxation received	**855**	157
Amounts receivable at the end of the year	**177**	48
	(3 742)	(3 729)
Total indirect taxation (note B8.1)	**(942)**	(1 001)
Taxation paid	**(4 684)**	(4 730)

SECTION N: ADDITIONAL INFORMATION

N1 Foreign currency conversion

Accounting policy

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. Transactions in foreign currencies are translated into the functional currency of the individual entities at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts. The consolidated financial statements are presented in SA rand, which is the group's presentation currency.

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

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

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

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

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

Exchange rates

	Average		Closing	
	2018	2017	**2018**	2017
UK pound to rand	**17,64**	17,15	**18,32**	16,60
US dollar to rand	**13,24**	13,31	**14,38**	12,29
US dollar to naira (official Central Bank of Nigeria rates)	**305,58**	305,30	**306,50**	305,50
US dollar to naira (NAFEX rates)	**361,50**	332,79	**363,50**	359,94
Rand to naira (official Central Bank of Nigeria rates)	**23,11**	23,32	**21,30**	24,66
Rand to naira (NAFEX rates)	**27,31**	26,79	**25,08**	29,18

N1 Foreign currency conversion continued

Geographic analyses

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

Nedbank Zimbabwe Limited

Judgement applied in determining Zimbabwe's functional currency

On 1 October 2018 the Reserve Bank of Zimbabwe directed Zimbabwean banks to create NOSTRO accounts for foreign currency transactions, which are to be maintained separately from existing bank accounts, now limited to real-time gross settlement (RTGS) transactions and bond notes only. These measures took effect from October 2018 and will effectively de-dollarise the economy and reduce existing foreign currency accounts. Since a functional currency is the currency of the primary economic environment in which the entity operates, Nedbank has concluded that the currency in which Nedbank Zimbabwe will expend and generate cash will no longer be USD, but rather the RTGS dollar, effective from 1 October 2018.

Estimate of exchange rate

Nedbank estimated the RTGS dollar:USD exchange rate using a combination of the Old Mutual share price implied rate and the fuel price implied rate, each determined as follows:

- The Old Mutual share price implied rate was determined by comparing the Old Mutual share price on the ZSE, LSE (price quoted in GBP) and JSE (price quoted in ZAR), translating the LSE and JSE price into USD and comparing the average of these two with the USD price on the ZSE to determine the implied exchange rate between the USD and the RTGS dollar (5,2:1).
- The fuel price implied rate was determined by comparing the price per litre of petrol in bond notes to the price in USD (2,5:1).

Nedbank used a midpoint of these two rates (ie 3,88:1) in estimating the closing RTGS dollar:USD exchange rate used in converting the net asset value of Nedbank Zimbabwe at 31 December 2018.

The use of the abovementioned judgement and methodology gave rise to a foreign currency translation reserve loss of R755m, of which R499m is attributable to ordinary shareholders and R256m to non-controlling shareholders.

Sensitivity analysis

In February 2019 the Central Bank Governor announced that it would no longer insist that there was a 1:1 relationship between the USD and the RTGS dollar, and formal trading of what is effectively a new currency commenced. The initial rate announced was 2,5:1 USD. If an RTGS dollar:USD exchange rate of 2,5:1 was used instead of 3,88:1 as estimated by Nedbank, an FCTR loss of R612m would have arisen (ordinary shareholders: R404m; non-controlling interests: R208m).

N2 Events after the reporting period

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

N3 Directors' emoluments

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

N3.1 Total remuneration of executive directors and prescribed officers

	Mike Brown		Mfundo Nkuhlu		Raisibe Morathi	
R000	**2018**	2017	**2018**	2017	**2018**	2017
Cash portion of package	**7 352**	7 014	**4 869**	4 635	**4 536**	4 184
Other benefits	**173**	160	**159**	149	**122**	110
Defined-contribution retirement fund	**1 050**	1 001	**702**	668	**567**	576
Guaranteed remuneration	**8 575**	8 175	**5 730**	5 452	**5 225**	4 870
Cash performance incentive	**8 500**	7 875	**5 125**	4 500	**5 050**	4 625
Cash performance incentive (delivered in shares)[1]	**7 500**	5 875	**4 125**	3 500	**4 050**	3 625
Total short-term incentive (STI)[2]	**16 000**	13 750	**9 250**	8 000	**9 100**	8 250
Total remuneration[2]	**24 575**	21 925	**14 980**	13 452	**14 325**	13 120
Value of share-based awards (face value at award)[3]	**16 500**	14 500	**10 250**	9 500	**9 500**	8 750
Total direct remuneration	**41 075**	36 425	**25 230**	22 952	**23 825**	21 870

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

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

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

	Iolanda Ruggiero		Ciko Thomas		Brian Kennedy	
R000	**2018**	2017	**2018**	2017	**2018**	2017
Cash portion of package	**3 343**	3 160	**4 117**	3 746	**4 222**	4 015
Other benefits	**96**	91	**120**	113	**243**	236
Defined-contribution retirement fund	**480**	454	**669**	610	**336**	320
Guaranteed remuneration	**3 919**	3 705	**4 906**	4 469	**4 801**	4 571
Cash performance incentive	**3 300**	3 125	**4 950**	4 625	**9 950**	8 875
Cash performance incentive (delivered in shares)	**2 300**	2 125	**3 950**	3 625	**8 950**	7 875
Total short-term incentive (STI)[1]	**5 600**	5 250	**8 900**	8 250	**18 900**	16 750
Total remuneration[2]	**9 519**	8 955	**13 806**	12 719	**23 701**	21 321
Value of share-based awards (face value at award)[3]	**7 000**	6 000	**10 000**	8 500	**9 000**	8 500
Total direct remuneration	**16 519**	14 955	**23 806**	21 219	**32 701**	29 821

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

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

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

N3 Directors' emoluments continued

N3.2 Non-executive directors' remuneration

Name	Note	Nedbank and Nedbank Group Board fees R000	Committee fees R000	2018 R000	2017 R000
DKT Adomakoh					222
TA Boardman	12	**176**		**176**	1 341
HR Brody	1, 1a	**490**	**889**	**1 379**	562
BA Dames	2	**490**	**488**	**978**	782
NP Dongwana	3	**490**	**595**	**1 085**	526
ID Gladman	4, 4a	**382**	**330**	**712**	854
JB Hemphill	5, 5a	**212**	**109**	**321**	694
EM Kruger	6, 6a	**1 043**	**1 349**	**2 392**	1 277
RAG Leith	7, 7a	**382**	**330**	**712**	854
PM Makwana	8, 8a, 8b	**490**	**997**	**1 487**	1 443
L Makalima	9	**490**	**488**	**978**	469
MA Matooane		**490**	**412**	**902**	826
NP Mnxasana	10, 10a, 10b, 10c, 10d, 10e	**171**	**368**	**539**	1 428
MP Moyo	11	**277**	**265**	**542**	
V Naidoo		**5 528**		**5 528**	5 178
JK Netshitenzhe		**490**	**370**	**860**	791
S Subramoney		**490**	**1 187**	**1 677**	1 374
MI Wyman		**685**	**465**	**1 150**	1 396
Total		**12 776**	**8 642**	**21 418**	20 017

