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Audited consolidated and separate annual financial statements

for the year ended 31 December 2021

see money differently

NEDBANK GROUP

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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 in-depth disclosures related to the financial performance of the group and the company.

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, other short-term securities, cash and cash equivalents and derivative financial instruments.

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: General assets

This section provides an analysis of general 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 and financial performance.

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: Cash flow information

This section contains notes to the group's statement of cash flows.

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 occuring after the reporting period end and directors remuneration.

Audited separate financial statements

Refer to this section for the audited separate annual financial statements of Nedbank Group Limited comprising the separate statement of comprehensive income, separate statement of financial position, separate statement of changes in equity, separate statement of cash flows and related notes.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Nedbank Group Limited Reg No 1966/010630/06.

Prepared under the supervision of the Nedbank Group Chief Financial Officer, Mike Davis BCom (Hons), DipAcc, CA(SA), AMP (Insead).

Audited in terms of the Companies Act, 71 of 2008 (as amended).

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 2021, the statements of comprehensive income, the statements of changes in equity and statements of cash flows 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 IFRS Interpretations Committee (IFRS IC), 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 (as amended) and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the Directors' Report.

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

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

The independent auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS and the Companies Act, 71 of 2008, and their report is presented on pages 14 to 20.

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 8 March 2022 and are signed on its behalf by:

PM Makwana
Chairperson

MWT Brown
Chief Executive

Sandown
8 March 2022

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER INTERNAL FINANCIAL CONTROL RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

a) the annual financial statements set out on pages 21 to 272 fairly present, in all material respects, the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

MWT Brown
Chief Executive

MH Davis
Chief Financial Officer

Sandown
8 March 2022

CERTIFICATION FROM OUR COMPANY SECRETARY

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

J Katzin
Company Secretary

Sandown
8 March 2022

REPORT FROM THE GROUP AUDIT COMMITTEE

The Nedbank Group Audit Committee (GAC) is pleased to present its report for the 2021 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.

The 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 financial controls and financial and corporate reporting processes. In addition, the GAC assesses the effectiveness of the internal auditors, the independence and effectiveness of the joint external auditors, and considers and recommends to shareholders the appointment of the joint external auditors.

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

After the Covid-19 pandemic

Despite the lockdown restrictions being relaxed in SA, management supported by the GAC continued to have the view that:

- finance teams and employees (and their families) remained safe while continuing to perform their duties and responsibilities in an appropriate manner;
- the adequacy and efficiency of internal controls were maintained;
- an appropriate level of judgement and review was undertaken on key accounting matters;
- financial information and financial forecasts remained robust and accurate; and
- the majority of GAC meetings for the 2021 financial year were held virtually, with hybrid in-person and virtual meetings being held in 2022.

People update

Ganas Nardhamuni joined Nedbank on 1 June 2021 as the Chief Internal Auditor (CIA). Ganas had been a senior audit executive at Standard Bank Group since 2014, and returned to Nedbank having held senior business, risk and audit roles with us for over 19 years from 1993 to 2012. He is a chartered accountant, having qualified at Deloitte, and has over 25 years of experience in the banking industry.

The GAC wishes to express its thanks and gratitude to Anitha Dharmalingum (current member of the GIA executive team) for her service as acting CIA between 1 January 2021 and 31 May 2021.

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-executive directors.

The composition of the committee and the attendance of meetings by its members for the 2021 financial year are set out below:

Members	Formal	*Ad hoc
S Subramoney (Chair)	6/6	4/4
EM Kruger	6/6	2/2
HR Brody	6/6	1/2
NP Dongwana	6/6	2/2

** Only the chairperson of the GAC is required to attend the two Nedbank College of Audit Committee Chairs meetings.*

The Chief Executive (CE), the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO), the CIA, the Chief Compliance Officer and representatives from the joint 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 in the group.

The GAC chairperson has regular contact with the Nedbank management team to discuss relevant matters directly. The CIA and the external auditors have direct access to the committee, including closed sessions without management during the year, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The GAC chairperson meets with the CIA and the joint external auditors at times considered necessary by either party. In addition, the GAC meeting agenda allows for a meeting solely with the members of the GAC.

Six formal GAC meetings – including the Prudential Authority (PA) trilateral meeting – were held in respect of the 2021 financial year, aligned with key reporting and regulatory timelines. There were two ad hoc meetings held to address Nedbank's February 2022 trading statement and two Nedbank College of Audit Committee Chairs meetings, which are attended by the chairpersons of the group's various subsidiary audit committees.

The key focus areas of the meetings were as follows:

27 May 2021	Review of the March and April year-to-date results, approval of the JSE voluntary trading update for the four months ended 30 April 2021 and confirmation of the trading statement, reviewing of the external auditors' final management comments report, and approval of the external auditors' engagement letter.
30 June 2021 Trilateral discussion	Annual trilateral meeting with representatives of the PA's Bank Supervision Department and representatives from the Financial Sector Conduct Authority for discussion of, among other things, key external audit findings, internal audit matters and regulatory reporting responsibilities.
30 July 2021 College of Audit Committee Chairs	Discussion and review of the group's subsidiaries interim performance, key judgement matters and GIA feedback with respect to the subsidiaries.
4 August 2021	Approval of the interim results for the six months to June 2021. Approval of the group's JSE trading statement for the six months to June 2021.

	Assessment of the key accounting judgements impacting the interim results, including credit impairments, funding valuation adjustments and macro fair-value hedge accounting. Review of the solvency and liquidity assessments and approval of the going-concern assessment.
20 October 2021	Review of the results for the nine months to 30 September 2021. Approval of the joint external auditors' strategy, plan, scope and fees for the 2021 financial year. Review and discussion of the group's Q3 forecast. Review of the solvency and liquidity assessments.
1 February 2022	Review of preliminary results for the 2021 financial year, key accounting judgements and tax matters. Review and approval of the GIA audit plan for the 2022 financial year.
9 February 2022 14 February 2022 ad hoc meetings	Consideration of section 3.4(b)(i) of the JSE listing regulations and Practice Note 2/2015 and review, discussion and approval of the trading statement for the 12-month period ended 31 December 2021.
25 February 2022 College of Audit Committee Chairs	Discussion and review of subsidiaries' full-year performance and GIA feedback on subsidiaries.
3 March 2022	Discussion and review of year-end reports from GIA, the joint external auditors and feedback from subsidiary audit committees, the Group Credit Committee (GCC), Group Risk and Capital Management Committee (GRCMC), and the Group Information Technology Committee (GITCO). Review and approval of the annual financial statements and related SENS announcements. Review and approval of the 2022 forecast.

The GAC chairperson 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 the resolution thereof.

The performance of the GAC is reviewed every second year as part of the effectiveness review of the board and all its committees. The latest review concluded that the GAC continues to operate effectively and has been successful in discharging its responsibilities and duties.

External auditors

The GAC is responsible for the appointment, compensation and oversight of the external auditors for the group, namely Deloitte & Touche and Ernst & Young Inc in 2021.

During the period the GAC:

- approved the external auditors' 2021 annual plan and related scope of work, confirming suitable reliance on GIA and the appropriateness of key audit risks identified;
- approved the proposed audit fees for the year under review;
- 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 presentations made by each firm;
- ensured that the 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;
- approved the plan to appoint a new external auditor for the 2024 audit replacing Deloitte & Touche in terms of the IRBA's mandatory audit firm rotation (MAFR);
- considered and recommended to shareholders the appointment of Ernst & Young Inc and Deloitte & Touche for the 2022 financial year;
- 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 recommendations of the external auditors and confirmed that there were no unresolved matters.

The GAC has a well-established policy on auditor independence and audit effectiveness. The group's external auditors' audit-related services are capped at 25% of their fees and non-audit services may be provided only in exceptional circumstances that have to be preapproved by the GAC. The GAC is of the view that this policy further enhances the external auditors' independence.

Group Internal Audit

GIA performs an independent assurance function and forms part of the group's third line of defence. The CIA has a functional reporting line to the GAC chairperson. GIA provides independent, objective assurance to the board of directors of Nedbank Group Limited, through the authority of the 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.

GIA exhibits the highest level of professional objectivity in gathering, evaluating and communicating information, as well as the highest level of professional ethics in conducting its work.

GIA's focus has been on fully implementing its digital transformation journey to align with the bank's digital strategy. The current skills mix, which includes data scientists, developers and cybersecurity specialists, will ensure GIA uses technology platforms effectively to obtain efficient and increased coverage, including data analytics and continuous auditing techniques.

The GAC reviewed and approved the annual internal-audit charter, and evaluated the independence, effectiveness and performance of GIA in compliance with its charter by having done the following:

- Received reports from the CIA that highlighted significant issues related to the processes for controlling the activities of the group, including potential improvements to those processes.
- Assessed the effectiveness of the GIA function and reviewed and approved the annual GIA plan.
- Ensured that the CIA had direct access to the CE, the Group chairperson and the board, as required.
- Ensured that the CIA had direct access to the Nedbank Africa Regions and Wealth Audit Committee chairs, as required.

- 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, resources, independence, skills, staffing, overall performance and standing within the organisation.
- Monitored and challenged, where appropriate, actions taken by management regarding 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' (IIA) standards for professional practice of internal auditing.
- Reviewed the favourable findings and 'Generally Conforms' rating from the external quality assurance review performed by PwC and noted the recommendations made for further improvements. The rating of 'Generally Conforms' is the highest attainable in terms of compliance to the IIA standards.

Significant matters

The GAC has considered the appropriateness of the key audit matters reported in the external audit opinion and considered the significant accounting judgements and estimates relating to the annual financial statements. These were addressed by the committee as follows:

Significant matter	How the GAC addressed the matter
Impairment of loans and advances	As a consequence of adverse macro economic environment, credit risk and post-model adjustments (overlays), the assessment of impairments was a significant matter. The GAC reviewed and discussed the feedback from the GCC regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances. The GAC considered the key disclosures related to sensitivity and post-model adjustments and considered the feedback from GIA and external auditors.
Valuation of financial instruments held at fair value	The GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments, including funding valuation adjustments. The GAC considered the accounting implications arising from Covid-19. The GAC considered the key disclosures and considered the feedback from GIA and external auditors.
Impairment testing of goodwill	The GAC reviewed management's annual goodwill impairment tests, including management's key assumptions, including management's cash flow forecasts. The GAC considered the key disclosures related to the R306m impairment and considered the feedback from external auditors.
Macro fair-value hedge accounting	Reviewed the effectiveness of the group's macro fair-value hedge accounting portfolios and noted the change in percentage of risk desiginated within the group's fixed-rate government bond portfolio. The GAC considered the macro fair-value hedge accounting disclosures and the feedback from external auditors.
Fraud risk in relation to revenue recognition – non-interest revenue	The 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. In addition, the GAC considered the feedback from GIA and external auditors.
Fraud risk in relation to management override of controls and overall control environment	The GAC received regular feedback from the CFO in connection with key judgements applicable to management estimates and from GIA and external auditors in connection with the overall control environment and the 'tone at the top'.

Financial, legal, compliance and regulatory reporting requirements

- The GAC received regular reports from the CFO regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process. The GAC has evaluated and is satisfied with the appropriateness of the expertise and experience of the CFO according to the JSE Listings Requirements and is satisfied with the resources, expertise, succession and experience of Nedbank's finance function. The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act, which included 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.
- The GAC reviewed the findings from the JSE Proactive Monitoring Panel.
- The GAC considered the letter received from the JSE requesting further information on certain disclosures in the annual financial statements for the year ended 31 December 2021. Following correspondence with the JSE, the JSE subsequently thanked the group for the detailed response to its letter, which assisted the JSE in bringing the review process to a close in a timely manner. Related to the above engagements some presentation enhancements were made on the statement of comprehensive income.

Annual financial statements and integrated reporting process

- The 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. The 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.
- The GAC reviewed and discussed the integrated report, reporting process and governance and financial information included in the Integrated Report after considering

recommendations from the Group Transformation, Social and Ethics Committee, Group Remuneration Committee, Group Risk and Capital Management Committee and the Group Directors' Affairs Committee.
- The GAC recommended to the board that the annual financial statements and the financial information included in the Integrated Report be approved. The board subsequently approved the annual financial statements and the Integrated Report, which will be open for discussion at the forthcoming AGM.
- The GAC reviewed and discussed the annual disclosure review performed by management and through the 2021 review process the resulting restatements of prior period information included in note A4. The GAC considered management's feedback in relation to the process and, where applicable, enhancements to internal financial controls.

Internal control, risk management and information technology

The Enterprisewide Risk Management Framework (ERMF) operates within a risk philosophy of risk resilience. The group's risk governance and culture ensures that the ERMF is robust, resilient and agile to respond appropriately to the challenging external operating environment. The ERMF continues to be refreshed to ensure it remains fit for purpose, so remaining resilient and effective in all material respects, enabling Nedbank's overall positive risk outcome in these extraordinarily risky, demanding and challenging times. The overall state of Nedbank's risk management, balance sheet management, internal control environment and risk culture remains sound and robust.

The 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.

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

The GAC receives regular feedback from the GITCO regarding the monitoring of the adequacy and effectiveness of the group's information technology (IT) controls as well as new/emerging IT risks associated with the bank's digital transformation journey, and from the GCC regarding its oversight of the adequacy and effectiveness of the credit monitoring processes and systems. The GAC regularly receives feedback on issues on the group's key issues control log from the CRO.

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

The GAC oversaw the group's migration of its consolidation and reporting system from SAP BW/BPC 7.4 to SAP BW4/HANA on a like-for-like basis. SAP BW4/HANA is used for consolidations, annual financial statement reporting, forecasting, and budgeting.

GIA's review of the SAP BW/4HANA data migration highlighted that the key controls, including data reconciliations and validations, were accurately managed throughout the year.

Coordinated assurance

Nedbank employs a coordinated assurance (CA) model that integrates and aligns with risk, audit and compliance functions and assurance activities. This enables an effective internal control environment across the group with assurance focused on critical risk exposures supporting the integrity of information used in internal decision-making (to governance forums) and reporting to external stakeholders.

The CA internal forum (comprising the Group Risk, Group Compliance and GIA executive teams) is where CA plans are shared, discussed and challenged and the CA external forum, encompassing the CRO, the CCO, the CIA together with the CFO and the joint external auditors, provides a platform for enhanced assurance planning, information exchange and collaboration, ensuring an optimal level of governance and oversight over the organisation's risk and internal control environment.

To ensure that the group maintained a strong system of internal control during this period, the CA 2021 plans were approved by the GAC and continued to accommodate the Covid-19 enviroment that business operated in.

Internal financial control attestation

Nedbank continues to maintain a strong risk culture and has implemented adequate and effective internal financial controls (IFCs) to confirm the integrity and reliability of the financial statements. These IFCs safeguard, verify and maintain accountability of Nedbank's assets, are based on established policies and procedures and are implemented by trained and skilled personnel whose duties are duly segregated. Adherence to the implemented internal controls is continuously monitored by the GAC.

Nedbank has successfully completed the second year of the Internal Financial Control Attestation process in terms of paragraph 3.84(k) of the JSE Listing Requirements. The CFO and CE make positive statements under their names and signatures.

The identified deficiencies in design and operating effectiveness of internal financial controls identified via the group's three lines of defence (first line via cluster finance and risk functions, second line via Group Finance and Group Risk and third line via GIA), were reported to the GAC. The GAC considered the identified deficiencies as well as the appropriateness of management's response including remediation, reliance on compensating controls and additional review procedures. As a result, the GAC noted the CE and CFO final attestation.

Future accounting developments

The International Accounting Standards Board (IASB) issued IFRS 17: Insurance Contracts (IFRS 17) in May 2017. In March 2020, the IASB board decided to defer the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2023, with comparative information required. The group has established a steering committee, reporting into the Finance Forum, to promote, direct and oversee the successful implementation of IFRS 17 across the group. The steering committee is supported by several project workstreams. The impact of implementing IFRS 17 is being assessed and will be disclosed during our 2022 financial reporting cycle.

Key focus areas for 2022

- Oversee the group's second phase of its audit firm rotation plan in response to the IRBA's MAFR rule phase one having been completed with the appointment of EY, with effect from the 2019 financial year. The group plans to invite submissions of proposals for the provision of external audit services as one of the joint auditors of Nedbank Group Limited during the second half of 2022. This tender process is expected to be completed during the fourth quarter of 2022 to ensure sufficient time to facilitate the transition of the successful audit firm onto the group's audit.
- Inform shareholders of the recommended firm and designated registered audit partner by way of a SENS announcement on completion of the tender process. This appointment will be subject to shareholders' approval at the group's AGM in 2023 and will start for the 2024 financial year.

- Review the disclosure of the impact of future changes to the IFRS and other regulations, most notably IFRS 17, which will replace the current limited guidance contained in IFRS 4: Insurance Contracts.
- Monitor audit firm rotation at a subsidiary level.
- Ensure 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.
- Ensure, through the Chairman's College of Audit Committee Chairs, that there is meaningful engagement between the GAC chairperson and the chairpersons of subsidiary audit committees.
- Monitor the implementation of the amended JSE Listings Requirements, including the effectiveness of internal financial controls.

Conclusion

The 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.

The GAC reviewed the group and the company annual financial statements for the year ended 31 December 2021 and recommended them for approval to the board on 4 March 2022.

On behalf of the GAC

Stanley Subramoney
Group Audit Committee Chairperson

Sandown
8 March 2022

REPORT FROM OUR DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 the JSE, with a secondary listing on the Namibian Stock Exchange.

Annual financial statements

Details of the financial results are set out on pages 21 to 272 of the audited consolidated annual financial statements, which have been prepared under the supervision of Nedbank Group Chief Financial Officer, Mike Davis, and prepared in accordance with IFRS as issued by the IASB and IFRS Interpretations Committee (IFRS IC), 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.

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.

Companies Act, 71 of 2008 (as amended)

The Board of Directors confirms that Nedbank Group Limited has complied with the provisions of the Companies Act, 71 of 2008 (as amended) specifically relating to its incorporation and has operated in conformity with its memorandum of incorporation during the period under review.

Year under review

The operating environment in 2021 was more supportive for Nedbank and our clients. The South African economy performed better than we expected at the start of the year, resulting in upward revisions of gross domestic product (GDP) growth to 4,8%. Off the low base in 2020, the rebound in economic growth was underpinned by higher commodity prices, lower levels of lockdown restrictions and some positive developments on key reforms in SA. The low interest rate environment supported demand for retail credit, and transactional activity increased as lockdown levels eased. Demand for corporate credit remained muted, particularly in the first half of the year as excess cash was used to repay debt, and investment activity remained low. Encouragingly, demand for corporate credit saw a recovery in the second half. The negative impacts of a prolonged third wave of Covid-19 infections, tighter lockdown restrictions, the July civil unrest in parts of the country and frequent power outages weighed heavily on economic activity. Trading conditions improved in the last quarter of 2021, supported by more lenient lockdown restrictions despite the onset of the fourth Covid wave (Omicron variant).

The Nedbank Group's financial performance for 2021 reflects a strong rebound off a low 2020 base. Headline earnings (HE) in 2021 increased by 115% to R11,7bn, but remains 7% below 2019 levels. HE growth was driven by significantly lower impairments, a higher net interest margin, recovery in NIR growth, disciplined expense management and a stronger financial performance from our associate investment in ETI. Preprovisioning operating profit increased by 9% and JAWS was positive at 0,8%. The key drivers of shareholder value creation were also positive, with net asset value per share increasing 11%, the group's ROE improving to 12,5% (2020: 6,2%) and a full-year dividend of 1 191 cents per share at 2,02 times cover.

Key balance sheet metrics have all strengthened to above pre-Covid crisis levels. Capital and liquidity ratios increased as reflected in our tier 1 capital ratio of 14,3% (December 2020: 12,1%), common equity tier 1 (CET1) ratio of 12,8% (December 2020: 10,9%), average fourth-quarter liquidity coverage ratio (LCR) of 128% (December 2020: 126%) and net stable funding ratio (NSFR) of 116% (December 2020: 113%). Overall impairment coverage increased to multi-year highs of 3,32% (December 2020: 3,25%) and our credit loss ratio (CLR) declined to 83 bps (December 2020: 161 bps) and is now back within our through-the-target (TTC) target range of 60–100 bps.

The strong financial performance was supported by ongoing strategic delivery. Our Managed Evolution (ME) technology journey to create a modern, modular and digital IT stack is at 85% completion. The benefits of this are evident in most of our digital metrics showing double-digit growth as well as target operating model (TOM 2.0) benefits of R967m being realised as we move forward towards our target of R2,5bn by the end of 2023. In the 2021 Consulta survey Nedbank achieved the #2 ranking among the five largest South African banks on client satisfaction metrics, with our Net Promoter Score (NPS) increasing further to 47. Progress on our strategic portfolio tilt strategy (SPT 2.0) was evident in market share gains in key product areas and main-banked clients, as well as improved levels of cross-sell. Nedbank recorded the largest retail main-banked market share gain among the large South African banks, while Corporate and Investment Banking (CIB) gained 35 new primary clients. We continued to create positive impacts by delivering against the United Nations Sustainable Development Goals (SDG)s and increasing our focus on environmental, social and governance (ESG) matters. In 2021 we released our Energy Policy and inaugural Taskforce on Climate-related Financial Disclosures (TCFD) report and successfully concluded Africa's first green AT1 instrument, while maintaining ESG ratings at the top end of the local and international peer group.

After a strong South African GDP rebound in 2021, we currently forecast the country's GDP to increase by a more modest 1,7% in 2022. Good strategic and operational delivery should support a solid financial performance for the full-year 2022, underpinned by revenue growth and an ongoing cost focus. We are on track to meet our medium-term targets* set for the end of 2023. Pleasingly, we now expect to meet the diluted headline earnings per share (HEPS) target (greater than 2 565 cents per share) in 2022, a year ahead of our previous expectation. We continue to focus on achieving a return on equity (ROE) greater than the 2019 ROE level of 15%, reducing our cost-to-income ratio to below 54%, and ranking #1 on the NPS among South African banks, all by the end of 2023.

The past two years have been unprecedented and extraordinarily difficult for our clients and employees. Thank you to all our Nedbank employees for remaining resilient throughout the Covid-19 crisis, continuing to follow the Covid-19 health protocols and diligently supporting our clients and the economy with unrelenting commitment. We extend our heartfelt condolences to the families, friends and communities of employees and clients who have lost their loved ones during this time.

* These targets are not profit forecasts and have not been reviewed or reported on by the group's joint auditors.

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 as set out in the 2021 Nedbank Group Limited Integrated Report, which will be available at nedbankgroup.co.za on or around 21 April 2022.

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 depository shares

At 31 December 2021 Nedbank Group had 5 487 126 (31 December 2020: 5 347 857) American depository shares in issue through the Bank of New York Mellon as depository and trading on over-the-counter (OTC) markets in the United States. Each American depository share is equal to one ordinary share.

Ownership

Details of shareholders appear in note 14 to the separate annual financial statements.

Dividends

The following dividends were declared in respect of the year ended 31 December 2021:

- Interim ordinary dividend of 433 cents per share (2020: No interim ordinary dividend declared).
- Final ordinary dividend of 758 cents per share (2020: No ordinary dividend declared).

Solvency and liquidity tests

The directors have performed and comply with the requisite solvency and liquidity tests where required by the Companies Act, 71 of 2008, as amended.

Borrowings

Nedbank Group's borrowing powers are unlimited pursuant to the company's memorandum of incorporation. The details of borrowings appear in note D2 to the consolidated annual financial statements.

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 appear in note N3 and in the 2021 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 the 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	Lead Independent Director	1 July 2017	
Mike Brown	Chief Executive and executive director	17 June 2004	
Brian Dames	Independent non-executive director	30 June 2014	
Mike Davis	Chief Financial Officer and executive director	1 October 2020	
Neo Dongwana	Independent non-executive director	1 June 2017	
Errol Kruger	Independent non-executive director	1 August 2016	
Rob Leith	Independent non-executive director	13 October 2016 and 1 January 2019	
Mpho Makwana	Non-executive Chairperson	17 November 2011	
Linda Makalima	Independent non-executive director	1 June 2017	
Tshilidzi Marwala	Independent non-executive director	27 May 2019	
Mantsika Matooane	Independent non-executive director	15 May 2014	
Vassi Naidoo	Previous Independent Chairperson	1 May 2015	28 September 2021 (Deceased)
Mfundo Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
Stanley Subramoney	Independent non-executive director	23 September 2015	
Iain Williamson	Non-executive director	1 June 2020	28 May 2021

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

Mike Brown, Brian Dames, Rob Leith and Stanley Subramoney are also required to seek re-election at the AGM, and make themselves available for re-election. 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.

Mpho Makwana has served on the Nedbank Group Board for longer than nine years, but the board has agreed to extend his term of office for another year.

Directors' interests

The directors' and prescribed officers' interests in ordinary shares in Nedbank Group at 31 December 2021 (and any movements therein up to the reporting date) are set out in note N3. 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 and the Group Transformation, Social and Ethics Committee Report will be included in the 2021 Nedbank Group Integrated Report, which will be released on or around 21 April 2022.

Company secretary and registered office

As part of the annual board evaluation process, the board of directors has conducted an assessment of the Company Secretary. The board is satisfied that Jackie Katzin is suitably competent, qualified and experienced, and has adequately and effectively performed the role and duties of a company secretary and provided the board with independent guidance and support. Jackie Katzin has direct access to, and ongoing communication with, the Chairperson of the board and the Chairperson 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	Nedbank Group Limited
135 Rivonia Road Sandown,Sandton 2196 SA	135 Rivonia Road Sandown, Sandton 2196 SA	PO Box 1144 Johannesburg 2000 SA

Property and equipment

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

Political donations

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

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

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

Directors' and prescribed officers' service contracts

There are no service contracts with the directors of the company, other than for the Chairperson 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 Mpho Makwana's position as Chairperson of Nedbank Group are encapsulated in a contract.

Service contracts have been entered into for Mike Brown, Mfundo Nkuhlu and Mike Davis. 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 2021 Governance Report.

Subsidiary companies

Details of principal subsidiary companies are reflected in note F3.

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.

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

Report by Zondo Commission

The Judicial Commission of Inquiry into State Capture chaired by Justice RMM Zondo released part 1 and part 2 of its report subsequent to the balance sheet date. Part 1 of the report details allegations that relate to certain transactions Nedbank concluded with Acsa, which was, at the time, advised by Regiments Capital. The Commission acknowledged in its report that Nedbank had not been given an opportunity to provide its version of these events. Part 2 of the report references certain transactions that Nedbank concluded with Transnet. No mention was made of Nedbank in the Zondo Commission Report part 3 published on 1 March 2022.

Prior to the release of the Zondo reports, the Nedbank Board and the Directors' Affairs Committee (DAC) commissioned a detailed internal legal and forensic investigation of all of the transactions in which Regiments was involved. In the case of the Transnet-related matters, this was supplemented with an external legal review of specific conclusions of the internal investigation. Having considered these investigations, the board is satisfied that there was no evidence of any dishonesty, corruption, collusion or breaches of any laws or regulations by Nedbank. At the time of entering into these transactions, Nedbank was not aware of, and did not have any reason to suspect, unlawful or corrupt conduct by Regiments or collusive relationships between Regiments and the state-owned enterprises that it had been advisors to. In all cases Nedbank's returns were reasonable and market-related for the risks assumed.

The reports issued by Zondo have not identified any new information that was not known by Nedbank at the time of the detailed internal forensic investigations.

Nedbank is confident that there was nothing unlawful or unusual about Nedbank's role in the transactions that are referred to in the Zondo Commission report. Nedbank will continue to support and cooperate with any further investigation undertaken by the appropriate authorities in this regard. Nedbank has reiterated that it has zero tolerance for corruption, and we expect our employees, clients and service providers to conduct themselves with integrity.

Events after the reporting period

Following the initial announcement by the Minister of Finance, on 24 February 2021 that the corporate income tax rate will change from 28% to 27%, the Minister further announced on 23 February 2022 that this change is effective for years of assessment ending on or after 31 March 2023. Current and deferred tax balances are reflected at 28% at 31 December 2021, as this is the rate that was substantively enacted. The change in the corporate income tax rate is considered a non-adjusting event after the reporting period and is only applicable to the group for the 2023 financial year. The group does not consider it practical to estimate the quantitative impact of the change in the corporate income tax rate at the date when the financial statements were authorized for issue.

The directors are not aware of any further material events that have occurred between the reporting date and 8 March 2022.

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 and its subsidiaries (the "group") and company set out on pages 21 to 270 which comprise the consolidated and separate statements of financial position at 31 December 2021, 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 consolidated and separate 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 2021 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 of the group and company and 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 of the group and company and in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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
Valuation of expected credit losses on loans and advances	
Refer to *Note C2.2 Impairment charge on loans and advances by classification* of the consolidated financial statements for selected disclosures applicable to this matter. **Overview** Loans and advances, which represent 68.1% of total assets, and the associated impairment provisions for expected credit losses are significant in the context of the consolidated financial statements. The determination of impairment provisions for expected credit losses requires significant management judgement, due to the following: • The level of subjective judgements applied in determining expected credit losses ("ECL"); • The evaluation of significant increase in credit risk ("SICR"); • Models incorporate forward-looking macroeconomic variables and assumptions that change on an annual basis; and • The evaluation of significant adjustments to ECL models' outputs to address limitations through post model adjustments. Significant post model adjustments increase the risk of management override. This was also affected by the uncertainty arising from the further spread and mutations of the COVID-19 virus as it diversely impacts the local and global economies, individuals and businesses over varying times. Trading in the environment requires management to consider implementing model changes to ensure they remain responsive to the economic conditions. The ECL provision for loans and advances is significant in the context of the consolidated financial statements due to its magnitude and the significant level of judgement required in determining the value of the ECL provision. Accordingly, we have identified the valuation of ECL on loans and advances to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus and professional scepticism in the Group's application of IFRS 9 Financial Instruments are detailed below: • Definitions, policy choices, and judgements made in applying accounting policies including significant increase in credit risk ("SICR"), stage determination and migration and collateral valuation; • Post model adjustments including the consideration of the risk of management override; • Forward-looking information; and • Disclosures. The Group is required to recognise an allowance for either 12 month or lifetime ECL's in accordance with IFRS 9, depending on whether there has been a 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. In addition to this, the emergence of new risks due to significant loss of jobs, closures of business and significant changes in interest rates not initially predicted for in the ECL models, requires careful reassessment. 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	Our response to the key audit matter included performing the following audit procedures across both retail and wholesale portfolios: • Through inspection and enquiry, we obtained an understanding of management's process over credit origination, credit monitoring and credit remediation, with a focus on how management has continued to respond to the ongoing effects of the global pandemic on individuals and businesses. • We identified relevant controls that address the ECL risks identified and evaluated the design and implementation, and in some cases the operating effectiveness, of these controls. • We focused on controls over the quantification of ECL; the governance processes in place to assess the appropriateness of changes to credit models, new data inputs, the credit forums where key judgements are considered; and approval processes over ECL, including staging, post model adjustments and the consideration of the risk of management override. Definitions, policy choices, and judgements made in applying accounting policies including SICR, stage determination and migration and collateral valuation • Supported by our accounting technical specialists, we evaluated management's application of key definitions in IFRS 9 such as default and SICR and whether these appropriately reflect current economic conditions through reviewing the principles in these policies against accounting guidelines in each portfolio. • We evaluated refinements in methodologies made during the year against IFRS and industry practice. • We performed an overall stand-back assessment of the ECL provision levels by stage to determine if they were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, and impact of COVID-19 including vulnerable sectors. **Model risk** Together with the assistance of our credit specialists, we: • Tested the design, implementation and operating effectiveness of key controls focusing on the completeness and accuracy of external and internal data inputs into the ECL calculation. • Reviewed the ECL model development and code to assess whether these appropriately reflect the Group's policies and methodologies. • Assessed 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, e.g. probability of default, loss given default, exposure at default, and SICR. • Re-performed the ECL, SICR and stage migration calculations. • Assessed the appropriateness of the Group's SICR methodology and calibrations of the ECL models and tested the stage allocations including SICR for a sample of individual exposures and portfolios back to source data. • Tested a sample of loans and advances in stages 1, 2 and 3 to assess that they were included in the appropriate stage based on the criteria established by the Group by considering factors such as credit risk ratings, the ageing of loans and advances and arrears status.

economic conditions in which the client operates, actual or expected forbearance or restructuring, significant change in collateral value or early signs of liquidity and cash flow challenges.

IFRS 9 requires that the determination of the ECL should reflect all reasonable and supportable information, including best available information which is forward-looking. Such forward-looking information requires significant judgement and may include:

- Macroeconomic forecasts, including GDP, industry-sector growth rates, unemployment (national and regional), inflation, interest rates, and property price indexation;
- The borrowers' probability of non-payment in response to macroeconomic factors that specifically relate to the borrower;
- The borrowers' behaviour in respect of timing of prepayment or extension options or use of undrawn facilities that impact the lender's exposure;
- The type and recovery methods applied for collateral within the wholesale and business banking portfolios; and
- The valuation of collateral and timing of foreclosure.

Post model adjustments

A significant portion of the ECL is calculated on a modelled basis. Post model adjustments are applied to address judgemental risks that are not specifically considered by the ECL models. With the slow normalisation of business operations under the COVID-19 pandemic, the inherent limitations of ECL models were reconsidered for appropriateness. The basis and calculation of the post model adjustments require significant judgement including the consideration of the risk of management override.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information and assumptions which are subjective and carry estimation risk requiring specific audit attention. The Group has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio, which required the use of specialists. The assumptions and forecasts for the macroeconomic scenarios require careful assessment in the context of the upside and downside risks to the economy. The determination of appropriate weightings incorporated into macroeconomic scenarios requires significant management judgement.

Disclosure

Financial reporting requires inclusion of disclosures that provide an adequate level of transparency regarding uncertainties inherent in the judgements, assumptions and estimates applied in determining ECL.

Collateral valuation

- We have evaluated the collateral management, monitoring and valuation process and inspected a sample of the legal documentation in support of collateral valuation and collateral validity in determining the ECL impact.
- With the support of our valuation specialists, we have independently revalued a sample of the properties held as collateral.
- Where management used specialists to perform the valuations, we evaluated their competence, capabilities and objectivity in performing these valuations.
- Together with our corporate finance specialists we have stress tested the timing of the cash flows in the different scenarios which may be encountered in the realisation of the collateral considering the current economic climate as part of our assessment of management's valuation of recoverable amounts.
- Specifically, for wholesale and business banking 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;
  - » For a sample of loans and advances within vulnerable sectors identified to still be significantly impacted by COVID-19 restrictions and/or behavioural changes that had been individually evaluated and impaired, we assessed the valuation of impairment losses by developing an independent expectation of the amount of the ECL allowance. This involved assessing the collateral value and the expected cash flows with the assistance of our valuation specialists;
  - » We considered evidence from externally available public data to assess the reasonableness of the assumptions applied by management, including evaluating the appropriateness of any guarantees or debtor substitution on the valuation of ECL raised; and
  - » For a sample of the more complex loans and advances, we used our own valuation specialists to assist in assessing the key valuation assumptions and performing analyses of inputs such as expected timing of cash flows under various stress scenarios.

Post model adjustments

We obtained management's post model adjustments and performed, amongst other procedures, the following:

- We tested the design, implementation and where applicable, the operating effectiveness of controls over the governance and approval of post model adjustments.
- We tested supporting documentation and reperformed calculations for post model adjustments and challenged the completeness, quantification and rationale for judgemental risks that are not specifically considered by the ECL models.
- We assessed the inherent limitations of the ECL models in this COVID-19 impacted environment within the retail portfolios, including the limitation of past performance, emerging risks which are not yet present in the current data, macroeconomic forecast challenges and sectoral stresses, including the completeness and appropriateness of these adjustments.
- We independently re-performed the calculations for a sample of significant overlays.
- We tested the industry level adjustments made to risk ratings and staging, as well as the consistency within the Group regarding the outlook of a given industry and its impact on credit risk.
- We assessed the controls and governance around any unwind of overlays as well as substantively assessing the rationale and quantum of any impairment releases.
- We evaluated the appropriateness of the sectoral post model adjustments across the portfolios by assessing the risk classification against our independent

	economists' view and assessed management's methodology in arriving at the sector overlay against an acceptable estimate range. • We assessed the completeness of the post model adjustments against our own research and publicly available information including sector, client and portfolio specific risk factors. **Forward-looking information** • We involved our economics specialists to evaluate the forward-looking model and assess the macroeconomic scenario forecasts generated. • We assessed any changes made to processes and governance approvals over macroeconomic scenario forecasts. • Together with our economic specialists, we tested how previously forecast scenarios have performed against actual economic factors and how these compared based on our knowledge of the industry and publicly available external data. • We have performed multiple economic scenario analyses on how management's models predict different speeds by which borrowers may resume payments, under heightened uncertainty arising in an economic downturn, to determine reasonableness. **Disclosure** With the support of our accounting technical specialists, we evaluated management's disclosure of the significant judgements exercised and the key assumptions used to determine its adequacy in terms of IFRS. In addition, we assessed whether the disclosure adequately conveys the significant judgements and assumptions made by management in the current economic environment.
Valuation of complex financial instruments	
Refer to *Note I2.1 Valuation of financial instruments* of the consolidated financial statements for the selected disclosure applicable to this matter. The valuation of complex financial instruments was considered to be a matter of most significance in the current year due to the significant judgement applied relating to complex valuation methodologies as well as in the determination of key assumptions and inputs into the valuations. The use of internal risk management processes and the requirements of IFRS result in complex controls, processes and valuation techniques. Significant judgement is required in respect of unobservable inputs and the consideration of developments in valuation methodologies due to the impact of funding costs, counterparty credit spreads in relation to derivative transactions where credit spreads are less readily available to be determined and the related fair value disclosures. The complex financial instruments impacted by management's judgement include: • Fair value level 3 financial instruments; and • *IFRS 13 Fair Value Measurement* valuation adjustments (xVAs). As derivatives and financial instruments that are classified as level 3 in the fair value hierarchy use complex models, pricing inputs that have limited observability, and valuation adjustments, will have a significant element of estimation uncertainty inherent in their value, as these metrics by their nature are unobservable. There remains a high level of estimation uncertainty in the 2021 financial year as a result of the continuing impact of evolving global macro-economics and COVID-19 on market conditions, including the lack of liquidity for certain asset classes.	Our response to the key audit matter included performing the following audit procedures: **Fair value level 3 financial instruments** • We tested the design, implementation and operating effectiveness of the relevant controls, including amongst others, the governance exercised by various forums over the development of the valuation models and methodologies, assumptions, policies, and independent price verification assessments. • We challenged the appropriateness of the models used, changes made by management to the models and assessed model inputs applied at year-end. • We used our independent valuation tools to re-perform valuations across a range of complex financial instruments to assess reasonableness. • For a sample of unlisted investments, with the assistance from our valuation specialists, we have: • Challenged the appropriateness of the valuation methodology and technique used by management in the valuation of the instruments including the use of market related data, where available. Our assessment included evaluating market updates in the current year as a result of the continuing impact of the COVID-19 pandemic and market practice as well as changes in the macro-economic environment; • Evaluated, for a sample of complex financial instruments, the key inputs and assumptions driving the valuation including, amongst others, cash flow forecasts, discount rates and pricing multiples as well as impacts from market volatility on the reasonableness of the reported exit price against applicable valuation methodologies; and • We evaluated the appropriateness of the disclosures made relating to the valuation of financial instruments in relation to the fair value categorisation and hierarchy, to assess consistency with the requirements of the relevant accounting standards, such as *IFRS 7 Financial*

These portfolios include unlisted investment securities which are difficult to value as a result of applying highly complex or non-standard valuation models or subjective inputs that are not readily available. As the determination of the fair value level 3 financial instruments and valuation adjustments are a key source of estimation uncertainty, are subject to significant judgements including the risk of management override and represents a material balance, which requires significant auditor effort, these matters were considered to be a key audit matter in our audit of the consolidated financial statements.	*Instruments: Disclosures*, *IFRS 9 Financial Instruments* and *IFRS 13 Fair Value Measurement*. **IFRS 13 Fair Value Measurement valuation adjustments** With the assistance of our quantitative and accounting technical experts, we performed the following procedures over the IFRS 13 valuation adjustments: • We assessed the reasonability of accounting assumptions made with respect to IFRS 13, and benchmarked this against market practice. • We assessed the theoretical quantitative approach adopted by management in measuring its xVAs, and where necessary computed quantitative impacts to benchmark the reasonability of assumptions made. • We challenged all relevant inputs into the measurement of the stochastic processes against market data, or our independent models. • We assessed the appropriateness of fair value adjustments against the IFRS 13 hierarchy classification where there were lower levels of observability or liquidity.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 277 page document titled “Nedbank Group Limited audited consolidated and separate annual financial statements for the year ended 31 December 2021” which includes the Chief Executive and Chief Financial Officer internal financial control responsibility statement, the certification from the company secretary, report from the Group Audit Committee, report from the Directors as required by the Companies Act of South Africa, as well as the “information not covered by the independent auditors report” 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 Nedbank Group Integrated Report for the year ended 31 December 2021, 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 identified above 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. When we read the Nedbank Group Integrated Report for the year ended 31 December 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 and 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 and separate 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, actions taken to eliminate threats or safeguards applied.

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 Ernst Young Inc. has been the auditor of Nedbank Group Limited for 3 years and Deloitte & Touche has been the auditor of Nedbank Group Limited for 48 years.

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Ernst & Young Inc.

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Farouk Mohideen

Director

Chartered Accountant (SA)

Registered Auditor

For and on behalf of Ernst & Young Inc.