[1] *Hubert Brody was appointed as Chair of the Group Remuneration Committee on 10 May 2018.*

[1a] *Hubert Brody was appointed as a member of the Group Directors' Affairs Committee on 10 May 2018.*

[2] *Brian Dames was appointed as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[3] *Neo Dongwana was appointed as a member of the Group Credit Committee on 10 May 2018.*

[4] *Ian Gladman resigned as a member of the Group Credit Committee and Group Risk and Capital Management Committee on 15 October 2018.*

[4a] *Ian Gladman resigned as a director of Nedbank Limited and Nedbank Group Limited on 15 October 2018.*

[5] *Bruce Hemphill resigned as a member of the Group Remuneration Committee and Group Directors Affairs' Committee on 11 June 2018.*

[5a] *Bruce Hemphill resigned as a director of Nedbank Limited and Nedbank Group Limited on 11 June 2018.*

[6] *Errol Kruger was appointed as a member of the Group Audit Committee on 10 May 2018.*

[6a] *Errol Kruger's board fees are inclusive of the Nedbank Private Wealth (Isle of Man) fees of £31 385. He was appointed on 22 March 2018.*

[7] *Rob Leith resigned as a member of the Group Credit Committee and Group Risk and Capital Management Committee on 15 October 2018, but was subsequently reappointed on 1 January 2019.*

[7a] *Rob Leith resigned as a director of Nedbank Limited and Nedbank Group Limited on 15 October 2018, but was subsequently reappointed on 1 January 2019.*

[8] *Mpho Makwana was appointed as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[8a] *Mpho Makwana resigned as Chair of the Group Remuneration Committee, but remained a member on 10 May 2018.*

[8b] *Mpho Makwana resigned as a member of the Group Audit Committee on 10 May 2018.*

[9] *Linda Makalima was appointed as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[10] *Nomavuso Mnxasana retired as a member of the Group Risk and Capital Management Committee on 10 May 2018.*

[10a] *Nomavuso Mnxasana retired as Chair of the Group Transformation, Social and Ethics Committee on 10 May 2018.*

[10b] *Nomavuso Mnxasana retired as a member of the Group Remuneration Committee on 10 May 2018.*

[10c] *Nomavuso Mnxasana retired as a member of the Group Audit Committee on 10 May 2018.*

[10d] *Nomavuso Mnxasana retired as a member of the Group Directors' Affairs Committee on 10 May 2018.*

[10e] *Nomavuso Mnxasana retired as a director of Nedbank Limited and Nedbank Group Limited on 10 May 2018.*

[11] *Peter Moyo was appointed as a director of Nedbank Limited and Nedbank Group and as a member of the Group Risk and Capital Management Committee, Group Remuneration Committee and Group Directors' Affairs Committee on 11 June 2018.*

[12] *Tom Boardman's fees represent Nedbank Private Wealth (Isle of Man) fees of £9 999. He resigned on 20 March 2018.*

Where applicable, board fees include travel reimbursements for business mileage.

Number of shares	Beneficial direct 2018	Beneficial direct 2017	Beneficial indirect 2018	Beneficial indirect 2017
Tom Boardman[1]		4 012		10 988
Hubert Brody	**2 556**			
Mike Brown	**311 408**	281 766	**259 775**	262 255
Brian Dames	**64**			
Mantsika Matooane	**2 261**	2 261		
Nomavuso Mnxasana[2]			**7 420**	7 420
Raisibe Morathi	**172 384**	136 794	**100 462**	134 315
Peter Moyo			**75 556**	
Vassi Naidoo			**49 254**	47 135
Mfundo Nkuhlu	**61 085**	62 028	**144 484**	160 863
Malcom Wyman			**321**	
Stanley Subramoney			**2 300**	2 300
Total ordinary shares	**549 758**	486 861	**639 572**	625 276
Total preference shares				

[1] *Resigned/Retired during 2017.*

[2] *Retired on 10 May 2018.*

No change in the above interests occurred between 31 December 2018 and 4 March 2019.

N3 Directors' emoluments continued

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

	Opening balance at 1 January 2018				Awards made during 2018			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
MWT Brown								
Nedbank restricted shares								
	50 826	12 March 2015	255,77	13 March 2018				
	70 851	17 March 2016	190,54	18 March 2019				
	58 197	15 March 2017	249,15	16 March 2020				
					48 376	14 March 2018	299,73	15 March 2021
Compulsory Bonus Share Scheme[1]	16 435	31 March 2015	251,29	1 April 2018				
	22 563	31 March 2016	189,58	1 April 2019				
	14 371	31 March 2017	258,33	1 April 2020				
					12 033	31 March 2018	291,36	1 April 2021
Voluntary Bonus Share Scheme[4]	1 173	31 March 2015	251,29	1 April 2018				
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	31 March 2017	220,17	1 April 2020				
					943	31 March 2018	291,36	1 April 2021
Total value of dividends								
Total	237 221				61 352			
MC Nkuhlu								
Nedbank restricted shares	45 939	12 March 2015	255,77	13 March 2018				
	45 922	17 March 2016	190,54	18 March 2019				
	37 126	15 March 2017	249,15	16 March 2020				
					31 695	14 March 2018	299,73	15 March 2021
Compulsory Bonus Share Scheme[1]	8 511	31 March 2015	251,29	1 April 2018				
	11 670	31 March 2016	189,58	1 April 2019				
	7 717	31 March 2017	258,33	1 April 2020				
					6 606	31 March 2018	291,36	1 October 2021
Voluntary Bonus Share Scheme[4]								
	1 173	31 March 2015	251,29	1 April 2018				
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	31 March 2017	232,59	1 April 2020				
					943	31 March 2018	291,36	1 October 2021
Total value of dividends								
Total	160 863				39 244			

Awards vesting/lapsing during 2018					Dividends	Closing balance at 31 December 2018		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
32 306	18 520	313,00	10 111 778	(5 796 760)				
						70 851	31 December 2018	18 March 2019
						58 197	31 December 2019	16 March 2020
						48 376	31 December 2020	15 March 2021
32 870[3]		283,78	9 327 849			22 563	31 December 2018	1 April 2019
						14 371	31 December 2019	1 April 2020
						12 033	31 December 2020	1 April 2021
2 346[3]		283,78	665 748					
						1 556	31 December 2018	1 April 2019
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
					3 101 570			
67 522	18 520		20 105 375	(5 796 760)	3 101 570	230 139		
29 199	16740	313,00	9 139 287	(5 239 620)				
						45 922	31 December 2018	18 March 2019
						37 126	31 December 2019	16 March 2020
						31 695	31 December 2020	15 March 2020
17 022[3]		283,78	4 830 503					
						11 670	31 December 2018	1 April 2019
						7 717	31 December 2019	1 April 2020
						6 606	31 December 2020	1 April 2021
2 346[3]		283,78	665 748					
						1 556	31 December 2018	1 April 2019
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
					2 125 176			
48 567	16 740		14 635 538	(5 239 620)	2 125 176	144 484		

N3 Directors' emoluments continued

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

	Opening balance at 1 January 2018				Awards made during 2018			
Executive directors	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
RK Morathi								
Nedbank restricted shares	27 368	12 March 2015	255,77	13 March 2018				
	39 361	17 March 2016	190,54	18 March 2019				
	32 109	15 March 2017	249,15	16 March 2020				
					29 192	14 March 2018	299,73	15 March 2021
Compulsory Bonus Share Scheme[1]								
	7 924	31 March 2015	251,29	1 April 2018				
	10 896	31 March 2016	189,58	1 April 2019				
	7 716	31 March 2017	258,33	1 April 2020				
					6 840	31 March 2018	291,36	1 October 2019
	1 173	31 March 2015	251,29	1 April 2018				
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	31 March 2017	232,59	1 April 2020				
					943	31 March 2018	291,36	
Total value of dividends								
Total	129 352				36 975			
Prescribed officers								
B Kennedy								
Nedbank restricted shares	22 285	12 March 2015	255,77	13 March 2018				
	14 857	13 March 2015	255,77	14 March 2018				
	15 744	18 March 2016	190,54	19 March 2019				
	23 617	17 March 2016	190,54	18 March 2019				
	13 646	16 March 2017	249,15	17 March 2020				
	20 469	15 March 2017	249,15	16 March 2020				
					11 343	15 March 2018[2]	299,73	16 March 2021
					17 015	14 March 2018	299,73	15 March 2021
Compulsory Bonus Share Scheme[1]								
	17 609	31 March 2015	251,29	1 April 2018				
	23 730	31 March 2016	189,58	1 April 2019				
	17 712	31 March 2017	258,33	1 April 2020				
					14 865	31 March 2018	291,36	1 April 2021
Voluntary Bonus Share Scheme[4]								
	1 173	31 March 2015	251,29	1 April 2018				
	1 556	31 March 2016	189,58	1 April 2019				
	1 249	31 March 2017	232,59	1 April 2020				
					943	31 March 2018	291,36	1 April 2021
Total value of dividends								
Total	173 647				44 166			

Awards vesting/lapsing during 2018					Dividends	Closing balance at 31 December 2018		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
17 396	9 972	313,00	5 444 948	(3 121 236)				
						39 361	31 December 2018	18 March 2019
						32 109	31 December 2019	16 March 2020
						29 192	31 December 2020	15 March 2021
15 848[3]		283,78	4 497 345					
						10 896	31 December 2018	1 April 2019
						7 716	31 December 2019	1 October 2020
						6 840	31 December 2020	1 April 2021
2 346[3]		283,78	665 748					
						1 556	31 December 2018	1 April 2019
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
					1 845 171			
35 590	9 972		10 608 041	(3 121 236)	1 845 171	129 862		
15 781	6 504	313,00	4 939 453	(2 035 752)				
14 857		306,00	4 546 242					
						15 744	31 December 2018	19 March 2019
						23 617	31 December 2018	18 March 2019
						13 646	31 December 2019	17 March 2020
						20 469	31 December 2019	16 March 2020
						11 343	31 December 2020	16 March 2021
						17 015	31 December 2020	15 March 2021
35 218[3]		283,78	9 994 164					
						23 730	31 December 2018	1 April 2019
						17 712	31 December 2019	1 April 2020
						14 865	31 December 2020	1 April 2021
2 346[3]		284	665 748					
						1 556	31 December 2018	1 April 2019
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
					2 166 545			
68 202	6 504		20 145 607	(2 035 752)	2 166 545	161 889		

N3 Directors' emoluments continued

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

	Opening balance at 1 January 2018				Awards made during 2018			
Prescribed officers	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price (R)	Final vesting/ exercise date
C Thomas								
Nedbank restricted shares	10 204	12 March 2015	255,77	13 March 2018				
	6 803	13 March 2015	255,77	14 March 2018				
	9 447	12 August 2016	211,87	12 August 2019				
	9 971	18 March 2016	190,54	19 March 2019				
	14 169	11 August 2016	211,87	12 August 2019				
	14 957	17 March 2016	190,54	18 March 2019				
	12 040	16 March 2017	249,15	17 March 2020				
	18 061	15 March 2017	249,15	16 March 2020				
					11 343	15 March 2018[2]	299,73	16 March 2021
					17 015	14 March 2018	299,73	15 March 2021
Compulsory Bonus Share Scheme[1]								
	2 307	31 March 2017	258,33	1 April 2020				
					4 562	31 March 2018	291,36	1 April 2021
Voluntary Bonus Share Scheme[4]								
Total value of dividends								
Total	97 959				32 920			
I Ruggiero								
Nedbank restricted shares	4 457	12 March 2015	255,77	13 March 2018				
	2 971	13 March 2015	255,77	14 March 2018				
	7 959	12 August 2015	263,84	13 August 2018				
	5 306	13 August 2015	263,84	14 August 2018				
	12 595	18 March 2016	190,54	19 March 2019				
	18 893	17 March 2016	190,54	18 March 2019				
	10 435	16 March 2017	249,15	17 March 2020				
	15 653	15 March 2017	249,15	16 March 2020				
					8 007	15 March 2018[2]	299,73	16 March 2021
					12 011	14 March 2018	299,73	15 March 2021
Compulsory Bonus Share Scheme[1]								
	3 110	31 March 2015	251,29	1 April 2018				
	7 780	31 March 2016	189,58	1 April 2019				
	5 429	31 March 2017	258,33	1 April 2020				
					4 011	31 March 2018	291,36	1 April 2021
Voluntary Bonus Share Scheme[4]	1 173	31 March 2015	251,29	1 April 2018				
	1 556	31 March 2016	189,58	1 April 2019				
	249	31 March 2017	232,59	1 April 2020				
Total value of dividends					943	31 March 2018		
Total	97 566				24 972			

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

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

[3] *Match occurred at one share for each share in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme at the vesting date.*

[4] *For the Voluntary Bonus Share Scheme employees invest their own Nedbank shares in the scheme. After three years, if the CPTs are met, a 100% matching occurs, otherwise a 50% matching occurs.*

[5] *Value determined based on the number of shares lapsing, multiplied by the market share price on the scheduled vesting date.*

[6] *Plans exclude the Voluntary Bonus Share Scheme, which consists of own shares.*