8 March 2022

Johannesburg
102 Rivonia Road
Sandton

DocuSigned by:

Deloitte & Touche

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Lito Nunes

Partner

Chartered Accountant (SA)

Registered Auditor

For and on behalf of Deloitte & Touche

8 March 2022

Johannesburg
5 Magwa Crescent
Waterfall City

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2021 Rm	2020 Rm (Restated)[1]
Interest received on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)	B6.1.1	**64 857**	71 305
Interest received on other financial instruments and similar income	B6.1.1	**915**	995
Interest and similar income		**65 772**	72 300
Interest expense and similar charges	B6.1.2	**33 272**	42 219
Net interest income		**32 500**	30 081
Non-interest revenue and income	B6.2	**25 027**	24 140
Net commission and fees income		**17 754**	17 137
Commission and fees revenue		**22 085**	20 653
Commission and fees expense		**(4 331)**	(3 516)
Net insurance income		**2 005**	1 622
Fair-value adjustments		**(833)**	352
Net trading income		**4 475**	5 252
Equity revaluation gains/(losses)		**650**	(1 038)
Investment income		**263**	212
Net sundry income		**713**	603
Share of gains/(losses) of associate companies	F2.1	**786**	(76)
Total income		**58 313**	54 145
Impairments charge on financial instruments	C2.1	**6 534**	13 127
Net income		**51 779**	41 018
Total operating expenses	B7	**33 639**	31 772
Zimbabwe hyperinflation	N1	**138**	205
Indirect taxation	B8.1	**1 073**	1 148
Impairments charge on non-financial instruments and other gains and losses	B9	**499**	1 562
Profit before direct taxation		**16 430**	6 331
Direct taxation	B8.2.1	**4 043**	1 877
Profit for the year		**12 387**	4 454
Other comprehensive income (OCI) net of taxation	B8.2.3	**784**	891
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations including the effect of hyperinflation		**1 029**	672
Share of OCI of investments accounted for using the equity method		**(722)**	(189)
Debt instruments at FVOCI – net change in fair value		**(5)**	119
Items that may not subsequently be reclassified to profit or loss			
Property revaluations		**36**	(26)
Remeasurements on long-term employee benefit assets		**389**	(80)
Share of OCI of investments accounted for using the equity method		**(21)**	395
Equity instruments at FVOCI – net change in fair value		**78**	
Total comprehensive income for the year		**13 171**	5 345
Profit attributable to:			
– Ordinary shareholders		**11 238**	3 467
– Holders of preference shares		**188**	251
– Holders of participating preference shares		**125**	(58)
– Holders of additional tier 1 capital instruments		**737**	739
– Non-controlling interest – ordinary shareholders		**99**	55
Profit for the year		**12 387**	4 454
Total comprehensive income attributable to:			
– Ordinary shareholders		**11 941**	4 358
– Holders of preference shares		**188**	251
– Holders of participating preference shares		**125**	(58)
– Holders of additional tier 1 capital instruments		**737**	739
– Non-controlling interest – ordinary shareholders		**180**	55
Total comprehensive income for the year		**13 171**	5 345
Basic earnings per share (cents)	B2	**2 317**	717
Diluted earnings per share (cents)	B2	**2 271**	709

[1] *Refer to note A4: Restatement of the statement of comprehensive income.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2021 Rm	2020 Rm (Restated)[1]	2019 Rm (Restated)[1]
Assets				
Cash and cash equivalents[1]	C6	**44 586**	41 382	37 635
Other short-term securities	C4	**60 037**	52 605	64 451
Derivative financial instruments	C7	**39 179**	80 325	35 243
Government and other securities	C3	**150 498**	132 221	100 557
Loans and advances	C1.1	**831 735**	843 303	824 786
Other assets	H3	**33 877**	16 802	15 393
Current taxation assets		**124**	164	281
Investment securities	F1	**25 498**	26 425	28 961
Non-current assets held for sale	H2	**638**	69	735
Investments in associate companies	F2	**3 395**	3 322	3 917
Deferred taxation assets	B8.3	**889**	657	389
Investment property		**28**		56
Property and equipment[2]	G1	**10 739**	11 334	11 977
Long-term employee benefit assets	H1.1	**6 610**	5 777	5 602
Intangible assets	G2	**13 221**	13 751	13 366
Total assets		**1 221 054**	1 228 137	1 143 349
Equity and liabilities				
Ordinary share capital	B4.1	**486**	484	481
Ordinary share premium		**18 768**	18 583	18 096
Reserves		**80 259**	69 925	69 020
Total equity attributable to ordinary shareholders		**99 513**	88 992	87 597
Holders of preference shares	B4.2		3 222	3 222
Holders of participating preference shares		**59**	(58)	
Holders of additional tier 1 capital instruments	B5	**9 319**	7 822	6 850
Non-controlling interest attributable to ordinary shareholders		**620**	466	780
Total equity		**109 511**	100 444	98 449
Derivative financial instruments	C7	**36 042**	65 130	27 991
Amounts owed to depositors	D1	**971 795**	953 715	904 382
Provisions and other liabilities[3]	K1.1	**23 451**	23 704	23 297
Current taxation liabilities		**330**	590	161
Non-current liabilities held for sale	H2	**80**		598
Deferred taxation liabilities	B8.3	**458**	390	939
Long-term employee benefit liabilities	H1.1	**2 427**	2 604	2 533
Investment contract liabilities	D3	**17 959**	20 868	24 571
Insurance contract liabilities	D4	**842**	922	715
Long-term debt instruments	D2	**58 159**	59 770	59 713
Total liabilities		**1 111 543**	1 127 693	1 044 900
Total equity and liabilities		**1 221 054**	1 228 137	1 143 349

[1] During the year, the group reviewed the presentation of the mandatory reserve deposits with central banks which was previously disclosed separately on the statement of financial position. As a result of this review, the mandatory reserve deposits with central banks have now been aggregated within the cash and cash equivalents balance, as the nature of the mandatory reserve deposits represent cash and cash equivalents. This is in line with the disclosure in the statement of cash flows and was previously included in the cash and cash equivalents note (refer note C6). The amount of mandatory reserve deposits with central banks that were reclassified to cash and cash equivalents is R26 491m for 2020 and R23 486m for 2019, and consequently the prior year balances have been restated to provide comparative information. The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's cash and cash equivalents.
[2] Includes right-of-use assets.
[3] Includes lease liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

				Reserves	
Rm	Number of ordinary shares (Restated)[6]	Ordinary share capital (Restated)[6]	Ordinary share premium (Restated)[6]	Foreign currency translation reserve[1]	Property revaluation reserve[2]
Balance at 1 January 2020	481 174 379	481	18 096	(2 244)	1 839
Additional tier 1 capital instruments issued					
Share movements in terms of long-term incentive and BEE schemes[6]	2 718 388	3	487		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive income/(losses) for the year				146	(26)
Profit attributable to ordinary equity holders and non-controlling interest					
Exchange differences on translating foreign operations including the effect of hyperinflation				672	
Movement in fair-value reserve					
Property revaluations					(26)
Remeasurements of long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				(526)	
Transfer (from)/to reserves					(41)
Value of employee services (net of deferred tax)[7]					
Transactions with non-controlling interests				103	(15)
Other movements					
Balance at 31 December 2020	**483 892 767**	**484**	**18 583**	**(1 995)**	**1 757**
Additional tier 1 capital instruments issued					
Additional tier 1 capital instruments redeemed					
Share movements in terms of long-term incentive and BEE schemes[6]	**1 708 780**	**2**	**185**		
Preference share redeemed					
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive (losses)/income for the year				**499**	**28**
Profit attributable to ordinary equity holders and non-controlling interest					
Exchange differences on translating foreign operations including the effect of hyperinflation				**956**	
Movement in fair-value reserve					
Property revaluations					**28**
Remeasurements of long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				**(457)**	
Transfer (from)/to reserves					**(24)**
Value of employee services (net of deferred tax)[7]					
Transactions with non-controlling interests				**(12)**	**3**
Other movements					
Balance at 31 December 2021	**485 601 547**	**486**	**18 768**	**(1 508)**	**1 764**

[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 or 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] Equity-settled 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, to comply with various banking regulations, of R273m (2020: R290m).

	Reserves									
	Share-based payments reserve[3]	Other non-distributable reserves[4]	FVOCI reserve[5]	Other distributable reserves	Total equity attributable to ordinary equity holders (Restated)[6]	Holders of preference shares	Holders of participating preference shares	Holders of additional tier 1 capital instruments	Non-controlling interest attributable to ordinary share-holders	Total equity (Restated)[6]
	1 512	(55)	594	67 374	87 597	3 222		6 850	780	98 449
					–			972		972
	(435)			(53)	2					2
					–	(251)				(251)
					–			(739)		(739)
				(3 451)	(3 451)				(49)	(3 500)
	–	–	456	3 782	4 358	251	(58)	739	55	5 345
				3 467	3 467	251	(58)	739	55	4 454
					672					672
			119		119					119
					(26)					(26)
				(80)	(80)					(80)
			337	395	206					206
	(337)	401	(89)	66	–					–
	292				292					292
		(56)		173	205				(320)	(115)
				(11)	(11)					(11)
	1 032	**290**	**961**	**67 880**	**88 992**	**3 222**	**(58)**	**7 822**	**466**	**100 444**
								3 497		**3 497**
								(2 000)		**(2 000)**
	(132)			**(36)**	**19**					**19**
		78			**78**	**(3 222)**				**(3 144)**
						(188)	**(8)**			**(196)**
								(737)		**(737)**
				(2 178)	**(2 178)**					**(2 178)**
			(192)	**11 606**	**11 941**	**188**	**125**	**737**	**180**	**13 171**
				11 238	**11 238**	**188**	**125**	**737**	**99**	**12 387**
					956				**73**	**1 029**
			73		**73**					**73**
					28				**8**	**36**
				389	**389**					**389**
			(265)	**(21)**	**(743)**					**(743)**
	(332)	**(95)**		**451**	**–**					**–**
	637				**637**					**637**
				35	**26**				**(26)**	**–**
				(2)	**(2)**					**(2)**
	1 205	**273**	**769**	**77 756**	**99 513**	**–**	**59**	**9 319**	**620**	**109 511**

[5] This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. 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] During the year, the group reviewed its presentation of the statement of changes in equity. As a result of this review, the "Shares issued in terms of employee incentive schemes" and "Shares (acquired)/no longer held by group entities and BEE schemes" line items, which were previously presented in separate lines, have been aggregated into one line item, "Share movements in terms of long-term incentive and BEE scheme". The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's changes in equity.
[7] During the year, the group reviewed its presentation of the statement of changes in equity presentation. As a result of this review, the "Share-based payment movements" line item was renamed "Value of employee services (net of deferred taxation)" to better reflect the nature of the line item. The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's changes in equity.

All movements are reflected net of taxation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2021 Rm	2020 Rm (Restated)[1]
Profit before direct taxation		**16 430**	6 331
Adjusted for:		**(17 528)**	(7 066)
Non-cash items	M1	**15 232**	23 305
Dividends received		**(260)**	(290)
Interest and similar income		**(65 772)**	(72 300)
Interest expense and similar charges		**33 272**	42 219
Interest received		**65 018**	73 880
Interest paid		**(34 273)**	(45 213)
Dividends received on investments		**260**	290
Change in funds for operating activities		**(12 169)**	(11 708)
Decrease/(increase) in operating assets	M2	**1 022**	(99 254)
(Decrease)/increase in operating liabilities	M3	**(13 191)**	87 546
Net cash from operating activities before taxation		**17 738**	16 514
Taxation paid	M4	**(5 599)**	(3 182)
Cash flows from operating activities		**12 139**	13 332
Cash flows utilised by investing activities		**(2 050)**	(4 817)
Acquisition of property, equipment, computer software and development costs and investment property		**(3 455)**	(4 313)
Disposal of property, equipment, computer software and development costs		**29**	56
Disposal of investment banking assets		**161**	35
(Acquisition)/Disposal of associate companies		**(43)**	162
Acquisition of investment securities		**(2 443)**	(2 361)
Disposal of investment securities		**3 701**	1 604
Cash flows utilised by financing activities		**(7 412)**	(4 787)
Proceeds from issue of ordinary shares			437
Issue of additional tier 1 capital instruments		**3 497**	972
Issue of long-term debt instruments	D2.1	**6 579**	7 189
Redemption of preference shares		**(3 144)**	
Redemption of additional tier 1 capital instruments		**(2 000)**	
Redemption of long-term debt instruments	D2.1	**(8 244)**	(7 039)
Capital repayments of lease liabilities		**(989)**	(981)
Transactions with non-controlling interest			(875)
Dividends paid to ordinary shareholders		**(2 178)**	(3 500)
Preference share dividends paid		**(196)**	(251)
Additional tier 1 capital instruments interest paid		**(737)**	(739)
Effects of exchange rate changes on cash and cash equivalents		**527**	19
Net increase in cash and cash equivalents		**3 204**	3 747
Cash and cash equivalents at the beginning of the year		**41 382**	37 635
Cash and cash equivalents at the end of the year	C6	**44 586**	41 382

[1] *Refer to note A5: Restatement of the consolidated statement of cash flows.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A: ACCOUNTING POLICIES

A1 PRINCIPAL ACCOUNTING POLICIES

ACCOUNTING POLICIES

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 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.

BASIS OF PREPARATION

The financial statements have been prepared on a going-concern basis. The financial statements have been prepared on a basis consistent with the prior year. The new accounting standards, interpretations and amendments to existing accounting standards and interpretations effective in the current year do not have a material impact on the financial statements. The amendments to standards not yet effective at 31 December 2021 are not expected to have a significant impact on implementation. During the year the group had complied with externally imposed capital requirements.

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

The accounting policies of the group apply to the company unless otherwise stated.

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

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 OCI. 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 and impairment. • Right-of-use assets are carried at cost less accumulated depreciation and impairment in accordance with IFRS 16.	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.	• The group determines, on initial recognition of an investment, whether the investment will be accounted for using equity accounting or at fair value through profit or loss (FVTPL). This election is made separately for each associate considering the type of investment being made and the appropriate measurement basis to be applied.	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 recognise investments in associate companies in the separate financial statements in terms of IAS 28, ie using the equity method of accounting.	Separate financial statements

A2 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

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

A3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2021 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 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.

A4 RESTATEMENT OF THE STATEMENT OF COMPREHENSIVE INCOME

During the year, the group reviewed its statement of comprehensive income presentation. As a result of the review, certain line descriptions have been renamed, certain sub-totals have been added and removed, the location of certain line items have been changed and the 'Non-interest revenue and income' line item has been disaggregated. It is the group's view that these changes provide more relevant disclosures on the group's financial performance. To provide comparability, the prior-year balances have been restated accordingly. The reclassifications had no impact on the group's statement of financial position, statement of changes in equity and statement of cash flows.

The impact of the restatements on the group's statement of comprehensive income is detailed below:

	31 December 2020			
Rm	As previously reported	Restatement	Restated	
Interest received on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)	71 305		71 305	Interest received on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)
Interest received on other financial instruments and similar income	995		995	Interest received on other financial instruments and similar income
Interest and similar income	72 300		72 300	**Interest and similar income**
Interest expense and similar charges	42 219		42 219	Interest expense and similar charges
Net interest revenue	30 081		30 081	**Net interest income**
		24 140	24 140	**Non-interest revenue and income**
		17 137	17 137	Net commission and fees income
		20 653	20 653	Commission and fees revenue
		(3 516)	(3 516)	Commission and fees expense
		1 622	1 622	Net insurance income
		352	352	Fair-value adjustments
		5 252	5 252	Net trading income
		(1 038)	(1 038)	Equity revaluation gains/(losses)
		212	212	Investment income
		603	603	Net sundry income
		(76)	(76)	Share of (losses)/gains of associate
Impairments charge on financial instruments	13 127	(13 127)		
Income from lending activities	16 954	(16 954)		
Non-interest revenue	24 140	(24 140)		
Operating income	41 094	13 051	54 145	**Total income**
		13 127	13 127	Impairments charge on financial instruments
		41 018	41 018	**Net income**
Total operating expenses	31 772		31 772	Total operating expenses
Zimbabwe hyperinflation	205		205	Zimbabwe hyperinflation
Indirect taxation	1 148		1 148	Indirect taxation
Profit from operations before non-trading and capital items	7 969	(7 969)		
Non-trading and capital items	1 562		1 562	Impairment charge on non-financial instruments and other gains and losses
Profit from operations	6 407	(6 407)		
Share of (losses)/gains of associate	(76)	76		
Profit before direct taxation	6 331		6 331	**Profit before direct taxation**
Direct taxation	1 877		1 877	Direct taxation
Profit for the year	4 454		4 454	**Profit for the year**

Furthermore, as a result of this review, the group noted that the Total comprehensive income attributable to holders of additional tier 1 capital instruments was omitted from the statement of comprehensive income for the period ended 31 December 2020. To correct this omission and to provide comparability, the prior-year balance (R739m) has been restated accordingly. Total comprehensive income attributable to holders of additional tier 1 capital instruments was correctly disclosed and accounted for in the group's statement of changes in equity therefore there was no impact on the group's statement of financial position, statement of changes in equity and statement of cash flows.

The impact of the restatement on the group's statement of comprehensive income is detailed below:

	31 December 2020			
Rm	As previously reported	Restatement	Restated	
Total comprehensive income for the year	**5 345**		**5 345**	**Total comprehensive income for the year**
Profit attributable to:				Profit attributable to:
– Ordinary shareholders	**3 467**		**3 467**	– Ordinary shareholders
– Holders of preference shares	**251**		**251**	– Holders of preference shares
– Holders of participating preference shares	**(58)**		**(58)**	– Holders of participating preference shares
– Holders of additional tier 1 capital	**739**		**739**	– Holders of additional tier 1 capital
– Non-controlling interest – ordinary	**55**		**55**	– Non-controlling interest – ordinary
Profit for the year	**4 454**		**4 454**	**Profit for the year**
Total comprehensive income attributable to:				Total comprehensive income attributable to:
– Ordinary shareholders	**4 358**		**4 358**	– Ordinary shareholders
– Holders of preference shares	**251**		**251**	– Holders of preference shares
– Holders of participating preference shares	**(58)**		**(58)**	– Holders of participating preference shares
		739	**739**	– Holders of additional tier 1 capital instruments
– Non-controlling interest – ordinary shareholders	**55**		**55**	– Non-controlling interest – ordinary shareholders
Total comprehensive income for the year	**5 345**		**5 345**	Total comprehensive income for the year
Basic earnings per share (cents)	**717**		**717**	Basic earnings per share (cents)
Diluted earnings per share (cents)	**709**		**709**	Diluted earnings per share (cents)

A5 RESTATEMENT OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

During 2021, the group reviewed its presentation of the statement of cash flows. As a result of the review, the presentation of cash flows from operating activities has been changed from the direct method to the indirect method, where the profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. In terms of IAS 7, entities have an accounting policy choice to present operating activities on the statement of cash flows using either the direct or indirect method. The group is of the view that the change to the indirect method provides more relevant and reliable information for users as it improves comparability to industry peers.

As a result of this change in presentation, the comparative information relating to cash flows from operating activities has been restated.

The impact of the change in accounting policy on the group's statement of cash flows line items is as follows:

	31 December 2020		
	As previously reported	Adjustments	Restated
Direct method			
Cash generated by operations	22 513	(22 513)	–
Cash received from clients	92 613	(92 613)	
Cash paid to clients, employees and suppliers	(71 555)	71 555	
Recoveries on loans previously written off	1 165	(1 165)	
Dividends received on investments	290	(290)	
Indirect method			
Profit before direct taxation		6 331	6 331
Adjusted for:	–	(7 066)	(7 066)
Non-cash items		23 305	23 305
Dividends income		(290)	(290)
Interest and similar income		(72 300)	(72 300)
Interest expense and similar charges		42 219	42 219
Interest received		67 453	67 453
Interest paid		(45 750)	(45 750)
Dividends received on investments		290	290
Change in funds for operating activities	(5 999)	1 255	(4 744)
Increase in operating assets	(92 827)		(92 827)
Increase in operating liabilities	86 828	1 255	88 083
Net cash from operating activities before taxation	16 514	–	16 514
Taxation paid	(3 182)		(3 182)
Cash flows from operating activities	13 332	–	13 332

The group changed its historic process within group reporting wherein parts of the cash flow statement (ie accruals) which used to be prepared centrally (ie a top-down approach) are now prepared at a business unit level (ie a bottom-up approach). This change enhances the internal reporting process as it allows the group to collect more granular information. As a result of the bottom-up approach, the group identified that the interest income accrual for the prior year was incorrectly understated by R6 427m and interest expense accruals for the prior year was incorrectly overstated by R537m. These errors did not impact the group's cash and cash equivalents.

The impact of the error on the group's statement of cash flows line items is as follows:

	31 December 2020		
	As previously reported[1]	Adjustments	Restated
Profit before direct taxation	6 331		6 331
Adjusted for:	(7 066)	–	(7 066)
Non-cash items	23 305		23 305
Dividends income	(290)		(290)
Interest and similar income	(72 300)		(72 300)
Interest expense and similar charges	42 219		42 219
Interest received	67 453	6 427	73 880
Interest paid	(45 750)	537	(45 213)
Dividends received on investments	290		290
Change in funds for operating activities	(4 744)	(6 964)	(11 708)
Increase in operating assets	(92 827)	(6 427)	(99 254)
Increase in operating liabilities	88 083	(537)	87 546
Net cash from operating activities before taxation	16 514	–	16 514
Taxation paid	(3 182)		(3 182)
Cash flows from operating activities	13 332	–	13 332

[1] *The amounts previously reported are after taking into account the change in accounting policy.*

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 are regularly reviewed by the group's chief operating decision-makers 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 decision-making and as reviewed by the chief operating decision-maker, 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 Corporate and Investment Banking (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 commercial property finance. Nedbank CIB's primary client-facing 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 R30m 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 R30m up to R750m.

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 non-life insurance solutions for individuals and businesses, including simple risk, funeral, vehicle, personal accident, credit life and investment solutions. 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, the United Arab Emirates and on the Isle of Man.

Nedbank Africa Regions

Nedbank Africa Regions is responsible for the group’s banking operations and expansion activities on the rest of the African continent and has client-facing subsidiaries (retail and wholesale banking) in Eswatini, Lesotho, Namibia, Mozambique and Zimbabwe. The cluster also holds the 21,2% investment in ETI, manages the Ecobank–Nedbank alliance and facilitates investment 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; Group Compliance; Group Risk; and Group Marketing, Communications and Corporate Affairs. Centre also includes Group Balance Sheet Management, which is responsible for capital management, funding and liquidity risk management, the management of banking book interest rate risk, margin management and strategic portfolio tilt.

B1 Segmental reporting (continued)

Statement of financial position (Rm)

	Total		Nedbank Corporate and Investment Banking	
	2021	2020	**2021**	2020
Assets				
Cash and cash equivalents	**44 586**	41 382	**2 122**	997
Other short-term securities	**60 037**	52 605	**30 058**	24 403
Derivative financial instruments	**39 179**	80 325	**39 151**	80 264
Government and other securities	**150 498**	132 221	**68 887**	54 232
Loans and advances	**831 735**	843 303	**398 622**	428 992
Other assets	**95 019**	78 301	**33 504**	18 460
Intergroup assets	**–**	–		
Total assets	**1 221 054**	1 228 137	**572 344**	607 348
Equity and liabilities				
Total equity	**109 511**	100 444	**36 536**	38 691
Derivative financial instruments	**36 042**	65 130	**35 998**	65 079
Amounts owed to depositors	**971 795**	953 715	**437 651**	423 046
Provisions and other liabilities	**45 547**	49 078	**7 305**	10 095
Long-term debt instruments	**58 159**	59 770	**316**	543
Intergroup liabilities	**–**	–	**54 538**	69 894
Total equity and liabilities	**1 221 054**	1 228 137	**572 344**	607 348

[1] *Includes all group eliminations.*

B1 Segmental reporting (continued)

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
5 137	6 468	**2 526**	1 981	**8 075**	6 813	**26 726**	25 123
		25 477	25 105	**5 050**	3 639	**(548)**	(542)
		9	2	**1**	33	**18**	26
		268		**1 773**	827	**79 570**	77 162
380 985	356 272	**30 273**	31 133	**21 243**	23 233	**612**	3 673
11 858	11 917	**22 433**	22 023	**4 285**	3 811	**22 939**	22 090
17 040	15 941			**2 420**	2 733	**(19 460)**	(18 674)
415 020	390 598	**80 986**	80 244	**42 847**	41 089	**109 857**	108 858
33 060	29 573	**4 528**	4 327	**6 385**	6 471	**29 002**	21 382
		34	12	**10**	39		
374 972	354 243	**43 840**	43 945	**35 054**	33 294	**80 278**	99 187
5 447	5 242	**23 678**	25 527	**971**	967	**8 146**	7 247
1 541	1 540			**427**	318	**55 875**	57 369
		8 906	6 433			**(63 444)**	(76 327)
415 020	390 598	**80 986**	80 244	**42 847**	41 089	**109 857**	108 858

B1 Segmental reporting (continued)

Statement of comprehensive income (Rm)

	Total		Nedbank Corporate and Investment Banking	
	2021	2020 (Restated)[2]	2021	2020 (Restated)[2]
Net interest income	32 500	30 081	7 966	7 339
Non-interest revenue and income	25 027	24 140	7 881	7 229
Share of gains of associate companies	799	452	100	115
Total income	58 326	54 673	15 947	14 683
Impairments charge on financial instruments	6 534	13 127	1 418	3 245
Net income	51 792	41 546	14 529	11 438
Total operating expenses	33 639	31 772	7 011	6 432
Zimbabwe hyperinflation	138	205		
Indirect taxation	1 073	1 148	202	159
Profit before direct taxation[3]	16 942	8 421	7 316	4 847
Direct taxation[3]	4 104	1 994	1 711	1 211
Profit after direct taxation[3]	12 838	6 427	5 605	3 636
Profit attributable to non-controlling interest:				
– Ordinary shareholders	99	55		
– Preference shareholders	313	193		
– Additional tier 1 capital instrument noteholders	737	739		
Headline earnings/(loss)	11 689	5 440	5 605	3 636
Selected ratios				
Non-interest revenue and income to income (%)[4]	43,5	44,5	49,7	49,6
Non-interest revenue and income to total operating expenses (%)	74,4	76,0	112,4	112,4
Cost-to-income ratio (%)[5]	57,7	58,1	44,0	43,8
Effective taxation rate (%)[3]	24,2	23,7	23,4	25,0
Revenue (Rm)[6]	57 527	54 221	15 847	14 568

[1] Includes all group eliminations.
[2] Refer to note A4: Restatement of the consolidated statement of comprehensive income.
[3] These items are presented on a headline earnings basis and therefore exclude the impact of impairments charge on non-financial instruments and other gains and losses and tax thereon.
[4] Non-interest revenue and income as a percentage of total income, excluding the share of gains of associate companies.
[5] Total operating expenses as a percentage of total income.
[6] Revenue is calculated as net interest income plus non-interest revenue and income.

Depreciation costs of R2 304m (2020: R2 425m) and amortisation costs of R1 706m (2020: R1 471m) 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.

B1 Segmental reporting (continued)

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
2021	2020 (Restated)[2]	**2021**	2020 (Restated)[2]	**2021**	2020 (Restated)[2]	**2021**	2020 (Restated)[2]
20 745	19 692	**866**	897	**1 448**	1 274	**1 475**	879
12 783	11 830	**3 788**	3 303	**1 431**	1 454	**(856)**	324
				699	337		
33 528	31 522	**4 654**	4 200	**3 578**	3 065	**619**	1 203
5 172	8 746	**28**	208	**168**	437	**(252)**	491
28 356	22 776	**4 626**	3 992	**3 410**	2 628	**871**	712
21 442	20 161	**3 280**	3 061	**2 535**	2 325	**(629)**	(207)
				138	205		
529	488	**99**	91	**72**	64	**171**	346
6 385	2 127	**1 247**	840	**665**	34	**1 329**	573
1 728	590	**285**	178	**(26)**	(30)	**406**	45
4 657	1 537	**962**	662	**691**	64	**923**	528
				97	52	**2**	3
125	(58)					**188**	251
						737	739
4 532	1 595	**962**	662	**594**	12	**(4)**	(465)
38,1	37,5	**81,4**	78,6	**49,7**	53,3		
59,6	58,7	**115,5**	107,9	**56,4**	62,5		
64,0	64,0	**70,5**	72,9	**70,8**	75,9		
27,1	27,7	**22,9**	21,2	**(3,9)**	(88,2)		
33 528	31 522	**4 654**	4 200	**2 879**	2 728	**619**	1 203

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
2021				
Profit attributable to ordinary shareholders (Rm)	**11 238**	**11 238**	**11 238**	**11 238**
Adjusted for:				
– Headline earnings adjustments (note B9)			**512**	**512**
– Taxation on headline earnings adjustments			**(61)**	**(61)**
Adjusted profit attributable to ordinary shareholders (Rm)	**11 238**	**11 238**	**11 689**	**11 689**
Weighted-average number of ordinary shares	**485 071 919**	**485 071 919**	**485 071 919**	**485 071 919**
Adjusted for:				
– Share schemes that have a dilutive effect		**9 769 236**		**9 769 236**
Adjusted weighted-average number of ordinary shares	**485 071 919**	**494 841 155**	**485 071 919**	**494 841 155**
Earnings per share (cents)	**2 317**	**2 271**	**2 410**	**2 362**
2020				
Profit attributable to ordinary shareholders (Rm)	3 467	3 467	3 467	3 467
Adjusted for:				
– Headline earnings adjustments (note B9)			2 090	2 090
– Taxation on headline earnings adjustments			(117)	(117)
Adjusted profit attributable to ordinary shareholders (Rm)	3 467	3 467	5 440	5 440
Weighted-average number of ordinary shares	483 208 526	483 208 526	483 208 526	483 208 526
Adjusted for:				
– Share schemes that have a dilutive effect		5 529 619		5 529 619
Adjusted weighted-average number of ordinary shares	483 208 526	488 738 145	483 208 526	488 738 145
Earnings per share (cents)	717	709	1 126	1 113

The diluted-earnings-per-share calculations are based on the group's daily average share price of 15 736 cents (2020: 12 481 cents).

B3 DIVIDENDS

B3.1 ORDINARY SHARES

	Last day to trade (cum dividend)	Cents per share	Rm
2021			
Interim declared for 2021[1]	**14 September 2021**	**433,00**	**2 178**
Ordinary dividends paid 2021[1]		**433,00**	**2 178**
Final ordinary dividends declared for 2021[2]		**758,00**	
2020			
Final declared for 2019 – paid 2020	20 April 2020	695,00	3 451
Non-controlling interest attributable to ordinary shareholders			49
Ordinary dividends paid 2020		695,00	3 500

[1] The net dividends paid is R2 178m and excludes dividends paid to group companies of R25m.
[2] Total dividend declared for 2021 was 1 191 cents per share and the dividend cover ratio equaled 2,02 times.

No dividends were declared in 2020 financial year.

B3.2 NON-CONTROLLING INTEREST – PREFERENCE SHAREHOLDERS

Dividends declared	Number of shares	Cents per share	Amount Rm
2021			
Nedbank – Final (dividend no 36) declared for 2020 – paid April 2021	**358 277 491**	**29,46**	**106**
Nedbank – Interim (dividend no 37) declared for 2021 – paid September 2021	**358 277 491**	**28,93**	**103**
Total of dividends declared			**209**
Less: Dividends declared in respect of shares held by group entities			**(21)**
			188
2020			
Nedbank – Final (dividend no 34) declared for 2019 – paid April 2020	358 277 491	42,11	151
Nedbank – Interim (dividend no 35) declared for 2020 – paid September 2020	358 277 491	35,94	129
Total of dividends declared			280
Less: Dividends declared in respect of shares held by group entities			(29)
			251

B3.3 AMOUNTS ATTRIBUTABLE TO PARTICIPATING PREFERENCE SHAREHOLDERS

Profits/losses attributable to participating preference shareholders	Amount Rm
2021	
Nedbank (MFC) – share of economic profit/(loss)[1]	**125**
	125
2020	
Nedbank (MFC) – share of economic profit/(loss)[1]	(58)
	(58)

[1] Share of economic profit/(loss) 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.

B4.1 ORDINARY SHARE CAPITAL

	2021 Rm	2020 Rm
Authorised		
600 000 000 (2020: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
508 870 678 (2020: 502 054 496) fully paid ordinary shares of R1 each	**509**	502
Treasury shares arising from share repurchases by subsidiaries of 23 269 131 (2020: 18 161 729) fully paid ordinary shares of R1 each	**(23)**	(18)
	486	484

Subject to the restrictions imposed by the Companies Act, 71 of 2008 (as amended) and by shareholders in terms of the authority previously provided, the unissued shares are under the control of the directors until the forthcoming AGM.

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).

B4.2 PREFERENCE SHARE CAPITAL AND PREMIUM

	2021 Rm	2020 Rm
Authorised		
Nedbank Group Limited preference share capital and premium		
1 000 000 (2020: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	**10 000**	10 000
Nedbank Limited preference share capital and premium		
1 000 000 000 (2020: 1 000 000 000) non-redeemable non-cumulative, non-participating preference shares of R0,001 each	**1**	1
5 000 class A redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
5 000 class B redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
Issued		
Nedbank Limited preference share capital and premium		
0 (2020: 358 277 491) non-redeemable non-cumulative, non-participating preference shares of R0,001 each		[1]
100 class A redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
100 class B redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]
Preference share premium	[1]	3 222
	–	3 222

[1] Represents amounts less than R1m.

The preference shares are classified as equity instruments. All redeemable preference shares are redeemable at the option of the group.

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.

The group repurchased all of the non-redeemable, non-cumulative, non-participating preference shares in issue on 21 December 2021.

B5 HOLDERS OF ADDITIONAL TIER 1 CAPITAL INSTRUMENTS

The group issued new style (Basel III-compliant) additional tier 1 (AT1) capital instruments as follows:

Instrument code	Date of issue	Call date	Instrument terms	2021 Rm	2020 Rm
Subordinated callable notes (rand-denominated)					
NEDT1A[1]	20 May 2016	21 May 2021	3-month JIBAR + 7,00% per annum		1 500
NEDT1B[1]	25 November 2016	26 November 2021	3-month JIBAR + 6,25% per annum		500
NGLT1A	30 June 2017	1 July 2022	3-month JIBAR + 5,65% per annum	**600**	600
NGLT1B	19 October 2018	20 October 2023	3-month JIBAR + 4,64% per annum	**750**	750
NGT103	22 March 2019	25 March 2024	3-month JIBAR + 4,40% per annum	**671**	671
NGT104	24 June 2019	15 January 2025	3-month JIBAR + 4,50% per annum	**1 829**	1 829
NGT105	22 November 2019	22 May 2025	3-month JIBAR + 4,25% per annum	**1 000**	1 000
NGT106	4 August 2020	5 August 2025	3-month JIBAR + 4,95% per annum	**500**	500
NGT107	18 November 2020	19 November 2025	3-month JIBAR + 4,55% per annum	**472**	472
NGT108	8 March 2021	8 September 2026	3-month JIBAR + 4,67% per annum	**1 537**	
NGT1G – Green AT1	15 June 2021	16 June 2026	3-month JIBAR + 4,10% per annum	**910**	
NGT109	3 November 2021	4 November 2026	3-month JIBAR + 3,91% per annum	**700**	
NGT110	24 December 2021	27 December 2026	3-month JIBAR + 3,91% per annum	**350**	
Total				**9 319**	7 822

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

The AT1 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 or a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. 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 a separate category of equity.

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 cash flows. 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

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 has concluded that the loyalty points awarded to clients are considered payable to our clients' clients 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.

- 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;
» allocate the transaction price to the performance obligations in the contract; 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 revenue

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 distinct performance obligation is recognised when the distinct performance obligation has been performed. Revenue is recognised at a point in time.
» 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 versus 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 presented as part of non-interest revenue and income 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; and
  » 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.

- 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.

Net insurance income

Net 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 and income.

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 and income.

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 FVTPL, including derivatives, are included in non-interest revenue and income. 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 and income.

B6.1 NET INTEREST INCOME

B6.1.1 INTEREST AND SIMILAR INCOME

	2021 Rm	2020 Rm (Restated)[1]
Listed corporate bonds[1]	**1 287**	1 912
Home loans (including properties in possession)	**11 314**	12 234
Commercial mortgages	**12 516**	13 834
Instalment debtors	**12 199**	12 559
Credit cards	**2 138**	2 256
Overdrafts	**1 576**	1 933
Term and other loans	**11 357**	15 146
Personal loans	**5 528**	5 330
Government and other securities[1]	**6 837**	5 624
Short-term funds and securities	**1 020**	1 472
	65 772	72 300
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments at amortised cost	**63 904**	69 516
– Interest and similar income from financial instruments at FVOCI	**953**	1 789
– Interest and similar income from financial instruments at FVTPL	**915**	995
	65 772	72 300

[1] As disclosed at 31 December 2020, the group reviewed the presentation of corporate bonds. As a result of the review, the group reclassified listed corporate bonds from 'Government and other securities' to 'Loans and advances' on the statement of financial position. Therefore, in 2021, interest and similar income on listed corporate bonds has been disclosed in a separate line. Comparative information has been restated accordingly.

B6.1.2 INTEREST EXPENSE AND SIMILAR CHARGES

	2021 Rm	2020 Rm
Deposit and loan accounts	**18 957**	22 943
Current and savings accounts	**523**	663
Negotiable certificates of deposit	**4 378**	7 212
Other interest-bearing liabilities[1]	**6 316**	9 101
Long-term debt instruments	**3 949**	4 718
Interest expense related to fair-value activities[2]	**(851)**	(2 418)
	33 272	42 219
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments at amortised cost	**32 537**	41 200
– Interest expense and similar charges from financial instruments at FVTPL	**735**	1 019
	33 272	42 219

[1] Includes interest expense of R217m (2020: R238m) related to lease liabilities.
[2] Refer to note B6.2.

B6.2 NON-INTEREST REVENUE AND INCOME

	2021 Rm	2020 Rm
Commission and fees revenue[2]	**22 085**	20 653
Administration fees	**1 406**	1 333
Card fees	**6 017**	5 170
Cash-handling fees	**1 027**	1 018
Exchange commission	**648**	708
Guarantee income	**267**	312
Insurance commission	**671**	610
Other commission	**5 184**	4 739
Other fees	**2 534**	2 463
Service charges	**4 331**	4 300
Commission and fees expense	**(4 331)**	(3 516)
Administration fees	**(3)**	(6)
Card fees	**(2 371)**	(1 992)
Insurance commission	**(229)**	(203)
Other commission	**(1 226)**	(828)
Other fees	**(493)**	(479)
Service charges	**(9)**	(8)
Net insurance income (note B6.2.2)	**2 005**	1 622
Fair-value adjustments (note B6.2.1)	**(833)**	352
Fair-value adjustments	**(128)**	(338)
Hedged-accounted portfolios	**(705)**	690
Net trading income[3]	**4 475**	5 252
Foreign exchange	**1 340**	1 415
Debt securities	**2 267**	3 142
Equities	**842**	642
Commodities	**26**	53
Equity revaluation gains/(losses)	**650**	(1 038)
Realised gains, interest and other income	**570**	546
Unrealised losses	**(77)**	(1 697)
Dividends received	**157**	113
Investment income	**263**	212
Dividends received on investments	**103**	177
Long-term-asset sales	**160**	35
Net sundry income	**713**	603
Rent received	**45**	35
Rental income from properties in possession	[1]	[1]
Other sundry income	**668**	568
	25 027	24 140

[1] Represents amounts less than R1m.

[2] Commission and fees revenue includes R1 541m (2020: R1 926m) related to trust and fiduciary fees.

[3] Trading income includes R851m (2020: R2 418m) of amortised cost funding related to fair-value activities. Refer to note B6.1.2 for further details.

B6.2.1 ANALYSIS OF FAIR-VALUE ADJUSTMENTS

Fair-value adjustments can be analysed as follows:	2021 Rm	2020 Rm
– Financial instruments designated as FVTPL	(5 085)	6 029
– Financial instruments mandatorily at fair value	4 252	(5 677)
	(833)	352

B6.2.2 LONG-TERM AND SHORT-TERM INSURANCE

	2021 Rm	2020 Rm
Insurance contract income	1 961	1 612
Net insurance premium income	3 377	3 249
Gross premiums received	3 543	3 421
Reinsurance premiums	(166)	(172)
Net insurance claims and benefits	(1 676)	(1 235)
Gross claims and benefits paid	(1 803)	(1 303)
Reinsurance recoveries	127	68
Net commission and administration fees paid	(146)	(97)
Investment income	93	148
Changes in insurance contracts	313	(453)
Investment contract income	44	10
Investment income	156	537
Changes in investment contracts	(112)	(527)
	2 005	1 622

B7 TOTAL OPERATING EXPENSES

	2021 Rm	2020 Rm
Staff costs	**18 018**	16 829
Remuneration and other staff costs	**15 393**	15 309
Short-term incentives	**2 427**	1 455
Long-term employee benefits (note H1)[1]	**(414)**	(205)
Share-based payments expense – employees	**612**	270
Computer processing	**6 329**	5 830
Depreciation of computer equipment	**718**	760
Depreciation of right-of-use assets: computer equipment	**83**	88
Amortisation of computer software	**1 705**	1 436
Short-term lease charges for computer equipment	**198**	224
Development costs	**408**	67
Other computer processing expenses	**3 217**	3 255
Communication and travel	**718**	717
Depreciation of vehicles	**6**	7
Other communication and travel expenses	**712**	710
Occupation and accommodation	**2 185**	2 304
Depreciation of owner-occupied land and buildings	**385**	422
Depreciation of right-of-use assets: land and buildings	**780**	827
Other occupation and accommodation expenses	**1 020**	1 055
Marketing and public relations	**1 332**	1 077
Fees and assurances	**4 109**	4 096
Auditors' remuneration	**298**	255
Statutory and regulatory audit	**294**	250
Non-audit services	**4**	5
Other fees and assurance costs	**3 811**	3 841
Furniture, office equipment and consumables	**549**	555
Depreciation of furniture and other equipment	**332**	352
Short-term lease charge for furniture and other equipment	**12**	12
Other office equipment and consumables	**205**	191
Other operating expenses	**399**	364
Amortisation of intangible assets	**1**	35
Other sundries	**398**	329
	33 639	31 772

[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. Refer to note H1.