Awards vesting/lapsing during 2018					Dividends	Closing balance at 31 December 2018		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting (R)	Value gained on vesting (R)	Notional value of loss on lapsing[5] (R)	Total value of dividends paid in respect of all plans[6] (R)	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
7 226	2 978	313,00	2 261 738	(932 114)				
6 803		306,00	2 081 718					
						9 447	31 December 2018	13 August 2019
						9 971	31 December 2018	19 March 2019
						14 169	31 December 2018	12 August 2019
						14 957	31 December 2018	18 March 2019
						12 040	31 December 2019	17 March 2020
						18 061	31 December 2019	16 March 2020
						11 343	31 December 2020	16 March 2021
						17 015	31 December 2020	15 March 2021
						2 307	31 December 2019	1 April 2020
						4 562	31 December 2020	1 April 2021
					1 748 834			
14 029	2 978		4 343 456	(932 114)	1 748 834	113 872		
3 157	1 300	313,00	988 141	(406 900)				
2 971		306,00	909 126					
5636	2323	256,85	1 447 607	(596 663)				
5 306		258,95	1 373 989					
						12 595	31 December 2018	19 March 2019
						18 893	31 December 2019	18 March 2019
						10 435	31 December 2019	17 March 2020
						15 653	31 December 2019	16 March 2020
						8 007	31 December 2020	16 March 2021
						12 011	31 December 2020	15 March 2021
6 220[3]		283,78	1 765 112					
						7 780	31 December 2018	1 April 2019
						5 429	31 December 2019	1 April 2020
						4 011	31 December 2020	1 April 2021
2 346[3]		283,78	665 748					
						1 556	31 December 2018	1 April 2019
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
					1 505 901			
25 636	3 623		7 149 723	(1 003 563)	1 505 901	98 562		

Separate statement of comprehensive income

for the year ended 31 December

	Note	2018 Rm	(Restated)[1] 2017 Rm
Dividends from subsidiary companies		**7 436**	5 966
Interest and similar income		**726**	434
Interest expense and similar charges		**(721)**	(433)
Preference dividend from subsidiary company		**32**	32
Fair-value adjustments		**(130)**	
Foreign exchange gains			1
Operating income		**7 343**	6 000
Total operating expenses	2	**4**	33
Profit from operations before non-trading and capital items		**7 339**	5 967
Loss on liquidation of subsidiary		**1**	(21)
Profit from operations		**7 340**	5 946
Share of income/(losses) from associate company		**609**	(744)
Profit before direct taxation		**7 949**	5 202
Direct taxation	3	**23**	19
Profit for the year		**7 926**	5 183
Other comprehensive income net of taxation		**96**	86
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**429**	(389)
Share of other comprehensive (losses)/income of investments accounted for using the equity method		**(318)**	169
Items that may not subsequently be reclassified to profit or loss			
Share of other comprehensive (losses)/income of investments accounted for using the equity method		**(15)**	306
Total comprehensive income for the year		**8 022**	5 269

[1] *Refer to note 1: Change in accounting policy and restatement.*

Separate statement of financial position

at 31 December

	Note	2018 Rm	(Restated)[1] 2017 Rm	(Restated)[1] 2016 Rm
Assets				
Cash and cash equivalents				
Government and other securities		**9 065**	4 520	2 006
Other assets			650	
Current taxation assets		**3**	12	11
Investment securities		**9**	8	7
Investments in associate companies	4	**3 245**	3 320	3 978
Investments in subsidiary companies		**29 458**	28 702	27 770
Investment in ordinary shares		**26 638**	26 433	26 366
Investment in preference shares		**899**	899	338
Investment in additional tier 1 capital instruments		**1 350**	600	
Owing by subsidiaries		**571**	770	1 066
Deferred taxation assets		**10**		
Total assets		**41 790**	37 212	33 772
Equity and liabilities				
Ordinary share capital	5	**493**	498	495
Ordinary share premium		**20 947**	22 293	21 609
Holders of additional tier 1 capital instruments		**1 386**	600	
Reserves		**3 103**	2 796	3 710
Equity attributable to equity holders of the parent		**25 929**	26 187	25 814
Long-term debt instruments	6	**9 065**	4 520	2 006
Other liabilities	7	**205**	70	66
Amounts owing to subsidiaries		**6 591**	6 435	5 886
Total liabilities		**15 861**	11 025	7 958
Total equity and liabilities		**41 790**	37 212	33 772

[1] *Refer to note 1: Change in accounting policy and restatement.*

Separate statement of changes in equity

for the year ended 31 December

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Holders of additional tier 1 capital instruments
Balance at 31 December 2016	495 865 721	495	21 609	
Impact of change in accounting policy election[7]				
Restated balance at 31 December 2016	495 865 721	495	21 609	–
Shares issued in terms of employee incentive schemes	2 795 439	3	695	
Shares delisted	(552 246)		(11)	
Additional tier 1 capital instruments issued				600
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of other comprehensive (losses)/income of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Restated balance at 31 December 2017	498 108 914	498	22 293	600
Impact of adopting IFRS 9, net of taxation				
Balance at 1 January 2018	**498 108 914**	**498**	**22 293**	**600**
Shares issued in terms of employee incentive schemes	**2 130 389**	**2**	**626**	
Shares delisted	**(7 056 639)**	**(7)**	**(1 972)**	
Additional tier 1 capital instruments issued				**786**
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Profit for the year				
Exchange differences on translating foreign operations				
Share of other comprehensive (losses)/income of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2018	**493 182 664**	**493**	**20 947**	**1 386**

[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] *All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.*

[3] *Represents other non-distributable revaluation surplus on capital items.*

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

[5] *This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. The expected credit loss allowance relating to such debt instruments is also recognised in OCI and accumulated in this reserve. When the debt instrument is derecognised the cumulative gain or loss is reclassified from equity to profit or loss. For investments in equity instruments the cumulative gain or loss is not recycled, but may be reclassified within equity on derecognition.*

[6] *Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings. Refer to note A2: Change in accounting policies: financial instruments.*

[7] *Refer to note 1: Change in accounting policy and restatement.*

Foreign currency translation reserve[1] Rm	Share-based payments reserve[2] Rm	Other non-distributable reserves[3] Rm	Available-for-sale-reserve[4] Rm	FVOCI reserve[5] Rm	Distributable reserves[6] Rm	Total ordinary shareholders' equity Rm
	125	41			3 544	25 814
(1 882)			(165)		2 047	–
(1 882)	125	41	(165)	–	5 591	25 814
						698
					11	–
						600
(639)	–	–	419	–	5 489	5 269
					5 183	5 183
(389)						(389)
(250)			419		306	475
					(6 180)	(6 180)
					(14)	(14)
(2 521)	125	41	254	–	4 897	26 187
			(254)	254	(780)	(780)
(2 521)	**125**	**41**	**–**	**254**	**4 117**	**25 407**
						628
						(1 979)
						786
31	**–**	**–**	**–**	**80**	**7 911**	**8 022**
					7 926	**7 926**
429						**429**
(398)				**80**	**(15)**	**(333)**
					(6 854)	**(6 854)**
					(81)	**(81)**
(2 490)	**125**	**41**	**–**	**334**	**5 093**	**25 929**

Separate statement of cashflows

for the year ended 31 December

	Note	2018 Rm	2017 Rm
Cash generated by operations	8	**7 470**	5 966
Cash received from/(paid to) clients, employees and suppliers		**2**	(32)
Dividends received on investments		**7 468**	5 998
Change in funds for operating activities		**851**	200
Decrease/(increase) in operating assets		**848**	(354)
Increase in operating liabilities		**3**	554
Net cash from operating activities before taxation		**8 321**	6 166
Taxation paid	9	**(8)**	14
Cashflows from operating activities		**8 329**	6 152
Cashflows utilised by investing activities		**(5 345)**	(3 763)
Investments in additional tier 1 capital and long-term debt instruments		**(5 295)**	(3 114)
Acquisition of investments in subsidiaries and associate companies		**(50)**	(649)
Cashflows utilised by financing activities		**(2 984)**	(2 389)
Proceeds from issue of ordinary shares		**628**	698
Shares delisted		**(1 979)**	(1)
Long-term debt instruments issued		**5 333**	3 114
Dividends paid to ordinary shareholders		**(6 854)**	(6 180)
Additional tier 1 capital instruments interest paid		**(112)**	(20)
Net decrease in cash and cash equivalents for the year		**–**	–
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year		**–**	–

Notes to the separate financial statements

for the year ended 31 December

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 Change in accounting policy and reclassification

The company's accounting policy election for the accounting of investments in associate companies in the separate annual financial statements was reviewed during 2018. These investments were previously recorded at cost less accumulated impairment. The accounting policy election was changed to account for investments in associate companies by applying the equity method of accounting. The application of the new accounting policy provides reliable and more relevant information as the equity method of accounting more frequently reflects the underlying economics of an investment in the carrying value of the associate company.

During the year the company reviewed the classification of certain investments on the statement of financial position. As a result of this review the company's private-equity investments have been reclassified from investments in associate companies to investment securities better to reflect the measurement of these investments at fair value. To provide comparability the prior-year balances have been restated by R8m (2016: R7m).

The impact of the change in accounting policy and restatement is detailed below:

Separate statement of comprehensive income

		2017	
Rm	Restated	Change in accounting policy election	As previously reported
Dividends from subsidiary companies	5 966		5 966
Interest and similar income	434		434
Interest expense and similar charges	(433)		(433)
Preference dividend from subsidiary companies	32		32
Foreign exchange gains/(losses)	1		1
Operating income	6 000	–	6 000
Total operating expenses	33		33
Profit from operations before non-trading and capital items	5 967	–	5 967
Loss on liquidation of subsidiary	(21)		(21)
Profit from operations	5 946	–	5 946
Share of income/(losses) from associate company	(744)	(744)	
Profit before direct taxation	5 202	(744)	5 946
Direct taxation	19		19
Profit for the year	5 183	(744)	5 927
Other comprehensive income net of taxation	86	86	–
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations	(389)	(389)	
Share of other comprehensive (losses)/income of investments accounted for using the equity method	169	169	
Items that may not subsequently be reclassified to profit or loss			
Share of other comprehensive (losses)/income of investments accounted for using the equity method	306	306	
Total comprehensive income for the year	5 269	(658)	5 927

1 Change in accounting policy and reclassification continued

Separate statement of financial position

	2017			
Rm	Restated	Change in accounting policy election	Reclassification	As previously reported
Assets				
Government and other securities	4 520			4 520
Other assets	650			650
Current taxation assets	12			12
Investment securities	8		8	
Investments in associate companies	3 320	(658)	(8)	3 986
Investments in subsidiary companies	28 702	–	–	28 702
Investment in ordinary shares	26 433			26 433
Investment in preference shares	899			899
Investment in additional tier 1 capital instruments	600			600
Owing by subsidiaries	770			770
Total assets	37 212	(658)	–	37 870
Equity and liabilities				
Ordinary share capital	498			498
Ordinary share premium	22 293			22 293
Holders of additional tier 1 capital instruments	600			600
Reserves[1]	2 796	(658)		3 454
Equity attributable to equity holders of the parent	26 187	(658)	–	26 845
Long-term debt instruments	4 520			4 520
Other liabilities	70			70
Amounts owing to subsidiaries	6 435			6 435
Total liabilities	11 025	–	–	11 025
Total equity and liabilities	37 212	(658)	–	37 870

[1] *Refer to the separate statement of changes in equity for the impact of the change in accounting policy election on reserves at 31 December 2016.*

2 Operating expenses

	2018 Rm	2017 Rm
Audit fees	**(3)**	22
Directors' fees	**2**	3
Other	**5**	8
	4	33

Audit fees paid for the year amounted to R16m (2017: R22m) and an overprovision of R19m (2017: Rnil) from previous years was released.

	2016			
	Restated	Change in accounting policy election	Reclassification	As previously reported
	2 006			2 006
	–			
	11			11
	7		7	
	3 978		(7)	3 985
	27 770	–	–	27 770
	26 366			26 366
	338			338
	–			
	1 066			1 066
	33 772	–	–	33 772
	495			495
	21 609			21 609
	–			
	3 710			3 710
	25 814	–	–	25 814
	2 006			2 006
	66			66
	5 886			5 886
	7 958	–	–	7 958
	33 772	–	–	33 772

3 Direct taxation

3.1 Charge for the year

	2018 Rm	2017 Rm
Statement of comprehensive income charge – SA normal taxation	**19**	9
Dividend withholding tax paid	**4**	10
	23	19

3.2 Taxation rate reconciliation

	2018 %	2017 %
Standard rate of SA normal taxation	**28**	28
Non-taxable income	**(28)**	(28)
Effective taxation rate	**–**	–

4 Investment in associate company

	2018 Rm	(Restated)[1] 2017 Rm
4.1 Movement in carrying amount		
Carrying amount at the beginning of the year	**3 320**	3 978
Impact of adopting IFRS 9, net of taxation	**(780)**	
Share of associate companies' (losses)/profit after taxation for the year	**609**	(744)
Share of associate companies' other comprehensive losses for the year	**(333)**	475
Foreign currency translation and other movements	**429**	(389)
Carrying amount at the end of the year	**3 245**	3 320
4.2 Analysis of carrying amount		
Associate investments – on acquisition: net asset value	**6 265**	6 265
IFRS 9 transitional adjustment	**(780)**	
Share of retained earnings since acquisition	**755**	146
Share of other comprehensive income since acquisition	**(3 074)**	(2 741)
Dividends received from equity-accounted associate companies	**(159)**	(159)
Impairment provision for investments in associate companies	**(1 000)**	(1 000)
Foreign currency translation and other movements[2]	**1 238**	809
	3 245	3 320