B8 TAXATION

ACCOUNTING POLICY

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current or deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity, and, to the extent that it relates to items recognised in OCI, in which case it is also recognised in OCI. The group recognises the income tax consequences of dividends in profit or loss, OCI or equity according to where the group originally recognised those past transactions or events.

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 are reversed.

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

	2021 Rm	2020 Rm
Value-added taxation[1]	948	1 056
Transaction-based taxes	125	92
	1 073	1 148

[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

	2021 Rm	2020 Rm
South African normal taxation:		
– Current charge	3 992	2 340
– Capital gains taxation – deferred	74	(129)
– Deferred taxation	(353)	(384)
Foreign taxation	315	279
Current and deferred taxation on income	4 028	2 106
Prior-year adjustments	76	(112)
Total taxation on income	4 104	1 994
Taxation on impairments charge on non-financial instruments and other gains and losses items	(61)	(117)
	4 043	1 877

B8.2.2 Taxation rate reconciliation

	2021 %	2020 % (Restated[1])
Taxation rate reconciliation		
Standard rate of South African normal taxation	**28,0**	28,0
Dividend income	**(1,4)**	(3,2)
Share of profits of associate companies	**(1,3)**	0,3
Capital items	**(0,1)**	0,7
Foreign income and section 9D attribution	**(0,5)**	(1,4)
Additional tier 1 capital instruments	**(1,3)**	(3,3)
Revenue losses not recognised	**0,1**	1,6
Impairment of non-financial instruments	**0,5**	4,8
Exempt income and special allowances	**(0,4)**	(0,2)
NAR non-taxable amounts	**(0,5)**	(0,7)
Non-deductible expenses	**1,1**	4,0
Prior-year adjustments	**0,4**	(1,0)
Effective taxation rate	**24,6**	29,6

[1] During the year, the group reviewed the presentation of its taxation rate reconciliation. As a result of this review, certain reconciling line items have been disaggregated to provide our users with additional information. 'Non-taxable income' has been disaggregated into 'Dividend income' [2020: (3,2%)] and 'NAR non-taxable amounts' [2020: (0,7%)] and 'Exempt income and special allowances' [2020: (0,2%)]. 'Non-deductible expenses' [2020: 3,1%] has been aggregated with 'Net monetary loss' [2020: 0,9%]. To provide comparability, the prior-year balances have been restated accordingly. In addition, the tax related to the impairments charge on non-financial instruments and other gains and losses has been incorporated into the group's effective taxation rate, whereas previously this line was excluded. The effective taxation rate for 2020, previously disclosed as 23,7%, was restated accordingly.

B8.2.3 Income tax recognised in other comprehensive income

Rm	Gross	Taxation	Net of taxation
2021			
Exchange differences on translating foreign operations including the effect of hyperinflation	**1 029**		**1 029**
Share of OCI of investments accounted for using the equity method	**(743)**		**(743)**
Debt instruments at FVOCI – net change in fair value	**(19)**	**14**	**(5)**
Remeasurements on long-term employee benefit assets	**518**	**(129)**	**389**
Equity instruments at FVOCI – net change in fair value	**101**	**(23)**	**78**
Property revaluations	**49**	**(13)**	**36**
2020			
Exchange differences on translating foreign operations including the effect of hyperinflation	672		672
Share of OCI of investments accounted for using the equity method	206		206
Debt investments at FVOCI – net change in fair value	174	(55)	119
Remeasurements on long-term employee benefit assets	(86)	6	(80)
Property revaluations	(37)	11	(26)

B8.2.4 Future taxation relief

The group has estimated taxation losses of R1 317m (2020: R846m), which are available for set-off against future taxable income. Deferred tax assets of R47m (2020: R60m) relating to tax losses carried forward were recognised. The assessed losses in Nedbank Mozambique expire after five years of origination. The group has actual losses that have not been recognised of R1 148m (2020: R632m).

B8.3 DEFERRED TAXATION

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2021 Rm	2020 Rm
Deferred taxation assets		
— Deferred taxation assets to be recovered after more than 12 months	**889**	657
	889	657
Deferred taxation liabilities		
— Deferred taxation liabilities to be recovered after more than 12 months	**(458)**	(390)
	(458)	(390)
Net deferred taxation assets	**431**	267
The gross movement on the deferred income taxation account, is as follows:		
— Balance at the beginning of the year	**267**	(550)
— Statement of comprehensive income charge	**369**	934
— Tax credit relating to components of other comprehensive income	**(151)**	(38)
— Tax credit directly to equity	**(53)**	(93)
— Acquisition of subsidiary	**(48)**	
— Disposal of subsidiary	**48**	
— Reclassification between taxation types and categories	**(1)**	14
Balance at the end of the year	**431**	267

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	Capital investments	IFRS 16
Balance at 31 December 2019	(129)	280
Charged/(credited) to the income statement	310	6
Reclassification between taxation types and categories		
Balance at 31 December 2020	**181**	**286**
Charged/(credited) to the income statement	**(126)**	**(61)**
Credited to other comprehensive income		
Credited directly to equity		
Acquisition of subsidiary		
Disposal of subsidiary		
Reclassification between taxation types and categories	**4**	
Balance at 31 December 2021	**59**	**225**

Deferred taxation liabilities	Accelerated asset allowances	Property revaluations	Deferred acquisition costs
Balance at 31 December 2019	(1 424)	(647)	(790)
Charged/(credited) to the income statement	(120)		(19)
(Credited)/charged to other comprehensive income		11	
(Credited)/charged directly to equity		16	
Balance at 31 December 2020	**(1 544)**	**(620)**	**(809)**
(Credited)/(charged) to the income statement	**189**		**(138)**
(Credited)/charged to other comprehensive income		**(13)**	
(Credited)/charged directly to equity		**9**	
Reclassification between tax types and categories			
Balance at 31 December 2021	**(1 355)**	**(624)**	**(947)**

Credit impairments	Deferred revenue	Provisions	Taxation losses	Total
2 008	445	882	35	3 521
721	(99)	219	25	1 182
		14		14
2 729	**346**	**1 115**	**60**	**4 717**
135	**51**	**435**	**(13)**	**421**
		(24)		**(24)**
		(9)		**(9)**
		(48)		**(48)**
		48		**48**
		28		**32**
2 864	**397**	**1 545**	**47**	**5 137**

Long-term employee benefits	Share-based payments	FVOCI	Acquired intangible assets	Total
(861)	(110)	(160)	(79)	(4 071)
(64)	(55)		10	(248)
6		(55)		(38)
	(109)			(93)
(919)	**(274)**	**(215)**	**(69)**	**(4 450)**
(132)	**29**			**(52)**
(129)		**15**		**(127)**
	(53)			**(44)**
(33)				**(33)**
(1 213)	**(298)**	**(200)**	**(69)**	**(4 706)**

B9 HEADLINE EARNINGS

ACCOUNTING POLICY

Impairments charge on non-financial instruments and other gains and losses, which includes insurance proceeds on items of property and equipment that were impaired, are disclosed separately 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 1/2021: Headline Earnings, except where the amounts are required by IFRS to be included in other lines on the face of the statement of comprehensive income, which includes our share of ETI's goodwill impairment of R13m (2020: R528m) included in share of gains/(losses) of associate companies and taxation on impairments charge on non-financial instruments and other gains and losses items of R61m (2020: R117m) included in direct taxation. The principal items that will be included under these measures are gains and losses on sale of property and equipment, impairment of property, equipment, right-of-use assets, intangible assets and goodwill and fair-value adjustments of investment properties (other than those arising from the investment properties held by the group's life insurance subsidiaries).

	2021		2020	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary shareholders		**11 238**		3 467
Impairments charge on non-financial instruments and other gains and losses	**499**	**438**	1 562	1 445
IAS 16 loss on disposal of property and equipment	**41**	**26**	89	72
IAS 36 impairment of associate: ETI			750	750
IAS 36 impairment of goodwill	**306**	**306**	345	345
IAS 36 impairment of intangible assets	**153**	**110**	207	149
IAS 40 loss on revaluation of investment properties			2	2
IFRS 5 impairment of non-current assets held for sale			17	17
IFRS 10 profit on sale of subsidiaries/associates	**(11)**	**(11)**		
IFRS 16 impairment of right-of-use assets	**10**	**7**	152	110
Share of gains/(losses) of associate companies				
IAS 36 share of associate (ETI) impairment of goodwill	**13**	**13**	528	528
Headline earnings		**11 689**		5 440

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.

In April 2020 the President of SA announced a R500bn social and economic support package designed to assist individuals and businesses impacted by the Covid-19 pandemic. As part of this package the President announced the introduction of a R200bn loan guarantee scheme in partnership with the major banks of SA, the National Treasury and SARB. This package is designed to assist qualifying enterprises with operational costs, such as salaries, rent and the payment of suppliers. Within this context, the Covid-19 Loan Guarantee Scheme was formulated, of which the group is a participant. At 31 December 2021, loans amounting to R1,2bn (2020: R1,4bn) had been disbursed by the group as part of this scheme.

The Covid-19 Loan Guarantee Scheme is structured as follows:

- The group receives funding from SARB, with interest charged at the prevailing repurchase rate. There is a six-month disbursement period for the group to advance loans to its clients. The funding is accounted for as a financial liability at amortised cost. Refer to Section I: Financial instruments, for the group's accounting policies regarding financial assets and liabilities.
- The qualifying criteria to obtain a loan from the scheme are that businesses must have been in good standing prior to 31 December 2019, be registered with the South African Revenue Service, have no capacity to borrow and have, directly or indirectly, been impacted adversely by the Declaration of National Disaster, affecting their ability to generate revenue.
- Interest on the loans to clients is charged at the prime interest rate. Clients are given a maximum period of six months of operational recovery before payments become due, with interest capitalised during this period. The outstanding loan balance is repayable on an amortising basis up to five years in line with the agreed repayment terms. The loans to clients are subject to the group's standard credit approval processes and are accounted for as financial assets at amortised cost. Refer to Section I: Financial instruments, for the group's accounting policies regarding financial assets and liabilities.
- The cash flow and loss waterfall per the group's portfolio is as follows:
  - » The first mitigant towards losses is absorbed by the lending margin of the group.
  - » The second mitigant towards losses is absorbed by the guarantee fee charged by SARB to the group.
  - » The third mitigant towards losses is absorbed by the group and comprises the group’s own funds up to a maximum of 6% of the facility amount made available by SARB.
  - » The final mitigant towards the remainder of the losses is the guarantee provided by SARB. SARB therefore guarantees 94% of losses on the loans to clients. This guarantee is considered integral to the loans to clients.
  - » The difference between the prime lending rate, related expenses, the cost of funding provided by SARB and the cost of capital allocated to these loans is ring-fenced for losses, and all profits over those used to offset losses (if any) on termination of the facility are distributed to SARB. The amount distributed to SARB is also considered integral to the loans to clients.

During 2021, the scheme closed therefore there are no new loans being issued from this scheme.

C1.1 CATEGORIES OF LOANS AND ADVANCES

	2021 Rm	2020 Rm
Mortgage loans	**368 416**	359 483
Home loans	**178 840**	168 900
Commercial mortgages	**189 576**	190 583
Instalment debtors	**142 559**	135 269
Credit cards	**16 297**	16 721
Other loans and advances	**330 113**	356 634
Properties in possession	**187**	149
Overdrafts	**23 042**	23 593
Personal loans	**29 175**	26 916
Term and other loans	**170 142**	186 101
Covid-19 Loan Guarantee Scheme	**1 225**	1 355
Listed Corporate Bonds	**23 279**	21 910
Overnight loans	**9 479**	10 175
Foreign-client lending	**19 571**	16 449
Preference shares and debentures	**12 204**	12 274
Factoring accounts	**7 188**	5 130
Deposits placed under reverse repurchase agreements	**33 870**	48 415
Trade, other bills and bankers' acceptances	**1**	4
Fair-value hedge-accounted portfolios	**750**	4 163
Gross loans and advances	**857 385**	868 107
Impairment of loans and advances (note C2)	**25 650**	24 804
	831 735	843 303
Gross loans and advances comprise:		
– Loans and advances to clients	**827 737**	827 269
– Loans and advances to banks	**29 648**	40 838
	857 385	868 107

See note C1.6 for a breakdown of loans and advances by operating segment.

C1.2 SECTORAL ANALYSIS

	2021 Rm	2020 Rm
Individuals	**329 263**	312 313
Financial services, insurance and real estate	**243 017**	256 195
Banks	**29 648**	40 838
Manufacturing	**67 179**	64 450
Building and property development	**9 549**	11 485
Transport, storage and communication	**26 341**	29 500
Retailers, catering and accommodation	**15 242**	6 401
Wholesale and trade	**24 835**	31 686
Mining and quarrying	**26 245**	23 607
Agriculture, forestry and fishing	**20 085**	16 196
Government and public sector	**21 940**	20 619
Other services	**44 041**	54 817
	857 385	868 107

C1.3 GEOGRAPHICAL ANALYSIS

	2021 Rm	2020 Rm
SA	**757 651**	753 488
Rest of Africa	**44 432**	43 049
Europe	**44 637**	58 475
Asia	**4 867**	5 938
United States of America	**4 102**	3 087
Rest of world	**1 696**	4 070
	857 385	868 107

C1.4 CLASSIFICATION OF LOANS AND ADVANCES

	Total	
Rm	**2021**	2020 (Restated)[1]
Mortgage loans	**364 414**	353 367
Instalment debtors	**142 558**	135 269
Credit cards	**16 296**	16 720
Overdrafts	**23 041**	23 592
Preference shares and debentures	**11 993**	12 106
Term loans	**136 941**	152 698
Other loans[2]	**76 376**	68 530
Specialised and other loans to clients[3]	**39 475**	31 162
Properties in possession	**187**	149
Listed corporate bonds	**20 047**	21 910
Overnight loans	**9 479**	10 175
Factoring accounts	**7 187**	5 130
Trade, other bills and bankers' acceptances	**1**	4
Loans and advances at amortised cost[1]	**771 619**	762 282
Loans and advances at FVTPL	**59 562**	82 850
Loans and advances at FVOCI	**25 454**	18 811
Fair-value hedge-accounted portfolios[1]	**750**	4 164
Gross loans and advances (note C1.1)	**857 385**	868 107

[1] Previously fair-value hedge-accounted portfolios were included in 'Loans and advances at amortised cost'. However, to align with our results booklet coverage tables, we have restated the 2020 disclosure to separately disclose the fair-value hedge-accounted portfolios below 'Loans and advances at amortised cost'.
[2] The 'Other loans' subtotal line represents a group of certain products based on similar nature and size.
[3] Specialised and other loans to clients includes deposits placed under reverse repurchase agreement.

Subject to 12-month expected credit losses (stage 1)		Subject to lifetime expected credit losses (stage 2) – not credit-impaired		Subject to lifetime expected credit losses (stage 3) – credit-impaired	
2021	2020 (Restated)[1]	**2021**	2020	**2021**	2020
313 067	301 699	**36 624**	34 359	**14 723**	17 309
117 158	108 290	**18 125**	16 511	**7 275**	10 468
12 930	12 850	**1 105**	1 577	**2 261**	2 293
17 048	15 537	**4 265**	6 022	**1 728**	2 033
10 615	11 050	**1 080**	855	**298**	201
103 688	115 254	**22 092**	26 597	**11 161**	10 847
59 002	53 928	**15 485**	12 510	**1 889**	2 092
34 415	26 372	**4 276**	4 267	**784**	523
106	86			**81**	63
13 719	15 578	**5 614**	5 331	**714**	1 001
4 599	8 175	**4 659**	1 708	**221**	292
6 162	3 713	**936**	1 204	**89**	213
1	4				
633 508	618 608	**98 776**	98 431	**39 335**	45 243
21 279	12 502	**2 694**	4 599	**1 481**	1 711
750	4 164				
655 537	635 274	**101 470**	103 030	**40 816**	46 954

C1.5 CREDIT QUALITY OF LOANS AND ADVANCES

	Total		NGR 1-12	
Rm	2021	2020	2021	2020
Subject to 12-month expected credit losses (stage 1)	**634 258**	622 779	**228 432**	238 983
Mortgage loans	**313 067**	301 702	**116 419**	118 056
Instalment debtors	**117 158**	108 290	**4 548**	3 419
Credit cards	**12 930**	12 850	**652**	943
Properties in possession	**106**	86		
Overdrafts	**17 048**	15 529	**3 598**	3 680
Personal, term and other loans	**138 103**	141 637	**80 250**	83 382
Listed corporate bonds	**13 719**	15 578	**13 719**	15 578
Overnight loans	**4 599**	8 175	**4 077**	6 477
Preference shares and debentures	**10 615**	11 051	**3 810**	7 052
Factoring accounts	**6 162**	3 713	**1 359**	396
Trade, other bills and bankers' acceptances	**1**	4		
Fair-value hedge-accounted portfolios	**750**	4 164		
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	**98 776**	98 430	**14 325**	21 692
Mortgage loans	**36 624**	34 359	**1 073**	2 941
Instalment debtors	**18 125**	16 512	**47**	736
Credit cards	**1 105**	1 577	**1**	3
Properties in possession				
Overdrafts	**4 265**	6 021	**186**	840
Personal, term and other loans	**26 368**	30 864	**9 979**	10 499
Listed corporate bonds	**5 614**	5 331	**2 342**	5 078
Overnight loans	**4 659**	1 708	**351**	1 014
Preference shares and debentures	**1 080**	854	**346**	571
Factoring accounts	**936**	1 204		10
Subject to lifetime expected credit losses (stage 3) – credit-impaired	**39 335**	45 237	**–**	–
Mortgage loans	**14 723**	17 306		
Instalment debtors	**7 275**	10 467		
Credit cards	**2 261**	2 293		
Properties in possession	**81**	63		
Overdrafts	**1 728**	2 042		
Personal, term and other loans	**11 945**	11 359		
Listed corporate bonds	**714**	1 001		
Overnight loans	**221**	292		
Preference shares and debentures	**298**	201		
Factoring accounts	**89**	213		
Total loans and advances	**772 369**	766 446	**242 757**	260 675
Loans and advances at FVOCI	**25 454**	18 811	**14 868**	9 528
Provision for impairment of off-balance-sheet items[1]	**396**	665	**38**	64
Subject to 12-month expected credit losses (stage 1)	**158**	158	**29**	41
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	**136**	195	**9**	23
Subject to lifetime expected credit losses (stage 3) – credit-impaired	**102**	312		
Total credit quality	**798 219**	785 922	**257 663**	270 267

[1] *Provision for impairment of off-balance-sheet items includes the expected credit loss (ECL) allowance recognised with respect to financial guarantees and loan commitments of R341m (2020: R529m), credit balances and zero balances of the various loans and advances products.*

The group uses a master rating scale for the measurement of credit risk, which is the risk of the borrower defaulting measured on a through the cycle basis excluding the effect of collateral or loss mitigation [ie probability of default (PD) only]. However, the PD of a counterparty may be substituted for another counterparty's PD, where the regulatory requirements for PD substitution are met. The Nedbank Group Rating (NGR) master scale is a comprehensive PD rating scale, mapped to default probabilities and external rating agency scales. This 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 PD. This category typically includes 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 PD. This category typically includes small and medium businesses, medium corporate clients and individuals.

NGR 13-20		NGR 21-25		NP 1-3		Unrated	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
361 884	332 853	**32 654**	30 846	**–**	–	**11 288**	20 097
182 575	167 311	**8 012**	8 812			**6 061**	7 523
97 364	91 031	**14 321**	12 428			**925**	1 412
9 285	9 031	**2 902**	2 770			**91**	106
						106	86
12 753	10 577	**304**	192			**393**	1 080
48 278	45 895	**6 607**	6 532			**2 968**	5 828
430	1 597	**92**	101				
6 389	3 999	**416**					
4 803	3 306		11				
1	4						
6	102					**744**	4 062
41 251	44 185	**42 796**	31 862	**–**	–	**404**	691
13 090	12 134	**22 268**	19 094			**193**	190
4 320	9 094	**13 734**	6 646			**24**	36
320	424	**780**	1 148			**4**	2
2 711	3 965	**1 294**	1 081			**74**	135
11 846	16 676	**4 434**	3 361			**109**	328
3 272	253						
4 294	432	**14**	262				
734	283						
664	924	**272**	270				
–	–	**–**	–	**37 821**	43 709	**1 514**	1 528
				13 754	16 477	**969**	829
				7 207	10 343	**68**	124
				2 248	2 278	**13**	15
				81	63		
				1 582	1 845	**146**	197
				11 627	10 996	**318**	363
				714	1 001		
				221	292		
				298	201		
				89	213		
403 135	377 038	**75 450**	62 708	**37 821**	43 709	**13 206**	22 316
8 424	7 116	**676**	198	**1 486**	1 969		
188	220	**52**	50	**102**	312	**16**	19
109	95	**10**	3			**10**	19
79	125	**42**	47			**6**	
				102	312		
411 747	384 374	**76 178**	62 956	**39 409**	45 990	**13 222**	22 335

NGR 21–25: Represents borrowers who are of higher risk. This category typically includes 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'.

Unrated: Represents borrowers who do not have a NGR rating or a non-performing (NP) rating.

C1.6 SEGMENTAL ANALYSIS

	Total		Nedbank Corporate and Investment Banking	
Rm	**2021**	2020	**2021**	2020
Mortgage loans	**368 416**	359 483	**152 432**	155 049
Home loans	**178 840**	168 900	**19**	33
Commercial mortgages	**189 576**	190 583	**152 413**	155 016
Instalment debtors	**142 559**	135 269	**2 880**	2 877
Credit cards	**16 297**	16 721		
Other loans and advances	**279 682**	285 383	**197 175**	203 354
Properties in possession	**187**	149		
Overdrafts	**23 042**	23 593	**3 733**	4 008
Personal loans	**29 175**	26 916		
Term and other loans	**168 584**	175 489	**146 040**	153 534
Overnight loans	**9 479**	10 175	**8 341**	8 681
Foreign client lending	**5 793**	5 580	**3 799**	3 146
Preference shares and debentures	**12 204**	12 274	**11 977**	11 973
Factoring accounts	**7 188**	5 130		
Listed corporate bonds	**23 279**	21 910	**23 279**	21 910
Trade, other bills and bankers' acceptances	**1**	4		
Fair-value hedge-accounted portfolios	**750**	4 163	**6**	102
Loans and advances before impairments	**806 954**	796 856	**352 487**	361 280
Impairment of advances	**25 650**	24 804	**4 296**	3 539
Total banking loans and advances after impairments[1]	**781 304**	772 052	**348 191**	357 741
Comprises:				
– Loans and advances to clients	**751 656**	731 214	**321 379**	323 233
– Loans and advances to banks	**29 648**	40 838	**26 812**	34 508
Total loans and advances after impairments	**781 304**	772 052	**348 191**	357 741
Trading loans and advances[1]	**50 431**	71 251	**50 431**	71 251
Total loans and advances after impairments	**831 735**	843 303	**398 622**	428 992

[1] *Total banking loans and advances after impairments exclude trading loans and advances.*

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
181 054	169 391	**25 681**	26 149	**9 147**	8 770	**102**	124
154 272	144 512	**17 257**	17 135	**7 292**	7 220		
26 782	24 879	**8 424**	9 014	**1 855**	1 550	**102**	124
138 013	130 423	**32**	46	**1 629**	1 914	**5**	9
16 154	16 584			**143**	137		
65 080	58 987	**5 016**	5 372	**11 406**	13 365	**1 005**	4 305
68	50	**13**	13	**106**	86		
16 048	16 089	**151**	188	**3 110**	3 308		
27 277	24 954			**1 898**	1 962		
13 278	11 562	**4 641**	5 003	**4 364**	5 146	**261**	244
878	909			**260**	585		
330	206			**1 664**	2 228		
16	133	**211**	168				
7 185	5 084			**3**	46		
				1	4		
						744	4 061
400 301	375 385	**30 729**	31 567	**22 325**	24 186	**1 112**	4 438
19 316	19 113	**456**	434	**1 082**	953	**500**	765
380 985	356 272	**30 273**	31 133	**21 243**	23 233	**612**	3 673
380 985	356 269	**29 185**	28 027	**19 495**	20 012	**612**	3 673
	3	**1 088**	3 106	**1 748**	3 221		
380 985	356 272	**30 273**	31 133	**21 243**	23 233	**612**	3 673
380 985	356 272	**30 273**	31 133	**21 243**	23 233	**612**	3 673

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 the board-approved Group Credit Risk Management Framework (GCRMF). This framework covers the macrostructures for credit risk management and incorporates key 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 Risk Appetite Framework (RAF), and it is reviewed quarterly.

The GCRMF includes the two advanced internal-rating-based (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 Group Credit Risk (GCR), which includes the Credit Model Validation Unit (CMVU) and Model Risk Management (MRM), from the business units originating the credit in the group.

Group Credit Risk (GCR) monitors the business units’ credit portfolios, risk procedures, policies and credit standards, and maintains the GCRMF. GCR has also been assessing and reporting the impact of Covid-19 on the credit portfolio to the GCC and SARB PA.

The CMVU is the bank’s independent risk control unit required by banking regulations. The CMVU validates the bank’s regulatory credit capital models and IFRS 9 impairment models. It champions the Basel III AIRB and IFRS 9 methodologies across the bank to ensure consistency in the credit rating process.

Model Risk Management (MRM) ensures that model risk is optimised and effectively managed across the bank. MRM validates non-regulatory credit models, including credit valuation and pricing models, as well as the IFRS 9 macroeconomic forecast models within the bank.

Group Risk Analytics (GRA) calculates and consolidates credit regulatory and economic capital. GRA maintains and enhances the Credit Portfolio Management (CPM) system and credit risk calculation engine system, developed in-house, as well as tests and implements all credit regulatory model updates. GRA calculates and consolidates the IFRS 9 impairment calculations across the bank, as well as performs credit risk analytics for the bank.

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Allowances for loan impairment and other credit risk provisions

The judgements in relation to determining the allowance for loan impairment and other credit risk provisions are as follows:

- Defining what is considered to be a significant increase in credit risk (SICR) – refer to C2.5 for further information.
- Selecting and calibrating PD, loss given default (LGD) and exposure at default (EAD) models and linking these input parameters to macroeconomic drivers – refer to C2.5 and C2.7 for further information.
- Establishing the scenarios over which ECL should be evaluated and their respective probabilities as well as estimating macroeconomic parameters based on forecast macroeconomic scenarios – refer to C2.7 for further information.
- Making judgemental adjustments to account for emerging or developing events, model and data limitations and deficiencies, and the application of expert credit judgement – refer to C2.8 for further information.

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

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. 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 utilised in selecting the statistical methods to be used when the models are developed or revised. Judgemental adjustments (discussed further in C2.8) may be applied to cater for portfolios where the use of a model is inappropriate or applied to supplement model outputs to cater for emerging or developing events, model and data limitations and deficiencies, and the application of expert credit judgement. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable judgements.

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.
- Where a SICR since initial recognition is identified, the financial instrument is moved to stage 2, but not deemed to be credit-impaired. Note C2.5 describes how the group determines when a SICR 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 classified as stages 2 and 3 have their ECLs measured based on a lifetime basis.
- A pervasive concept in measuring the ECL 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 forward-looking information into our 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.

- Off-balance-sheet items are also subject to the IFRS 9 impairment model and include financial guarantees and undrawn loan commitments.

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 cash flows 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 cash flows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in 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 in the income statement.

Impact of the Covid-19 pandemic on allowances for loan impairment and other credit risk provisions

The Covid-19 pandemic continues to impact on the global and local economic environment with recovery paths still uncertain. As a result, the economic environment in which the group operates could be subject to sustained volatility, which in turn could continue to impact our financial results negatively. In 2021 some broad improvements in the economic outlook were reported however elevated downside risk and uncertainty around the economic recovery remains. The key judgements are the duration of the pandemic and the speed and shape of the economic recovery including the impact of the withdrawal of the exceptional fiscal support. The current environment requires complex judgements and estimates regarding the effectiveness of Covid-19 containment measures and related lockdowns, and global and domestic policy responses and the outcome thereof, which represent a high degree of estimation uncertainty.

i Assessment of SICR

We established relief programmes to help retail and wholesale banking clients manage the challenges of Covid-19 through payment deferrals, covenant waivers, and refinancing or credit restructuring. The utilisation of a payment deferral programme does not trigger a SICR automatically. This complies with Directive 3/2020, which relates to the treatment of retail and wholesale restructured credit exposures due to Covid-19. In Q4 2020, Nedbank proactively ceased granting new Covid-19 restructures or Covid-19 restructure extensions under Directive 3/2020 on a business-as-usual basis. Relief granted during 2021 was instead largely managed in line with the Group Credit Policy and Directive 7/2015. Our assessment of SICR continues to be based on quantitative lifetime PD thresholds and for our wholesale portfolios, changes in the borrower's risk rating. Additional qualitative reviews and a 30-day-past-due backstop are also applied (refer to C2.5 for further information). Risk ratings and the broader macroeconomic impacts of the pandemic are largely reflected in an instrument's lifetime PD. To the extent the impacts of Covid-19 are not already reflected within the lifetime PD model, they are reflected through the qualitative review performed to assess the staging results and adjustments are made, as necessary, including through the use of post-model adjustments – refer to C2.8.

ii Use of forward-looking information

The scale of the economic shock induced by the Covid-19 pandemic, the heterogeneous impacts on various sectors, challenges in accurately reflecting the risk of clients under payment holidays, uncertainty around the economic recovery including impacts of further waves and variants of the virus, timing of the vaccine roll-outs and the difficulty in gauging the impact of relief measures have all meant that there is significant challenge in estimating ECL under the current environment.

The emergence of the Covid-19 global pandemic significantly impacted our economic outlook, which is reflected in the macroeconomic variables used to estimate our stage 1 and stage 2 credit loss allowances. The environment, including government support measures introduced, continues to evolve and as a result, our macroeconomic outlook has a higher than usual degree of uncertainty and is inherently subject to change, which may materially change our estimate of stage 1 and stage 2 credit loss allowances. This has resulted in a greater reliance on management judgement in assessing the accuracy of macroeconomic forecasts and assessing the associated impairment outcome. Accordingly in navigating through the pandemic management has had to make use of significantly higher levels of post-model adjustments in establishing the group's year-end ECL position.

C2.1 MOVEMENT IN IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

	2021	2020
Balance at the beginning of the year	25 468	17 812
Stage 1 ECL allowance	4 183	3 362
Stage 2 ECL allowance	6 701	3 893
Stage 3 ECL allowance	14 584	10 557
Statement of comprehensive income charge net of recoveries	6 534	13 127
Stage 1 ECL allowance	376	913
Stage 2 ECL allowance	(13)	2 553
Stage 3 ECL allowance	6 160	8 981
Off-balance-sheet allowance	(274)	389
Non-loans and advances	(5)	(2)
FVOCI loan impairment charge	290	293
Adjusted for:	(5 956)	(5 471)
Recoveries[1]	1 425	1 165
Interest in suspense[1]	1 062	1 059
Amounts written off[1]	(8 139)	(7 419)
Foreign exchange and other recovery costs[1]	(19)	15
Non-loans and advances	5	2
FVOCI loan impairment charge	(290)	(293)
Balance at the end of the year	26 046	25 468
Stage 1 ECL allowance	4 513	4 183
Stage 2 ECL allowance	6 495	6 701
Stage 3 ECL allowance	15 038	14 584
Split by measurement category[1]	26 046	25 468
Loans and advances	25 650	24 804
Off-balance-sheet allowance	396	664

[1] Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs is R5 671m (2020: R5 180m) – refer to C2.2. Foreign exchange movements included in this amount is a R87m gain (2020: R111m loss).

C2.2 IMPAIRMENT CHARGE ON LOANS AND ADVANCES BY CLASSIFICATION

	Balance at the beginning of the year Rm	Impairments charge/ (release), net of recoveries Rm	Amounts written off against the impairment, adjusted for recoveries and interest in suspense Rm	Balance at the end of the year Rm
Total impairment – 2021				
Home loans	**3 469**	**(61)**	**(251)**	**3 157**
Commercial mortgages	**2 069**	**415**	**(169)**	**2 315**
Credit cards	**2 986**	**1 055**	**(1 268)**	**2 773**
Overdrafts	**1 418**	**119**	**(151)**	**1 386**
Instalment debtors	**6 660**	**1 654**	**(1 975)**	**6 339**
Preference shares and debentures	**159**	**70**		**229**
Term loans	**6 780**	**3 064**	**(1 813)**	**8 031**
Financial guarantees and loan commitments	**529**	**(192)**	**4**	**341**
Other loans[1]	**1 398**	**125**	**(48)**	**1 475**
Properties in possession	**9**		**1**	**10**
Specialised and other loans to clients	**1 207**	**104**	**(44)**	**1 267**
Overnight loans	**59**	**99**	**5**	**163**
Factoring accounts	**123**	**(78)**	**(10)**	**35**
Impairment on loans and advances at amortised cost	**25 468**	**6 249**	**(5 671)**	**26 046**
Impairment on loans and advances at FVOCI	**609**	**290**	**(364)**	**535**
Total impairment	**26 077**	**6 539**	**(6 035)**	**26 581**
Total impairment – 2020				
Home loans	2 398	1 113	(42)	3 469
Commercial mortgages	1 060	1 059	(50)	2 069
Credit cards	2 290	1 482	(786)	2 986
Overdrafts	1 008	504	(94)	1 418
Instalment debtors	4 828	3 290	(1 458)	6 660
Preference shares and debentures	99	60		159
Term loans	5 077	4 254	(2 551)	6 780
Financial guarantees and loan commitments	220	318	(9)	529
Other loans[1]	832	756	(190)	1 398
Properties in possession	8	(1)	2	9
Specialised and other loans to clients	656	746	(195)	1 207
Overnight loans	137	(81)	3	59
Factoring accounts	31	92		123
Trade, other bills and banker's acceptances				
Impairment on loans and advances at amortised cost	17 812	12 836	(5 180)	25 468
Impairment on loans and advances at FVOCI	340	293	(24)	609
Total impairment	18 152	13 129	(5 204)	26 077

[1] *The 'Other loans' subtotal line represents a group of certain products based on similar nature and size.*

The balance at the end of the year of R26 581m (2020: R26 077m) includes off-balance-sheet items of R396m (2020: R664m).

C2.3 SECTORAL ANALYSIS

	Total impairment		Stage 1: 12-month ECL allowance		Stage 2: Lifetime ECL allowance (not credit-impaired)		Stage 3: Lifetime ECL allowance (credit-impaired)	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Individuals	**17 378**	16 997	**3 313**	2 757	**3 717**	3 815	**10 348**	10 425
Financial services, insurance and real estate	**3 331**	2 500	**259**	459	**1 525**	1 483	**1 547**	558
Manufacturing	**724**	1 599	**188**	224	**332**	465	**204**	910
Building and property development	**332**	594	**24**	30	**49**	74	**259**	490
Transport, storage and communication	**761**	697	**49**	45	**195**	131	**517**	521
Retailers, catering and accommodation	**255**	152	**74**	30	**98**	62	**83**	60
Wholesale and trade	**697**	625	**70**	111	**82**	205	**545**	309
Mining and quarrying	**251**	251	**75**	163	**4**	11	**172**	77
Agriculture, forestry and fishing	**333**	332	**36**	66	**62**	57	**235**	209
Government and public sector	**399**	407	**37**	51	**172**	143	**190**	213
Other services	**1 585**	1 314	**388**	247	**259**	255	**938**	812
	26 046	25 468	**4 513**	4 183	**6 495**	6 701	**15 038**	14 584

C2.4 GEOGRAPHICAL ANALYSIS

	Total impairment		Stage 1: 12-month ECL allowance		Stage 2: Lifetime ECL allowance (not credit-impaired)		Stage 3: Lifetime ECL allowance (credit-impaired)	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
SA	**23 929**	23 778	**4 128**	3 778	**6 262**	6 434	**13 539**	13 566
Other African countries	**1 330**	1 214	**349**	363	**190**	215	**791**	636
Europe	**483**	285	**21**	25	**15**	41	**447**	219
Asia	**277**	176	**2**	3	**19**	10	**256**	163
United States of America	**8**	3	**2**	2	**6**	1		
Other	**19**	12	**11**	12	**3**		**5**	
	26 046	25 468	**4 513**	4 183	**6 495**	6 701	**15 038**	14 584

C2.5 ASSESSMENT OF SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)

At each reporting period, a SICR assessment is conducted on all performing financial instruments to determine whether a SICR since intial recognition has been experienced. Performing financial instruments that have experienced a SICR since initial recognition are classified as stage 2 and lifetime ECL is recognised. In subsequent reporting periods, if the credit risk of the financial instrument improves to the extent that there is no longer a SICR since initial recognition, the financial instrument returns to stage 1 and 12-month ECL is recognised. Alternatively, if the credit risk of the financial instrument deteriorates and the stage 3 criteria are met, lifetime ECL is recognised.

During 2021 no material changes were made to the quantitative or qualitative triggers applied. The group assesses whether there has been a SICR for financial instruments since initial recognition by considering the following:

- Comparing the PD at the reporting date with the PD on the date of initial recognition over the remaining expected life. Established thresholds for a SICR are based on a percentage change in lifetime PD over the remaining lifetime relative to initial recognition.
- Using a set of portfolio-specific qualitative criteria that are indicative of a SICR to enhance the overall SICR assessment.
- Considering instruments that are more than 30 days past due to have experienced a SICR.

The group has maintained its decision not to use the low-credit-risk exemption for any financial instruments in the year ended 31 December 2021.

The group adopted the PA's Directive 3/2020. The use of a payment holiday itself has not been judged to indicate a SICR, where applicable, with the underlying long-term credit risk deemed to be driven by economic factors and captured using a combination of forward-looking models and temporary judgemental adjustments. The group considers these to continue to perform adequately under the current economic environment, which was impacted by the Covid-19 pandemic as well as payment holidays. These models and judgemental adjustments capture the anticipated increased credit risk and future defaults, and therefore provide an appropriate assessment of staging and ECL.

In Q4 2020 Nedbank ceased granting new Directive 3/2020 payment holidays and Directive 3/2020 payment holiday renewals were considered only on an exceptional basis. Any new payment holidays granted during 2021 were assessed on a business-as-usual basis and staging and ECL assigned in line with the Group Credit Policy and Directive 7/2015.

The Directive 3/2020 restructures portfolio continued to reduce during 2021, from R28bn at 31 December 2020 to R3bn at 31 December 2021, as payment holiday agreements matured with these loans reverting to performing (stage 1 or stage 2) or being classified as stage 3 (refer to C2.6 for further details related to Directive 3/2020 loans that have subsequently been accounted for as a distressed restructure). The majority of the remaining R3bn at 31 December 2021 relates to Directive 3/2020 restructures in CIB and are expected to mature in Q1 2022. The PA issued Directive 7/2021, which replaces Directive 3/2020, and is effective from 1 April 2022. Therefore no new Directive 3/2020 restructures are permitted from 1 January 2022. Any Directive 3/2020 restructures that are concluded before 1 January 2022 will remain active and may be classified and treated in line with the requirements of Directive 3/2020, until 31 March 2022. Any remaining Directive 3/2020 restructures that remain active after 31 March 2022 will be reclassified as a distressed restructure in line with Directive 7/2015 and migrated to stage 3. The remaining Directive 3/2020 restructures at 31 December 2021 will continue to be monitored separately by the respective credit governance structures, with individual assessments performed to determine the appropriate stage allocation, and will align with the requirements of Directive 7/2021 once effective.

C2.6 DEFINITION OF 'DEFAULT'

Loans and advances are deemed to have defaulted when the South African banking regulations' definition of default criteria is triggered, which is in line with the Basel III requirements. For retail and specialised lending portfolios, this is product-centred, and a default would therefore be specific to borrower account (a specific advance). The remaining portfolios are client or borrower-centred, meaning that should any transaction within a borrowing group default, all transactions within the borrowing group would be treated as having defaulted.

Defaulted loans and advances will be classified as stage 3 and an appropriate ECL will be measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Default occurs in respect of a client in the following instances:

Quantitative criteria

- The client has exceeded its advised credit limit or is past due for more than 90 days on any material credit obligation to the group.

Qualitative criteria

- The group considers that the client is unlikely to meet its credit obligations to the group in full without the group having recourse to actions such as realising security (if held).
- The group has consented to a distressed restructuring of the credit obligation, in accordance with PA Directive 7/2015, that is likely to result in a reduced financial obligation.
- The group has applied for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation.
- The client is placed under business rescue in terms of the Companies Act, 71 of 2008 (as amended), and when the client requests a restructure of its facilities due to financial distress.

Impact of Covid-19

The Covid-19 pandemic had a material impact on the macroeconomic environment, and therefore the ability of borrowers to meet their obligations has deteriorated. The PA supported Covid-19-related relief initiatives, such as payment holidays offered by banks, to support the local economy. Consequently, the PA issued Directive 3/2020 to enable banks to continue to extend credit to the real economy during the period of financial stress without the need for inappropriate higher capital requirements.

In implementing this directive, the group adopted a strict interpretation of Directive 3/2020. For any loan restructured after 29 February 2020 where the below conditions were met, the loan was classified as a 'Directive 3/2020 restructure'. The Directive 3/2020 restructures upheld their respective stage classification (stage 1 or stage 2), instead of being identified as a distressed restructure, in accordance with Directive 7/2015, and consequently classified as credit-impaired (in default). The following conditions were applied:

- The loan was up-to-date (with zero arrears) at 29 February 2020;
- The restructure was due to Covid-19 related factors, based on all reasonable and verifiable information available at the date of restructuring the loan;
- The loan is expected to remain in an up-to-date status subsequent to the relief period, all other factors remaining constant, indicating that the financial distress was of a temporary nature. If an account was unlikely to stay up-to-date once the restructure period ended, the account was not considered a Directive 3/2020 restructure and treated as a distressed restructure, ie classified as credit-impaired (in default).