[1] *Refer to note 1: Change in accounting policy and restatement.*

[2] *Of this amount R45m (2017: R107m credit) relates to foreign currency movements on the R1,0bn impairment recorded in 2016.*

5 Share capital

	2018 Rm	2017 Rm
Ordinary share capital		
Authorised		
600 000 000 (2017: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
493 182 664 (2017 : 498 108 914) fully paid ordinary shares of R1 each	**493**	498

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 Long-term debt instruments

Instrument type	Maturity date	Interest rate	2018 Rm	2017 Rm
Subordinated debt				
Callable notes (rand-denominated – floating)	22 September 2026	JIBAR + 4,0%	**2 004**	2 005
Callable notes (rand-denominated – floating)	15 March 2027	JIBAR + 3,80%	**2 008**	2 010
Callable notes (rand-denominated – floating)	26 May 2027	JIBAR + 3,75%	**505**	505
Callable notes (rand-denominated – floating)	20 March 2028	JIBAR + 3,05%	**2 006**	
Callable notes (rand-denominated – floating)	26 July 2028	JIBAR + 2,58%	**1 533**	
Callable notes (rand-denominated – floating)	1 December 2028	JIBAR + 2,45%	**1 009**	
			9 065	4 520

	2018 Rm	2017 Rm
7 Other liabilities		
Derivative liability	**176**	43
Creditors and other accounts	**29**	27
	205	70
8 Cash generated by operations		
Reconciliation of profit before taxation to cash generated by operations		
Profit before taxation	**7 340**	5 946
Adjusted for:		
– Fair-value adjustments	**130**	
– Non-trading and capital items		21
– Foreign exchange (gains)/losses		(1)
Cash generated by operations	**7 470**	5 966
9 Taxation paid		
Amounts payable at the beginning of the year	**(12)**	(11)
Statement of comprehensive income charge – SA normal taxation	**(3)**	3
Statement of comprehensive income charge – dividend withholding tax	**4**	10
Amounts payable at the end of the year	**3**	12
	(8)	14

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 payment expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot reliably estimate 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 using the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, as well as the dividends over the vesting period to which the participant has a right.

10 Share-based payments continued

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 was formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	10 years Subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 so as to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

10.2 Effect on profit and financial position

	Share-based payments expense		Share-based payments reserve	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Community Scheme			**124**	124
	–	–	**124**	124

10.3 Movements in number of instruments

	2018		2017	
	Number of instruments	**Weighted-average remaining contractual life (years)**	Number of instruments	Weighted-average remaining contractual life (years)
Community Scheme				
Outstanding at the beginning of the year	**1 689 648**	**13,00**	1 689 648	14,00
Outstanding at the end of the year	**1 689 648**	**12,00**	1 689 648	13,00
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

11 Related parties

11.1 Relationship with significant investors

Following Old Mutual plc's managed separation process the group no longer has a parent (controlling shareholder) as Old Mutual Limited unbundled its direct shareholding in the group to approximately 19,9% on 15 October 2018. At 31 December 2018 Old Mutual Limited held 24,51% of Nedbank Group Limited's ordinary shares. The above shareholding is inclusive of funds held on behalf other beneficial owners. Old Mutual Limited remains a related party of the group due to its significant shareholding in the group. At 31 December 2017 the group's parent company was Old Mutual (South Africa) Limited (OMSA), which, through its subsidiaries, held 53,37% of Nedbank Group Limited's ordinary shares. The ultimate controlling party at 31 December 2017 was Old Mutual plc, incorporated in the United Kingdom.

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

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.

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)			
2018			
Directors' fees	**21**		**21**
Remuneration – paid by subsidiaries	**99**	**213**	**312**
Short-term employee benefits	**54**	**119**	**173**
Gain on exercise of share instruments	**45**	**94**	**139**
	120	**213**	**333**
2017			
Directors' fees	20		20
Remuneration – paid by subsidiaries	88	176	264
Short-term employee benefits	49	103	152
Gain on exercise of share instruments	39	73	112
	108	176	284
Number of share instruments			
2018			
Outstanding at the beginning of the year	**527 433**	**950 914**	**1 478 347**
Granted	**137 574**	**235 704**	**373 278**
Forfeited		**(6 868)**	**(6 868)**
Exercised	**(160 522)**	**(292 073)**	**(452 595)**
Transferred[1]		**(8 223)**	**(8 223)**
Outstanding at the end of the year	**504 485**	**879 454**	**1 383 939**
2017			
Outstanding at the beginning of the year	539 664	1 208 100	1 747 764
Granted	160 984	303 964	464 948
Forfeited		(18 131)	(18 131)
Exercised	(173 215)	(329 173)	(502 388)
Transferred[1]		(213 846)	(213 846)
Outstanding at the end of the year	527 433	950 914	1 478 347

[1] *Represents the net movement in share instruments of members appointed to and resigning from Group Exco.*

11 Related parties continued

11.3 Related-party transactions

The following significant transactions were entered into between Nedbank Group Limited and the following related parties. All of these transactions were entered into in the normal course of business.

	Due from/(Owing to)	
Outstanding balances (Rm)	**2018**	2017
Subsidiaries		
Loan from Nedbank Nominees Proprietary Limited – interest-free	**(4)**	(4)
Advance to Ned Settle Services Proprietary Limited – interest-free	**71**	71
Advance to the Board of Executors 1838	**22**	22
Advance to Nedbank Group Insurance Holdings Limited	**260**	260
Advance to Syfrets Securities Limited		200
Bank account with Nedbank Limited – interest-free	**207**	205
Loan from Nedbank Limited – interest-free	**(6 587)**	(6 430)
Tier 2 long-term debt – Nedbank Limited (NED01U)	**9 065**	4 520
Advance to Banco Único, SA – interest-free	**11**	11
Key management personnel		
– Community trust – share-based payments reserve	**(125)**	(125)

	Income/(Expense)	
Transactions (Rm)	**2018**	2017
Interest income from subsidiaries		
Nedbank Limited — interest received	**726**	434
Nedbank Limited — interest paid	**721**	(433)
Dividends from subsidiaries		
Nedbank Limited	**6 158**	4 707
Nedeurope Limited	**338**	184
Nedbank Swaziland Limited	**22**	
NedNamibia Holdings Proprietary Limited		200
Nedbank Group Insurance Holdings Limited	**650**	650
Nedgroup Investments Proprietary Limited	**230**	225
Nedcapital investment Holdings Proprietary Limited	**35**	
NIB Blue Capital Proprietary Limited	**35**	
Dividends declared by subsidiaries	**7 468**	5 966

12 Liquidity, credit risk and market risk information

Assets and liabilities consist primarily of non-financial assets and liabilities. These are not subject to liquidity, credit and market risk for disclosure purposes.

13 Offsetting financial assets and financial liabilities

Assets and liabilities consist primarily of non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7.