If there were adverse changes in the actual or expected circumstances during or after the relief period and the changes were not expected to be temporary in nature over and above the relief provided, such circumstances were deemed to be indicators of distress, the Directive 3/2020 restructured loan would be reclassified as a distressed restructured loan, ie credit-impaired (in default).

The Directive 3/2020 restructured portfolio for which the abovementioned rules were applied has reduced significantly. In Q4 2020 Nedbank ceased granting new Directive 3/2020 payment holidays and payment holiday renewals were considered only on an exceptional basis. As a result, the Directive 3/2020 restructured portfolio reduced during 2021 from R28bn at 31 December 2020 to R3bn at 31 December 2021. The majority of the remaining R3bn Directive 3/2020 restructures are expected to mature during Q1 2022.

The PA issued Directive 7/2021 which replaces Directive 3/2020 and it is effective from 1 April 2022, therefore no new Directive 3/2020 restructures are permitted from 1 January 2022. Any Directive 3/2020 restructures that were concluded before 1 January 2022 will remain active and may be classified and treated in line with the requirements of Directive 3/2020, until 31 March 2022. Any remaining Directive 3/2020 restructures that are still active after 31 March 2022 will be reclassified as a distressed restructure in line with Directive 7/2015 and migrated to stage 3. Due to the group's proactive management of the Directive 3/2020 restructures portfolio, the impact of the withdrawal of Directive 3/2020 will be minimal.

C2.7 FORWARD-LOOKING INFORMATION INCORPORATED IN THE ECL MODELS

To account for forward-looking information (FLI) the ECL input parameters (PD, LGD and EAD) are typically linked to macroeconomic drivers such as the prime rate, gross domestic product (GDP) growth, household debt-to-income, consumer price inflation and credit growth. Judgemental adjustments are applied where the modelling inadequately captures the risks within the portfolio.

The incorporation of FLI into the ECL allows for a range of macroeconomic outcomes to capture 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 the 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. There is a robust internal governance process to review and approve the forecast macroeconomic factors, which includes approval by a board subcommittee.

The ECL under each macroeconomic scenario is the sum of the discounted products of the PD, LGD and EAD for that specific scenario. The ECL is calculated to reflect an unbiased and probability-weighted amount, with the scenario weights estimated based on the likelihood of occurrence. The scenario set utilised and their associated weights are reviewed and approved by an executive-level subcommittee annually.

The forecast ranges for some of the key macroeconomic variables utilised are shown below by using the annual average forecast over the three-year period per scenario.

	2021					
				Economic forecast (%)		
Scenario	**Probability weighting (%)**	**Total ECL allowance**	**Economic measures**	**2022**	**2023**	**2024**
			GDP	**1,75**	**1,74**	**0,97**
Base case	**50**	**26 491**	**Prime**	**8,25**	**8,75**	**9,25**
			HPI	**4,04**	**3,96**	**4,15**
			GDP	**(0,09)**	**0,66**	**0,61**
Mild stress	**21**	**26 857**	**Prime**	**8,50**	**9,75**	**10,75**
			HPI	**3,54**	**3,39**	**3,50**
			GDP	**3,08**	**2,86**	**1,92**
Positive outcome	**21**	**26 262**	**Prime**	**7,50**	**7,50**	**7,75**
			HPI	**4,90**	**4,89**	**5,00**
			GDP	**(1,41)**	**(0,23)**	**0,3**
High stress	**8**	**27 259**	**Prime**	**8,75**	**10,00**	**11,00**
			HPI	**3,04**	**2,82**	**2,85**
Weighted scenarios	**100**	**26 581**				

	2020					
				Economic forecast (%)		
Scenario	Probability weighting (%)	Total ECL allowance	Economic measures	2021	2022	2023
			GDP	3,04	2,22	1,52
Base case	50	25 949	Prime	7,00	7,38	7,50
			HPI	2,10	2,30	3,50
			GDP	2,84	1,65	1,15
Mild stress	21	26 466	Prime	7,25	8,00	8,00
			HPI	1,81	2,12	3,08
			GDP	3,85	2,44	1,57
Positive outcome	21	25 613	Prime	7,00	7,00	7,00
			HPI	3,60	4,10	4,80
			GDP	2,14	1,68	0,92
High stress	8	27 034	Prime	7,42	8,46	8,50
			HPI	1,51	1,94	2,66
Weighted scenarios	100	26 077				

The total ECL allowance is the sum of the impairment allowance on loans and advances at amortised cost and FVOCI.

After the explicit forecast period, 2022 to 2024 (2020: 2021 to 2023), the group returns all forecast variables to a long-term average for modelling purposes. The long-term average used for modelling purposes are: GDP of 2% (2020: 2%), prime of 10,25% (2020: 10,25%) and the house price index (HPI) of 5% (2020: 5%).

Base case scenario

Covid-19 and lockdown

- SA experiences further waves of Covid-19 and its variants, however the outbreaks are brought under control quickly.
- Lockdown restrictions remain in place for the majority of 2022. Restrictions vary between level 1 and level 3, adjusted to deal with the unique characteristics of each resurgence in infections. The 2020 versions of lockdown levels 4 and 5 are not repeated.
- Vaccination progress is slow, with SA reaching between 60% and 70% of the population only by end-2022.

Global economic assumptions

- The global recovery loses momentum in H2 2021 due to the fading impact of 2020's low base, the rapid spread of the Delta variant, further lockdowns in some countries, rising global inflation, the phasing out of fiscal support measures and the gradual normalisation of monetary policies. Extreme weather events, and climate mitigation measures further complicate the recovery.
- Growth rates among countries differ based on vaccination rates and policy support. On balance, the world economy expands by more than 5% in 2021, over 4,5% in 2022, and over 3,5% from 2023 onwards.
- World trade bounces back strongly in 2021, but strained relations between China, the US and Europe result in some moderation from 2022 onwards.
- Risk sentiment becomes more volatile as the US starts to normalise monetary policy and advanced countries start to scale back highly stimulatory fiscal policies. Elevated valuations and inflation also weigh on investors, resulting in risk aversion. Emerging markets experience increasingly erratic capital inflows, placing pressure on equity prices, bond yields and currencies.
- Commodity prices start to moderate but remain at relatively high levels. The slower growth in China is partially countered by the acceleration in infrastructure spending in the US and the Eurozone, with a particular focus on the transition to green energy and transport systems.

Global policy responses

- Monetary policies: The US Fed wraps up the tapering of bond purchases in H1 2022. Interest rate normalisation follows in H2 2022. The UK and Canada begin raising interest rates early in 2022, while monetary policy remains accommodative in the Eurozone, with interest rates moving marginally higher in 2023. In Japan, policy remains highly accommodative, with interest rates anchored near zero. Investors start to price in the prospect of higher US interest rates, placing pressure on capital flows to emerging markets.
- Fiscal policies: Advanced countries start to rein in direct support to households and companies, but policies remain stimulatory, switching to infrastructure and other economic initiatives to kick start and stimulate global growth.

Domestic policy landscape

- Monetary policy: The Monetary Policy Committee (MPC) continue to normalise policy rates over the next three years. The November Quarterly Projection Model (QPM) suggested hikes of 100 bps in 2022, 2023 and 2024 to maintain inflation around 4,5% over the next three years. Given a negative output gap, the MPC is unlikely to hike interest rates by the extent suggested by the QPM. Instead, interest rates increase by 100 bps in 2022, and 50bps each in 2023 and 2024. Over the forecast period, interest rates are forecast to increase by a cumulative 200 bps.
- Fiscal policy: Recent revisions to GDP improved the debt metrics substantially. In the Medium-Term Budget Policy Statement (MTBPS), the government aims to reduce the budget deficit through spending restraint, with reducing consolidated expenditure from 34,5% of GDP in 2021/22 to 31,5% by 2023/24. The tax burden is kept elevated, with consolidated revenue averaging 26,6% of GDP. This combination reduces the deficit from an estimated 7,8% of GDP in 2021/22 to a still unsustainable 4,9% by 2023/24. The public debt burden resumes its upward trend in 2022/23, rising to 77,8% of GDP by 2023/24. Although the risk of renewed setbacks remains high, the country is likely to maintain its current sovereign risk ratings. Any upgrades appear unlikely.
- Structural constraints: Change occurs slowly, mainly driven by budget pressures. These include the deregulation of the energy sector, the release of spectrum, and changes to mining legislation throughout 2022 and 2023. Politically sensitive changes around labour and land reforms, intellectual property rights and others are left unchanged. Electricity constraint remains but deregulation occurs, resulting in new investment and reduced reliance on Eskom. Some state-owned enterprises (SOEs) do not survive and are broken up and sold off.

Domestic economic consequences

- GDP
  The economy stumbles in the third quarter, hurt by the tighter lockdowns and social unrest in July. Economic activity improves from the fourth quarter onwards, but growth rates slow off the higher base. The momentum continues to come from a moderate recovery in consumer spending and the rebuilding of depleted inventories.

  Fixed investment turns the corner in 2021, edging up by 1,4%, after plunging by 14,9% in 2020. Ample spare capacity and continued power outages continue to limit the upside for fixed-investment activity throughout the forecast period. A moderate recovery begins from 2022 onwards.

  Household incomes recover only gradually, constrained by limited job creation and subdued wage growth. Households draw on higher savings to sustain spending, while still attractive interest rates and contained inflation add further support.

- Credit
  Household credit: Demand for credit improves gradually towards end-2021, supported by low interest rates. Loan growth peaks in early 2022, maintaining a steady but non-accelerating growth rate over the rest of the period. Most credit categories post modest recoveries off low bases. Credit quality remains compromised and the risk of bad debts remains high, improving gradually from H2 2022 onwards. The ratio of household debt to disposable income (PDI) increases moderately, averaging around 67% over 2021 to 2024.

  Corporate credit: Corporate credit turns the corner in late 2021, with gathering building moderate momentum throughout 2022, before slowing to less than 3% yoy by end-2025. Risks differ from industry to industry. Risks of default remains but improves over the forecast period.

- Asset prices
  Equities: Stock markets lose momentum in early 2022, hurt by changing global monetary policies, higher risk sentiment and slower growth in company earnings.

  House prices: House price growth peaked at 5,1% in May and gradually loses momentum, hovering around 4% over the forecast period. Higher interest rates dampen demand for property, but the main drag continues to come from policy and legislative uncertainty around the implications of expropriation without compensation.

High-stress scenario

Covid-19 and lockdown

- SA experiences further waves of Covid-19 and its variants, however the outbreaks are brought under control quickly.
- Lockdown restrictions remain in place for most of 2022. Restrictions vary between level 1 and level 3, adjusted to deal with the unique characteristics of each resurgence in infections. The 2020 versions of lockdown levels 4 and 5 are not repeated.
- Progress on the vaccine rollout stalls, with the country approaching population immunity only towards the end of 2023 and into 2024. Over this period, the country grows increasingly isolated, with other countries maintaining travel restrictions to SA. The worst affected industries – travel, tourism, entertainment, hospitality, restaurants, and catering – suffer long-term damage.

Global economic assumptions

- The global recovery falls short of expectations, with growth of less than 5% in 2021 off 2020's low base, before moderating to around 3% in the outer years of the forecast period. Some industries fail to recover from Covid-19, resulting in increased bankruptcies, rising bad debts and structurally higher unemployment.
- World trade improves only moderately. Trade tensions escalate despite the change in US leadership.
- Risk appetites are volatile, with investors torn between concerns over high valuations and fears of inflation. As a result, capital flows to exempted micro enterprises (EMEs) remain under pressure, with investors steering clear of countries with large structural imbalances, high public debt burdens and poor growth prospects. The unwinding of the monetary stimulus and expectations of higher interest rates in advanced countries also undermine capital flows from EMEs.
- Commodity prices correct sharply from 2022 onwards as global growth fails to live up to expectations and the fiscal stimulus from advanced countries is insufficient.

Global policy responses

- Monetary policies: The US Fed Reserve starts to normalise policy in late 2021 as inflation proves sticky at higher levels. However, the tapering of bond purchases proves premature, resulting in sharp corrections in equity markets, increased volatility and a spike in risk aversion. This results in a much slower unwinding of bloated central bank balance sheets, with interest rates remaining around zero throughout the forecast period.
- Fiscal policies: Public debt burdens rise sharply as governments extend fiscal support on signs of slower growth. Most developing countries are forced to rein in spending and reduce budget deficit to slow the rate of debt accumulation and counter the surge in debt service costs emanating from higher US interest rates.

Domestic policy landscape

- Monetary policy: Inflation accelerates towards end-2021, driven by rising fuel and food prices, a weaker rand and sharp increases in electricity and water tariffs. Inflation averages 5,9% over 2022 to 2024, forcing the MPC to hike interest rates by a cumulative 375 bps over the period.
- Fiscal policy: Public spending rises to a higher base, while tax revenue falls short of targets. Budget deficits averages around 9% of GDP and the debt burden rises to over 95% of GDP by 2023/24. Further downgrades into junk status from all three major rating agencies are assumed with the country on the brink of a fiscal crisis throughout the forecast period.
- Structural constraints: Politics and ideology undermine structural reforms. Vested interest slows progress in rolling out renewable energy, the restructuring of SOEs and deregulation in other keys industries. Energy constraints become less of a concern as the economy operates throughout the forecast period at well below capacity. High debt burdens and limited financing options eventually bring about some progress in structural reforms in the outer years of the forecast period.

Domestic economic consequences

- GDP
  GDP growth loses momentum, with the economy settling on a weaker growth path characterised by an underlying lack of confidence. Growth averages only 0,7% per annum over 2021 to 2024.

  Fixed investment recovers off a low base at 1,7% per annum over the next three years, constrained by energy shortages, a loss of confidence and other domestic constraints. Fixed investment does not return to pre-crisis levels during the forecast period.

  Unemployment settles at higher levels, while wages decline in real or inflation-adjusted terms. Households limit spending given pressure on disposable income and uncertainty about future earnings prospects and job security. Consumer spending declines at an annual average rate of 0,6% over the forecast period.

- Credit
  Household credit: Advances lose momentum, due to the relapse in economic activity caused by rising inflation and tighter monetary policies. Loans to households struggle to grow by more than 3% yoy on a sustained basis, while household debt averages 69% of disposable income over 2022 to 2024.

  Corporate credit: Limited fixed investment results in a weak recovery in corporate credit demand. The risk of default is exceptionally high.

- Asset prices
  Equities: Prices decline sharply as a result of weak economic growth, rising inflation, higher interest rates and the country's worsening fiscal position.

  House prices: House price growth slows to below 3% by end-2024. In real or inflation-adjusted terms, house prices decline throughout the period. A worsening policy and legislative environment, with growing doubts about private property rights, prevents a meaningful or sustainable recovery.

Positive-outcome scenario

Covid-19 and lockdown

- SA experiences further waves of Covid-19 and its variants, however the outbreaks are less severe.
- Lockdown restrictions remain in place for the majority of 2022. Restrictions vary roughly between level 1 and level 3, adjusted to deal with the unique characteristics of each resurgence in infections. The 2020 versions of lockdown levels 4 and 5 are not repeated.
- Progress on the vaccine rollout accelerates, with the country approaching population immunity around H2 2022.

Global economic assumptions

- The world economy performs better than expected. The recovery regains momentum in Q4 2021, supported by faster vaccinations in emerging and developing countries, allowing more countries to lift containment measures, restoring global supply chains, easing inflationary pressures and slowing the pace of monetary policy normalisation across the globe. The world economy grows by more than 6% in 2021, maintaining growth of around 4,5% on average between 2022 and 2024.
- World trade stages a solid and sustained recovery. Initial tensions between US and China are ultimately resolved in an orderly manner.
- Risk-on sentiment persists, despite periodic corrections, fuelled by clear signs of global recovery and the search for higher yields.
- Commodity prices remain robust, increasing albeit at a slower pace. Demand for commodities is underpinned by healthy global demand and increased infrastructure spending in most advanced countries and large emerging market economies.

Global policy responses

- Monetary policies: The US Fed, and most other central banks continue monetary policy normalisation throughout 2022 but opt to move gradually, with the first hike in US interest rates materialising only in 2023. Despite an initial period of dislocation and adjustment, policy changes are well communicated, and risk appetites remain relatively healthy throughout. Interest rates are normalised at a gradual pace.
- Fiscal policies: Advanced countries start to reign in direct support to households and companies, but policies generally remain stimulatory, switching to infrastructure and other economic initiatives to kick-start and stimulate global growth.

Domestic policy landscape

- Monetary policy: Inflation remains subdued below the 4,5% midpoint of SARB's inflation targeting range. Strong global risk appetite and a commodity price boom support the rand, which offsets the impact of rising fuel and energy prices. Inflation averages just short of 4% over the forecast period. The MPC hikes interest rates by 50bps over the next three years.
- Fiscal policy: Improved policies and structural reforms slowly lift growth, improve tax revenues and enable the reprioritisation of spending towards capital rather than consumption expenditure. Junk status is not lifted over the three-year forecast period, however ratings outlooks gradually improve to neutral and ultimately positive.
- Structural constraints: Energy constraints persist, but the rapid roll-out of alternative forms of energy, deregulation of energy supply and effective maintenance at Eskom enable the country to cope with these constraints. Covid-19 and rating downgrades to junk status serve as a wake-up call to politicians. Economic policies, regulations and legislation are reviewed, streamlined and tweaked to remove disincentives to business and investment.

Domestic economic consequences

- GDP
  The recovery gains momentum in 2022 as confidence improves in response to better economic policies and evidence of structural reforms. Growth is driven by improvements in all sources of demand. Real averages grow 3,2% per annum over the forecast period.

  Fixed-investment activity picks up off a low base. The recovery starts slowly, given spare capacity and persistent power constraints, but gathers pace as the environment improves. Private sector capital expenditure is buoyed by increased investment in renewable energy, communication and data technologies. In the outer years infrastructure spending by the public sector also starts to drift higher.

  Consumer confidence bounces back, encouraged by positive policy developments, a faster-than-expected recovery in job opportunities, firmer wage growth and low interest rates.

- Credit
  Household credit: Credit demand gathers momentum with the economic recovery in 2022, growing at a pace of around 6% throughout the period. The ratio of household debt to disposable income averages 65,5% from 2022 to 2024.

  Corporate credit: Credit demand improves off a low base in H2 2021 as fixed-investment activity picks up, the policy environment improves and global growth accelerates.

- Asset prices
  Equities: Prices rebounds over the next three years, supported by signs of transition towards a more business-friendly political and policy environment. Strong and robust global risk appetites coupled with rising global equity market add further momentum.

  House prices: Price growth is sustained around 5%, rising to 5,5% by the end of 2024. House prices start to post positive real returns from 2023 onwards, driven by improved confidence, secured property rights and lower interest rates.

Mild scenario

The mild scenario is a milder version of the high-stress scenario, where:

- increases in the prime rate are lower, reflecting a 125 bps increase in 2022 and 125 bps in 2023;
- the pace and rate of recovery remain slow, reflected in GDP growth at negative 0,1% in 2022, 0,7% in 2023 and 0,6% in 2024; and
- the HPI recovery reflects a slow recovery similar to GDP growth.

C2.8 APPLICATION OF JUDGEMENTAL ADJUSTMENTS IN ESTABLISHING ECL

Nedbank's ECL impairment allowance is estimated quantitatively through the application of IFRS 9 impairment models and is supplemented by judgemental adjustments. Judgemental adjustments are applied to cater for portfolios where the use of a model is inappropriate or applied in addition to the model (referred to as post-model adjustments) to cater for known model and data deficiencies and to account for emerging or developing information for which there is insufficient data and/or time to update models accordingly.

The scale of the economic shock induced by the Covid-19 pandemic, the heterogeneous impacts on various sectors, challenges in accurately reflecting the risk of clients under payment holidays, uncertainty around the economic recovery including impacts of further waves and variants of the virus, timing of the vaccine rollouts and the difficulty in gauging the impact of relief measures have all meant that there are significant challenges in reliably estimating ECL in the current environment.

Nedbank developed a comprehensive Covid-19 credit programme, which sought to address these challenges and associated uncertainty. The programme focused on updating credit policies, data and models that may have a material impact on the estimation of the ECL impairment allowance and the associated income statement charge, with additional emphasis on judgemental adjustments to ensure emerging short-term and long-term risks are accounted for adequately. As such, in navigating through the crisis there has been a significantly higher level of judgemental adjustments applied in establishing the group's ECL position. A total of 19,72% of the 2021 balance sheet ECL (2020: 23,89%) is driven by judgemental adjustments.

The tables that follow provide a breakdown of the balance sheet ECL and income statement ECL charge at 31 December 2021 and 31 December 2020 by cluster/business unit split between the following categories:

- **Model driven ECL** – Represents the ECL impairment allowance, which is driven quantitatively by the IFRS 9 impairment models across the group. The key drivers of the model-driven ECL includes book growth, updates to the macroeconomic forecasts, changes in credit risk mix and enhancements made to impairment models. Since the onset of the pandemic, updates were made to the impairment models to ensure that these models remain fit-for-purpose.
- **Judgemental adjustments** that are further split into the following
  - **Individually assessed:** Considering the low default nature of the CIB portfolio and the client specific approaches applied in the resolution of CIB stage 3 clients, the ECL for CIB stage 3 is based on judgment of credit experts. This category therefore represents expert judgement based ECL estimates on CIB stage 3 clients that are individually assessed as part of the robust business-as-usual monthly watchlist process. The CIB stage 3 ECL is derived from an expert judgement basis where potential losses under three different recovery scenarios, namely an expected-case, a best case and a worst-case scenario.
  - **Covid-19 and forward-looking information (FLI) adjustments:** Adjustments processed to cater for the short-term and long-term impacts of Covid-19, as well as the increased uncertainty around the economic recovery where this is not fully catered for in the models. The Covid-19 adjustments include additional ECL raised to cater for a deterioration in repayment behaviour once payment holidays expire and the heterogeneous impacts on various sectors. The FLI adjustments include catering for a potential deterioration in collateral valuations, industry/segment-specific impacts not fully captured by the portfolio level macroeconomic models and emerging risks/developing events that are not yet reflected in the underlying data, models or macroeconomic forecasts.
  - **Other judgemental adjustments:** Adjustments processed to address known system and model shortcomings and data limitations, unrelated to Covid-19, which have not yet been incorporated into the group's models.

Balance sheet ECL

	2021					
Rm	Model ECL[1]	Individually assessed	Covid-19 and FLI adjustments	Other judgemental adjustments	Total ECL	Modelled ECL as % of total ECL
Investment Banking and Transactional Services	1 537	1 396	76	218	3 227	47,63
Property Finance	389	828	370	300	1 887	20,61
Retail	16 785		190	713	17 688	94,89
Business Banking	1 214		307	197	1 718	70,66
Wealth	312		71	73	456	68,42
NAR	1 101		4		1 105	99,64
Centre			500		500	
Total	**21 338**	**2 224**	**1 518**	**1 501**	**26 581**	**80,28**

Rm	2020					
	Model ECL[1]	Individually assessed	Covid-19 and FLI adjustments	Other judgemental adjustments	Total ECL	Modelled ECL as % of total ECL
Investment Banking and Transactional Services	1 689	993	386	13	3 081	54,82
Property Finance	476	641	440		1 557	30,57
Retail	15 007		1 631	529	17 167	87,42
Business Banking	1 434		516	140	2 090	68,61
Wealth	312		98	24	434	71,89
NAR	913		70		983	92,88
Centre	15		750		765	1,96
Total	19 846	1 634	3 891	706	26 077	76,11

Income statement charge

Rm	2021					
	Model ECL[1]	**Individually assessed**	**Covid-19 and FLI adjustments**	**Other judgemental adjustments**	**Total impairment**	**Modelled ECL as % of total ECL**
Investment Banking and Transactional Services	**85**	**943**	**(310)**	**205**	**923**	**9,21**
Property Finance	**(89)**	**354**	**(70)**	**300**	**495**	**(17,98)**
Retail	**6 596**		**(1 441)**	**184**	**5 339**	**123,54**
Business Banking	**(15)**		**(209)**	**57**	**(167)**	**8,98**
Wealth	**6**		**(27)**	**49**	**28**	**21,43**
NAR	**234**		**(66)**		**168**	**139,29**
Centre	**(2)**		**(250)**		**(252)**	**0,79**
Total	**6 815**	**1 297**	**(2 373)**	**795**	**6 534**	**104,30**

Rm	2020					
	Model ECL[1]	Individually assessed	Covid-19 and FLI adjustments	Other judgemental adjustments	Total impairment	Modelled ECL as % of total ECL
Investment Banking and Transactional Services	18	1 917	386	13	2 334	0,77
Property Finance	155	479	440	(163)	911	17,01
Retail	6 019		1 631	243	7 893	76,26
Business Banking	290		516	47	853	34,00
Wealth	50		98	60	208	24,04
NAR	358		70	9	437	81,92
Centre	(9)		500		491	(1,83)
Total	6 881	2 396	3 641	209	13 127	52,42

[1] The YE 2020 disclosures included the individually assessed category as part of the model driven ECL. To enhance the disclosure to report the levels of reliance placed on the models compared to judgement, the individually assessed category has been split into a separate category for YE 2021 given that the CIB stage 3 ECL is largely based on expert credit judgement.

Judgemental adjustments, which are inclusive of 'individually assessed', 'Covid-19 and FLI adjustments' and 'other judgemental adjustments', are recognised in the following stages: R642m in stage 1, R1 920m in stage 2 and R2 681m in stage 3 (2020: R700m in stage 1, R3 191m in stage 2 and R2 340m in stage 3), which have been allocated based on where the associated downside risk resides.

The Retail portfolios are data rich and homogeneous in nature therefore a portfolio approach is typically applied with greater reliance placed on the models when determining ECL. The wholesale portfolios are more client- and industry- specific, and as such there is greater reliance on expert judgement applied, in particular for stage 3 clients, when determining ECL.

During 2021 judgemental adjustments continued to be closely monitored, with a reduction in the Covid-19 and FLI adjustments noted in line with the following:

- Exposure to clients under Directive 3/2020 payment holidays reduced from R28bn at YE 2020 to R3bn at YE 2021 with the anticipated risk on this population largely adequately reflected in model-driven ECL through their actual payment behaviour and client re-ratings. The remaining Directive 3/2020 exposures relate to clients in CIB and the risk has been catered for as part of the CIB post-model adjustments.
- In the wholesale portfolios, the anticipated deterioration for clients in the most vulnerable sectors (ie those most impacted by Covid-19 and resultant restrictions) has emerged through client downgrades during the year.
- Impairment models were updated to incorporate more recent data, which includes the period impacted by Covid-19, and to address any known model deficiencies including most notably the redevelopment of the macroeconomic models. The model updates were performed to

ensure that the models incorporate most recent data, perform well historically, and provides the most appropriate estimates of forward-looking default risk and losses.

The unwinding of the Covid-19 and FLI adjustments reported was largely offset by an increase in the model driven ECL as reflected in the balance sheet ECL and income statement ECL charge tables. The model-driven component of the balance sheet ECL has increased from 76,11% at YE 2020 to 80,28% at YE 2021. Similarly the model driven contribution to the income statement ECL charge has increased from 52,42% at YE 2020 to 104,30% at YE 2021.

The other judgemental adjustments increased by R795m during 2021, largely to cater for the elevated downside risk on specific stressed sectors and clients in CIB where the inherent risk is not fully catered for in the model based ECLs. In addition, other judgemental adjustments were raised to account for increased collections risk in Retail that is driven by payment system changes and to cater for other model shortcomings identified through our model governance processes.

The remaining judgemental adjustments will continue to be reassessed periodically in line with the emergence of risk in the data and/or the updating of models to adequately capture the prevailing economic environment. The expectation is that the remaining Covid-19 and FLI adjustments will be reassessed during 2022 and 2023 as greater certainty around the longer term impact of Covid-19 on the portfolio is obtained. Other judgemental adjustments reflect items that are more longstanding in nature and which are reassessed periodically.

Judgemental adjustments are approved and managed through strong internal governance processes. The expert-judgement-based ECL raised in respect of the individually assessed clients is governed through the robust business-as-usual monthly watchlist process with representation from all lines of defence. Considering the greater reliance on judgement-based post-model adjustments, in navigating through the pandemic, existing governance processes and controls were strengthened with key roles and responsibilities outlined below:

- **First line of defence:** Post-model adjustment processes/quantification methodologies were developed by the business units.
- **Second line of defence**: Group Credit Risk (GCR) provided assurance by challenging existing overlays and identifying emerging risks and recommending overlays to ensure completeness and adequacy of impairments. Second-line-of-defence committee oversight is provided through avenues such as RBB monthly impairments meetings, cluster credit committees (CCCs), the Executive Credit Committee (ECC), and credit rating approval meetings (CRAMs). GCR provided further oversight in ensuring alignment and consistency in the ECL approaches across the various portfolios. GCR also performed a final assessment of the adequacy of impairments and considered emerging risks that needed to be accounted for as part of the group's forward-looking information adjustments.
- **Third/Fourth line of defence:** GIA provides third-line-of-defence assurance, while external audit provides extensive oversight through their year-end audits.

C2.9 SCENARIO ANALYSIS

Macroeconomic variable (%)

Scenario	2021 Probability weighting (%)	2021 Total ECL allowance	2021 Difference to weighted scenario	2021 Percentage difference to weighted scenario	2020 Probability weighting (%)	2020 Total ECL allowance	2020 Difference to weighted scenario	2020 Percentage difference to weighted scenario
Base case	**50**	**26 491**	**(90)**	**(0,34)**	50	25 949	(128)	(0,49)
Mild stress	**21**	**26 857**	**276**	**1,04**	21	26 466	389	1,49
Positive outcome	**21**	**26 262**	**(319)**	**(1,20)**	21	25 613	(464)	(1,78)
High stress	**8**	**27 259**	**678**	**2,55**	8	27 034	957	3,67
Weighted scenarios	**100**	**26 581**			100	26 077		

The total ECL allowance is the sum of the impairment allowance on loans and advances at amortised cost and FVOCI.

Nedbank has utilised four economic scenarios (base case, mild stress, positive outcome and high stress) in the estimation of ECL. These scenarios are prepared by the Nedbank Group Economic Unit, approved by the Nedbank House View Forum and the GCC. The base case is our expected outcome and is accordingly allocated a 50% probability weighting. The other scenarios represent the tails of our expected distribution of outcomes and thus allocated probability weightings based on the likelihood of their occurrence. The non-Covid-19-related adjustments and Covid-19 key judgement overlays were not flexed in the mild-stress, positive-outcome and high-stress scenarios. The forward looking macro adjustments relating to Retail portfolios were flexed. The scenarios and the associated probability weightings are reviewed at least quarterly to incorporate any changes in the macroeconomic environment.

The table above summarises the most significant macroeconomic variables impacting ECL for the group that have been weighted and stressed against the final-weighted ECL. The different scenarios are a weighting of the different macroeconomic scenarios (for example interest rate and GDP).

The table above summarises the sensitivity of the ECL outcome against the four economic scenarios by calculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a SICR and the measurement of the resulting ECL. The ECL calculated for the positive-outcome and the high-stress scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes.

There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting.

C2.10 SEGMENTAL ANALYSIS OF IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

2021

Rm	Total	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Africa Regions	Centre
ECL allowance at the beginning of the year	25 468	4 029	19 257	434	983	765
Stage 1	4 183	881	3 015	46	241	
Stage 2	6 701	1 235	4 504	56	158	748
Stage 3	14 584	1 913	11 738	332	584	17
Statement of comprehensive income charge net of recoveries	6 534	1 418	5 172	28	168	(252)
Stage 1	376	(291)	669	(18)	16	
Stage 2	(13)	453	(207)	(3)	(7)	(249)
Stage 3	6 160	1 178	4 763	49	170	
Off-balance-sheet allowance	(274)	(212)	(53)		(9)	
Non-loans and advances	(5)				(2)	(3)
FVOCI loan impairment charge	290	290				
Adjusted for:	(5 956)	(868)	(5 023)	(6)	(46)	(13)
Recoveries[1]	1 425	4	1 391		30	
Interest in suspense[1]	1 062	152	922		(12)	
Amounts written off against the impairment[1]	(8 139)	(691)	(7 380)	(5)	(63)	
Foreign exchange and other transfers[1]	(19)	(43)	44	(1)	(3)	(16)
Non-loans and advances	5				2	3
FVOCI loan impairment charge	(290)	(290)				
ECL allowance at the end of the year	26 046	4 579	19 406	456	1 105	500
Stage 1	4 513	621	3 600	44	248	
Stage 2	6 495	1 644	4 194	39	118	500
Stage 3	15 038	2 314	11 612	373	739	
Split by measurement category	26 046	4 579	19 406	456	1 105	500
Loans and advances	25 650	4 296	19 316	456	1 082	500
Off-balance-sheet allowance	396	283	90		23	

[1] Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs are R5 671m. Refer to C2.2. Foreign exchange movements included in this amount is a R87m gain (2020: R111m loss).

2020

Rm	Total	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Africa Regions	Centre
ECL allowance at the beginning of the year	17 812	2 404	14 144	229	771	264
Stage 1	3 362	591	2 507	24	240	
Stage 2	3 893	729	2 819	25	72	248
Stage 3	10 557	1 084	8 818	180	459	16
Statement of comprehensive income charge net of recoveries	13 127	3 244	8 746	208	437	492
Stage 1	913	271	519	22	101	
Stage 2	2 553	435	1 533	31	54	500
Stage 3	8 981	1 940	6 619	155	267	
Off-balance-sheet allowance	389	305	75		9	
Non-loans and advances	(2)				6	(8)
FVOCI loan impairment charge	293	293				
Adjusted for:	(5 471)	(1 619)	(3 633)	(3)	(225)	9
Recoveries	1 165	6	1 077		82	
Interest in suspense	1 059	74	855		130	
Amounts written off against the impairment	(7 419)	(1 378)	(5 979)	(3)	(59)	
Foreign exchange and other transfers	15	(28)	414		(372)	1
Non-loans and advances	2				(6)	8
FVOCI loan impairment charge	(293)	(293)				
ECL allowance at the end of the year	25 468	4 029	19 257	434	983	765
Stage 1	4 183	881	3 015	46	241	
Stage 2	6 701	1 235	4 504	56	158	748
Stage 3	14 584	1 913	11 738	332	584	17
Split by measurement category	25 468	4 029	19 257	434	983	765
Loans and advances	24 804	3 539	19 113	434	953	765
Off-balance-sheet allowance	664	490	144		30	

C2.11 CREDIT RISK EXPOSURE

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

	Maximum exposure to credit risk[1]	
Rm	**2021**	2020
Other short-term securities	**35 008**	28 245
Derivative financial instruments	**39 179**	80 325
Government and other securities	**69 636**	54 631
Loans and advances	**59 562**	82 850
Other assets	**21 007**	5 201
Investment securities	**25 373**	26 297
Total	**249 765**	277 549

[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:

2021

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

Rm	Gross exposure[1]	Impairment allowance	Carrying amount	Fair value of collateral held
Home loans	9 899	2 341	7 558	7 965
Commercial mortgages	4 824	1 119	3 705	3 328
Properties in possession	81	10	71	
Credit cards and overdrafts	3 989	2 460	1 529	854
Term loans	12 642	5 756	6 886	1 325
Overnight loans	221	86	135	
Specialised and other loans to clients	1 498	464	1 034	223
Instalment debtors	7 275	3 105	4 170	4 922
Preference shares and debentures	298	84	214	213
Factoring accounts	89	7	82	89
Loans and advances at amortised cost and FVOCI	**40 816**	**15 432**	**25 384**	**18 919**

[1] Included in the total loans and advances at amortised cost and FVOCI is a gross carrying amount of R1 481m relating to term loans at FVOCI.

2020

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

Rm	Gross exposure[1]	Impairment allowance	Carrying amount	Fair value of collateral held
Home loans	11 665	2 318	9 347	9 777
Commercial mortgages	5 644	999	4 645	5 026
Properties in possession	63	9	54	9
Credit cards and overdrafts	4 326	2 476	1 850	821
Term loans	12 558	4 830	7 728	4 392
Overnight loans	292	22	270	
Specialised and other loans to clients	1 524	227	1 297	161
Instalment debtors	10 468	3 876	6 592	7 668
Preference shares and debentures	201	67	134	107
Factoring accounts	213	22	191	198
Loans and advances at amortised cost and FVOCI	46 954	14 846	32 108	28 159

[1] *Included in the total loans and advances at amortised cost and FVOCI is a gross carrying amount of R1 711m relating to term loans at FVOCI.*

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

Loans and advances

2021

LTV distributions

	Gross carrying amount of credit-impaired financial assets			
Rm	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts
Lower than 50%	**1 508**	**515**	**3**	**342**
50% to 75%	**2 025**	**346**		
75% to 100%	**4 067**	**1 715**	**19**	**585**
Higher than 100%	**2 299**	**2 248**	**59**	**3 062**
Loans and advances at amortised cost and FVOCI	**9 899**	**4 824**	**81**	**3 989**

2020

LTV distributions

	Gross carrying amount of credit-impaired financial assets			
Rm	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts
Lower than 50%	1 934	637		590
50% to 75%	2 410	338		
75% to 100%	4 184	2 417	23	323
Higher than 100%	3 137	2 252	40	3 413
Loans and advances at amortised cost and FVOCI	11 665	5 644	63	4 326

Gross carrying amount of credit-impaired financial assets					
Term loans	**Overnight loans**	**Specialised and other loans to clients**	**Instalment debtors**	**Preference shares and debentures**	**Factoring accounts**
763	**221**	**83**	**152**		**(1)**
1		**64**	**297**		
2 786		**195**	**1 040**		**89**
9 092		**1 157**	**5 786**	**298**	**1**
12 642	**221**	**1 499**	**7 275**	**298**	**89**

Gross carrying amount of credit-impaired financial assets					
Term loans	Overnight loans	Specialised and other loans to clients	Instalment debtors	Preference shares and debentures	Factoring accounts
1 416		214	332		
3		2	609	201	
2 058		108	1 647		164
9 081	292	1 200	7 880		49
12 558	292	1 524	10 468	201	213

C2.12 LOSS ALLOWANCE

Reconciliation of loss allowance relating to financial assets subsequently measured at amortised cost

The following tables present 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:

2021

Loans and advances

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	611 089	4 183	606 906
New financial assets originated or purchased	229 678	2 932	226 746
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(35 901)	4 972	(40 873)
Final repayments	(138 637)	(1 299)	(137 338)
Transfers to 12-month ECL	31 581	1 208	30 373
Transfers to lifetime ECL (not credit-impaired)	(62 010)	(3 694)	(58 316)
Transfers to lifetime ECL (credit-impaired)	(13 375)	(3 902)	(9 473)
Foreign exchange movements	2 791	113	2 678
Net balances (refer note C2.2)	625 216	4 513	620 703
Total credit and zero balances[2]	8 292	(45)	8 337
Balance at the end of the year	633 508	4 468	629 040
Loans and advances at FVTPL			
Loans and advances at FVOCI			
Off-balance sheet impairment allowance			
Fair-value hedge-accounted portfolios			
ECL credit and other balances			
Loans and advances			

[1] Includes credit risk changes as a result of SICR, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments. The most significant changes to the ECL model inputs and assumptions relate to the redevelopment and refinement of macroeconomic models where necessary and the incorporation of recent data into the ECL models, which includes the period impacted by Covid-19. The model updates were performed to ensure that the models still predict historical pre-Covid-19 loss and default rates adequately, are responsive to but do not overfit the Covid-19 period and produce appropriate estimates of forward-looking default risk and losses.
[2] Total credit and zero balances throughout this note refer to the loss allowance on balances that became liabilities to the group during the financial year. The group, however, still has credit risk exposure on these facilities.

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
98 409	6 701	91 708	45 185	14 584	30 601	754 683	25 468	729 215
						229 678	2 932	226 746
			(8 139)	(8 139)		(8 139)	(8 139)	–
(15 405)	(1 057)	(14 348)	(6 991)	3 895	(10 886)	(58 297)	7 810	(66 107)
(17 113)	(322)	(16 791)	(2 972)	(688)	(2 284)	(158 722)	(2 309)	(156 413)
(26 595)	(713)	(25 882)	(4 986)	(495)	(4 491)	–	–	–
66 795	4 221	62 574	(4 785)	(527)	(4 258)	–	–	–
(7 880)	(2 391)	(5 489)	21 255	6 293	14 962	–	–	–
551	56	495	732	115	617	4 074	284	3 790
98 762	6 495	92 267	39 299	15 038	24 261	763 277	26 046	737 231
14	(11)	25	36		36	8 342	(56)	8 398
98 776	6 484	92 292	39 335	15 038	24 297	771 619	25 990	745 629
								59 562
								25 454
								396
								750
								(56)
								831 735

Home loans

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	140 249	350	139 899
New financial assets originated or purchased	13 718	67	13 651
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	8 132	310	7 822
Final repayments	(10 060)	(22)	(10 038)
Transfers to 12-month ECL	6 207	34	6 173
Transfers to lifetime ECL (not credit-impaired)	(5 093)	(205)	(4 888)
Transfers to lifetime ECL (credit-impaired)	(2 306)	(286)	(2 020)
Foreign exchange movements	380	39	341
Net balances	151 227	287	150 940
Total credit and zero balances	204	(1)	205
Balance at the end of the year	151 431	286	151 145

Commercial mortgages

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	161 287	376	160 911
New financial assets originated or purchased	52 242	237	52 005
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(4 216)	(237)	(3 979)
Final repayments	(44 010)	(89)	(43 921)
Transfers to 12-month ECL	5 552	103	5 449
Transfers to lifetime ECL (not credit-impaired)	(8 338)	(79)	(8 259)
Transfers to lifetime ECL (credit-impaired)	(1 093)	(101)	(992)
Foreign exchange movements	212	7	205
Net balances	161 636	217	161 419
Total credit and zero balances			
Balance at the end of the year	161 636	217	161 419

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
15 988	801	15 187	11 656	2 318	9 338	167 893	3 469	164 424
						13 718	67	13 651
			(319)	(319)		(319)	(319)	–
319	(252)	571	(1 001)	3	(1 004)	7 450	61	7 389
(885)	(24)	(861)	(853)	(144)	(709)	(11 798)	(190)	(11 608)
(4 684)	(24)	(4 660)	(1 523)	(10)	(1 513)	–	–	–
7 316	310	7 006	(2 223)	(105)	(2 118)	–	–	–
(1 812)	(291)	(1 521)	4 118	577	3 541	–	–	–
18	10	8	32	20	12	430	69	361
16 260	530	15 730	9 887	2 340	7 547	177 374	3 157	174 217
4	(1)	5	11		11	219	(2)	221
16 264	529	15 735	9 898	2 340	7 558	177 593	3 155	174 438

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
18 367	694	17 673	5 644	999	4 645	185 298	2 069	183 229
						52 242	237	52 005
			(189)	(189)		(189)	(189)	–
(138)	262	(400)	(1 216)	264	(1 480)	(5 570)	289	(5 859)
(974)	(6)	(968)	(309)	(42)	(267)	(45 293)	(137)	(45 156)
(5 173)	(57)	(5 116)	(379)	(46)	(333)	–	–	–
8 538	90	8 448	(200)	(11)	(189)	–	–	–
(286)	(7)	(279)	1 379	108	1 271	–	–	–
26	3	23	95	36	59	333	46	287
20 360	979	19 381	4 825	1 119	3 706	186 821	2 315	184 506
						–	–	–
20 360	979	19 381	4 825	1 119	3 706	186 821	2 315	184 506

Properties in possession

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	86		86
New financial assets originated or purchased	1		1
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	1		1
Final repayments			
Transfers to 12-month ECL			
Transfers to lifetime ECL (not credit-impaired)			
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements	18		18
Net balances	106	–	106
Total credit and zero balances			
Balance at the end of the year	106	–	106

Credit card and overdrafts

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	21 031	834	20 197
New financial assets originated or purchased	7 109	195	6 914
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	19 330	951	18 379
Final repayments	(24 531)	(124)	(24 407)
Transfers to 12-month ECL	4 599	190	4 409
Transfers to lifetime ECL (not credit-impaired)	(3 911)	(434)	(3 477)
Transfers to lifetime ECL (credit-impaired)	(1 582)	(818)	(764)
Foreign exchange movements	(155)	21	(176)
Net balances	21 890	815	21 075
Total credit and zero balances	8 088	(44)	8 132
Balance at the end of the year	29 978	771	29 207

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
			63	9	54	149	9	140
						1	–	1
			3	3		3	3	–
			15	(2)	17	16	(2)	18
						–	–	–
						–	–	–
						–	–	–
						–	–	–
						18	–	18
–	–	–	81	10	71	187	10	177
						–	–	–
–	–	–	81	10	71	187	10	177

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
7 581	1 094	6 487	4 277	2 476	1 801	32 889	4 404	28 485
						7 109	195	6 914
			(2 049)	(2 049)		(2 049)	(2 049)	–
1 735	7	1 728	28	927	(899)	21 093	1 885	19 208
(3 210)	(89)	(3 121)	(430)	(109)	(321)	(28 171)	(322)	(27 849)
(4 279)	(152)	(4 127)	(320)	(38)	(282)	–	–	–
4 243	527	3 716	(332)	(93)	(239)	–	–	–
(1 192)	(520)	(672)	2 774	1 338	1 436	–	–	–
482	17	465	16	8	8	343	46	297
5 360	884	4 476	3 964	2 460	1 504	31 214	4 159	27 055
10	(10)	20	25		25	8 123	(54)	8 177
5 370	874	4 496	3 989	2 460	1 529	39 337	4 105	35 232

Term 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	115 254	1 136	114 118
New financial assets originated or purchased	63 480	1 509	61 971
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(34 023)	2 383	(36 406)
Final repayments	(27 217)	(471)	(26 746)
Transfers to 12-month ECL	2 376	93	2 283
Transfers to lifetime ECL (not credit-impaired)	(14 815)	(1 524)	(13 291)
Transfers to lifetime ECL (credit-impaired)	(3 211)	(1 747)	(1 464)
Foreign exchange movements	1 844	16	1 828
Net balances	103 688	1 395	102 293
Total credit and zero balances			
Balance at the end of the year	103 688	1 395	102 293

Specialised and other loans to clients[1]

Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	41 950	114	41 836
New financial assets originated or purchased	29 640	67	29 573
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(3 099)	6	(3 105)
Final repayments	(13 872)	(28)	(13 844)
Transfers to 12-month ECL	2 997	81	2 916
Transfers to lifetime ECL (not credit-impaired)	(9 421)	(20)	(9 401)
Transfers to lifetime ECL (credit-impaired)	(270)	(55)	(215)
Foreign exchange movements	209	15	194
Net balances	48 134	180	47 954
Total credit and zero balances			
Balance at the end of the year	48 134	180	47 954

[1] *Specialised and other loans to clients includes deposits placed under reverse repurchase agreement and listed corporate bonds.*

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	108 290	1 159	107 131
New financial assets originated or purchased	55 326	708	54 618
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(20 964)	1 649	(22 613)
Final repayments	(17 146)	(133)	(17 013)
Transfers to 12-month ECL	8 041	204	7 837
Transfers to lifetime ECL (not credit-impaired)	(11 547)	(1 331)	(10 216)
Transfers to lifetime ECL (credit-impaired)	(4 859)	(875)	(3 984)
Foreign exchange movements	17	11	6
Net balances	117 158	1 392	115 766
Total credit and zero balances			
Balance at the end of the year	117 158	1 392	115 766

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
26 597	1 313	25 284	10 847	4 331	6 516	152 698	6 780	145 918
						63 480	1 509	61 971
			(3 052)	(3 052)		(3 052)	(3 052)	–
(11 855)	(372)	(11 483)	(779)	1 452	(2 231)	(46 657)	3 463	(50 120)
(4 054)	(101)	(3 953)	(561)	(182)	(379)	(31 832)	(754)	(31 078)
(2 325)	(79)	(2 246)	(51)	(14)	(37)	–	–	–
15 309	1 595	13 714	(494)	(71)	(423)	–	–	–
(1 910)	(999)	(911)	5 121	2 746	2 375	–	–	–
330	19	311	130	50	80	2 304	85	2 219
22 092	1 376	20 716	11 161	5 260	5 901	136 941	8 031	128 910
						–	–	–
22 092	1 376	20 716	11 161	5 260	5 901	136 941	8 031	128 910

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
9 598	866	8 732	1 524	227	1 297	53 072	1 207	51 865
						29 640	67	29 573
			(30)	(30)		(30)	(30)	–
(2 924)	(230)	(2 694)	(272)	276	(548)	(6 295)	52	(6 347)
(3 538)	(13)	(3 525)	(118)	(4)	(114)	(17 528)	(45)	(17 483)
(2 520)	(34)	(2 486)	(477)	(47)	(430)	–	–	–
9 483	40	9 443	(62)	(20)	(42)	–	–	–
(210)	(14)	(196)	480	69	411	–	–	–
1	8	(7)	453	(7)	460	663	16	647
9 890	623	9 267	1 498	464	1 034	59 522	1 267	58 255
						–	–	–
9 890	623	9 267	1 498	464	1 034	59 522	1 267	58 255

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
16 511	1 625	14 886	10 468	3 876	6 592	135 269	6 660	128 609
						55 326	708	54 618
			(2 493)	(2 493)		(2 493)	(2 493)	–
(1 994)	(587)	(1 407)	(3 703)	689	(4 392)	(26 661)	1 751	(28 412)
(1 276)	(54)	(1 222)	(487)	(117)	(370)	(18 909)	(304)	(18 605)
(5 906)	(123)	(5 783)	(2 135)	(81)	(2 054)	–	–	–
12 962	1 529	11 433	(1 415)	(198)	(1 217)	–	–	–
(2 175)	(550)	(1 625)	7 034	1 425	5 609	–	–	–
3	1	2	6	5	1	26	17	9
18 125	1 841	16 284	7 275	3 106	4 169	142 558	6 339	136 219
						–	–	–
18 125	1 841	16 284	7 275	3 106	4 169	142 558	6 339	136 219

Preference shares and debentures

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	11 050	78	10 972
New financial assets originated or purchased	2 923	44	2 879
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(2 833)		(2 833)
Final repayments			
Transfers to 12-month ECL			
Transfers to lifetime ECL (not credit-impaired)	(525)	(26)	(499)
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements			
Net balances	10 615	96	10 519
Total credit and zero balances			
Balance at the end of the year	10 615	96	10 519

Overnight loans

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	8 175	11	8 164
New financial assets originated or purchased	3 819		3 819
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	770	(9)	779
Final repayments	(1 482)	(34)	(1 448)
Transfers to 12-month ECL	1 217	43	1 174
Transfers to lifetime ECL (not credit-impaired)	(8 213)	(2)	(8 211)
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements	313		313
Net balances	4 599	9	4 590
Total credit and zero balances			
Balance at the end of the year	4 599	9	4 590

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
855	14	841	201	67	134	12 106	159	11 947
						2 923	44	2 879
						–	–	–
(14)	10	(24)	12	83	(71)	(2 835)	93	(2 928)
			(201)	(67)	(134)	(201)	(67)	(134)
						–	–	–
525	26	499				–	–	–
(286)	(1)	(285)	286	1	285	–	–	–
						–	–	–
1 080	49	1 031	298	84	214	11 993	229	11 764
						–	–	–
1 080	49	1 031	298	84	214	11 993	229	11 764

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
1 708	26	1 682	292	22	270	10 175	59	10 116
						3 819	–	3 819
						–	–	–
(608)	89	(697)	(71)	60	(131)	91	140	(49)
(3 128)		(3 128)				(4 610)	(34)	(4 576)
(1 217)	(43)	(1 174)				–	–	–
8 213	2	8 211				–	–	–
						–	–	–
(309)	(6)	(303)		4	(4)	4	(2)	6
4 659	68	4 591	221	86	135	9 479	163	9 316
						–	–	–
4 659	68	4 591	221	86	135	9 479	163	9 316

Factoring accounts

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	3 713	22	3 691
New financial assets originated or purchased	1 420	3	1 417
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	1 000	(35)	1 035
Final repayments	(316)	(1)	(315)
Transfers to 12-month ECL	592	21	571
Transfers to lifetime ECL (not credit-impaired)	(147)	(2)	(145)
Transfers to lifetime ECL (credit-impaired)	(54)		(54)
Foreign exchange movements	(46)		(46)
Net balances	6 162	8	6 154
Total credit and zero balances			
Balance at the end of the year	6 162	8	6 154

Trade, other bills and banker's acceptances

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	4		4
New financial assets originated or purchased			
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	1		1
Final repayments	(3)		(3)
Transfers to 12-month ECL			
Transfers to lifetime ECL (not credit-impaired)			
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements	(1)		(1)
Net balances	1		1
Total credit and zero balances			
Balance at the end of the year	1	–	1

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
1 204	79	1 125	213	22	191	5 130	123	5 007
						1 420	3	1 417
			(10)	(10)		(10)	(10)	–
74	(45)	119	(4)	4	(8)	1 070	(76)	1 146
(48)	(3)	(45)	(13)	(1)	(12)	(377)	(5)	(372)
(491)	(15)	(476)	(101)	(6)	(95)	–	–	–
206	5	201	(59)	(3)	(56)	–	–	–
(9)	(1)	(8)	63	1	62	–	–	–
						(46)	–	(46)
936	20	916	89	7	82	7 187	35	7 152
						–	–	–
936	20	916	89	7	82	7 187	35	7 152

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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	–	4
						–	–	–
						–	–	–
						1	–	1
						(3)	–	(3)
						–	–	–
						–	–	–
						–	–	–
						(1)	–	(1)
						1	–	1
						–	–	–
–	–	–	–	–	–	1	–	1

Financial guarantees and loan commitments

	Not credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (excluding purchased/originated)	Total
Rm	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
Balance at the beginning of the year	103	189	237	529
New financial assets originated or purchased	102			102
Financial assets written off				–
Repayments net of readvances, capitalised interest, fees and ECL	(46)	61	139	154
Final repayments	(397)	(32)	(22)	(451)
Transfers to 12-month ECL	439	(186)	(253)	–
Transfers to lifetime ECL (not credit-impaired)	(71)	97	(26)	–
Transfers to lifetime ECL (credit-impaired)	(20)	(8)	28	–
Foreign exchange movements	4	4	(1)	7
Net balances	114	125	102	341
Total credit and zero balances				–
Balance at the end of the year	114	125	102	341

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Loans and advances

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	671 267	3 362	667 905
New financial assets originated or purchased	209 531	2 234	207 297
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(64 418)	5 507	(69 925)
Final repayments	(123 748)	(815)	(122 933)
Transfers to 12-month ECL	38 912	840	38 072
Transfers to lifetime ECL (not credit-impaired)	(103 931)	(2 749)	(101 182)
Transfers to lifetime ECL (credit-impaired)	(20 520)	(4 294)	(16 226)
Foreign exchange movements	3 996	98	3 898
Net balances	611 089	4 183	606 906
Total credit and zero balances[2]	7 519	(49)	7 568
Balance at the end of the year	618 608	4 134	614 474
Loans and advances at FVTPL			
Loans and advances at FVOCI			
Off-balance-sheet impairment allowance			
Fair-value hedge-accounted portfolios			
ECL credit and other balances			
Loans and advances			

[1] Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.
[2] Total credit and zero balances throughout this note refer to the loss allowance on balances that became liabilities to the group during the financial year. The group, however, still has credit risk exposure on these facilities.

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
72 071	3 893	68 178	27 605	10 557	17 048	770 943	17 812	753 131
						209 531	2 234	207 297
			(7 419)	(7 419)		(7 419)	(7 419)	–
(10 368)	4 050	(14 418)	(3 258)	4 623	(7 881)	(78 044)	14 180	(92 224)
(19 422)	(295)	(19 127)	(1 811)	(552)	(1 259)	(144 981)	(1 662)	(143 319)
(36 211)	(690)	(35 521)	(2 701)	(150)	(2 551)	–	–	–
106 033	2 782	103 251	(2 102)	(33)	(2 069)	–	–	–
(14 179)	(3 115)	(11 064)	34 699	7 409	27 290	–	–	–
485	76	409	172	149	23	4 653	323	4 330
98 409	6 701	91 708	45 185	14 584	30 601	754 683	25 468	729 215
22	(12)	34	58		58	7 599	(61)	7 660
98 431	6 689	91 742	45 243	14 584	30 659	762 282	25 407	736 875
								82 850
								18 811
								664
								4 164
								(61)
								843 303

Home loans

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	139 397	288	139 109
New financial assets originated or purchased	10 171	39	10 132
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	5 998	526	5 472
Final repayments	(8 373)	(2)	(8 371)
Transfers to 12-month ECL	5 321	23	5 298
Transfers to lifetime ECL (not credit-impaired)	(9 733)	(215)	(9 518)
Transfers to lifetime ECL (credit-impaired)	(2 979)	(346)	(2 633)
Foreign exchange movements	447	37	410
Net balances	140 249	350	139 899
Total credit and zero balances	163	(1)	164
Balance at the end of the year	140 412	349	140 063

Commercial mortgages

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	154 801	218	154 583
New financial assets originated or purchased	49 148	156	48 992
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(7 386)	62	(7 448)
Final repayments	(28 917)	(55)	(28 862)
Transfers to 12-month ECL	8 005	117	7 888
Transfers to lifetime ECL (not credit-impaired)	(13 229)	(72)	(13 157)
Transfers to lifetime ECL (credit-impaired)	(1 253)	(51)	(1 202)
Foreign exchange movements	118	1	117
Net balances	161 287	376	160 911
Total credit and zero balances			
Balance at the end of the year	161 287	376	160 911

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
14 181	539	13 642	7 826	1 571	6 255	161 404	2 398	159 006
						10 171	39	10 132
			(228)	(228)		(228)	(228)	–
(20)	552	(572)	(471)	171	(642)	5 507	1 249	4 258
(601)	(19)	(582)	(476)	(83)	(393)	(9 450)	(104)	(9 346)
(4 765)	(17)	(4 748)	(556)	(6)	(550)	–	–	–
10 725	272	10 453	(992)	(57)	(935)	–	–	–
(3 539)	(537)	(3 002)	6 518	883	5 635	–	–	–
7	11	(4)	35	67	(32)	489	115	374
15 988	801	15 187	11 656	2 318	9 338	167 893	3 469	164 424
4		4	9		9	176	(1)	177
15 992	801	15 191	11 665	2 318	9 347	168 069	3 468	164 601

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
18 713	338	18 375	2 488	504	1 984	176 002	1 060	174 942
						49 148	156	48 992
			(33)	(33)		(33)	(33)	–
(1 402)	678	(2 080)	(339)	315	(654)	(9 127)	1 055	(10 182)
(1 769)	(76)	(1 693)	(155)	(51)	(104)	(30 841)	(182)	(30 659)
(7 801)	(103)	(7 698)	(204)	(14)	(190)	–	–	–
13 277	80	13 197	(48)	(8)	(40)	–	–	–
(2 680)	(226)	(2 454)	3 933	277	3 656	–	–	–
29	3	26	2	9	(7)	149	13	136
18 367	694	17 673	5 644	999	4 645	185 298	2 069	183 229
						–	–	–
18 367	694	17 673	5 644	999	4 645	185 298	2 069	183 229

Properties in possession

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	95		95
New financial assets originated or purchased	3		3
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements			
Final repayments			
Transfers to 12-month ECL			
Transfers to lifetime ECL (not credit-impaired)			
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements	(12)		(12)
Net balances	86	–	86
Total credit and zero balances			
Balance at the end of the year	86	–	86

Credit cards and overdrafts

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	29 216	861	28 355
New financial assets originated or purchased	8 562	262	8 300
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	7 591	1 310	6 281
Final repayments	(16 595)	(100)	(16 495)
Transfers to 12-month ECL	3 422	105	3 317
Transfers to lifetime ECL (not credit-impaired)	(8 972)	(704)	(8 268)
Transfers to lifetime ECL (credit-impaired)	(2 572)	(924)	(1 648)
Foreign exchange movements	379	24	355
Net balances	21 031	834	20 197
Total credit and zero balances	7 356	(48)	7 404
Balance at the end of the year	28 387	786	27 601

Not credit-impaired			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
			113	8	105	208	8	200
						3	–	3
			2	2		2	2	–
			3	(1)	4	3	(1)	4
			3		3	3	–	3
						–	–	–
						–	–	–
						–	–	–
			(58)		(58)	(70)	–	(70)
–	–	–	63	9	54	149	9	140
						–	–	–
–	–	–	63	9	54	149	9	140

Not credit-impaired			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
5 209	524	4 685	3 081	1 913	1 168	37 506	3 298	34 208
						8 562	262	8 300
			(1 431)	(1 431)		(1 431)	(1 431)	–
1 823	230	1 593	(234)	896	(1 130)	9 180	2 436	6 744
(4 795)	(46)	(4 749)	(244)	(92)	(152)	(21 634)	(238)	(21 396)
(2 902)	(82)	(2 820)	(520)	(23)	(497)	–	–	–
9 023	725	8 298	(51)	(21)	(30)	–	–	–
(1 102)	(302)	(800)	3 674	1 226	2 448	–	–	–
325	45	280	2	8	(6)	706	77	629
7 581	1 094	6 487	4 277	2 476	1 801	32 889	4 404	28 485
18	(12)	30	49		49	7 423	(60)	7 483
7 599	1 082	6 517	4 326	2 476	1 850	40 312	4 344	35 968

Term loans

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	157 079	941	156 138
New financial assets originated or purchased	43 930	1 001	42 929
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(40 299)	2 220	(42 519)
Final repayments	(19 982)	(311)	(19 671)
Transfers to 12-month ECL	5 814	111	5 703
Transfers to lifetime ECL (not credit-impaired)	(27 637)	(937)	(26 700)
Transfers to lifetime ECL (credit-impaired)	(6 532)	(1 920)	(4 612)
Foreign exchange movements	2 881	31	2 850
Net balances	115 254	1 136	114 118
Total credit and zero balances			
Balance at the end of the year	115 254	1 136	114 118

Specialised and other loans to clients[1]

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	55 337	102	55 235
New financial assets originated or purchased	34 783	144	34 639
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(5 697)	40	(5 737)
Final repayments	(24 842)	(35)	(24 807)
Transfers to 12-month ECL	3 326	22	3 304
Transfers to lifetime ECL (not credit-impaired)	(20 165)	(75)	(20 090)
Transfers to lifetime ECL (credit-impaired)	(1 332)	(78)	(1 254)
Foreign exchange movements	540	(6)	546
Net balances	41 950	114	41 836
Total credit and zero balances			
Balance at the end of the year	41 950	114	41 836

[1] Specialised and other loans to clients includes deposits placed under reverse repurchase agreement and listed corporate bonds.

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
10 230	699	9 531	6 780	3 437	3 343	174 089	5 077	169 012
						43 930	1 001	42 929
			(3 555)	(3 555)		(3 555)	(3 555)	–
(25)	886	(911)	150	1 475	(1 325)	(40 174)	4 581	(44 755)
(4 423)	(43)	(4 380)	(471)	(222)	(249)	(24 876)	(576)	(24 300)
(5 796)	(110)	(5 686)	(18)	(1)	(17)	–	–	–
28 153	830	27 323	(516)	107	(623)	–	–	–
(1 789)	(978)	(811)	8 321	2 898	5 423	–	–	–
247	29	218	156	192	(36)	3 284	252	3 032
26 597	1 313	25 284	10 847	4 331	6 516	152 698	6 780	145 918
						–	–	–
26 597	1 313	25 284	10 847	4 331	6 516	152 698	6 780	145 918

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
1 944	283	1 661	293	271	22	57 574	656	56 918
						34 783	144	34 639
			(20)	(20)		(20)	(20)	–
(3 213)	526	(3 739)	70	46	24	(8 840)	612	(9 452)
(5 959)	(4)	(5 955)	(231)	(16)	(215)	(31 032)	(55)	(30 977)
(3 319)	(14)	(3 305)	(7)	(8)	1	–	–	–
20 170	77	20 093	(5)	(2)	(3)	–	–	–
(84)	(3)	(81)	1 416	81	1 335	–	–	–
59	1	58	8	(125)	133	607	(130)	737
9 598	866	8 732	1 524	227	1 297	53 072	1 207	51 865
						–	–	–
9 598	866	8 732	1 524	227	1 297	53 072	1 207	51 865

Instalment debtors

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	105 416	801	104 615
New financial assets originated or purchased	45 026	525	44 501
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(15 638)	1 347	(16 985)
Final repayments	(15 434)	(100)	(15 334)
Transfers to 12-month ECL	8 806	151	8 655
Transfers to lifetime ECL (not credit-impaired)	(14 219)	(603)	(13 616)
Transfers to lifetime ECL (credit-impaired)	(5 646)	(973)	(4 673)
Foreign exchange movements	(21)	11	(32)
Net balances	108 290	1 159	107 131
Total credit and zero balances			–
Balance at the end of the year	108 290	1 159	107 131

Preference shares and debentures

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	12 307	61	12 246
New financial assets originated or purchased	4 387	23	4 364
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(4 783)	6	(4 789)
Final repayments	(71)		(71)
Transfers to 12-month ECL	75	2	73
Transfers to lifetime ECL (not credit-impaired)	(865)	(14)	(851)
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements			
Net balances	11 050	78	10 972
Total credit and zero balances			
Balance at the end of the year	11 050	78	10 972

Overnight loans

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	11 499	13	11 486
New financial assets originated or purchased	12 712	4	12 708
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(2 535)	(53)	(2 482)
Final repayments	(9 570)	(29)	(9 541)
Transfers to 12-month ECL	4 102	92	4 010
Transfers to lifetime ECL (not credit-impaired)	(7 661)	(17)	(7 644)
Transfers to lifetime ECL (credit-impaired)	(40)		(40)
Foreign exchange movements	(332)	1	(333)
Net balances	8 175	11	8 164
Total credit and zero balances			
Balance at the end of the year	8 175	11	8 164

Not credit-impaired			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
18 043	1 321	16 722	6 608	2 706	3 902	130 067	4 828	125 239
						45 026	525	44 501
			(2 152)	(2 152)		(2 152)	(2 152)	–
(2 802)	847	(3 649)	(2 366)	1 429	(3 795)	(20 806)	3 623	(24 429)
(1 218)	(57)	(1 161)	(225)	(24)	(201)	(16 877)	(181)	(16 696)
(7 617)	(119)	(7 498)	(1 189)	(32)	(1 157)	–	–	–
14 709	655	14 054	(490)	(52)	(438)	–	–	–
(4 609)	(1 028)	(3 581)	10 255	2 001	8 254	–	–	–
5	6	(1)	27		27	11	17	(6)
16 511	1 625	14 886	10 468	3 876	6 592	135 269	6 660	128 609
						–	–	–
16 511	1 625	14 886	10 468	3 876	6 592	135 269	6 660	128 609

Not credit-impaired			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	4	71	197	34	163	12 579	99	12 480
						4 387	23	4 364
						–	–	–
(10)	(2)	(8)	4	33	(29)	(4 789)	37	(4 826)
						(71)	–	(71)
(75)	(2)	(73)				–	–	–
865	14	851				–	–	–
						–	–	–
						–	–	–
855	14	841	201	67	134	12 106	159	11 947
					–	–	–	–
855	14	841	201	67	134	12 106	159	11 947

Not credit-impaired			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
3 276	114	3 162	171	10	161	14 946	137	14 809
						12 712	4	12 708
						–	–	–
(4 200)	56	(4 256)	(22)	37	(59)	(6 757)	40	(6 797)
(637)	(37)	(600)		(34)	34	(10 207)	(100)	(10 107)
(3 911)	(92)	(3 819)	(191)		(191)	–	–	–
7 661	17	7 644				–	–	–
(294)	(11)	(283)	334	11	323	–	–	–
(187)	(21)	(166)		(2)	2	(519)	(22)	(497)
1 708	26	1 682	292	22	270	10 175	59	10 116
						–	–	–
1 708	26	1 682	292	22	270	10 175	59	10 116

Factoring accounts

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	6 115	12	6 103
New financial assets originated or purchased	806	40	766
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(1 669)	9	(1 678)
Final repayments	36	(1)	37
Transfers to 12-month ECL	41	2	39
Transfers to lifetime ECL (not credit-impaired)	(1 450)	(39)	(1 411)
Transfers to lifetime ECL (credit-impaired)	(166)	(1)	(165)
Foreign exchange movements			
Net balances	3 713	22	3 691
Total credit and zero balances			
Balance at the end of the year	3 713	22	3 691

Trade, other bills and banker's acceptances

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	5		5
New financial assets originated or purchased	3		3
Financial assets written off			
Repayments net of readvances, capitalised interest, fees and ECL remeasurements			
Final repayments			
Transfers to 12-month ECL			
Transfers to lifetime ECL (not credit-impaired)			
Transfers to lifetime ECL (credit-impaired)			
Foreign exchange movements	(4)		(4)
Net balances	4	–	4
Total credit and zero balances			–
Balance at the end of the year	4	–	4

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
400	4	396	48	15	33	6 563	31	6 532
						806	40	766
			(2)	(2)		(2)	(2)	–
(519)	41	(560)	(53)	8	(61)	(2 241)	58	(2 299)
(20)	(1)	(19)	(12)	(2)	(10)	4	(4)	8
(25)	(1)	(24)	(16)	(1)	(15)	–	–	–
1 450	39	1 411				–	–	–
(82)	(3)	(79)	248	4	244	–	–	–
						–	–	–
1 204	79	1 125	213	22	191	5 130	123	5 007
						–	–	–
1 204	79	1 125	213	22	191	5 130	123	5 007

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			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
						5	–	5
						3	–	3
						–	–	–
						–	–	–
						–	–	–
						–	–	–
						–	–	–
						–	–	–
						(4)	–	(4)
–	–	–	–	–	–	4	–	4
		–			–	–	–	–
–	–	–	–	–	–	4	–	4

Financial guarantees and loan commitments

	Not credit-impaired		Credit-impaired	
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (excluding purchased/originated)	Total
Rm	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
Balance at the beginning of the year	65	67	88	220
New financial assets originated or purchased	40			40
Financial assets written off				
Repayments net of readvances, capitalised interest, fees and ECL	40	236	214	490
Final repayments	(182)	(12)	(28)	(222)
Transfers to 12-month ECL	215	(150)	(65)	–
Transfers to lifetime ECL (not credit-impaired)	(73)	73		–
Transfers to lifetime ECL (credit-impaired)	(1)	(27)	28	–
Foreign exchange movements	(1)	2		1
Net balances	103	189	237	529
Total credit and zero balances				–
Balance at the end of the year	103	189	237	529

C2.13 FINANCIAL ASSETS WRITTEN OFF

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Write-off and post-write-off recoveries

Loans and advances are 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.

Other products are generally considered for write-off only once the underlying security has been realised fully. 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 write-off periods for the key products mentioned below are as follows:

- Card will write-off after a client has had two months with no payment at legal stage, which translates into approximately eight months in default;
- Personal Loans will write off after a client has missed 12 payments;
- MFC does not have an approximate write-off period.

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

Rm	2021	2020
Contractual amount outstanding	6 554	5 758

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 improved significantly 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 cash flows were modified during the year as part of the group's restructuring activities and their respective effects on the group's financial performance.

Where the modification of a loan did not result in a modification gain or loss being recognised due to the change in the contractual terms and conditions not being considered substantial and the present value of the loan discounted remaining unchanged, as is the case with the majority of the Covid-19 debt relief mechanisms described above, these modifications are not included in the disclosure below.

Rm	2021	2020
Modification during the year for which the loss allowance reflects lifetime ECL		
Amortised cost before modification	2 228	2 135
Net modification loss	315	330
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	516	593
Impact of modification on the ECL allowances associated with these assets	11	12

C3 GOVERNMENT AND OTHER SECURITIES

C3.1 ANALYSIS

	2021 Rm	2020 Rm
Government and government-guaranteed securities	**146 491**	124 412
Other dated securities[1]	**1 158**	1 753
Fair-value hedge-accounted portfolios	**2 862**	6 069
Impairment of government and other securities	**(13)**	(13)
	150 498	132 221

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

C3.2 SECTORAL ANALYSIS

	2021 Rm	2020 Rm
Financial services, insurance and real estate	**171**	237
Banks	**132**	121
Transport, storage and communication	**136**	437
Government and public sector	**150 059**	131 427
Other sectors		(1)
	150 498	132 221

C4 OTHER SHORT-TERM SECURITIES

C4.1 ANALYSIS

	2021 Rm	2020 Rm
Negotiable certificates of deposit	**19 779**	17 274
Treasury bills and other bonds	**40 262**	35 333
Impairment of other short-term securities	**(4)**	(2)
	60 037	52 605

C4.2 SECTORAL ANALYSIS

	2021 Rm	2020 Rm
Banks	**16 398**	14 292
Government and public sector	**40 161**	35 543
Other sectors	**3 478**	2 770
	60 037	52 605

C5 CREDIT ANALYSIS OF OTHER SHORT-TERM SECURITIES, AND GOVERNMENT AND OTHER SECURITIES

CREDIT RATINGS

	Investment grade		Subinvestment grade		Not rated		Total	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Other short-term securities	**55 423**	48 897	**1 839**	1 838	**2 775**	1 870	**60 037**	52 605
Negotiable certificates of deposit	**19 698**	16 938	**81**	336			**19 779**	17 274
Treasury bills and other bonds	**35 725**	31 959	**1 758**	1 502	**2 779**	1 872	**40 262**	35 333
Impairment of other short-term securities					**(4)**	(2)	**(4)**	(2)
Government and other securities	**148 023**	130 909	**1 333**	914	**1 142**	398	**150 498**	132 221
Government and government-guaranteed securities	**144 767**	123 918	**585**	168	**1 139**	326	**146 491**	124 412
Other dated securities[1]	**396**	924	**748**	746	**14**	83	**1 158**	1 753
Fair-value hedge-accounted portfolios	**2 862**	6 069					**2 862**	6 069
Impairment of government and other securities	**(2)**	(2)			**(11)**	(11)	**(13)**	(13)
	203 446	179 806	**3 172**	2 752	**3 917**	2 268	**210 535**	184 826

[1] 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 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

	2021 Rm	2020 Rm
Coins and banknotes	**5 899**	7 195
Money at call and short notice	**8 745**	6 588
Balances with central banks – other than mandatory reserve deposits	**1 050**	1 108
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**15 694**	14 891
Mandatory reserve deposits with central banks	**28 892**	26 491
	44 586	41 382

Money at call and short notice constitute amounts withdrawable in 32 days or fewer. Mandatory reserve deposits with central banks are subject to certain restrictions and limitations levelled by the central banks in the countries of operation.

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 designated as hedging instruments and 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 and deposits being originated, contractual repayments, and early withdrawals or prepayments 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 the beginning of every month. 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 rate 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. The main sources of hedge ineffectiveness in these hedging relationships are the cash flow mismatches between the hedged items and the hedging instruments and the movement in the benchmark overnight index swap curves relative to the designated risk curve. Residual accounting volatility is mainly as a result of the straight-line amortisation of fair value adjustments on the designated risk to the income statement versus the fair value unwind of swaps and as a result of the granularity of the fair value methodology applied by Nedbank in the fair value measurement of the designated risk.

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 and income.

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.

Impact of IBOR reform on Nedbank

The Interbank Offered Rate (IBOR) used to describe the reference floating rate used in the global financial markets and primarily set in the City of London (LIBOR) but including other jurisdictions, is currently undergoing significant reform and replacement with new replacement benchmark reference rates that are more accurate approximate risk-free rates and are subject to less forms of manipulation observed in recent years.

Suitable designated replacement rates have since been identified by the global financial services industry and new transactions in both derivatives and lending assets or liabilities are taking place. Simultaneously, a process of active migration of legacy contracts is underway by most major financial institutions to mitigate the cliff effect of an IBOR rate discontinuation.

The group has been actively preparing itself for IBOR reform through the establishment of a dedicated IBOR reform steering committee consisting of a number of work streams populated by relevant stakeholders across the group inclusive of business, risk, legal, accounting and operational areas. This committee has been actively managing and coordinating the IBOR reform agenda for the group and includes the following notable items: major system upgrades and changes; modelling and risk management; accounting treatment; legal analysis and changes; tactical solutions; regulatory reporting; and stakeholder training and communications.

A notable milestone in the IBOR reform steering committee was the adherence by the group to the ISDA Fallback Protocol for IBOR reform as well as the ISDA Fallback Supplement for new transactions occurring after 25 January 2021 which became the industry best practice for reform of derivatives linked to IBOR.

Through the IBOR reform steering committee , the group actively reduced its exposure to the respective currencies linked to IBOR that were discontinued on 31 December 2021. Notably the group's exposure to sterling or euro-linked transactions referencing IBOR. The remaining focus of the committee is on the legacy portfolio of USD LIBOR linked exposures that the group still has exposure to and the active mitigation and risk reduction thereof by the revised June 2023 deadline from the UK regulator.

Refer to note C7.5 for the group's expsoure to JIBAR.

The table below summarises the group's remaining exposure towards financial instruments that have yet to transition to an alternative benchmark rate:

Rm	Notional amount USD LIBOR
Non-derivative financial assets	**2 294**
Non-derivative financial liabilities	**1 017**
Derivative financial instruments	**15 858**

C7.1 TOTAL CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

	2021 Rm	2020 Rm
Gross carrying amount of assets	**39 179**	80 325
Gross carrying amount of liabilities	**(36 042)**	(65 130)
Net carrying amount	**3 137**	15 195

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 and C7.3.

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.

	2021			2020		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Equity derivatives	33 723	13 999	19 724	26 504	15 030	11 474
Options written	7 216		7 216	9 614		9 614
Options purchased	7 650	7 650		9 415	9 415	
Futures[1]	18 857	6 349	12 508	7 475	5 615	1 860
Commodity derivatives	376	145	231	5 004	2 962	2 042
Options written	230		230	269		269
Options purchased	17	17		2 733	2 733	
Swaps	2	1	1	38	19	19
Futures	127	127		1 964	210	1 754
Exchange rate derivatives	812 435	417 743	394 692	747 248	398 747	348 501
Forwards	469 757	236 915	232 842	397 980	222 552	175 428
Spot	17	17		73		73
Futures	14 908	5 770	9 138	8 336	2 516	5 820
Currency swaps	284 881	152 270	132 611	214 022	106 627	107 395
Options purchased	22 771	22 771		67 052	67 052	
Options written	20 101		20 101	59 785		59 785
Interest rate derivatives	4 568 969	2 268 930	2 300 039	6 638 734	3 368 673	3 270 061
Interest rate swaps	3 160 726	1 593 828	1 566 898	4 805 911	2 447 772	2 358 139
Forward rate agreements	1 348 855	661 395	687 460	1 783 393	903 164	880 229
Futures	23 164		23 164	2 326		2 326
Caps	11 188	4 604	6 584	16 189	6 576	9 613
Floors	5 448	3 209	2 239	5 208	1 422	3 786
Credit default swaps	9 134	4 468	4 666	14 525	6 629	7 896
Total return swaps	10 454	1 426	9 028	11 182	3 110	8 072
Total notional principal	5 415 503	2 700 817	2 714 686	7 417 490	3 785 412	3 632 078

[1] Includes contracts for difference with positive notionals of R726m (2020: R899m) and negative notionals of R800m (2020: R0m). The equity forward agreement has positive notionals of R5 623m (2020: R4 716m) and negative notionals of R11 708m (2020: R1 860m).

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-cash flow models and market-accepted option-pricing models.

	2021			2020		
Rm	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	**299**	**1 735**	**1 436**	1 385	3 909	2 524
Options written	**(1 244)**		**1 244**	(2 374)		2 374
Options purchased	**1 575**	**1 575**		3 685	3 685	
Futures[2]	**(32)**	**160**	**192**	74	224	150
Commodity derivatives	**112**	**282**	**170**	158	586	428
Options written	**(149)**		**149**	(322)		322
Options purchased	**245**	**245**		492	492	
Swaps	**15**	**36**	**21**	31	94	63
Futures	**1**	**1**		(43)		43
Exchange rate derivatives	**616**	**13 188**	**12 572**	7 220	29 550	22 330
Forwards	**(46)**	**8 268**	**8 314**	4 705	18 169	13 464
Spot	[1]	[1]		[1]		[1]
Futures	**51**	**251**	**200**	106	661	555
Currency swaps	**530**	**4 120**	**3 590**	2 408	7 623	5 215
Options purchased	**549**	**549**		3 097	3 097	
Options written	**(468)**		**468**	(3 096)		3 096
Interest rate derivatives	**2 110**	**23 974**	**21 864**	6 432	46 280	39 848
Interest rate swaps	**2 196**	**22 772**	**20 576**	5 479	42 499	37 020
Forward rate agreements	**(4)**	**442**	**446**	623	2 700	2 077
Futures	**(150)**		**150**	(16)		16
Caps	**(65)**	**50**	**115**	(22)	24	46
Floors	**23**	**39**	**16**	21	79	58
Credit default swaps	**(1)**	**118**	**119**	(18)	170	188
Total return swaps	**111**	**553**	**442**	365	808	443
Total carrying amount	**3 137**	**39 179**	**36 042**	15 195	80 325	65 130

[1] *Represents amounts less than R1m.*
[2] *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.*

C7.4 ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2021					
Maturity analysis					
Under one year	**1 464**	**276**	**9 938**	**1 612**	**13 290**
One to five years	**271**	**6**	**2 074**	**9 102**	**11 453**
Over five years			**1 176**	**13 260**	**14 436**
	1 735	**282**	**13 188**	**23 974**	**39 179**
2020					
Maturity analysis					
Under one year	3 182	556	23 627	5 109	32 474
One to five years	727	30	3 759	14 329	18 845
Over five years			2 164	26 842	29 006
	3 909	586	29 550	46 280	80 325
Derivative liabilities					
2021					
Maturity analysis					
Under one year	**887**	**165**	**9 732**	**2 112**	**12 896**
One to five years	**549**	**5**	**1 464**	**7 967**	**9 985**
Over five years			**1 376**	**11 785**	**13 161**
	1 436	**170**	**12 572**	**21 864**	**36 042**
2020					
Maturity analysis					
Under one year	1 993	397	18 784	4 564	25 738
One to five years	531	31	2 185	12 019	14 766
Over five years			1 361	23 265	24 626
	2 524	428	22 330	39 848	65 130
Notional principal of derivatives					
2021					
Maturity analysis					
Under one year	**32 145**	**372**	**596 253**	**2 570 710**	**3 199 480**
One to five years	**1 578**	**4**	**140 504**	**1 372 683**	**1 514 769**
Over five years			**75 678**	**625 576**	**701 254**
	33 723	**376**	**812 435**	**4 568 969**	**5 415 503**
2020					
Maturity analysis					
Under one year	19 263	4 987	598 445	4 323 669	4 946 364
One to five years	7 241	17	100 885	1 565 538	1 673 681
Over five years			47 918	749 527	797 445
	26 504	5 004	747 248	6 638 734	7 417 490

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

C7.5 DERIVATIVES DESIGNATED AS FAIR-VALUE HEDGES IN TERMS OF THE GROUP'S FAIR-VALUE HEDGE ACCOUNTING SOLUTION

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

Fair-value hedges are used by the group to mitigate the risk of changes in the fair value of financial instruments due to movements in market interest rates. Derivatives that are designated by the group to form part of these fair-value hedge transactions principally consist of interest rate swaps. The corresponding hedged items forming part of these fair-value hedges, designated into the fair-value hedge-accounting solution, primarily consist of fixed-rate government bonds, 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 monthly 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, '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 IAS39 as it proves hedge effectiveness retrospectively throughout the reporting periods for which the hedge was designated (IAS39 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 (IAS39 paragraphs 89 to 102). The hedged risk is designated on the first day of the month for prospective testing purposes and designated for the remainder of the month and with the retrospective run at month-end. The hedged risk is redesignated monthly to reflect the changes in the underlying risk as a result of new or matured deals, early settlements and early withdrawals since the previous risk designation.