14 Shareholder analysis

Register date: 28 December 2018

Authorised share capital: 600 000 000 shares

Issued share capital: 493 182 664 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1–1 000 shares	44 798	89,17	8 364 943	1,70
1 001–10 000 shares	3 881	7,72	10 604 144	2,15
10 001–100 000 shares	1 170	2,33	39 463 969	8,00
100 001–1 000 000 shares	337	0,67	102 095 852	20,70
1 000 001 shares and over	54	0,11	332 653 756	67,45
Total	50 240	100,00	493 182 664	100,00
Distribution of shareholders				
Banks/Brokers	1 789	3,56	152 785 866	30,98
Close corporations	228	0,45	184 274	0,04
Empowerment	21	0,04	7 368 799	1,49
Endowment funds	176	0,35	2 012 063	0,41
Government	17	0,03	3 863 316	0,78
Individuals	40 694	81,00	14 455 062	2,93
Insurance companies	130	0,26	119 505 042	24,23
Investment companies	9	0,02	1 658 032	0,34
Medical aid schemes	50	0,10	961 819	0,19
Mutual funds	717	1,43	82 290 269	16,69
Other corporations	192	0,38	197 721	0,04
Private companies	848	1,69	1 770 828	0,36
Public companies	20	0,04	150 001	0,03
Retirement funds	689	1,37	82 542 259	16,74
Share trusts[1]	20	0,04	12 608 083	2,56
Sovereign wealth funds	9	0,02	5 299 777	1,07
Trusts	4 579	9,11	4 409 626	0,89
UK nominee accounts	52	0,11	1 119 827	0,23
Total	50 240	100,00	493 182 664	100,00
Public/Non-public shareholders				
Non-public shareholders	103	0,21	141 760 006	28,74
Directors and associates of the company[2]	7	0,01	1 189 330	0,24
Old Mutual Life Assurance Company (SA) Limited and associates	45	0,09	121 045 190	24,54
Nedbank/Nedbank Group pension funds	5	0,01	55 789	0,01
Nedbank Group Limited and associates (share trusts)[1]	13	0,03	11 313 489	2,29
Nedbank Group Limited and associates (mutual funds)	18	0,04	1 260 641	0,26
Nedbank Group BEE trusts – SA[1]	6	0,01	6 547 691	1,33
Nedbank Group BEE trusts – Namibia	9	0,02	347 876	0,07
Public shareholders	50 137	99,79	351 422 658	71,26
Total	50 240	100,00	493 182 664	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.*

14 Shareholder analysis continued

Major shareholders/managers	Number of shares	2018 % holding	2017 % holding
Old Mutual Life Assurance Company (SA) Limited and associates[1]	121 045 190	**24,54**	53,43
Nedbank Group treasury shares	16 053 929	**3,26**	3,32
BEE trusts:	6 493 952	**1,32**	1,30
– Eyethu scheme – Nedbank SA	6 341 650	**1,29**	1,27
– Omufima scheme – Nedbank Namibia	152 302	**0,03**	0,03
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme	9 512 465	**1,93**	2,01
Nedbank Namibia Limited	47 512	**0,01**	0,01
Public Investment Corporation (SA)	46 284 835	**9,38**	6,15
Coronation Fund Managers (SA)	36 060 850	**7,31**	5,73
Lazard Asset Management (international)	14 576 856	**2,96**	3,24
Allan Gray Investment Council (SA)	25 343 119	**5,14**	2,36
BlackRock Incorporated (international)	18 281 178	**3,71**	1,84
GIC Asset Management Proprietary Limited (international)	13 092 388	**2,65**	1,68
The Vanguard Group Incorporated (international)	14 353 059	**2,91**	1,60
Sanlam Investment Management Proprietary Limited (SA)	9 269 915	**1,88**	0,87

[1] *Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf other beneficial owners.*

Beneficial shareholders holding of 5% or more	Number of shares	2018 % holding	2017 % holding
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	120 880 174	**24,51**	53,37
Government Employees Pension Fund (SA)	47 643 700	**9,66**	6,39
	168 523 874	**34,17**	59,76
Geographical distribution of shareholders			
Domestic	348 644 026	**70,69**	81,95
SA	332 330 185	**67,38**	80,33
Namibia	7 243 634	**1,47**	0,79
Unclassified	9 070 207	**1,84**	0,83
Foreign	144 538 638	**29,31**	18,05
United States of America	73 450 992	**14,89**	10,48
Asia	24 977 665	**5,06**	3,00
Europe	23 563 551	**4,78**	2,03
United Kingdom and Ireland	14 586 455	**2,96**	1,65
Other countries	7 959 975	**1,62**	0,89
	493 182 664	**100,00**	100,00

Compliance with IFRS – financial statement notes

Note number	Note description	IFRS required
A1	Principal accounting policies	IAS 1
A2	Change in accounting policies: Financial instruments	IAS 1, IAS 8 and IFRS 9
A3	Reclassification	IAS 1 and IAS 8
A4	Key assumptions concerning the future and key sources of estimation	IAS 1
A5	Standards issued but not yet effective	IAS 8
B1	Segmental reporting	IFRS 8
B2	Earnings per share	IAS 33
B3	Dividends	IAS 1, IAS 10 and IAS 32
B4	Share capital	IAS 1 and IAS 32
B5	Holders of additional tier 1 capital instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
B6.1	Net interest income	IAS 32, IFRS 7, IFRS 9, IFRS 13 and IFRS 15
B6.2	Non-interest revenue	IAS 20, IAS 32, IFRS 4, IFRS 7, IFRS 8, IFRS 9, IFRS 13 and IFRS 15
B7	Total operating expenses	IAS 1, IAS 19, IFRS 2 and IFRS 8
B8.1	Indirect taxation	IAS 1
B8.2	Direct taxation	IAS 12
B8.3	Deferred taxation	IAS 12
B9	Non-trading and capital items	IAS 1, IAS 16 and IAS 36
C1	Loans and advances	IAS 17, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C2	Impairments charge on financial instruments	IFRS 7, IFRS 8 and IFRS 9
C3	Government and other securities	IAS 1,IAS 32, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C4	Other short-term securities	IAS 1, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C5	Credit analysis of other short-term securities, and government and other securities	IFRS 7
C6	Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
C7	Derivative financial instruments	IAS 32, IAS 39, IFRS 7, IFRS 9 and IFRS 13
D1	Amounts owed to depositors	IAS 1, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
D2	Long-term debt instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
D3	Investment contract liabilities	IAS 1, IFRS 4, IFRS 7, IFRS 9 and IFRS 13
D4	Insurance contract liabilities	IAS 1 and IFRS 4
D5	Contractual maturity analysis for financial liabilities	IFRS 7
E1	Managed funds	IAS 1, IFRS 7 and IFRS 13
F1	Investment securities	IAS 32, IFRS 7, IFRS 9 and IFRS 13
F2	Investments in associate companies	IAS 28, IFRS 11, IFRS 12 and IFRS 13
F3	Investments in subsidiary companies and related disclosure	IAS 27, IFRS 10 and IFRS 12
F4	Interests in structured consolidated and unconsolidated structured entities	IFRS 12
F5	Securitisations	IFRS 7, IFRS 9, IFRS 12 and IFRS 13
F6	Related parties	IAS 24
G1	Property and equipment	IAS 16, IAS 36 and IFRS 13
G2	Intangible assets	IAS 38 and IAS 36
H1	Long-term employee benefits	IAS 19 and IFRIC 14
H2	Non-current assets held for sale	IFRS 5 and IFRS 13
H3	Other assets	IAS 1, IFRS 7, IFRS 9 and IFRS 13
I1	Consolidated statement of financial position — categories of financial instruments	IFRS 7 and IFRS 9
I2	Fair-value measurement — financial instruments	IFRS 7, IFRS 9 and IFRS 13