The group is exposed to the global IBOR reform of major currency benchmark reference rates and is currently in the process of ensuring it's readiness and ability to handle the spectrum of current proposed replacement rates as well as a range of conventions of calculation.

The group has a dedicated IBOR reform programme consisting of a number of work streams populated by relevant stakeholders across the group inclusive of business, risk, legal, accounting and operational areas (refer to note C7). The IBOR reforms have no impact on the groups's fair value hedge accounting programme with all exposures being in local currency.

During 2019, the South African Reserve Bank (SARB) established the Market Practitioners Group (MPG). This is a joint public and private sector body whose primary purpose is to facilitate decisions on the choice of interest rate benchmarks to be used as reference interest rates for financial and derivative contracts, as well as provide input to SARB and the Financial Sector Conduct Authority (FSCA) on the operationalisation of the benchmark proposals. The following five workstreams were established in this regard:
- Unsecured reference interest rate.
- Risk free reference interest rate.
- Data collection and infrastructure.
- Transition.
- Governance.

SARB, afetr extensive consultation with the MPG and its various workstreams, released a draft statement of methodology and the policies governing SARB-administered interest rate benchmarks in June 2020. This technical specification paper (TSP) detailed five interest rate benchmarks, which were as follows:
- South African Rand Interbank Overnight Rate (ZARIBOR).
- South African Secured Overnight Financing Rate (ZASFR).
- South African Rand Overnight Index Average (ZARONIA).
- Term Wholesale Financial Corporate Fixed Deposit Benchmark Rate.
- Term Wholesale Non-financial Corporate Fixed Deposit Benchmark Rate.

Four of these benchmarks are new, with ZARONIA serving as a replacement for the current South African Benchmark Overnight Rate (SABOR). Enhancements to the Johannesburg Interbank Average Rate (JIBAR) Code of Conduct were made in April 2021, which required contributing banks to increase their onscreen market making volumes to R500m from R100m for tenors less than one year to enhance credibility. The JIBAR is unaffected by the TSP. JIBAR, with its enhancements, will remain the interim solution until the transition workstream has concluded on its mandate.

SARB has articulated that the number of proposed interest rate benchmarks is not definitive and the ultimate outcome of reform will likely feature the coexistence of several interest rate benchmarks to fulfil different market and policy purposes. During 2021, the MPG concluded that ZARONIA is the most appropriate successor rate to JIBAR as a primary benchmark and will begin daily publication of this rate in the second quarter of 2022.

Through the work of the MPG's transition workstream, three new workstreams have been created to facilitate the transition agenda in 2022, which are as folllows:

- Derivatives
- Legal
- Accounting and tax

Nedbank continues to stay abreast of the changes and will assess impacts once the changes have been finalised.

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

	Notional amount of hedged items		Accumulated amount of fair-value adjustments on the hedged item	
Rm	**Assets**	**Liabilities**	**Assets**	**Liabilities**
2021				
Loans and advances	**84 240**		**750**	
Government and other securities	**65 200**		**2 862**	
Amounts owed to depositors		**120 090**		**(83)**
Total	**149 440**	**120 090**	**3 612**	**(83)**
2020				
Loans and advances	82 479		4 163	
Government and other securities	50 200		6 069	
Amounts owed to depositors		114 218		(1 415)
Total	132 679	114 218	10 232	(1 415)

Hedge effectiveness testing was performed monthly and evaluated against the effectiveness range of 80% to 125%. For the periods where the hedge effectiveness results were outside of the effectiveness range, the full fair-value movement of the hedging instruments on those hedging portfolios was recorded in profit and loss without recognising the effective portion of the fair value movement designated risk in profit and loss. Ineffectiveness is disclosed in non-interest revenue and income.The table below contains the fair-value change of the hedged item and hedging instrument per month recognised in profit and loss.

	2021											
Rm	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Change in the fair value of hedged items	**(726)**	**(4 039)**	**(332)**	**410**	**670**	**(284)**	**1 011**	**(50)**	**(2 074)**	**(1 943)**	**978**	**1 091**
Change in the fair value of the hedging instruments	**502**	**4 257**	**254**	**(531)**	**(844)**	**140**	**(1 221)**	**(35)**	**2 030**	**1 815**	**(982)**	**(1 112)**
Net fair-value change	**(224)**	**218**	**(78)**	**(121)**	**(174)**	**(144)**	**(210)**	**(85)**	**(44)**	**(128)**	**(4)**	**(21)**

	2020											
Rm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change in the fair value of hedged items	964	(264)	(2 340)	2 617	2 857	665	32	(377)	538	219	(161)	1 808
Change in the fair value of the hedging instruments	(860)	248	3 086	(2 598)	(2 960)	(652)	(30)	255	(461)	(245)	(140)	(1 699)
Net fair-value change	104	(16)	746	19	(103)	13	2	(122)	77	(26)	(301)	109

The following table contains the impact on profit or loss:

Rm	**2021**	2020
Profit on hedged items	**(5 288)**	6 558
Profit on hedging instruments	**4 273**	(6 056)
Movement in fair-value that was recognised in profit or loss[1]	**(1 015)**	502

[1] *Included in non-interest revenue and income.*

SECTION D: CORE BANKING LIABILITIES

D1 AMOUNTS OWED TO DEPOSITORS

ACCOUNTING POLICY

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

D1.1 CLASSIFICATIONS

	2021 Rm	2020 Rm
Current accounts	**106 751**	98 886
Savings deposits	**46 343**	44 233
Other deposits and loan accounts	**698 075**	675 363
Call and term deposits	**363 857**	337 197
Fixed deposits	**60 238**	63 429
Cash management deposits	**115 634**	111 832
Other deposits and loan accounts	**158 346**	162 905
Foreign currency liabilities	**22 688**	21 146
Negotiable certificates of deposit	**82 429**	100 405
Deposits received under repurchase agreements[1]	**15 426**	12 267
Macro fair-value hedge-accounted portfolios	**83**	1 415
	971 795	953 715
Comprises:		
– Amounts owed to depositors	**941 506**	905 081
– Amounts owed to banks	**30 289**	48 634
	971 795	953 715

[1]The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R16 349m (2020: R12 953m) as collateral for deposits received under repurchase agreements, of which R8 424m (2020: R7 233m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9.

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.

D1.2 SECTORAL ANALYSIS

	2021 Rm	2020 Rm
Banks	**30 289**	48 634
Government and public sector	**96 982**	74 482
Individuals	**221 359**	265 713
Business sector	**623 165**	564 886
	971 795	953 715

D1.3 GEOGRAPHICAL ANALYSIS

	2021 Rm	2020 Rm
SA	**875 644**	856 602
Rest of Africa	**41 120**	39 912
Europe	**41 628**	47 570
Asia	**9 105**	6 132
United States of America	**1 861**	1 346
Rest of world	**2 437**	2 153
	971 795	953 715

D1.4 SEGMENTAL ANALYSIS

	Total		Nedbank Corporate and Investment Banking	
Rm	**2021**	2020	**2021**	2020
Current accounts	**106 751**	98 886	**6 170**	8 105
Savings deposits	**46 343**	44 233		
Other deposits and loan accounts	**698 075**	675 363	**400 175**	389 077
Call and term deposits	**363 857**	337 197	**137 404**	123 311
Fixed deposits	**60 238**	63 429	**14 361**	16 404
Cash management deposits	**115 634**	111 832	**102 170**	97 678
Other deposits and loan accounts	**158 346**	162 905	**146 240**	151 684
Foreign currency liabilities	**22 688**	21 146	**15 880**	13 597
Negotiable certificates of deposit	**82 429**	100 405		
Macro fair-value hedge-accounted portfolios	**83**	1 415		
Deposits received under repurchase agreements	**15 426**	12 267	**15 426**	12 267
	971 795	953 715	**437 651**	423 046
Comprises:				
– Amounts owed to clients	**941 506**	905 081	**409 719**	378 581
– Amounts owed to banks	**30 289**	48 634	**27 932**	44 465
	971 795	953 715	**437 651**	423 046

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
87 005	79 768	**2 256**	1 874	**11 224**	9 052	**96**	87
13 404	12 300	**32 066**	31 083	**873**	850		
267 822	255 150	**9 471**	10 957	**19 182**	18 947	**1 425**	1 232
206 433	192 121	**7 652**	9 311	**12 364**	12 451	**4**	3
42 237	43 562	**651**	614	**2 989**	2 857		(8)
11 287	11 748	**382**	424	**1 702**	1 893	**93**	89
7 865	7 719	**786**	608	**2 127**	1 746	**1 328**	1 148
6 741	7 025	**47**	31	**20**	493		
				3 755	3 952	**78 674**	96 453
						83	1 415
374 972	354 243	**43 840**	43 945	**35 054**	33 294	**80 278**	99 187
375 078	353 315	**43 840**	43 945	**33 972**	32 240	**78 897**	97 000
(106)	928			**1 082**	1 054	**1 381**	2 187
374 972	354 243	**43 840**	43 945	**35 054**	33 294	**80 278**	99 187

D2 LONG-TERM DEBT INSTRUMENTS

Instrument type	Maturity dates	Interest rates	2021 Rm	2020 Rm
Subordinated debt[1]				
Callable notes (Namibian-dollar-denominated - floating)	27 October 2031	JIBAR plus 2,75%	**101**	151
Callable notes (Namibian-dollar-denominated - fixed)	31 July 2029 to 27 January 2032	9,16% to 10,82%	**314**	156
Long-term debenture[2]	15 September 2030	Zero coupon	**11**	10
Basel III subordinated debt[3]				
Callable notes (rand-denominated – floating)	15 March 2027 to 27 December 2031	JIBAR plus 2,00% to 3,85%	**14 620**	13 665
Callable notes green bonds	30 June 2030	JIBAR plus 2,80%	**2 013**	2 012
Securitised liabilities[4]				
Callable notes (rand-denominated – floating)	20 February 2037 to 25 November 2053	JIBAR plus 1,24% to 2,50%	**1 856**	2 084
Senior unsecured debt[5]				
Senior unsecured notes – fixed	11 February 2022 to 19 November 2027	8,79% to 11,15%	**13 943**	15 271
Senior unsecured notes – floating	11 February 2022 to 01 August 2029	JIBAR plus 1,10% to 2,25%	**21 421**	23 750
Senior unsecured green bonds	29 April 2022 to 15 December 2028	JIBAR plus 1,10% to 1,45%	**3 829**	2 628
Unsecured debentures	30 November 2029	Zero coupon	**51**	43
Total long-term debt instruments in issue			**58 159**	59 770

[1] During 2021 two floating Namibian Basel II subordinated debt instruments were redeemed and replaced with fixed and floating Namibia Basel III Tier 2 instruments. These notes do not however qualify for SARB Basel III purposes.
[2] Management identified that the Namibian-dollar-denominated callable notes of R307m were incorrectly disclosed, as long-term debentures at 31 December 2020. This has subsequently been corrected and these notes are now disclosed as callable notes.
[3] During 2021 one Basel III subordinated debt instrument was redeemed and two were issued. The issuances were at R2,5bn and R0,5bn at JIBAR plus 2,35% and JIBAR plus 2,00% respectively, redeemable on 19 June and 27 December 2026 respectively.
[4] During 2021 the movement in securitised liabilities was due to capital repayments.
[5] During 2021 eight senior unsecured debt instruments were repaid and four were issued. The total sum of R3,4bn issuances include two notes at R2,2bn with rates ranging from JIBAR plus 1,10% to JIBAR plus 1,50% and repayable between 15 April 2024 and 15 April 2028 respectively and two green bonds at R1,2bn with rates ranging from JIBAR plus 1,35% and JIBAR plus 1,45% repayable between 29 July and 15 December 2028 respectively.

D2.1 MOVEMENT IN CARRYING AMOUNT

	2021 Rm	2020 Rm
Balance at the beginning of the year	**59 770**	59 713
Changes arising from cash movements	**(5 555)**	(4 715)
Issue of long-term debt instruments	**6 579**	7 189
Redemption of long-term debt instruments	**(8 244)**	(7 039)
Interest paid	**(3 890)**	(4 865)
Acquisition/(Disposal) of own long-term debt	**(4)**	54
Changes arising from non-cash movements	**3 948**	4 718
Accrued interest and unwinding of premiums/discount	**3 948**	4 718
Balance at the end of the year	**58 159**	59 770

D3 INVESTMENT CONTRACT LIABILITIES

These are 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.

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 linked directly 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-cash-flow methods, index values and closing market values. The valuations are also adjusted for the effects of changes in foreign exchange rates.

	2021 Rm	2020 Rm
Balance at the beginning of the year	20 868	24 571
Premium income	4 236	6 000
Investment income	1 531	1 162
Annuities	(319)	(288)
Death and disability benefits	(232)	(460)
Withdrawals/Surrenders	(8 175)	(10 582)
Other movements	50	465
Balance at the end of the year	17 959	20 868

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 South Africa. 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.

Risk management objectives and policies for mitigating insurance risk

The key risks associated with the group's insurance products are underwriting and claims experience risk (including the variable incidence of natural disasters). Underwriting risk is the risk that the group does not charge premiums appropriate for the different risks it insures. The risk on any policy will vary according to many factors. This risk is managed primarily through sensible pricing and reinsurance. The group is also exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a portfolio. A fully integrated system and fraud detection measurements are in place to improve the group's ability to detect fraudulent claims proactively.

The group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a proportional and excess or catastrophe excess bases. These reinsurance agreements spread the risk and minimise the effect of losses. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 17: Insurance contracts

IFRS 17 is a comprehensive new standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4: Insurance Contracts. The group has established a steering committee to promote, direct and oversee the successful implementation of IFRS 17 in the group. The committee is supported by several project workstreams. The impact of implementing IFRS 17 is currently being assessed.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative information required. The group's steering committee is closely monitoring the IASB and related industry information.

D4.1 RECONCILIATION OF INSURANCE CONTRACT LIABLITIES

	2021 Rm	2020 Rm
Balance at the beginning of the year	922	715
Net premiums	2 290	2 158
Individual – recurring premiums	2 383	2 258
Net reinsurance premiums	(93)	(100)
Investment income	450	754
Dividends	23	24
Interest	456	379
Realised and unrealised gains/losses on investments	(29)	351
Policyholders' benefits paid	(978)	(1 041)
Annuities	(2)	(2)
Death and disability benefits	(932)	(999)
Gross surrenders and withdrawals	(44)	(40)
Total expenses	(581)	(505)
Administration expenses	(527)	(324)
Commission		(138)
Indirect taxation	(54)	(43)
Transfer to operating profit	(1 261)	(1 159)
Balance at the end of the year	**842**	922

D4.2 SENSITIVITY ANALYSIS

	Impact on profit or loss	
	2021 Rm	2020 Rm
Economic assumptions decrease by 1%	**(27)**	(55)
Economic assumptions increase by 1%	**23**	46
Voluntary discontinuance rates decreasing by 10%	**(23)**	(55)
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	**27**	50
Expense inflation increases by 1%	**(14)**	(36)
Mortality and morbidity rates decrease by 5%	**23**	29
Equity and property market value decrease by 10%	**(25)**	(31)

D5 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year
2021				
Long-term debt instruments	**58 159**	**4 123**	**2 698**	**4 781**
Investment contract liabilities	**17 959**	**17 959**		
Insurance contract liabilities	**842**			
Amounts owed to depositors	**971 795**	**722 716**	**69 484**	**95 344**
Current accounts	**106 751**	**106 788**		
Savings deposits	**46 343**	**46 357**		
Other deposits and loan accounts	**698 075**	**519 092**	**55 253**	**79 313**
Foreign currency liabilities	**22 688**	**21 757**	**314**	**628**
Negotiable certificates of deposit	**82 429**	**13 291**	**13 917**	**15 403**
Deposits received under repurchase agreements	**15 426**	**15 431**		
Macro fair-value hedge-accounted portfolios	**83**			
Derivative financial instruments – liabilities	**36 042**	**6 248**	**3 294**	**3 354**
Lease liabilities	**2 483**	**239**	**239**	**479**
Provisions and other liabilities	**24 263**	**4 904**	**77**	**463**
	1 111 543	**756 189**	**75 792**	**104 421**
Contingent liabilities, undrawn facilities and commitments				
Guarantees on behalf of clients		**33 425**		
Letters of credit and discounting transactions		**7 610**		
Irrevocable unutilised facilities and other		**157 687**		
	–	**198 722**	**–**	**–**
2020				
Long-term debt instruments	59 770	3 279	3 823	4 922
Investment contract liabilities	20 868	20 868		
Insurance contract liabilities	922			
Amounts owed to depositors	953 715	692 064	83 452	83 911
Current accounts	98 887	98 888		
Savings deposits	44 233	44 182		52
Other deposits and loan accounts	675 362	502 123	54 149	58 654
Foreign currency liabilities	21 146	18 643	149	1 471
Negotiable certificates of deposit	100 405	16 030	29 129	23 677
Deposits received under repurchase agreements	12 267	12 198	25	58
Macro fair-value hedge-accounted portfolios	1 415			
Derivative financial instruments – liabilities	65 130	11 103	7 308	7 326
Lease liabilities	3 048	262	244	487
Provisions and other liabilities	24 240	1 876	26	461
	1 127 693	729 452	94 853	97 108
Contingent liabilities, undrawn facilities and commitments				
Financial guarantees on behalf of clients		29 770		
Letters of credit and discounting transactions		8 024		
Irrevocable unutilised facilities and other		152 308		
	–	190 102	–	–

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
41 338	**21 458**		**74 398**
			17 959
		842	**842**
94 111	**9 898**	**–**	**991 553**
			106 788
			46 357
48 772	**7 718**		**710 148**
1			**22 700**
45 255	**2 180**		**90 046**
			15 431
83			**83**
9 985	**13 161**		**36 042**
1 474	**588**		**3 019**
252	**576**	**17 992**	**24 264**
147 160	**45 681**	**18 834**	**1 148 077**
			33 425
			7 610
			157 687
–	**–**	**–**	**198 722**
43 990	22 535		78 549
			20 868
		922	922
95 008	12 874	–	967 309
			98 888
			44 234
56 940	11 338		683 204
883			21 146
35 770	1 536		106 142
			12 281
1 415			1 415
14 767	24 626		65 130
1 696	1 085		3 774
24	16 962	4 892	24 241
155 485	78 082	5 814	1 160 794
			29 770
			8 024
			152 308
–	–	–	190 102

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

E1.1 FAIR VALUE OF FUNDS UNDER MANAGEMENT – BY TYPE

	2021 Rm	2020 Rm
Fair value of funds under management – by type		
Unit trusts	**359 404**	314 539
Third party	**1 105**	957
Private clients	**63 820**	59 050
	424 329	374 546

E1.2 FAIR VALUE OF FUNDS UNDER MANAGEMENT – BY GEOGRAPHY

	2021 Rm	2020 Rm
SA	**325 318**	296 971
Rest of world[1]	**99 011**	77 575
	424 329	374 546

[1] Represents amounts relating to Isle of Man.

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 2019	273 243	946	56 947	331 136
Inflows	617 754	235	12 394	630 383
Outflows	(587 149)	(292)	(15 062)	(602 503)
Mark-to-market value adjustment	8 266	(14)	4 318	12 570
Foreign currency translation differences	2 425	82	453	2 960
Balance at 31 December 2020	**314 539**	**957**	**59 050**	**374 546**
Inflows	**675 612**	**13**	**6 647**	**682 272**
Outflows	**(666 918)**	**(32)**	**(8 129)**	**(675 079)**
Mark-to-market value adjustment	**29 483**	**95**	**5 711**	**35 289**
Foreign currency translation differences	**6 688**	**72**	**541**	**7 301**
Balance at 31 December 2021	**359 404**	**1 105**	**63 820**	**424 329**

E1.4 RECONCILIATION OF MOVEMENT IN FUNDS UNDER MANAGEMENT – BY GEOGRAPHY

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2019	264 448	66 688	331 136
Inflows	614 689	15 694	630 383
Outflows	(588 846)	(13 657)	(602 503)
Mark-to-market value adjustment	6 680	5 890	12 570
Foreign currency translation differences		2 960	2 960
Balance at 31 December 2020	**296 971**	**77 575**	**374 546**
Inflows	**668 816**	**13 456**	**682 272**
Outflows	**(665 345)**	**(9 734)**	**(675 079)**
Mark-to-market value adjustment	**24 876**	**10 413**	**35 289**
Foreign currency translation differences		**7 301**	**7 301**
Balance at 31 December 2021	**325 318**	**99 011**	**424 329**

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, note I2.2.1 for the classification of investment securities in terms of the fair-value hierarchy and Section F2 for the group's accounting policies on investments in associate companies.

	Carrying amount		Dividends received		Cumulative gains/(losses)	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Private-equity investments	**6 287**	7 380	**207**	59	**303**	(650)
Private-equity associates – Property Partners	**1 799**	1 842	**1**	15	**39**	31
Private-equity associates – Investment Banking	**1 020**	1 128			**215**	(133)
Private equity (unlisted) – Property Partners	**1 228**	1 339		3	**17**	17
Private equity (unlisted) – Investment Banking	**2 240**	3 071	**206**	41	**32**	(565)
Listed investments	**23**	136	**29**	63	**1**	(214)
Unlisted investments	**3 349**	3 150	**22**	31	**(13)**	99
Taquanta Asset Managers portfolio	**550**	470	**4**	5	**57**	45
Strate Limited	**163**	143	**15**	9		
Other	**2 636**	2 537	**3**	17	**(70)**	54
Total listed and unlisted investments	**9 659**	10 666	**258**	153	**291**	(765)
Listed policyholder investments at market value	**11 638**	13 129				
Unlisted policyholder investments at directors' valuation	**4 201**	2 630				
Total policyholder investments	**15 839**	15 759				
Total investment securities	**25 498**	26 425				

The group has designated 13 listed and unlisted investments (2020: 11) at FVOCI, as these investments are held with strategic intent. The fair value of these investments was R972m at 31 December 2021 (31 December 2020: R862m). R5m (2020: R6m) was recognised as dividend income and was recognised in the statement of comprehensive income as non interest revenue. No equity investments designated at FVOCI have been derecognised in the current year. There were no transfers of the cumulative gain or loss within equity during 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 as 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 post acquisition 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 starts 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 as of the same date as the financial statements of the investor unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the ends of 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 note H2.

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 and income in profit or loss in the period in which they occur.

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Investment in Ecobank Transnational Incorporated

One of the group's associate investments, Ecobank Transnational Incorporated (ETI), reported unaudited results for the year ended 31 December 2021 earlier than prior years. The group used the most recent public information of ETI at 31 December 2021 to determine its share of ETI's OCI. However, in line with the group accounting policy, the earnings were accounted for one quarter in arrear (ie at 30 September 2021), as there were no significant transactions or events between 30 September 2021 and 31 December 2021. The resulting equity-accounted earnings are translated from US dollar to rand at the average exchange rate applicable for the quarter in which the group accounts for the earnings and OCI. The group's share of the net assets of ETI is translated from US dollar to rand at the closing exchange rate.

The carrying value of Nedbank Group's strategic investment in ETI increased from R2,2bn to R2,3bn during the year. The market value of the group's investment in ETI, based on its quoted share price on 31 December 2021, was R1,7bn. The difference between market value and carrying value is significant and prolonged, which represented evidence of an impairment indicator at 31 December 2021. Where there is an impairment indicator, IFRS determines that an impairment test be computed, which compares the value-in-use (VIU) and the carrying value of the investment. The computation of the VIU in accordance with IFRS is subject to significant judgement as it is based on, among others, economic estimates, macroeconomic assumptions and the discounting of future cash flow estimates. This is particularly complicated in the current economic environment in the many jurisdictions that ETI operates in and with the limited public information available.

Based on the results of the VIU calculation, management determined neither to change the previous R1,75bn impairment nor to reverse any impairment in the current period. 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.

ETI has been an important long-term investment for the group, providing our clients with a pan-African transactional banking network and access to cash flow in Central and West Africa since its acquisition in 2014. The group remains supportive of ETI's endeavours of delivering a return on equity in excess of its cost of equity in due course.

On 03 March 2022 the market value of the group's investment in ETI was R2,1bn.

F2.1 MOVEMENT IN CARRYING AMOUNT

	2021 Rm	2020 Rm
Carrying amount at the beginning of the year	3 322	3 917
Share of associate companies' profit after taxation for the year[1]	786	(76)
Share of associate companies' OCI for the year	(742)	207
Dividends received from equity-accounted associate companies	(162)	(41)
Acquisitions/(Disposals) of investments in associate companies	43	(162)
Impairment provision for investments in associate companies		(750)
Foreign currency translation and other movements	148	227
Carrying amount at the end of the year	**3 395**	**3 322**

[1] Of this amount, R13m (2020:R528m) relates to our share of ETI's goodwill impairment.

F2.2 ANALYSIS OF CARRYING AMOUNT

	2021 Rm	2020 Rm
Associate investments – on acquisition: net asset value	**7 233**	7 190
Impact of adopting new accounting standards, net of taxation	**(780)**	(780)
Share of retained earnings since acquisition[1]	**2 324**	1 538
Share of OCI since acquisition	**(4 839)**	(4 097)
Dividends received from equity-accounted associate companies	**(382)**	(220)
Impairment provision for investments in associate companies	**(1 750)**	(1 750)
Foreign currency translation and other movements[2]	**1 589**	1 441
	3 395	3 322

[1] Of this amount, R13m (2020:R528) relates to our share of ETI's goodwill impairment.
[2] Of this amount, R92m (2020: R48m) relates to foreign currency movements on the R1,75bn impairment recorded in 2016 and 2020.

F2.3 ANALYSIS OF INVESTMENTS IN ASSOCIATE COMPANIES

	Nature of activities	Percentage holding 2021 %	Percentage holding 2020 %
Associate companies			
Listed			
ETI (Togo)[2]	Banking	**21,2%**	21,2%
Unlisted			
Private equity: Tracker Technology Holdings Proprietary Limited[3]	Vehicle tracking	**17,7%**	17,7%
Private equity: other investments	Various		
Other strategic investments	Various		

[1] Includes on-balance-sheet and off-balance-sheet exposure.
[2] ETI is a pan-African banking group and its shares are listed on the stock exchanges of Nigeria, Ghana and Ivory Coast. The group's strategy remains to own, manage and control banking operations in the SADC and East Africa, and to provide our clients with access to a banking network in West and Central Africa through our strategic investment in and alliance with the pan-African banking group, which operates in 36 African countries.
[3] The group has significant influence over Tracker Technology Holdings Proprietary Limited due to its representation on the board of directors.

Unless otherwise stated above, all entities are domiciled and incorporated in South Africa. 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.

F2.4 ADDITIONAL DISCLOSURE RELATING TO MATERIAL ASSOCIATE COMPANY

	ETI[1] 2021 Rm	ETI[1] 2020 Rm
Fair value of investment in ETI based on the closing quoted price on the Nigerian Stock Exchange[2]	**1 709**	1 167
Statement of comprehensive income		
Revenue	**25 737**	27 153
Profit from continuing operations	**5 142**	1 498
After-tax profit from discontinued operations	**24**	47
Other comprehensive (losses)/income	**(4 353)**	917
Total comprehensive income	**813**	2 463
Statement of financial position		
Current assets	**248 677**	209 350
Non-current assets	**184 738**	167 697
Current liabilities	**362 596**	304 502
Non-current liabilities	**36 969**	42 987

[1] The information provided for ETI has been based on the latest available financial information, being the unaudited financial results available at 31 December 2021.
[2] Based on the NAFEX NGN/USD and prevailing ZAR/USD exchange rates.

			Group			
			Carrying amount		Net exposure to/(from) associates[1]	
Measurement method	Acquisition date	Year-end	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Equity-accounted	October 2014	December	**2 272**	2 180	**81**	(7)
Equity-accounted	November 2018	June	**480**	570	**1 246**	774
Equity-accounted			**237**	156	**271**	
Equity-accounted			**406**	416	**35**	
			3 395	3 322	**1 633**	767

ETI's VIU at 31 December has been determined using the following assumptions:

	2021	2020
Adjusted risk-free rate (%)	**7,9**	7,8
Equity risk premium (%)	**4,2**	4,7
Beta	**1,2**	1,1
Terminal growth rate (%)	**1,7**	1,7
Cash flow projection (years)	**5**	5
Discount rate[1] (%)	**18,0**	18,1

[1] *The discount rate is after-tax.*

F2.5 ADDITIONAL DISCLOSURE RELATING TO IMMATERIAL ASSOCIATES

	2021 Rm	2020 Rm
Carrying amount of immaterial associates	**643**	546
Group's share of:		
Total comprehensive income	**8**	183
Profit from continuing operations	**11**	180
Other comprehensive (losses)/income	**(3)**	3

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 investees it has interest in, 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 during the period incurred.

Where the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, that asset or liability is measured at the acquisition date fair value. Subsequent changes in such fair values are accounted for in profit or loss. 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 South African 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 (South African rand) are translated at the closing exchange rate. Income and expenses are translated using the average exchange rate for the period. The differences that arise on translation of these entities are recognised in OCI in the statement of comprehensive income. The cumulative exchange differences are recognised as a separate component of equity and are represented by the balance in the foreign currency translation reserve.

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

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

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.

F3.1 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group			
	Issued capital		Effective holding	
	2021 Rm	2020 Rm	2021 %	2020 %
Banking[2]				
Nedbank Limited	**28**	28	**100**	100
Nedbank Mocambique, SA	**563**	563	**87,5**	87,5
Trust and securities entities[3]				
Syfrets Securities Limited	**1**	1	**100**	100
Other companies[4]				
Nedgroup Private Wealth Proprietary Limited	[1]	[1]	**100**	100
NedEurope Limited (Isle of Man)	**6 167**	6 167	**100**	100
Nedbank Group Insurance Holdings Limited	**17**	17	**100**	100
NedNamibia Holdings Limited (Namibia)	**18**	18	**100**	100
Visigro Investments (Proprietary) Limited	[1]	[1]	**100**	100
Other companies[5]				
Investments in Preference shares				
Nedbank Limited[6]		[1]		100

[1] Represents amounts less than R1m.
[2] The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.
[3] 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.
[4] These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.
[5] In terms of a dispensation received from the Financial Sector Conduct Authority these companies are not allowed to declare any distributions to their holding company.
[6] The group repurchased all of the non redeemable, non cumulative, non participating preference shares in issue on 21 December 2021.

Company			
Book value of investments		Net indebtedness	
2021 Rm	2020 Rm	2021 Rm	2020 Rm
32 918	29 421	**11 783**	10 035
730	730	**16**	12
1	1		
566	566		
1 612	1 612		
196	196	**260**	257
429	429		
155	155		
300	111	**509**	346
36 907	33 221	**12 568**	10 650
	339		

The composition of the group is illustrated in note F3.1. Unless otherwise stated:

- all entities are domiciled in SA;
- 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; and
- there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

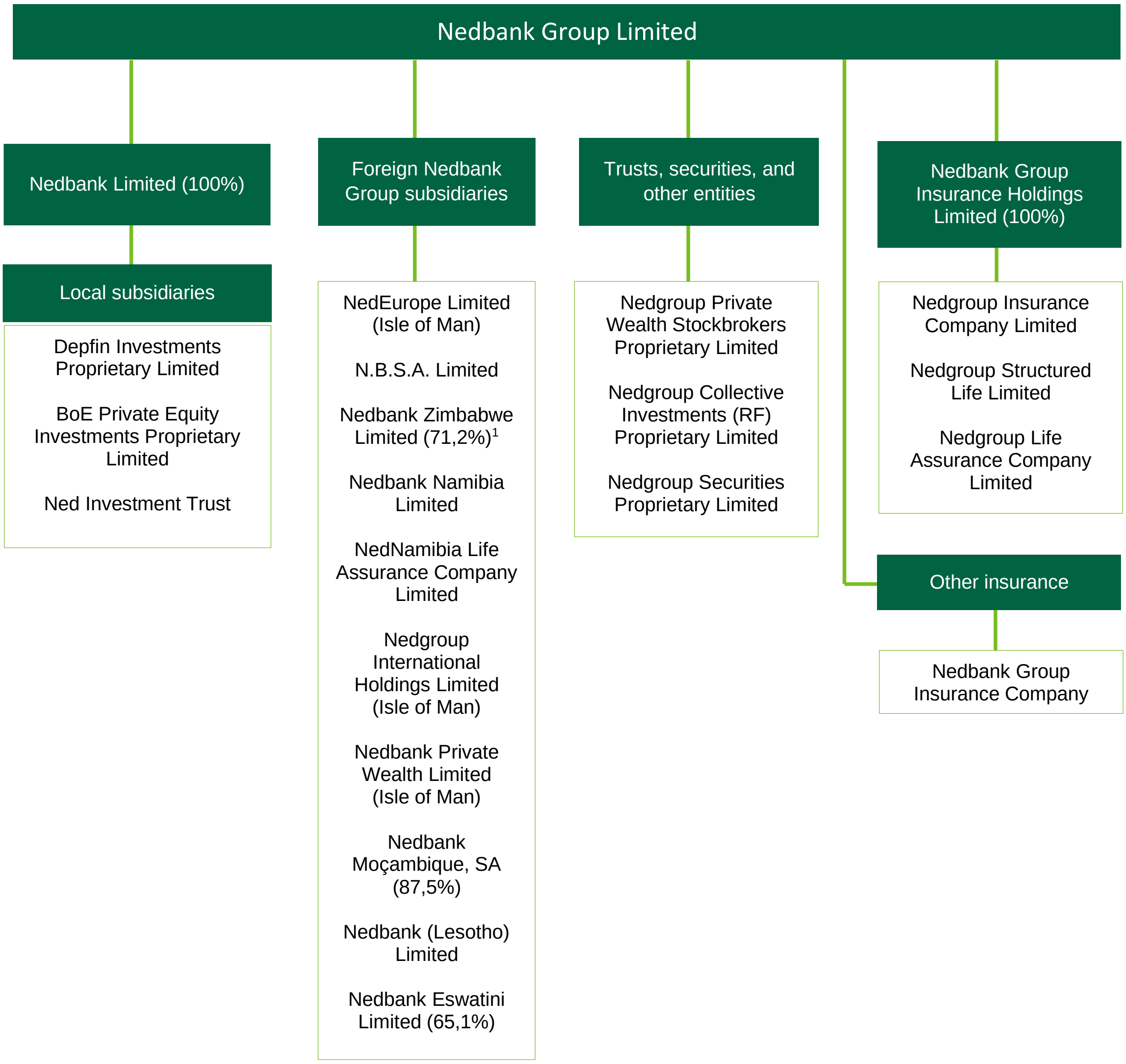
Headline earnings from subsidiaries (after eliminating intercompany transactions)

	2021 Rm	2020 Rm
Aggregate headline earnings attributable to shareholders	11 763	5 643
Aggregate headline losses attributable to shareholders	(74)	(203)
Total headline earnings	11 689	5 440

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

Nedbank Group 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 principal non-banking subsidiaries are able to meet their contractual liabilities.

F3.2 MAJOR SUBSIDIARY COMPANIES



All subsidiaries are wholly owned, unless stated otherwise.

[1] *During 2021, Nedbank Zimbabwe's Employee Share Scheme was wound down. The effective holding increased from 66,1% to 71,2%.*

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:

	Nedbank Moçambique, SA		Nedbank Eswatini Limited		Nedbank Zimbabwe Limited	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Financial position						
Total assets	**7 942**	6 352	**6 088**	6 457	**3 594**	2 597
Total liabilities	**6 939**	5 782	**5 152**	5 649	**3 100**	2 336
Accumulated non-controlling interests at the end of the year	**125**	71	**327**	282	**142**	89
Comprehensive income						
Income from lending activities	**422**	270	**264**	195	**179**	56
Non-interest revenue and income	**140**	165	**191**	188	**605**	615
Profit from continuing operations	**53**	(69)	**131**	78	**134**	83
Total comprehensive income	**53**	(69)	**131**	78	**134**	83
Profit allocated to non-controlling interests during the reporting period	**7**	(4)	**46**	27	**44**	28
Cash flows						
Cash flows from/(utilised by) operating activities	**(784)**	480	**(220)**	833	**363**	424
Cash flows utilised by investing activities	**(148)**	(82)	**4**	(7)	**(52)**	(34)
Cash flows utilised by financing activities			**(80)**	(70)	**(7)**	(5)
Net increase/(decrease) in cash and cash equivalents	**(932)**	398	**(296)**	756	**304**	385
Dividends paid to non-controlling interests			**25**	24		

F4 INTERESTS IN STRUCTURED CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

F4.1 CONSOLIDATED STRUCTURED ENTITIES

The group holds certain interests in consolidated structured entities to ring-fence 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:

- 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 III (RF) Limited
  - Greenhouse 5 Funding (RF) Limited
  - Precinct Funding 2 (RF) Limited

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

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 act merely 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 decision-making processes relating to the operation of the trust.

Dr Holsboer Benefit Fund

Nedbank Group Limited 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 at their discretion. The group 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 agree unanimously. The group has concluded that the trustees act merely in an agent capacity and that the group has control over the trust.

Securitisation

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 whether it has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of its returns. In arriving at these judgements, the factors are considered both jointly and separately.

The group controls these entities and has consolidated these structures since its inception. These securitisation structures include the following:

Securitisation vehicles consist of the residential-mortgage-backed securitisation programmes Greenhouse Funding 5 (RF) Limited and Greenhouse Funding III (RF) Limited and the commercial-mortgage-backed securitisation programme 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 decision-making, 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 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 collateralised 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 more information on the securitisation activities of the group.

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 Association for Savings and Investment South Africa (Asisa) rules to hold a minimum interest in the investment fund. In determining whether the group controls such an investment, focus is usually on the assessment of decision-making 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 management fees and interest held.

In most instances the group's decision-making authority, in its capacity as manager of these investment funds, is regarded as well defined. Discretion is, however, exercised when decisions are made about the relevant activities of these funds.

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
2021	
Carrying amount of the group's interest	**10**
Fees earned	**816**
Total assets under management	**269 983**
2020	
Carrying amount of the group's interest	8
Fees earned	809
Total assets under management	244 020

Investment funds

The group's maximum exposure to losses from its interests in unconsolidated structured entities is limited to the group's interests in these 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 black economic empowerment (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 to diversify funds and to add flexibility in mitigating structural liquidity risk. Currently the group has two active and one matured traditional securitisation transactions:

- Greenhouse Funding III (RF) Limited (Greenhouse III), a residential-mortgage-backed securitisation programme.
- Greenhouse Funding 5 (RF) Limited (Greenhouse 5), a residential-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 was 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.

The maturity of the Greenhouse III securitisation transaction occurred on 25 February 2020. As a result, all the outstanding notes held by external investors that were originally issued by Greenhouse III, were redeemed in full.

Greenhouse Funding 5 (RF) Limited (Greenhouse 5)

Greenhouse 5 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 5 is a residential-mortgage-backed securitisation programme implemented during 2019. Greenhouse 5 securitised R1,7bn 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 5 are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse 5 continue to be recognised as financial assets held by Nedbank Limited.

Greenhouse 5 has been structured as a revolving structure, having the ability to issue new notes and purchase additional mortgage loans.

Greenhouse 5 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 5 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable quarterly 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 5 structure, Nedbank Limited holds the class B and class C note, amounting to R150m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

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

Precinct Funding 2 is a commercial-mortgage-backed securitisation (CMBS) programme. 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. The commercial-property mortgage loans transferred to Precinct Funding 2 continue to be recognised as financial assets held by Nedbank Limited.

The Precinct Funding 2 structure allows for more flexibility to replace loans. However, loan replacements are subject to certain portfolio covenants and eligibility criteria.

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

Nedbank 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 quarterly 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 Limited holds the class C and class D notes of Precinct Funding 2 amounting to R61m. 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:

	2021		2020	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients:				
– Residential mortgage loans	**1 576**	**1 541**	1 592	1 540
Less: Impairments	**(4)**		(4)	
– Commercial mortgage loans	**397**	**315**	592	543
Less: Impairments	**(1)**		(1)	
Total	**1 968**	**1 856**	2 179	2 083

F6 RELATED PARTIES

F6.1 Relationship with significant investors

On the 23rd of June 2021, Old Mutual Limited made an announcement regarding unbundling all of the Nedbank Group Limited's shares held by Old Mutual Emerging Markets Proprietary Limited. This transaction was achieved by way of a dividend in specie to Old Mutual shareholders which was finalised in November 2021. Consequently, on finalisation date of the unbundling transaction, Old Mutual Limited retained a 7,2% shareholding in Nedbank Group Limited and was no longer considered a related party of the group for the 2021 reporting period.

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 to other key management personnel, as well as the number of share instruments held, are shown below:

	Directors	Key management personnel	Total
Compensation (Rm)			
2021			
Directors' fees	**22**		**22**
Remuneration – paid by subsidiaries	**58**	**135**	**193**
Short-term employee benefits	**53**	**115**	**168**
Gain on exercise of share instruments	**5**	**20**	**25**
	80	**135**	**215**
2020			
Directors' fees	22		22
Remuneration – paid by subsidiaries	50	110	160
Short-term employee benefits	39	86	125
Gain on exercise of share instruments	11	24	35
	72	110	182

	Directors	Key management personnel	Total
Number of share instruments			
2021			
Outstanding at the beginning of the year	**548 988**	**1 046 798**	**1 595 786**
Granted	**496 133**	**800 377**	**1 296 510**
Forfeited		**(39 920)**	**(39 920)**
Exercised	**(125 631)**	**(231 703)**	**(357 334)**
Outstanding at the end of the year	**919 490**	**1 575 552**	**2 495 042**
2020			
Outstanding at the beginning of the year	470 183	831 156	1 301 339
Granted	294 913	565 325	860 238
Forfeited	(165 050)	(12 292)	(177 342)
Exercised	(160 984)	(246 160)	(407 144)
Transferred[1]	109 926	(91 231)	18 695
Outstanding at the end of the year	548 988	1 046 798	1 595 786

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

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)	**2021**	2020
Old Mutual Group[1]		
Bonds, derivatives and other financial instruments (owing to)/due from Old Mutual Group[1]		(2 808)
Loan due from Old Mutual Group[1]		409
Deposits owing to Old Mutual Group[1]		(15 942)
Bank balances owing to Old Mutual Group[1]		(8 019)
Associate companies		
Loans due from associate companies	**3 445**	2 838
Deposits owing to associate companies	**(1 647)**	(1 438)
Bank balances owing to associate companies	**(11)**	(4)
Key management personnel		
Mortgage bonds due from key management personnel	**48**	22
Deposits owing to key management personnel	**(87)**	(32)
Bank balances due from key management personnel	**4**	1
Bank balances owing to key management personnel	**(4)**	(8)
Key management personnel – directors	**(23)**	(8)
Key management personnel – other	**(44)**	(35)
Share-based payments reserve	**(67)**	(43)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	**(14)**	(16)
Bank balances owing to Nedgroup Pension Fund	**(12)**	(13)
Bank balances and deposits owing to other funds	**(392)**	(1 833)

[1] The group and Old Mutual' s related party relationship ceased during the 2021 reporting period. Outstanding balances are not disclosed in respect of parties that were not related parties at the end of the reporting period. We note that the nature of the outstanding balances, which have been disclosed for the comparative period, did not change in the current year before the related party relationship ceased.

	Income/(Expense)	
Transactions (Rm)	**2021**	2020
Old Mutual Group[1]		
Dividend paid to Old Mutual Group[1]	**(477)**	(833)
Interest income from Old Mutual Group[1]	**1 271**	686
Interest expense to Old Mutual Group[1]	**(2 585)**	(2 086)
Insurance premiums to Old Mutual Insure Limited[1]	**(141)**	(147)
Claims recovered from Old Mutual Insure Limited[1]	**88**	74
Commission income from Old Mutual Insure Limited[1]	**25**	26
Management fee income from Old Mutual Group[1]	**169**	185
Management fee expense to Old Mutual Group[1]	**(55)**	(58)
Fees received for provision of information technology services from Old Mutual Group[1]	**123**	228
Rent paid to Old Mutual Group[1]	**(14)**	(18)
Associate companies		
Interest income from associate companies	**89**	59
Interest expense to associate companies	**(26)**	(41)
Key management personnel		
Interest income from key management personnel	**2**	1
Interest expense to key management personnel	**(1)**	(2)
Key management personnel – directors	**22**	(2)
Key management personnel – other	**41**	3
Share-based payments expense (included in staff costs)	**63**	1

[1] The group and Old Mutual' s related party relationship ceased during the 2021 reporting period: The amounts represent transactions for the period up to the finalisation of Old Mutual' s unbundling of Nedbank Group's shares in November 2021.

	Income/(Expense)	
	2021	2020
Long-term employee benefit plans[1]		
Interest expense to Nedgroup Pension Fund		(1)
Interest expense to other funds[1]	**(41)**	(54)
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. It also has an interest in the OMART cell captive within a fellow subsidiary in respect of its disability plan obligations. 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 these policies are as follows:		
– Optiplus policy reimbursement right[2]		721
– Symmetry policy reimbursement right[2]		1 121
– OMART policy reimbursement right (note H1.1)		758
Included in long-term employee benefit assets		2 600
Optiplus policy obligation[2]		(721)
Postretirement medical aid obligation[2]		(958)
Disability obligation[2]		(689)
Included in long-term employee benefit liabilities		(2 368)

[1] The group and Old Mutual' s related party relationship ceased during the 2021 reporting period: The amounts represent transactions for the period up to the finalisation of Old Mutual' s unbundling of Nedbank Group's shares in November 2021.
[2] The group and Old Mutual' s related party relationship ceased during the 2021 reporting period. Outstanding balances are not disclosed in respect of parties that were not related parties at the end of the reporting period. We note that the nature of the outstanding balances, which have been disclosed for the comparative period, did not change in the current year before the related party relationship ceased.

SECTION G: GENERAL 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 pre-tax cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset, the cash flows 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 complete.

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) annually.

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	3 to 7 years
Motor vehicles	5 years
Fixtures and furniture	3 to 10 years
Leasehold property	10 years
Significant leasehold property components	10 years
Freehold property	30 to 58 years
Significant freehold property components	5 to 15 years
Land	Indefinite

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

The group is party to the following type of lease contracts:

- ATMs.
- Branches.
- Campus sites.
- Office space.
- Computer and office equipment.

Contract assessment and allocation of consideration

At the inception of a new contract, the group assesses whether the contract is, or contains, a lease. In assessing whether a contract conveys the right to control the use of an identified asset, the group considers whether:

ACCOUNTING POLICY

- the contract involves the use of an asset explicitly or implicitly identified in the contract. This asset must be physically distinct or represents substantially all the capacity of the asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- the group has the right to direct the use of the asset, ie to direct how and for what purpose the asset is used.

At inception or on reassessment of a modified contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices and the aggregate stand-alone price of the non-lease components. Non-lease components are recognised as an expense in profit or loss in the period in which they arise.

Lease term

The group determines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option.

In assessing whether the group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the group considers all relevant facts and circumstances that create an economic incentive for the group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Lease terms are on average three years for ATMs, five years for branches, 13 years for office blocks, 10 years for campus sites and five years for office and computer equipment.

Right-of-use asset (initial and subsequent measurement)

The right-of-use asset is initially measured at cost, which comprises:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the start date;
- less any lease incentives received;
- plus, any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Impairment losses are determined in accordance with IAS 36: Impairment of Assets.

If the lease transfers ownership of the underlying asset to the group by the end of the lease term, or if the cost of the right-of-use asset reflects that it is reasonably certain that the group will exercise a purchase option, the group depreciates the right-of-use asset over the useful life. Otherwise, the group depreciates the right-of-use asset over the shorter of the useful life and the lease term. The group's principles governing estimating useful lives of the right-of-use assets are determined using the same principles as those ascribed to property and equipment.

Onerous leases (impairment assessment)

Onerous leases are dealt with in IAS 36: Impairment of Assets, except for short-term leases, low-value leases and leases that became onerous before the commencement date of the lease, which are dealt with in IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The group assesses for impairment indicators in the right-of-use asset considering a combination of the following factors:

- When a significant decline in expected economic benefits from the full operational effects of the lease contract has occurred.
- When the leased asset is underutilised, renounced, relinquished or abandoned.
- Combined with an array of factors to conclude on the presences of an onerous lease.
- Each case is assessed and weighed based on its prevailing merits, facts and circumstances.

Impairment losses reduce the right-of-use asset and are recognised in profit and loss. In most cases, an onerous lease does not discharge or extinguish the existing lease liability at the time of occurrence of the impairment event. Any additional penalties to cancel the lease are present-valued and included as part of the lease liability in accordance with IFRS 16.

Disclosure for lease liabilities are done in note K1.

The group as lessor

The group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the group assesses whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying assets. In this case the lease is classified as a finance lease, otherwise it is classified as an operating lease. If the arrangement contains lease and non-lease components, the group allocates the consideration in the contract to each component on the basis of their relative stand-alone prices.

Operating 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.

G1.1 PROPERTY AND EQUIPMENT

	2021 Rm	2020 Rm
Property and equipment (owned) (note G1.2)	**9 072**	9 310
Right-of-use assets (leased) (note G1.3)	**1 667**	2 023
Property and equipment	**10 739**	11 333

G1.2 PROPERTY AND EQUIPMENT (OWNED)

	Land		Buildings	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Gross carrying amount				
Balance at 1 January	**974**	975	**7 753**	7 616
Acquisitions	**4**	14	**465**	396
Increases/(Decreases) arising from revaluations[1]		7	**(112)**	(71)
Transfers to non-current assets held for sale	**(15)**		**(244)**	
Disposals	**(1)**		**(1 458)**	(162)
Transfers between assets			**110**	(1)
Effect of movements in foreign exchange rates and other movements	**13**	(22)	**57**	(25)
Balance at 31 December	**975**	974	**6 571**	7 753
Accumulated depreciation and impairment losses				
Balance at 1 January			**2 479**	2 256
Depreciation charge for the year			**386**	419
Write-off of accumulated depreciation on revaluations			**(32)**	(63)
Disposals			**(1 418)**	(123)
Transfers between assets				(1)
Effect of movements in foreign exchange rates and other movements			**4**	(10)
Balance at 31 December	**–**	–	**1 419**	2 479
Carrying amount				
At 1 January	**974**	975	**5 275**	5 360
At 31 December	**975**	974	**5 152**	5 275

[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:

- Property location.
- Improvements to the building.
- Rentals.
- Vacancies.
- Property expenses.
- Capitalisation rate.

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
	6 663	6 591	**3 776**	3 744	**65**	59	**19 232**	18 985
	756	746	**188**	353	**17**	16	**1 430**	1 525
			86				**(26)**	(64)
							(259)	–
	(3 609)	(644)	**(1 603)**	(272)	**(7)**	(6)	**(6 678)**	(1 083)
		1	**(110)**				**–**	–
	7	(31)	**24**	(49)	**1**	(4)	**102**	(131)
	3 817	6 663	**2 361**	3 776	**76**	65	**13 801**	19 232
	4 753	4 615	**2 638**	2 470	**52**	45	**9 921**	9 386
	717	772	**334**	357	**6**	6	**1 443**	1 555
	(7)	1	**(1)**	(4)	**(2)**		**(42)**	(66)
	(3 594)	(622)	**(1 596)**	(188)	**(5)**	(4)	**(6 613)**	(937)
		1					**–**	–
	3	(15)	**13**	3		5	**20**	(18)
	1 872	4 753	**1 388**	2 638	**51**	52	**4 729**	9 921
	1 910	1 976	**1 138**	1 274	**14**	14	**9 310**	9 599
	1 945	1 910	**973**	1 138	**25**	14	**9 072**	9 310

G1.2 PROPERTY AND EQUIPMENT (OWNED)

Type of property	Valuation method	Significant inputs	Parameters	Land 2021 Rm	Land 2020 Rm	Buildings 2021 Rm	Buildings 2020 Rm
Commercial property	Market-comparable approach and discounted cash flow	Income capitalisation rates	8.70% – 10,00%. (2020: 6,67% – 4,42%)	**975**	974	**5 152**	5 275
Total land and buildings				**975**	974	**5 152**	5 275

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 require or permit 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 362m (2020: R3 321m).

G1.3 RIGHT-OF-USE ASSETS (LEASED)

Right-of-use assets reconciliation

	2021 Rm	2020 Rm
Balance at the beginning of the year	**2 023**	2 378
Depreciation charge for the year	**(864)**	(914)
Additions	**115**	309
Lease modifications[2]	**370**	428
Impairment losses[3]	**(9)**	(152)
Derecognition		[1]
Effect of movements in foreign exchange rates and other movements	**32**	(26)
Balance at the end of the year	**1 667**	2 023

[1] Represents amounts less than R1m.
[2] Related to amendments to new and existing lease contracts subsequent to 1 January 2019. Included in lease modifications are reinstatement costs of R44m (2020: R25m).
[3] The impairment indicator is due to the group's plans to implement new ways of work, which results in leases office space becoming redundant. When an impairment indicator is present, the right of use asset is tested for impairment by comparing its recoverable amount with its carrying amount. Where the recoverable amount of the right of use asset is lower than its carrying value, the right of use is impaired.

Depreciation charge by class of right-of-use assets

	2021 Rm	2020 Rm
Property (ATMs, branches, offices and campus sites)	**(782)**	(827)
Office equipment	**(82)**	(87)
	(864)	(914)

Closing balances by class of right-of-use assets

	2021 Rm	2020 Rm
Property (ATMs, branches, offices and campus sites)	**1 501**	1 774
Office equipment	**166**	249
	1 667	2 023

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 impairment

Goodwill is allocated to one or more CGUs, being the smallest identifiable group of assets that generate 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 VIU and zero.

Impairment testing procedures

The recoverable amount of a CGU 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 (or the CGU) and deducting any costs related to the realisation of the asset.

In assessing VIU, the expected future cash flows 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 impairments charge on non-financial instruments and other gains and losses 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 measured reliably and future economic benefits are available, expenditure on computer software and other development activities, where 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 impairments charge on non-financial instruments and other gains and losses (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 active business in insurance operations, 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 annually. 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 impairment

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 pre-tax cash flows at a risk-adjusted interest rate appropriate to the operating unit. The determination of both of these requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management's view of future performance.

The group's allocation of goodwill was made to nine independent CGUs, comprising a mix of key legal entity subsidiaries and cluster segments. Management performed individual VIU calculations and compared them to the allocated goodwill at an independent CGU level. Management also assessed the total VIU of Nedbank Group Limited to total goodwill and observed at a total level that Nedbank Group VIU exceeded the total goodwill plus net asset value. On an independent CGU basis, one VIU calculation – for Nedbank Namibia – was marginally above the net asset value and two VIU calculations – for Nedbank Private Wealth and Wealth Management International – were below. In relation to Nedbank Private Wealth, the drivers of the lower VIU were due to increased discount rates. This resulted in an impairment of R306m (2020: R345m).

Management stressed the various key assumptions and inputs into the VIU (ie discount rate, cash flows and regulatory capital charge) and were comfortable that the remaining goodwill balance was within a reasonable range. The VIU is sensitive to changes in the discount rate and management stress tested a 1% increase in discount rates for the one marginal VIU and would result in an impairment of R104m.

Management considered the source of the key inputs, which is a significant judgement in particular cash flow forecasts, which are aligned with the group's three year planning and strategy process, discount rates, which have been prepared by the group's balance sheet unit and reviewed by the Group ALCO, regulatory capital impacts, which are aligned with the group capital management oversight processes.

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 is expensed as incurred.

The decision to recognise internally generated intangible assets requires significant judgement, particularly in the following areas:
- Evaluation of whether 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 a cost is directly or indirectly attributable to an intangible asset and whether 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 is used, unless management can determine reliably 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 cash flows, 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 cash flows and values could vary significantly from the forecast future cash flows and related values derived using the discounted-cash-flow method.

G2.1 MOVEMENT IN CARRYING AMOUNT

Rm	Goodwill	Software	Development costs (not yet commissioned)	Client relationships, contractual rights and other	Total
2021					
Cost					
Balance at the beginning of the year	**6 686**	**13 712**	**1 828**	**927**	**23 153**
Acquisitions		**272**	**1 495**	**3**	**1 770**
Development costs commissioned to software		**1 928**	**(1 928)**		**–**
Disposals and retirements		**(2 709)**			**(2 709)**
Foreign currency translation and other movements	**(146)**	**12**	**(4)**		**(138)**
Balance at the end of the year	**6 540**	**13 215**	**1 391**	**930**	**22 076**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	**1 939**	**6 360**	**199**	**905**	**9 403**
Amortisation charge		**1 705**			**1 705**
Disposals and retirements		**(2 709)**			**(2 709)**
Impairment losses[2]	**306**	**99**	**54**		**459**
Foreign currency translation and other movements		**(3)**			**(3)**
Balance at the end of the year	**2 245**	**5 452**	**253**	**905**	**8 855**
Carrying amount					
At the beginning of the year	**4 747**	**7 352**	**1 629**	**22**	**13 750**
At the end of the year	**4 295**	**7 763**	**1 138**	**25**	**13 221**
2020					
Cost					
Balance at the beginning of the year	6 651	15 517	1 895	740	24 803
Acquisitions		475	1 883	187	2 545
Development costs commissioned to software		1 949	(1 949)		–
Disposals and retirements		(4 211)			(4 211)
Foreign currency translation and other movements	35	(18)	(1)		16
Balance at the end of the year	6 686	13 712	1 828	927	23 153
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 594	9 015	143	685	11 437
Amortisation charge		1 436	3	35	1 474
Disposals and retirements	345	(4 211)		184	(3 682)
Impairment losses1		156	51		207
Foreign currency translation and other movements		(36)	2	1	(33)
Balance at the end of the year	1 939	6 360	199	905	9 403
Carrying amount					
At the beginning of the year	5 057	6 502	1 752	55	13 366
At the end of the year	4 747	7 352	1 629	22	13 750

[1] Represents amounts less than R1m.
[2] 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

	2021 Rm	2020 Rm
Nedbank Corporate and Investment Banking	**2 023**	2 023
Nedbank Retail and Business Banking	**1 449**	1 449
Nedbank Wealth	**663**	1 119
Nedbank Africa Regions	**160**	155
	4 295	4 746

The group's annual impairment test indicated that the goodwill relating to two cash-generating units in Nedbank Wealth was impaired as a result of the negative macroeconomic environment. This resulted in an impairment of goodwill totalling R306m (2020: R345m), which is not recognised in headline earnings.

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

	2021 Rm		2020 Rm	
	SA and Namibia	UK	SA and Namibia	UK
Risk-free rate range, including country risk premium (%)[1]	**8,41–9,50**	**1,07**	8,13–9,60	0,28
Beta range[2]	**0,87–0,99**	**0,83**	0,80–1,02	0,76
Equity risk premium (%)[2]	**4,72–5,50**	**6,5**	4,72–5,00	6,5
Inflation rate (%)[2]	**4,50–5,71**	**1,94**	4,50-5,71	1,93
Country risk premium (%)[2]	**3,49**		3,49	
Terminal growth rate range (%)[3]	**4,50–5,71**	**1,94**	4,50–5,71	1,93
Cash flow projection (years)	**3–5**	**5**	3–5	5
Discount rate range (%)[4]	**14,56–18,29**	**8,47**	13,52–15,45	6,18

[1] The risk-free rate and country risk premiums have been aggregated in the current year to improve the comparability of VIU assumptions between SA and Namibia.
[2] Management determined these key assumptions using information provided by the Nedbank Economic Unit, Balance Sheet Management Unit and reputable external sources.
[3] Based on management estimates of sustainable growth rates.
[4] Discount rates are based on weighted-average cost of capitals of the respective CGUs. Discount rate is after-tax.

	2021 Rm	2020 Rm
Geographical split of goodwill is based on the area in which the CGU operates:		
– SA	**4 039**	4 135
– Rest of Africa	**160**	155
– Rest of world	**96**	456
	4 295	4 746

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 employee 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 (note H1.1.2), 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 South African retirement plans are governed by the Pension Funds Act, 24 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 2021.

POSTEMPLOYMENT BENEFITS

Defined-benefit pension funds
Nedgroup Pension Fund (including the Optiplus policy).
Nedbank UK Pension Fund.
Other funds, consisting of Nedbank Eswatini 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. In 2020, these were non-qualifying insurance policies in terms of IAS 19: Employee Benefits (IAS 19) since they were held with a related party (Old Mutual Limited). During 2021, Old Mutual Limited unbundled all of the Nedbank Group Limited's shares held by Old Mutual Emerging Markets Proprietary Limited. On finalisation date of the unbundling transaction, Old Mutual Limited retained a 7,2% shareholding in Nedbank Group Limited. Consequently, Old Mutual Limited is no longer considered a related party of the group which resulted in the previous years' non-qualifying insurance policies becoming qualifying insurance policies in terms of IAS 19.

H1.1 ANALYSIS OF LONG-TERM EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Rm	Notes	Assets	Liabilities
2021			
Postemployment benefits[1]	H1.1.1	**5 867**	**(1 807)**
Other long-term employee benefits – disability fund		**743**	**(620)**
		6 610	**(2 427)**
2020			
Postemployment benefits[1]	H1.1.1	5 019	(1 915)
Other long-term employee benefits – disability fund		758	(689)
		5 777	(2 604)

[1] *In terms of IAS 19, the postemployment benefits asset refers to the sum of pension and provident funds with a net positive fund value of R2 854m (2020: R2 115m), qualifying insurance policies taken on the funds of R695m (2020: R721m, non-qualifying insurance policies), the medical aid fund net asset refers to qualifying insurance policies taken on the fund of R1 186m (2020: R1 121m, non-qualifying insurance policies) and the contribution asset R985m (2020: R827m).*

H1.1.1 Net asset/(liability) recognised

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
2021				
Present value of defined-benefit obligation	**(4 000)**	**(965)**		**(4 965)**
Fair value of plan assets	**7 068**	**1 186**	**985**	**9 239**
Funded status[1]	**3 068**	**221**	**985**	**4 274**
Unrecognised due to paragraph 65 limit	**(214)**			**(214)**
	2 854	**221**	**985**	**4 060**
2020				
Present value of defined-benefit obligation	(3 886)	(958)		(4 844)
Fair value of plan assets	6 150	1 121	827	8 098
Funded status	2 264	163	827	3 254
Unrecognised due to paragraph 65 limit	(149)			(149)
	2 115	163	827	3 105

[1] The fair value of plan assets includes qualifying insurance policies for pension funds to the value of R695m (2020: R721m, non-qualifying insurance policies) and for medical aid to the value of R1 186m (2020: R1 121m).

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					
2021					
Pension funds	**4 000**	**7 068**	**3 068**	**(214)**	**2 854**
Nedgroup Fund	**2 977**	**5 981**	**3 004**		**3 004**
Nedbank UK Fund	**470**	**637**	**167**	**(167)**	**–**
Nedbank Private Wealth Funds	**303**	**153**	**(150)**		**(150)**
Other funds	**250**	**297**	**47**	**(47)**	**–**
Medical aid funds	**965**	**1 186**	**221**	**–**	**221**
Nedgroup scheme for Nedbank employees	**897**	**1 108**	**211**		**211**
Nedgroup scheme for BoE employees	**60**	**78**	**18**		**18**
Nedbank Namibia scheme (unfunded)	**8**		**(8)**		**(8)**
Contribution asset		**985**	**985**		**985**
Total	**4 965**	**9 239**	**4 274**	**(214)**	**4 060**
2020					
Pension funds	3 886	6 150	2 264	(149)	2 115
Nedgroup Fund	2 835	5 178	2 344		2 344
Nedbank UK Fund	469	573	103	(103)	–
Nedbank Private Wealth Funds	362	133	(229)		(229)
Other funds	220	266	46	(46)	–
Medical aid funds	958	1 121	163	–	163
Nedgroup scheme for Nedbank employees	888	1 048	159		159
Nedgroup scheme for BoE employees	61	73	13		13
Nedbank Namibia scheme (unfunded)	9		(9)		(9)
Contribution asset		827	827		827
Total	4 844	8 098	3 254	(149)	3 105

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Present value of defined-benefit obligation				
2021				
Balance at the beginning of the year	**3 886**	**958**		**4 844**
Current service cost	**9**	**1**		**10**
Past service cost	**5**			**5**
Interest cost	**312**	**89**		**401**
Contributions by plan participants	**10**			**10**
Actuarial losses	**153**	**5**		**158**
Benefits paid	**(435)**	**(88)**		**(523)**
Impact of foreign currency exchange rate changes	**60**			**60**
Balance at the end of the year	**4 000**	**965**	**–**	**4 965**
2020				
Balance at the beginning of the year	4 053	1 031		5 084
Current service cost	13			13
Past service cost				–
Interest cost	314	96		410
Contributions by plan participants	9			9
Actuarial losses	(138)	(81)		(219)
Benefits paid	(427)	(88)		(515)
Impact of foreign currency exchange rate changes	62			62
Balance at the end of the year	3 886	958	–	4 844

H1.1.2 Postemployment benefits

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Fair value of plan assets				
2021				
Balance at the beginning of the year	**6 150**	**1 121**	**827**	**8 098**
Expected return on plan assets	**579**	**106**	**158**	**843**
Actuarial gains/(losses)	**684**	**45**		**729**
Contributions by the employer	**32**	**2**		**34**
Contributions by plan participants	**10**			**10**
Benefits paid	**(435)**	**(88)**		**(523)**
Scheme-settled administration costs	**(8)**			**(8)**
Impact of foreign currency exchange rate changes	**56**			**56**
Balance at the end of the year	**7 068**	**1 186**	**985**	**9 239**
2020				
Balance at the beginning of the year	6 265	1 140	811	8 216
Expected return on plan assets	526	107	16	649
Actuarial gains/(losses)	(307)	(38)		(345)
Contributions by the employer	19			19
Contributions by plan participants	9			9
Benefits paid	(427)	(88)		(515)
Scheme-settled administration costs	(8)			(8)
Impact of foreign currency exchange rate changes	73			73
Balance at the end of the year	6 150	1 121	827	8 098

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Net (income)/expense recognised				
2021				
Current service cost	**11**			**11**
Interest (received)/cost	**(266)**	**(18)**	**(158)**	**(442)**
Scheme-settled plan administration costs	**8**			**8**
Past service cost – vested benefit	**5**			**5**
Effect of application of asset ceiling	**4**			**4**
	(238)	**(18)**	**(158)**	**(414)**
2020				
Current service cost	13			13
Interest (received)/cost	(209)	(11)	(16)	(236)
Scheme-settled plan administration costs	13			13
Past service cost – vested benefit	(1)			(1)
Effect of application of asset ceiling	6			6
	(178)	(11)	(16)	(205)

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Movements in net asset/(liability) recognised				
2021				
Balance at the beginning of the year	**2 115**	**163**	**827**	**3 105**
Net income recognised in the statement of comprehensive income	**238**	**18**	**158**	**414**
Net remeasurements – debit for the year	**530**	**40**		**570**
Contributions paid by the employer	**34**			**34**
Impact of foreign currency exchange rate changes	**(15)**			**(15)**
Asset ceiling	**(48)**			**(48)**
Balance at the end of the year	**2 854**	**221**	**985**	**4 060**
2020				
Balance at the beginning of the year	2 052	109	811	2 972
Net income recognised in the statement of comprehensive income	178	11	16	205
Net remeasurements – debit for the year	(169)	43		(126)
Scheme-settled plan administration costs	13			13
Contributions paid by the employer	21			21
Impact of foreign currency exchange rate changes	1			1
Asset ceiling	19			19
Balance at the end of the year	2 115	163	827	3 105

%	Pension and provident funds	Medical aid funds
Distribution of plan assets (%)		
2021		
Equity instruments	**26,79**	**48,00**
Debt instruments	**16,73**	**21,00**
Property	**3,27**	**4,00**
Cash	**0,45**	
International	**24,62**	**27,00**
Other	**28,14**	
	100	**100**
2020		
Equity instruments	23,81	48,00
Debt instruments	29,80	
Property	3,25	4,00
Cash	0,03	
International	27,87	27,00
Other	15,25	21,00
	100	100
Actual return on plan assets		
2021	**1 263**	**151**
2020	219	69

Principal actuarial assumptions (%)

Principal actuarial assumptions (%)	Pension and provident funds	Medical aid funds
2021		
Discount rates	**1,60–10,00**	**9,90–10,40**
Expected rates of return on plan assets	**1,60–10,00**	**9,90–10,40**
Inflation rate	**2,80–5,60**	**9,90–10,40**
Expected rates of salary increases	**6,60–6,60**	**9,90–10,40**
Pension increase allowance	**0,00–5,60**	
Annual increase to medical aid subsidy		**5.10–7.80**
Average expected retirement age (years)	**60–65**	
2020		
Discount rates	1,20–9,90	9,00–9,80
Expected rates of return on plan assets	1,20–9,90	9,80–9,80
Inflation rate	2,35–5,70	4,80–4,80
Expected rates of salary increases	5,70–5,70	4,80–4,80
Pension increase allowance	0,00–4,70	
Annual increase to medical aid subsidy		6.00–6.80
Average expected retirement age (years)	60–65	

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 1% to each assumption. This sensitivity analysis is for the Nedgroup Pension Fund, Nedbank Eswatini Limited Pension Fund and Nedbank Lesotho Pension Fund.

2021

Rm	Main result	Discount rate plus 1%	Discount rate minus 1%	Inflation rate plus 1%	Inflation rate minus 1%
Defined-benefit obligation	**4 000**	**2 875**	**3 342**	**3 319**	**2 868**
Change (%)		**(28)**	**(16)**	**(17)**	**(28)**

2020

Rm	Main result	Discount rate plus 1%	Discount rate minus 1%	Inflation rate plus 1%	Inflation rate minus 1%
Defined-benefit obligation	3 055	2 847	3 306	3 282	2 841
Change (%)		(7)	8	7	(7)

Medical aid accrued liability

The sensitivity analysis provided below shows the impact of changes to these assumptions on the accrued liability value at 31 December 2021.

2021

Rm	Main result	Medical subsidy rate plus 1%	Medical subsidy rate minus 1%	Discount rate plus 0,5%	Discount rate minus 0,5%
Medical aid accrued liability	965	1 036	887	920	997
Change (%)		7	(8)	(5)	3

2020

Rm	Main result	Medical subsidy rate plus 1%	Medical subsidy rate minus 1%	Discount rate plus 0,5%	Discount rate minus 0,5%
Medical aid accrued liability	958	1 027	881	912	989
Change (%)		7	(8)	(5)	3

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 (%)

	2021	2020
– Discount rate	8,28	8,88
– Expected return on plan assets	8,28	8,88
– Future salary increases	4,62	5,33
– Future pension increases	5,48	4,09

Medical aid funds

The overall expected long-term rate of return on plan assets is 8.28%. 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				
2021	153	5		158
2020	(138)	(81)		(219)
2019	(84)	67		(17)
2018	(337)	(139)		(476)
2017	(35)	162		127
Experience adjustments on fair value of plan assets for the past five				
2021		45		45
2020		(38)		(38)
2019		28		28
2018		(216)		(216)
2017		(24)		(24)
Estimate of future contributions				
Contributions expected for ensuing year	33			33

Fund surplus/(deficit) for the past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2021	**4 000**	**7 068**	**3 068**
2020	3 886	6 150	2 264
2019	4 053	6 265	2 212
2018	4 476	6 111	1 635
2017	5 036	8 119	3 083
Medical aid funds			
2021	**965**	**1 186**	**221**
2020	958	1 121	163
2019	1 031	1 140	109
2018	1 441	1 149	(292)
2017	2 213	1 441	(772)

H2 NON-CURRENT ASSETS AND LIABILITIES 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.

Properties sold not yet transferred

Commitments for the sale of properties have started and are expected to be concluded within the following 12 months. Transfer of the properties is expected to take place during the following 12 months. All the properties form part of the Centre segment.

Property held for sale

During 2021, the group decided to dispose of a property that forms part of the Nedbank Wealth segment. The group considered the property to meet the criteria to be classified as held for sale at 31 December 2021, for the following reasons:

- The group has obtained the required internal approvals for the sale;
- The property is available for immediate sale and can be sold to a buyer in its current condition;
- The actions to actively market the property were initiated in 2021 and are expected to be completed within one year.

No impairment loss has been recognised as the property has been measured at its carrying amount.

Nedgroup Trust Limited

During 2021, the group decided to dispose of its investment in its international subsidiary, Nedgroup Trust Limited, therefore classifying it as a disposal group held for sale. This international subsidiary forms part of the Wealth segment. The group considered Nedgroup Trust Limited to meet the criteria to be classified as held for sale as at 31 December 2021, for the following reasons:

- The group has obtained the required internal approvals for the sale;
- Nedgroup Trust Limited is available for immediate sale and can be sold to the buyer in its current condition;
- A potential buyer has been identified. Nedbank Private Wealth Limited (Isle of Man), Nedgroup Trust Limited's parent company, has signed an agreement with an independent global provider of fund, corporate and private wealth services. The sale is subject to regulatory approval;
- The actions to complete the sale were initiated in 2021 and are expected to be completed within one year.

No impairment loss has been recognised as the disposal group has been measured at its carrying amount.

Non-current assets held for sale

	2021 Rm	2020 Rm
Properties sold, but not yet transferred and previously included in property and equipment	**126**	69
Property held for sale and previously included in property and equipment	**180**	
Nedgroup Trust Limited previously included in:	**332**	–
Cash and cash equivalents	**37**	
Other assets	**77**	
Property plant and equipment	**47**	
Intangible assets	**171**	
	638	69

Non-current liabilities held for sale

	2021 Rm	2020 Rm
Nedgroup Trust Limited previously included in:	**80**	–
Provisions and other liabilities	**72**	
Current taxation	**8**	
	80	–

H3 OTHER ASSETS

	2021 Rm	2020 Rm
Sundry debtors and other accounts	**12 874**	11 608
Trading securities and spot positions	**21 007**	5 201
Impairment of other assets	**(4)**	(7)
	33 877	16 802

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 (Hedge accounting), 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-rate 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 cash flows.

When the group revises the estimates of future cash flows, 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:

- 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
- 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 on selling the asset or paid on transferring 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

The group applies IFRS 9 and classifies its financial assets in the following measurement categories:

- FVTPL.
- FVOCI.
- Amortised cost.

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

ACCOUNTING POLICY

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 cash flow characteristics of the financial assets, ie whether the cash flows 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 cash flows and those cash flows 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 cash flows and selling financial assets and those contractual cash flows 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 which are classified as mandatory at fair value and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows 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 above-mentioned 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.

(ii) Impairments

Impairments in terms of IFRS 9 are determined based on an ECL model.
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:

- Twelve-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date.
- 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 an SICR since initial recognition. Indicators of an 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 cash flow problems, such as a delay in the servicing of trade creditors/loans.

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 above-mentioned 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 cash flows due to the entity in accordance with the contract and the cash flows 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 PD, EAD and 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.

ACCOUNTING POLICY

The assessment of an 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 Nedbank Group Economic 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 cash flows of the financial asset have occurred. The group's definition of credit-impaired is aligned with its 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 cash flows of loans to clients. When this happens, the group assesses whether the new terms are substantially different from 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 cash flows is substantial. However, in a distressed restructure the group needs to determine whether it is merely attempting to recover the original cash flows in the most optimal manner, and as such the original cash flows have not expired, or whether the risks and rewards associated with the cash flows have been altered fundamentally enough for the original instrument to be derecognised.

The group is of the view that the above-mentioned principle can be applied by type of modification for retail exposures, as we assume there is a homogeneous 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 take into account whether the modification is considered 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 cash flows 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 cash flows 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 is done holistically, taking into account the income derived from the facility and the other income generated from the client in comparison to the risk taken.
- Increased monitoring or scrutiny of the facility, for example additional controls and/or approvals, is put in place until the next review.

ACCOUNTING POLICY

(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 cash flows 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 and income for the period.

The group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows 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:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- 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 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; and
- financial guarantee contracts and loan commitments.

(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 recognised as trading securities and the counterparty liability is presented under repurchase agreements as amounts owed to depositors, "Deposits received under repurchase agreements" on the financial statements. Securities purchased linked to reverse repurchase agreements are not recognised in the financial statements, however a financial asset for the right to resell the securities is presented as loans and advances, "Deposits placed under reverse repurchase agreements". 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 and income. 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 represent cash on hand and demand deposits and cash equivalents that 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.

ACCOUNTING POLICY

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.

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 where the group cannot identify the ECLs separately 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.

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 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 on selling the asset or paid on transferring 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 discussed in note I2. 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 adjustments (CVA) and funding valuation adjustments (FVA) 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 developing and evolving continuously within the context of the South African market and therefore changes in these assumptions will arise as the market develops.

I1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

			At FVTPL	
	Notes	Total Rm	Mandatory at fair value Rm	Designated[1] Rm
2021				
Assets				
Cash and cash equivalents[2]	C6	44 586		
Other short-term securities	C4	60 037	35 008	
Derivative financial instruments	C7	39 179	39 179	
Government and other securities	C3	150 498	69 155	481
Loans and advances	C1.1	831 735	49 506	10 056
Other assets	H3	33 877	21 007	
Current taxation assets		124		
Investment securities	F1	25 498	24 487	
Non-current assets held for sale	H2	638		
Investments in associate companies	F2	3 395		
Deferred taxation assets	B8.3	889		
Investment property		28		
Property and equipment	G1	10 739		
Long-term employee benefit assets	H1.1	6 610		
Intangible assets	G2	13 221		
Total assets		1 221 054	238 342	10 537
Equity and liabilities				
Ordinary share capital	B4.1	486		
Ordinary share premium		18 768		
Reserves		80 259		
Total equity attributable to ordinary shareholders		99 513	–	–
Holders of preference shares	B4.2			
Holders of participating preference shares		59		
Holders of additional tier 1 capital instruments	B5	9 319		
Non-controlling interest attributable to ordinary shareholders		620		
Total equity		109 511	–	–
Derivative financial instruments	C7	36 042	36 042	
Amounts owed to depositors	D1	971 795	34 728	
Provisions and other liabilities	K1.1	23 451	3 436	
Current taxation liabilities		330		
Deferred taxation liabilities	B8.3	458		
Long-term employee benefit liabilities	H1.1	2 427		
Investment contract liabilities	D3	17 959		17 959
Insurance contract liabilities	D4	842		
Long-term debt instruments	D2	58 159		
Non-current liabilities held for sale	H2	80		
Total liabilities		1 111 543	74 206	17 959
Total equity and liabilities		1 221 054	74 206	17 959

[1] Refer to note I4 in respect of financial instruments designated as FVTPL.
[2] During the year, the group reviewed the presentation of the mandatory reserve deposits with central banks which was previously disclosed separately on the statement of financial position. As a result of this review, the mandatory reserve deposits with central banks have now been aggregated within the cash and cash equivalents balance, as the nature of the mandatory reserve deposits represent cash and cash equivalents. This is in line with the disclosure in the statement of cash flows and was previously included in the cash and cash equivalents note (refer note C6). The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's cash and cash equivalents.

FVOCI			
Debt instruments Rm	Equity instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		44 586	
22 844		2 185	
100		80 762	
25 454		746 719	
		11 460	1 410
			124
86	886		39
			638
			3 395
			889
			28
			10 739
			6 610
			13 221
48 484	886	885 712	37 093
			486
			18 768
			80 259
–	–	–	99 513
			–
			59
			9 319
			620
–	–	–	109 511
		937 067	
		6 639	13 376
			330
			458
			2 427
			842
		58 159	
			80
–	–	1 001 865	17 513
–	–	1 001 865	127 024

	Notes	Total Rm	At FVTPL Mandatory at fair value Rm	At FVTPL Designated[1] Rm
2020				
Assets				
Cash and cash equivalents[2]	C6	41 382		
Other short-term securities	C4	52 605	28 245	
Derivative financial instruments	C7	80 325	80 325	
Government and other securities	C3	132 221	54 231	400
Loans and advances	C1.1	843 303	70 585	12 265
Other assets	H3	16 802	5 201	
Current taxation assets		164		
Investment securities	F1	26 425	25 530	
Non-current assets held for sale	H2	69		
Investments in associate companies	F2	3 322		
Deferred taxation assets	B8.3	657		
Property and equipment	G1	11 334		
Long-term employee benefit assets	H1.1	5 777		
Intangible assets	G2	13 751		
Total assets		1 228 137	264 117	12 665
Equity and liabilities				
Ordinary share capital	B4.1	484		
Ordinary share premium		18 583		
Reserves		69 925		
Total equity attributable to ordinary equity holders		88 992	–	–
Holders of preference shares	B4.2	3 222		
Holders of participating preference shares		(58)		
Holders of additional tier 1 capital instruments	B5	7 822		
Non-controlling interest attributable to ordinary shareholders		466		
Total equity		100 444	–	–
Derivative financial instruments	C7	65 130	65 130	
Amounts owed to depositors	D1	953 715	32 661	
Provisions and other liabilities	K1.1	23 704	6 328	
Current taxation liabilities		590		
Deferred taxation liabilities	B8.3	390		
Long-term employee benefit liabilities	H1.1	2 604		
Investment contract liabilities	D3	20 868		20 868
Insurance contract liabilities	D4	922		
Long-term debt instruments	D2	59 770		
Total liabilities		1 127 693	104 119	20 868
Total equity and liabilities		1 228 137	104 119	20 868

[1] Refer to note I4 in respect of financial instruments designated as FVTPL.
[2] During the year, the group reviewed the presentation of the mandatory reserve deposits with central banks which was previously disclosed separately on the statement of financial position. As a result of this review, the mandatory reserve deposits with central banks have now been aggregated within the cash and cash equivalents balance, as the nature of the mandatory reserve deposits represent cash and cash equivalents. This is in line with the disclosure in the statement of cash flows and was previously included in the cash and cash equivalents note (refer note C6). The amount of mandatory reserve deposits with central banks that were reclassified to cash and cash equivalents is R26 491m for 2020, and consequently the prior year balances have been restated to provide comparative information. The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's cash and cash equivalents.

FVOCI			
Debt instruments Rm	Equity instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		41 382	
22 983		1 377	
44		77 546	
18 811		741 642	
		10 272	1 329
			164
95	767		33
			69
			3 322
			657
			11 334
			5 777
			13 751
41 933	767	872 219	36 436
			484
			18 583
			69 925
–	–	–	88 992
			3 222
			(58)
			7 822
			466
–	–	–	100 444
		921 054	
		2 752	14 624
			590
			390
			2 604
			922
		59 770	
–	–	983 576	19 130
–	–	983 576	119 574

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 represents the financial position of the group while complying with the requirements of the applicable accounting standards.

The fair value of a financial instrument is the amount that would be received on selling the asset or paid on transferring 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 front-office 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 employees 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-cash-flow 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 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.

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 reasonably 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-cash-flow techniques are used, estimated future cash flows 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 cash flow.
- 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/LGD: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day one gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

VALUATION ADJUSTMENTS

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

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated as FVTPL is adjusted by reference to the movement in the appropriate spreads. The effect of changes relating to the group's own credit risk is recognised OCI and the remaining 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 cash flow 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 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 cash flows 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-cash-flow 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-cash flow 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 cash flows using a Nedbank Group Limited-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

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

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

Investment contract liabilities

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

Long-term debt instruments

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

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

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

Complex instruments

These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less-active markets data is obtained from less-frequent market transactions 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 reviewed and assessed continually 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.