Compliance with IFRS – financial statement notes continued

Note number	Note description	IFRS required
I3	Assets and liabilities not measured at fair value for which fair value is disclosed	IFRS 7, IFRS 9 and IFRS 13
I4	Financial instruments designated as fair value through profit or loss	IAS 32, IFRS 7, IFRS 9 and IFRS 13
I5	Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32
I6	Collateral	IFRS 7
J	Share-based payments	IFRS 2
K1	Provisions and other liabilities	IAS 37, IAS 32, IFRS 7, IFRS 9 and IFRS 13
K2	Contingent liabilities and undrawn facilities	IAS 37 and IAS 10
K3	Commitments	IAS 37, IAS 10, IAS 17 and IFRS 7
L1	Financial risk management	IAS 1
L2	Capital management	IAS 1
L3	Liquidity gap	IFRS 7
L4	Interest rate risk in the banking book	IFRS 7
L5	Historical value at risk (99%, one-day) by risk type	IFRS 7
M	Cashflow information	IAS 7
N1	Foreign currency conversion	IAS 21
N2	Events after the reporting period	IAS 10

Embedded-value report of Nedgroup Life Assurance Company Limited (Nedgroup Life)

Scope of the embedded-value report

This report deals with the embedded value of Nedgroup Life (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	2018 Rm	2017 Rm
Adjusted net worth		**1 112**	1 142
Required capital		**754**	634
Free surplus		**358**	508
Value of inforce business		**1 674**	1 603
Present value of future profits		**1 858**	1 785
Frictional costs		**(75)**	(60)
Cost of non-hedgeable risk		**(109)**	(122)
Total EV	1,5	**2 786**	2 745
Value of new business	8,9	**380**	349
New business sales (APE[1])	12,2	**1 083**	965
APE[1] margin		**35,1%**	36,2%
PVNBP[2]	(10,4)	**2 593**	2 895
PVNBP[2] margin		**14,7%**	12,1%

Analysis of EV earnings

	% change	2018 Rm	2017 Rm
EV at the beginning of the year		**2 745**	2 740
Total EV earnings		**691**	655
Operating EV earnings		**604**	564
Value of new business		**380**	349
Expected return		**128**	116
Experience variances and once-off modelling changes		**169**	149
Non-economic assumption changes		**(73)**	(50)
Economic variances and assumption changes		**25**	39
Return on adjusted net worth		**62**	52
Adjustment: dividends paid		**(650)**	(650)
EV at the end of the year	1,5	**2 786**	2 745
Return on EV (%)		**22,0%**	20,6%

[1] *Annualised premium equivalent.*

[2] *Present value of new-business premiums.*

Nedgroup Life paid dividends totalling R650m (2017: R650m) during the year.

Embedded-value report of Nedgroup Life Assurance Company Limited (Nedgroup Life) continued

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 inforce at the valuation date, plus the adjusted net worth.

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 Actuarial Society of South Africa Standard of Actuarial Practice (SAP) 104.

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, the distribution of which to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- economic capital
- 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

Value inforce (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

Present value of future profits (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, less internal charges to the group. Cashflows are determined on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates. PVFP excludes future new business.

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 (FC) 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

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. Cost of non-hedgeable risk (CNHR) is calculated using a cost of 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

Value of new business (VNB) is a measure of the value added to a company as a result of writing new business in the current reporting period. VNB is calculated as the discounted value, at the point of sale, 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 assumptions at the end of the reporting period.

APE and PVNBP margins

APE is the annual premium for regular premium sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNBP is the present value of future premium and is calculated using the same assumptions as those used to calculate the after-tax shareholder profits on new business, and 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 traded in the capital markets. Investment return and discounting assumptions are based on the SA swap yield curve. The swap curve is sourced from a third-party market-consistent asset model. Expense inflation assumptions are determined considering a spread to the swap yield curve.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

	2018 %	2017 %
Risk-free yields		
Term (years)		
1	**7,4**	7,2
5	**8,9**	8,6
10	**9,8**	9,6
Expense inflation		
Term (years)		
1	**5,1**	4,9
5	**6,0**	6,4
10	**6,4**	7,0

The liabilities were discounted based on the BEASSA yield curve.

Sensitivities

The table below shows the sensitivities of VNB, PVFP and EV at 31 December to changes in key assumptions where both the reserving and EV assumptions were changed.

Rm	PVFP	EV	VNB
2018			
Central assumptions	**1 674**	**2 786**	**380**
Economic assumptions increase by 1%	**1 615**	**2 748**	**381**
Economic assumptions decrease by 1%	**1 670**	**2 758**	**399**
Equity and property market value decrease by 10%	**1 674**	**2 760**	**390**
Voluntary discontinuance rates decrease by 10%	**1 790**	**2 879**	**429**
Mortality and morbidity rates decrease by 5%	**1 724**	**2 854**	**402**
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	**1 704**	**2 846**	**423**
Acquisition expenses increase by 10%	**1 674**	**2 786**	**390**
2017			
Central assumptions	1 603	2 745	349
Economic assumptions increase by 1%	1 546	2 714	342
Economic assumptions decrease by 1%	1 666	2 777	356
Equity and property market value decrease by 10%	1 602	2 721	349
Voluntary discontinuance rates decrease by 10%	1 707	2 827	380
Mortality and morbidity rates decrease by 5%	1 662	2 818	362
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 637	2 811	370
Acquisition expenses increase by 10%	1 603	2 745	339

Review by independent actuaries

The Embedded Value Report of Nedgroup Life has not been independently reviewed.



Fintech partnership of the year

Aerobotics

Nedbank is proud to have won *The Banker* magazine's 2018 fintech partnership award for our 'Satellite and drone imagery analytics experimentation'. Together with Aerobotics (Pty) Ltd, a disruptive technology company that builds advanced analytics on top of aerial drone and satellite imagery, we deliver precision farming tools for our agricultural clients.

The Banker TECH PROJECTS AWARDS 2018

Winner

Fintech partnership