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS

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

	VALUATION TECHNIQUE	KEY INPUTS
Assets		
Derivative financial instruments	Discounted-cash flow model Black-Scholes model Multiple valuation techniques	Discount rates Risk-free rates and volatilities Valuation multiples
Government and other securities	Discounted-cash flow model	Discount rates
Loans and advances	Discounted-cash flow model	Interest rate curves
Investment securities	Discounted-cash flow models Adjusted net asset value Dividend yield method	Money market rates and interest rates Underlying price of market-traded instruments Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cash flow model Black-Scholes model Multiple valuation techniques	Discount rates Risk-free rates and volatilities Valuation multiples
Amounts owed to depositors	Discounted-cash flow model	Discount rates
Provisions and other liabilities	Discounted-cash flow model	Discount rates
Investment contract liabilities	Adjusted net asset value	Underlying price of market-traded instruments

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 3 INSTRUMENTS

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

I2.2 FAIR-VALUE HIERARCHY

I2.2.1 Financial assets

					At FVTPL		
		Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Mandatorily at fair value		
Rm	Note				Level 1	Level 2	Level 3
2021		**1 183 961**	**885 712**	**298 249**	**94 249**	**137 676**	**6 417**
Cash and cash equivalents	C6	44 586	44 586				
Other short-term securities	C4	60 037	2 185	57 852		35 008	
Derivative financial instruments	C7	39 179		39 179	1	39 178	
Government and other securities	C3	150 498	80 762	69 736	68 119	1 036	
Loans and advances	C1.1	831 735	746 719	85 016	211	49 295	
Other assets	H3	32 467	11 460	21 007	21 007		
Investment securities[1]	F1	25 459		25 459	4 911	13 159	6 417

					At FVTPL		
		Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Mandatorily at fair value		
Rm	Note				Level 1	Level 2	Level 3
2020		1 191 701	872 219	319 482	56 553	200 268	7 296
Cash and cash equivalents	C6	41 382	41 382				
Other short-term securities	C4	52 605	1 377	51 228		28 245	
Derivative financial instruments	C7	80 325		80 325	19	80 306	
Government and other securities	C3	132 221	77 546	54 675	46 926	7 305	
Loans and advances	C1.1	843 303	741 642	101 661	168	70 417	
Other assets	H3	15 473	10 272	5 201	5 201		
Investment securities[1]	F1	26 392		26 392	4 239	13 995	7 296

[1] During the year, the group identified that certain investment securities were included in level 2 instead of level 1 in 2020. An amount of R4,1bn previously incorrectly disclosed as level 2 is now disclosed correctly as level 1 at 31 December 2020.

At FVTPL			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
–	**10 537**	**–**	**16**	**48 468**	**–**	**21**	**518**	**347**
				22 844				
	481		**16**	**84**				
	10 056			**25 454**				
				86		**21**	**518**	**347**

At FVTPL			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
–	12 665	–	15	41 918	–	18	377	372
				22 983				
	400		15	29				
	12 265			18 811				
				95		18	377	372

I2.2.1 Financial assets

Summary of fair-value hierarchies

Summary of fair-value hierarchies Rm	Total financial assets recognised at fair value 2021	2020	Total financial assets classified as level 1 2021	2020
Other short-term securities	**57 852**	51 228		
Derivative financial instruments	**39 179**	80 325	**1**	19
Government and other securities	**69 736**	54 675	**68 135**	46 941
Loans and advances	**85 016**	101 661	**211**	168
Other assets	**21 007**	5 201	**21 007**	5 201
Investment securities[1]	**25 459**	26 392	**4 932**	4 257
	298 249	319 482	**94 286**	56 586

[1] *During the year, the group identified that certain investment securities were included in level 2 instead of level 1 in 2020. An amount of R4,1bn previously incorrectly disclosed as level 2 is now disclosed correctly as level 1 at 31 December 2020.*

Reconciliation to categorised statement of financial position

Reconciliation to categorised statement of financial position Rm	Mandatory at fair value 2021	2020	Designated as FVTPL 2021	2020
Level 1	**94 249**	56 553		
Level 2	**137 676**	200 268	**10 537**	12 665
Level 3	**6 417**	7 296		
	238 342	264 117	**10 537**	12 665

Reconciliation to statement of financial position

Rm	Note	2021	2020
Total financial assets	I1	**1 183 961**	1 191 701
Total non-financial assets	I1	**37 093**	36 436
Total assets		**1 221 054**	1 228 137

I2.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2021		**1 094 030**	**1 001 865**	**92 165**
Derivative financial instruments	C7	**36 042**		**36 042**
Amounts owed to depositors	D1	**971 795**	**937 067**	**34 728**
Provisions and other liabilities	K1.1	**10 075**	**6 639**	**3 436**
Investment contract liabilities	D3/D4	**17 959**		**17 959**
Long-term debt instruments	D2	**58 159**	**58 159**	

Total financial assets classified as level 2		Total financial assets classified as level 3	
2021	2020	**2021**	2020
57 852	51 228		
39 178	80 306		
1 601	7 734		
84 805	101 493		
13 763	14 467	**6 764**	7 668
197 199	255 228	**6 764**	7 668

FVOCI: Debt instruments		FVOCI: Equity instruments	
2021	2020	**2021**	2020
16	15	**21**	18
48 468	41 918	**518**	377
		347	372
48 484	41 933	**886**	767

At FVTPL					
Mandatory at fair value			Designated		
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
3 591	**70 615**	**–**	**–**	**17 959**	**–**
155	**35 887**				
	34 728				
3 436					
				17 959	

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2020		1 108 563	983 576	124 987
Derivative financial instruments	C7	65 130		65 130
Amounts owed to depositors	D1	953 715	921 054	32 661
Provisions and other liabilities	K1.1	9 080	2 752	6 328
Investment contract liabilities	D3/D4	20 868		20 868
Long-term debt instruments	D2	59 770	59 770	

Summary of fair-value hierarchies

Summary of fair-value hierarchies	Total financial liabilities recognised at fair value		Total financial liabilities classified as level 1	
Rm	2021	2020	2021	2020
Derivative financial instruments	**36 042**	65 130	**155**	64
Amounts owed to depositors	**34 728**	32 661		
Provisions and other liabilities	**3 436**	6 328	**3 436**	6 328
Investment contract liabilities	**17 959**	20 868		
	92 165	124 987	**3 591**	6 392

Reconciliation to categorised statement of financial position

Reconciliation to categorised statement of financial position	Mandatory at fair value		Designated as FVTPL	
Rm	2021	2020	2021	2020
Level 1	**3 591**	6 392		
Level 2	**70 615**	97 727	**17 959**	20 868
	74 206	104 119	**17 959**	20 868

Reconciliation to statement of financial position

Rm	Note	2021	2020
Total financial liabilities	I1	**1 094 030**	1 108 563
Total equity and non-financial liabilities	I1	**127 024**	119 574
Total equity and liabilities		**1 221 054**	1 228 137

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.

At FVTPL					
Mandatorily at fair value			Designated		
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
6 392	97 727	–	–	20 868	–
64	65 066				
	32 661				
6 328					
				20 868	

Total financial liabilities classified as level 2	
2021	2020
35 887	65 066
34 728	32 661
17 959	20 868
88 574	118 595

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 2021.
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

Rm	Opening balance at 1 January	Gains in non-interest revenue and income in profit for the year
2021		
At FVTPL – Mandatory at fair value	**7 296**	**442**
Investment securities	**7 296**	**442**
At FVOCI – Equity instruments	**372**	**2**
Investment securities	**372**	**2**
Total financial assets classified as level 3	**7 668**	**444**

Rm	Opening balance at 1 January	Losses in non-interest revenue and income in profit for the year
2020		
At FVTPL – Mandatory at fair value	7 554	(1 263)
Investment securities	7 554	(1 263)
At FVOCI – Equity instruments	475	(5)
Investment securities	475	(5)
Total financial assets classified as level 3	8 029	(1 268)

There are no financial liabilities classified as level 3 at 31 December 2021.

I2.6 UNREALISED LOSSES

The unrealised gains/(losses) arising on instruments classified as level 3 include the following:

	2021	2020
Equity revaluation gains/(losses)	**444**	(1 268)
	444	(1 268)

Losses relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	**Purchases**	**Issues**	**Sales**	**Settlements**	**Transfers to level 1**	**Closing balance at 31 December**
–	**1 049**	**422**	**(883)**	**(1 909)**	**–**	**6 417**
	1 049	**422**	**(883)**	**(1 909)**		**6 417**
7	**–**	**–**	**(34)**	**–**	**–**	**347**
7			**(34)**			**347**
7	**1 049**	**422**	**(917)**	**(1 909)**	**–**	**6 764**

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 1	Closing balance at 31 December
–	2 046	–	(811)	(113)	(117)	7 296
	2 046		(811)	(113)	(117)	7 296
(98)	–	–	–	–	–	372
(98)						372
(98)	2 046	–	(811)	(113)	(117)	7 668

I2.7 EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS

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.

The group has developed a risk appetite tool to estimate downside income volatility to determine the effects of changes in significant unobservable assumptions on level 3 instruments. For risk appetite purposes, downside income volatility is estimated using a methodology that follows value-at-risk principles.

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

2021	Valuation technique	Significant unobservable input
Assets		
Investment securities	**Discounted cash flows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields**	**Valuation multiples, correlations, volatilities and credit spreads**
Total financial assets classified as level 3		

There are no financial liabilities classified as level 3 at 31 December 2021, hence no effect of changes in significant unobservable assumptions has been presented.

2020	Valuation technique	Significant unobservable input
Assets		
Investment securities	Discounted cash flows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Total financial assets classified as level 3		

Variance in fair value	Amounts recognised in the statement of financial position	Favourable change in fair value	Unfavourable change in fair value
%	Rm	Rm	Rm
Between (16) and 20	**6 764**	**1 326**	**(1 087)**
	6 764	**1 326**	**(1 087)**

Variance in fair value	Amounts recognised in the statement of financial position	Favourable change in fair value	Unfavourable change in fair value
%	Rm	Rm	Rm
Between (17) and 21	7 668	1 467	(1 189)

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 dates detailed below are estimated only for the purpose of IFRS disclosure:

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2021					
Financial assets	**829 666**	**833 622**	**77 199**	**21 991**	**734 432**
Other short-term securities	**2 185**	**2 185**		**2 185**	
Government and other securities	**80 762**	**78 407**	**77 199**		**1 208**
Loans and advances	**746 719**	**753 030**		**19 806**	**733 224**
Financial liabilities	**58 159**	**60 849**	**21 629**	**39 220**	**–**
Long-term debt instruments	**58 159**	**60 849**	**21 629**	**39 220**	
2020					
Financial assets	820 565	821 691	74 207	22 254	725 230
Other short-term securities	1 377	1 377		1 377	
Government and other securities	77 546	74 605	74 207		398
Loans and advances	741 642	745 709		20 877	724 832
Financial liabilities	59 770	63 808	36 040	27 768	–
Long-term debt instruments	59 770	63 808	36 040	27 768	

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 traded actively 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 ECLs 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, resulting in these assets' fair value being 0,85% higher (2020: 0,55% higher) than the carrying value. This model incorporates the use of average interest rates and projected monthly cash flows per product type. Future cash flows 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 PDs and LGDs for the periods 2022 to 2024 (2020: for periods 2021 to 2023) are based on the latest available internal data and are applied to the projected cash flows of the first three years. Thereafter PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cash flows. 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 (e.g. interest rates, future forecasts of PDs or LGDs, or macroeconomic conditions) may result in a significant change in the determination of the fair value. Reasonable bounds for the fair value are estimated to be between 0,15% lower and 1,85% higher (2020: between 0,50% lower and 1,60% higher) than the carrying value.

The fair value of corporate bonds is based on the discounted cash flow methodology (level 2).

Government and other securities

The fair value of high-quality SA government bonds listed in an active market is based on the available market prices (level 1 and those that use significant unobservable inputs (level 3). The discounted cash flow methodology principles (level 3) are the same as those use to determine the fair value of loans and advances. See note C3 for further detail.

Other short-term securities

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

Long-term debt instruments

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

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 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 Group ALCO. The interest rate risk is then traded to the market through the central trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are measured at fair value in terms of 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 regularly 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	**2021**	2020
Government-guaranteed	**481**	400
Mortgage loans	**4 001**	6 117
Loans and advances (secured and unsecured)	**6 055**	6 148
	10 537	12 665

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 the inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate the client is charged. 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.

I4.2 Financial liabilities designated as FVTPL

2021

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**
Investment contract liabilities[1]	**17 959**				
	17 959	**–**	**–**	**–**	**–**

2020

			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
Investment contract liabilities[1]	20 868				
	20 868	–	–	–	–

[1] 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.
[2] Positive amounts represent losses.

I5 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.

2021

	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	55 074	(16 734)	38 340	(28 504)	9 836	839	39 179
Loans and advances	62 326	(46 754)	15 572		15 572	816 163	831 735
Cash and cash equivalents	5 037	(4 797)	240		240	15 454	15 694
Total financial assets	122 437	(68 285)	54 152	(28 504)	25 648	832 456	886 608
Financial liabilities							
Derivative financial liabilities	(59 585)	24 397	(35 188)	28 504	(6 684)	(854)	(36 042)
Amounts owed to depositors	(237 880)	43 888	(193 992)		(193 992)	(777 803)	(971 795)
Total financial liabilities	(297 465)	68 285	(229 180)	28 504	(200 676)	(778 657)	(1 007 837)

[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 subject to neither set-off nor master netting agreements.

2020

Rm	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position			
	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position[1]	Amounts that may be netted 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	110 201	(33 803)	76 399	(53 729)	22 670	3 926	80 325
Loans and advances	56 484	(42 969)	13 515		13 515	829 788	843 303
Cash and cash equivalents	11 501	(10 588)	912		912	13 979	14 891
Total financial assets	178 186	(87 360)	90 826	(53 729)	37 097	847 693	938 519
Financial liabilities							
Derivative financial liabilities	(115 753)	51 781	(63 972)	53 729	(10 243)	(1 158)	(65 130)
Amounts owed to depositors	(72 350)	35 579	(36 771)		(36 771)	(916 944)	(953 715)
Total financial liabilities	(188 103)	87 360	(100 743)	53 729	(47 014)	(918 102)	(1 018 845)

[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 subject to neither set-off nor master netting agreements.*

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 owed to 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 R16 349m (2020: R12 953m) as collateral for deposits received under repurchase agreements, of which R8 424m (2020: 7 233m) 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 R15 426m (2020: R12 267m), of which R7 002m (2020: R5 034m) 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 with credit risk so as to align such exposure with 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 cash flow.

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

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.

- **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, 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:

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

- **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 2021 management considered R341 943m (2020: R319 309m) 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 2021 management considered R258 743m (2020: R249 510m) 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 R27 645m (2020: R47 741m), of which R23m (2020: R9m) have been sold or repledged.

I6.3 COLLATERAL TAKEN POSSESSION OF AND RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

Included in properties in possession (note C1.1) is an amount of R86m (2020: R66m) related to retail assets and an amount of R83m (2020: R72m) related to wholesale assets the group has acquired during the year by taking possession of collateral held as security.

SECTION J: SHARE-BASED PAYMENTS

ACCOUNTING POLICY

Equity-settled share-based payment transactions with employees

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

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.

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.

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 is expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

As the group cannot estimate reliably the fair value of services received nor the value of additional benefits 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.

The following are the share 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. The latter all fall under the umbrella of one Phantom Scheme. For our international and Africa Regions operations LTIs are made on a phantom basis, mirroring the Nedbank Group (2005) Employee Share Scheme in design and structure:

J1 DESCRIPTION OF ARRANGEMENTS

Traditional employee schemes

SCHEME	TRUST/SPECIAL-PURPOSE VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
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 employees 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 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 employees, on a date determined by the trustees.	For 2020, vesting the three years' service and achievement of performance targets is based on average return on equity, as well as the Nedbank Group Limited share price performance against the financial index (2017 tranche). 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 (2018 and 2019 tranches). The strategic initiative component was replaced by the cost-to-income ratio in 2020, which is applicable to all employees. The cost-to-income ratio was replaced by the business recovery metrics in 2021. Where the performance targets are not met in full, a minimum of 50% will vest, where applicable, for employees 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.	**Three 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 for employees other than executive directors and Group Exco members. For Group Exco members and executive directors vesting is 100% dependent on the achievement of the performance target. Where the performance targets are not met, 0% will vest for the 2019 and 2020 tranches and 50% will vest for the 2021 tranche.	**Three years**

SCHEME	TRUST/ SPECIAL-PURPOSE VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
Nedbank UK Long-term Incentive Plan (LTIP)	**N/A**	Restricted phantom units, granted as part of the LTI scheme, are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted phantom units 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 employees, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	
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 restricted phantom units.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**Three years**
Nedbank Wealth Management International Long-term incentive plan (LTIP)	**N/A**	Restricted phantom units, granted as part of the LTI scheme, are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted phantom units 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 employees, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**Three 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 restricted phantom units.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**Three years**

SCHEME	TRUST/ SPECIAL-PURPOSE VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
Nedbank Africa Restricted-share Scheme	**N/A**	Restricted phantom units, granted as part of the LTI scheme, are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted phantom units are granted to key employees 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 employees, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	**Three 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 restricted phantom units.	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.	**Three years**

Nedbank Eyethu BEE schemes – Clients and business partners

SCHEME	TRUST/SPECIAL-PURPOSE VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
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 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.

J2 EFFECT ON PERFORMANCE AND FINANCIAL POSITION

	Share-based payments expense		Share-based payments reserve/liability	
	2021	2020	**2021**	2020
Traditional employee schemes	**612**	270	**1 125**	927
Nedbank Group (2005) Share Option and Restricted-share Scheme	**517**	286	**946**	788
Nedbank Group (2005) Matched-share Scheme	**68**		**135**	119
Nedbank UK Long-term Incentive Plan[1]	**6**	(5)	**9**	3
Nedbank UK Matched-share Scheme[1]		(2)	**1**	
Nedbank Wealth Management International Long-term Incentive Plan[1]	**10**	(5)	**18**	7
Nedbank Wealth Management International Matched-share Scheme[1]	**1**	(2)	**2**	1
Nedbank Africa Restricted-share Scheme and Matched-share Scheme[1]	**10**	(3)	**14**	7
Nedbank Eyethu BEE schemes	**–**	–	**124**	124
Community Scheme			**124**	124
	612	270	**1 249**	1 051

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

J3 MOVEMENTS IN NUMBER OF INSTRUMENTS

	2021		2020	
	Number of instruments	Weighted-average exercise price	Number of instruments	Weighted-average exercise price
Nedbank Group (2005) Share Option and Restricted-share Scheme				
Outstanding at the beginning of the year	**11 054 244**		9 067 833	
Granted	**8 519 152**		5 342 656	
Forfeited	**(689 256)**		(439 691)	
Exercised	**(2 690 158)**		(2 916 554)	
Outstanding at the end of the year	**16 193 982**		11 054 244	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**142,90**		128,31
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	**3 302 997**		2 235 442	
Granted	**830 149**		1 956 332	
Forfeited	**(257 658)**		(217 755)	
Exercised	**(579 446)**		(671 022)	
Outstanding at the end of the year	**3 296 042**		3 302 997	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**141,23**		85,00
Nedbank UK long-term Incentive Plan				
Outstanding at the beginning of the year	**79 739**		74 608	
Granted	**112 166**		39 856	
Forfeited	**(6 510)**		(11 059)	
Exercised	**(17 846)**		(23 666)	
Outstanding at the end of the year	**167 549**		79 739	
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	**8 870**		12 617	
Granted	**2 189**		1 594	
Exercised	**(3 294)**		(5 341)	
Outstanding at the end of the year	**7 765**		8 870	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

	2021		2020	
	Number of instruments	Weighted-average exercise price	Number of instruments	Weighted-average exercise price
Nedbank Wealth Management International Long-term Incentive Plan				
Outstanding at the beginning of the year	**186 982**		130 335	
Granted	**165 680**		79 146	
Forfeited	**(2 613)**		(1 216)	
Exercised	**(48 757)**		(21 284)	
Outstanding at the end of the year	**301 292**		186 982	
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	**33 293**		24 345	
Granted	**9 318**		13 705	
Forfeited	**(786)**			
Exercised	**(7 041)**		(4 757)	
Outstanding at the end of the year	**34 784**		33 293	
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	**128 513**		105 379	
Granted	**177 317**		78 180	
Forfeited	**(38 247)**		(19 841)	
Accelerated vesting due to disposal of entity			(665)	
Exercised	**(22 227)**		(34 540)	
Outstanding at the end of the year	**245 356**		128 513	
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	**13 921**		4 901	
Granted	**2 831**		9 915	
Forfeited	**(227)**		(164)	
Exercised	**(1 142)**		(731)	
Outstanding at the end of the year	**15 383**		13 921	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

	2021		2020	
	Number of instruments	**Weighted-average exercise price**	Number of instruments	Weighted-average exercise price
Community Scheme				
Outstanding at the beginning of the year	**1 689 648**		1 689 648	
Sold	**(130 200)**			
Outstanding at the end of the year	**1 559 448**		1 689 648	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

J4 INSTRUMENTS OUTSTANDING AT THE END OF THE YEAR BY EXERCISE PRICE

	2021		2020	
	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	**16 193 982**	**1,6**	11 054 244	1,4
	16 193 982	**1,6**	11 054 244	1,4
Nedbank Group (2005) Matched-share Scheme				
0,00	**3 296 042**	**1,3**	3 302 997	1,6
	3 296 042	**1,3**	3 302 997	1,6
Nedbank UK Long-term Incentive Plan				
0,00	**167 549**	**1,8**	79 739	1,5
	167 549	**1,8**	79 739	1,5
Nedbank UK Matched-share Scheme				
0,00	**7 765**	**1,0**	8 870	1,1
	7 765	**1,0**	8 870	1,1
Nedbank Wealth Management International Long-term Incentive Plan				
0,00	**301 292**	**1,4**	186 982	1,4
	301 292	**1,4**	186 982	1,4
Nedbank Wealth Management International Matched-share Scheme				
0,00	**34 784**	**1,1**	33 293	1,4
	34 784	**1,1**	33 293	1,4
Nedbank Africa Restricted-share Scheme				
0,00	**245 356**	**1,9**	128 513	1,5
	245 356	**1,9**	128 513	1,5
Nedbank Africa Matched-share Scheme				
0,00	**15 383**	**1,3**	13 921	2,4
	15 383	**1,3**	13 921	2,4
Community Scheme				
0,00	**1 559 448**	**9,0**	1 689 648	10,0
	1 559 448	**9,0**	1 689 648	10,0

J5 INSTRUMENTS GRANTED DURING THE YEAR

	Nedbank Group (2005) Share Option and Restricted-share Scheme[1]	Nedbank Group (2005) Matched-share Scheme[2]
2021		
Number of instruments granted	**8 519 152**	**830 149**
Weighted-average fair value per instrument granted (R)	**130,94**	**118,61**
Weighted-average share price (R)	**130,94**	**140,03**
Weighted-average life (years)	**3**	**3**
Number of participants	**1 646**	**1 488**
Weighted-average vesting period (years)	**3**	**3**
2020		
Number of instruments granted	5 342 656	1 956 332
Weighted-average fair value per instrument granted (R)	91,75	82,68
Weighted-average share price (R)	91,75	82,68
Weighted-average life (years)	3	3
Number of participants	1 486	1 726
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 the JSE.
[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 the JSE of R118,55 (2020: R82,66) less the present value of dividends anticipated over the vesting period. A dividend yield of 5.69% has been incorporated into the measurement of the fair value.

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]
112 166	**2 189**	**165 680**	**9 318**	**177 317**	**2 831**
138,28	**140,00**	**131,53**	**140,00**	**134,18**	**140,00**
138,28	**140,00**	**131,53**	**140,00**	**134,18**	**140,00**
3	**3**	**3**	**3**	**3**	**3**
14	**4**	**19**	**18**	**46**	**64**
3	**3**	**3**	**3**	**3**	**3**
39 856	1 594	79 146	13 705	78 180	9 915
91,29	82,66	91,40	104,90	91,40	82,66
91,29	82,66	91,40	104,90	91,40	82,66
3	3	3	3	3	3
13	4	18	22	36	191
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, 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.

Lease liabilities

Initial and subsequent measurement

The lease liability is initially measured at a present value of unpaid lease payments at the start date (the date the underlying asset is available for use). The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the group uses the incremental borrowing rate being the rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease payments include:
- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the group under residual value guarantees;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the group is reasonably certain to exercise that option.

The lease liability is subsequently measured under IFRS 9 at amortised cost using the effective interest method. Interest expense is recognised in profit and loss and capitalised to the lease liability.

Reassessment of lease liability

After the start date the group remeasures the lease liability to reflect changes to the lease payments. The carrying amount of the lease liability is remeasured by discounting the revised lease payments using a revised discount rate if:
- there is a change in the lease term; or
- the group changes its assessment of whether it will exercise an option to purchase the underlying asset.

The carrying amount of the lease liability is remeasured by discounting the revised lease payments using the original discount rate if there is a change in:
- the amounts expected to be payable under a residual value guarantee; or
- in future lease payments resulting from a change in an index or a rate used to determine those payments.

If the change in lease payments results from a change in floating rates, the group uses a revised discount rate that reflects changes in the interest rate.

The group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. When corresponding adjustments to the right-of-use asset reduces the carrying amount to zero, the group recognises any remaining amount of the remeasurement in profit or loss.

ACCOUNTING POLICY

Lease modifications

The group accounts for modifications as a separate lease using a new discount rate if the modification is a material economic alteration of the initial contract. This would occur if the modification in question:

- increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that does not meet the criteria to be recognised as a separate lease at the effective date of the lease modification, the group accounts for the lease by:

- allocating the consideration in the modified contract between lease and non-lease components;
- determining the lease term of the modified lease; and
- remeasuring the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the group's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

Additionally, for a lease modification that is not accounted for as a separate lease, the group accounts for the remeasurement of the lease liability by doing the following:

- Decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease.
- Making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Variable lease expense

The group recognises variable lease expenses not contingent or dependent on an index or a rate as an expense in profit or loss in the period in which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small items of office furniture. Leases with values of less than R20 000 are considered as low-value leases. The group does not recognise right-of-use assets and lease liabilities for short-term and low-value leases.

The group considers a short-term lease to be a new lease if:

- there is a lease modification; or
- there is any change in the lease term (for example, the group exercises an option not previously included in its determination of the lease term).

Derecognition

Termination of a lease, partial or fully, results in derecognition of the right-of-use asset and the corresponding lease liability. The group recognises any profit and loss in the period in which the termination occurs.

Critical judgements and assumptions

Discount rates

The group's incremental borrowing rate is lease-specific and is determined using an array of assumptions and judgements surrounding the characteristics of the contract. The group considers:

- the credit risk of the group (swap yield curves are also used as anchors for most leases);
- the tenor of the lease; and
- the economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

Refer to note G1 for accounting policies applied for right-of-use assets.

K1.1 Analysis of carrying amount

	2021 Rm	2020 Rm
Creditors and other accounts	**13 182**	10 531
Client loyalty programmes liability	**406**	428
Insurance contracts provision		184
Short-trading securities and spot positions	**3 436**	6 328
Provision for the impairment of off-balance-sheet items	**396**	665
Provision for bonuses (note K1.2)	**2 429**	1 452
Leave pay accrual (note K1.3)	**1 119**	1 068
Lease liabilities (note K1.5)	**2 483**	3 048
	23 451	23 704

K1.2 Provision for bonuses

	2021 Rm	2020 Rm
Balance at the beginning of the year	**1 452**	1 967
Recognised in profit or loss	**2 427**	1 455
Utilised during the year	**(1 458)**	(1 968)
Foreign currency translation and other movements	**8**	(2)
Balance at the end of the year	**2 429**	1 452

K1.3 Leave pay accrual

	2021 Rm	2020 Rm
Balance at the beginning of the year	**1 068**	943
Recognised in profit or loss	**361**	501
Utilised during the year	**(314)**	(374)
Foreign currency translation and other movements	**4**	(2)
Balance at the end of the year	**1 119**	1 068

K1.4 Day one gains and losses

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

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

The group's day one gains are attributable to loans and advances.

	2021 Rm	2020 Rm
Balance at the beginning of the year	**361**	395
Deferral on new transactions		31
Subsequent recognition	**(75)**	(65)
Balance at the end of the year	**286**	361

K1.5 Lease liabilities

Lease liabilities reconciliation

	2021 Rm	2020 Rm
Balance at the beginning of the year	**3 048**	3 379
Interest expense	**217**	238
Additions	**113**	309
Lease modifications	**257**	428
Lease payments	**(1 169)**	(1 220)
Derecognition	**(22)**	(51)
Effect of movements in foreign exchange rates and other movements	**39**	(35)
Balance at the end of the year	**2 483**	3 048

Current and non-current lease liabilities

	2021 Rm	2020 Rm
Current lease liabilities	**957**	1 097
Non-current lease liabilities	**1 526**	1 951
Total lease liabilities	**2 483**	3 048

K2 CONTINGENT LIABILITIES, UNDRAWN FACILITIES AND COMMITMENTS

K2.1 Contingent liabilities and undrawn facilities

	2021 Rm	2020 Rm
Financial guarantees on behalf of clients	**33 425**	29 770
Letters of credit and discounting transactions	**7 610**	8 024
Irrevocable unutilised facilities and other	**157 687**	152 308
	198 722	190 102

The group, in the ordinary course of business, enters into transactions that expose it to taxation, 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 a contingent liability. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are legal or potential claims against Nedbank Group Limited and its subsidiary companies, but the outcomes cannot be foreseen now.

K2.2 Commitments

K2.2.1 Capital expenditure approved by directors

	2021 Rm	2020 Rm
Contracted but not provided for	**789**	502

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.

K2.2.2 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 (refer to note C7).

SECTION L: RISK AND BALANCE SHEET MANAGEMENT

L1 FINANCIAL RISK MANAGEMENT

The group's risk management procedures include credit risk, liquidity risk, interest rate risk in the banking book and market risk.

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 Nedbank Group Capital Management Division is part of Balance Sheet Management within the Group Finance Cluster that reports to the CFO 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 executive 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, Group ALCO and the Executive Risk Committee respectively.

Capital, reserves, and long-term debt instruments

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

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, or the inability to roll over maturing debt or meet contractual commitments to lend.

Market liqudity risk is the risk that the group will be unable to sell assets without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liqudity event.

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.

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined	Total
2021							
Cash and cash equivalents	**43 775**	**379**	**185**	**51**	**196**		**44 586**
Other short-term securities	**31 923**	**8 777**	**14 184**	**5 001**	**152**		**60 037**
Derivative financial instruments	**5 519**	**4 132**	**3 639**	**11 453**	**14 436**		**39 179**
Government and other securities	**14 775**	**691**	**349**	**54 445**	**80 238**		**150 498**
Loans and advances	**159 950**	**36 100**	**63 258**	**358 238**	**199 436**	**14 753**	**831 735**
Other assets	**1 919**	**28**	**84**		**473**	**92 515**	**95 019**
	257 861	**50 107**	**81 699**	**429 188**	**294 931**	**107 268**	**1 221 054**
Total equity						**109 511**	**109 511**
Derivative financial instruments	**6 248**	**3 294**	**3 354**	**9 985**	**13 161**		**36 042**
Amounts owed to depositors	**719 074**	**66 791**	**91 909**	**84 400**	**9 621**		**971 795**
Provisions and other liabilities	**23 149**	**329**	**892**	**1 569**	**773**	**18 835**	**45 547**
Long-term debt instruments	**3 320**	**1 711**	**2 880**	**31 647**	**18 601**		**58 159**
	751 791	**72 125**	**99 035**	**127 601**	**42 156**	**128 346**	**1 221 054**
Net liquidity gap	**(493 930)**	**(22 018)**	**(17 336)**	**301 587**	**252 775**	**(21 078)**	**–**
2020							
Cash and cash equivalents	41 000	130	55		197		41 382
Other short-term securities	26 663	9 891	13 265	2 646	140		52 605
Derivative financial instruments	13 239	11 162	8 073	18 845	29 006		80 325
Government and other securities	14 733	340	270	24 354	92 524		132 221
Loans and advances	174 444	34 260	64 490	348 149	196 948	25 012	843 303
Other assets	1 031	21	119	52	52	77 026	78 301
	271 110	55 804	86 272	394 046	318 867	102 038	1 228 137
Total equity						100 444	100 444
Derivative financial instruments	11 103	7 308	7 326	14 767	24 626		65 130
Amounts owed to depositors	690 621	81 687	81 672	86 934	12 801		953 715
Provisions and other liabilities	23 049	305	978	1 750	219	22 777	49 078
Long-term debt instruments	2 643	2 759	2 755	32 334	19 279		59 770
	727 416	92 059	92 731	135 785	56 925	123 221	1 228 137
Net liquidity gap	(456 306)	(36 255)	(6 459)	258 261	261 942	(21 183)	–

This note has been prepared on a contractual maturity basis.

L4 INTEREST RATE RISK IN THE BANKING BOOK

	2021 Rm	2020 Rm
Net interest income sensitivity		
One percent instantaneous decline in interest rates[1,2]	**(1 565)**	(1 310)

[1] Nedbank London and Nedbank Private Wealth: 0,5% instantaneous decline in interest rates.
[2] Nedbank Zimbabwe: 3,0% 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 565m before tax (2020: R1 310m), 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 pre-tax net interest income of similar amounts should interest rates increase by 1%. 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

VaR is the potential loss in pre-tax 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 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 following:

- 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, in line with Basel III.

The extreme market volatility that previously resulted in the VaR measures increasing did not occur during the year under review and as such the VaR measures have returned to pre-Covid-19 levels.

	2021				2020			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	**6,1**	**1,3**	**19,1**	**6,1**	6,8	1,4	18,6	9,2
Interest rate	**54,0**	**26,9**	**117,7**	**42,9**	69,5	32,0	128,2	90,2
Equity	**11,9**	**3,3**	**27,1**	**5,6**	8,3	3,3	27,2	10,7
Credit	**7,7**	**3,2**	**16,9**	**4,1**	16,0	4,7	42,3	16,6
Commodity	**0,1**		**1,7**	**0,1**	0,2		3,6	0,1
Diversification	**(35,1)**			**(18,4)**	(44,7)			(87,1)
Total VaR exposure	**44,7**	**29,4**	**84,8**	**40,4**	56,1	29,4	128,3	39,7

SECTION M: CASH FLOW INFORMATION

M1 NON-CASH ITEMS

	2021 Rm	2020 Rm (Restated)[1]
Depreciation and amortisation (note B7)	**4 010**	3 927
Zimbabwe hyperinflation (note N1)	**138**	205
Movement in impairments on financial instruments	**7 959**	14 292
Long-term asset sales (note B6.2)	**(160)**	(35)
Unrealised losses (note B6.2)	**77**	1 697
Fair-value adjustments (note B6.2)	**833**	(352)
Short-term incentives and long-term employee benefits	**977**	515
Share-based payments expense - employees (note B7)	**612**	270
Impairments charge on non-financial instruments and sundry gains or losses (note B9)	**499**	1 562
Indirect taxation (note B8.1)	**1 073**	1 148
Share of (gains)/losses of associate companies (note F2.1)	**(786)**	76
	15 232	23 305

[1] *2020 restated, refer to note A5: Restatement of the consolidated statement of cash flows.*

M2 DECREASE/(INCREASE) IN OPERATING ASSETS

	2021 Rm	2020 Rm (Restated)[1]
Other short-term securities	**(7 432)**	11 846
Government and other securities	**(18 277)**	(31 664)
Loans and advances	**2 776**	(32 457)
Other operating assets	**23 201**	(45 399)
Movement in interest accruals	**754**	(1 580)
	1 022	(99 254)

[1] *2020 restated, refer to note A5: Restatement of the consolidated statement of cash flows.*

M3 (DECREASE)/INCREASE IN OPERATING LIABILITIES

	2021 Rm	2020 Rm (Restated)[1]
Current and savings accounts	**9 975**	24 334
Other deposits, loan accounts and foreign currency liabilities	**24 254**	55 866
Negotiable certificates of deposit	**(17 976)**	(18 579)
Deposits received under repurchase agreements	**3 159**	(13 377)
Creditors and other liabilities	**(33 604)**	36 308
Movement in interest accruals	**1 001**	2 994
	(13 191)	87 546

[1] *2020 restated, refer to note A5: Restatement of the consolidated statement of cash flows.*

M4 TAXATION PAID

	2021 Rm	2020 Rm
Amounts (payable)/receivable at the beginning of the year	**(426)**	120
Statement of comprehensive income charge (excluding deferred taxation)	**(4 410)**	(2 810)
Current taxation recognised in equity	**104**	230
Amounts payable at the end of the year	**206**	426
	(4 526)	(2 034)
Total indirect taxation (note B8.1)	**(1 073)**	(1 148)
Taxation paid	**(5 599)**	(3 182)

M5 DISPOSAL OF INVESTMENTS IN SUBSIDIARY COMPANIES NET OF CASH

	2020 Rm
Non-current assets held for sale	645
Non-current liabilities held for sale	(606)
Net assets disposed	39
Loss on disposal	(31)
Foreign currency translation reserve movement	23
Consideration received	31
Cash and cash equivalents disposed	(31)
Net consideration	–

On 14 February 2020 Nedbank Group disposed of its 100% interest in Nedbank Malawi Limited for R31m when the suspensive conditions on the sale agreement were met.

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 South African 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.

Zimbabwe hyperinflation accounting

During the second half of 2019, the group classified Zimbabwe as a hyperinflationary economy, effective 1 July 2019. The group's assessment was consistent with the evaluation made by the Public Accountants and Auditors Board of Zimbabwe, which classified the Zimbabwean economy as hyperinflationary as of 1 July 2019. The assessment as to when an economy is hyperinflationary is based on the guidelines of IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29), which considers qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%.

In 2021, Zimbabwe's inflation rate continued to increase by 60% (2020: 349%) albeit this is at a relatively lower hyperinflationary trend to the one identified in the previous reporting period. Consequently, Zimbabwe remains a hyperinflationary economy. The results of the group's activities in Nedbank Zimbabwe Limited, with a functional currency denomination of Zimbabwean dollar (ZWL), continue to be prepared in accordance with IAS 29. The application of IAS 29 to Nedbank Zimbabwe Limited's operations is done prior to the translation of those results to the group's presentation currency.

General price index

IAS 29 requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period, using a general price index to account for the effect of loss of purchasing power during the period. The group has elected to use the Zimbabwe CPI, provided by the Zimbabwe Reserve Bank (RBZ), as the general price index. The Zimbabwe CPI provides an observable published indicator of changes in the general purchasing power of the country.

The group applied a general price escalation factor of 1,6 based on the CPI index for December 2020 of 2 474,5 and the CPI index for December 2021 of 3 977,46.

Impact on the statement of financial position

The group has not restated comparative amounts relating to Nedbank Zimbabwe Limited for changes in price levels in the current year as the presentation currency of the group is that of a non-hyperinflationary economy. Differences between these comparative amounts and current-year-hyperinflation-adjusted equity balances are recognised in other comprehensive income (foreign currency translation reserve).

At the beginning of the first period of applying IAS 29, the components of equity, excluding retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity (foreign currency translation reserve). Any revaluation surplus arising in previous periods is eliminated against retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position.

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been adjusted to reflect the change in the general price index from recognition date to the end of the reporting period. Where non-monetary items are restated above their recoverable amount an impairment loss is recognised directly in profit and loss. Non-monetary items that are held at fair value, net realisable value or using a revaluation model are not restated, as these items are recognised based on current price levels. Monetary items are already expressed in the measurement unit current at the end of the reporting period and do not require an adjustment for the general price index.

Impact on the statement of comprehensive income

All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred to the end of the reporting period. The gains and losses on the net monetary position is recognised in profit and loss.

Impact on the statement of cash flows

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period. The resultant statement of cash flows is prepared to reflect cash flows during the year measured at the current purchasing power at the end of the reporting period and, as such, is not reflecting actual cash flows during the year.

Deferred taxation

At the end of the reporting period, following the indexation of non-monetary items under hyperinflation accounting, deferred tax is accounted under IAS 12: Income Taxes (IAS 12) based on this three-step approach:

- Remeasuring the deferred taxation items in accordance with IAS 12 after restating the nominal carrying amounts of non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date.
- Thereafter, the deferred taxation items remeasured in step 1 are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of the reporting period.
- Calculating deferred tax on changes in temporary differences arising between the restated closing carrying amounts of non-monetary assets and liabilities, and their respective unrestated tax bases.

Exchange rate

The results, cash flows and financial position of Nedbank Zimbabwe, which is accounted for as an entity operating in a hyperinflationary economy and has a functional currency different from the presentation currency of the group, have been translated into the presentation currency of the group at the closing spot rate of exchange ruling at the reporting date.

During February 2019, the RBZ established an interbank foreign exchange and announced that the ZWL would be recognised as the official currency. For the 31 December 2019 reporting period, the group elected to translate the results of Nedbank Zimbabwe Limited at the interbank exchange rate, as this rate was publicly available. During March 2020 the RBZ suspended the floating interbank exchange rate system and introduced a fixed-rate system. In June 2020 the RBZ introduced the use of a weekly Foreign Currency Auction System (FCAS) to improve transparency and efficiency in the trading of foreign currency. Since the 31 December 2020 reporting period, the group elected to apply the auction mid-rate to translate the results of Nedbank Zimbabwe Limited. The group continues to monitor the auction mid-rate as a reasonable proxy for the ‘closing spot rate’ for the purposes of IAS 21: The Effects of Changes in Foreign Exchange Rates.

ACCOUNTING POLICY

Impact of hyperinflation on group's results

The most material inflation-accounting adjustments, to the group's recognition and measurement criteria are highlighted below. With the exception of headline earnings, the below impact is pre non-controlling interest:

Financial statement item	2021 Rm	2020 Rm	Description
Statement of comprehensive income			
Net monetary loss (Zimbabwe)	**(138)**	(205)	The impact of applying IAS 29 in the current year resulted in a net monetary loss of R138m (R51m from the indexation of income statement items and R87m from the restatement of statement of financial position items).
Net interest income	**35**	24	The impact of applying IAS 29 in the current year resulted in an increase in net interest income. The net interest income was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2021.
Non-interest revenue and income	**112**	191	The impact of applying IAS 29 in the current year resulted in an increase in non-interest revenue and income. Non-interest revenue and income was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2021.
Total operating expenses	**(105)**	(149)	The impact of applying IAS 29 in the current year resulted in an increase in operating expenses. Operating expenses was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2021.
Deferred taxation	**(4)**	13	The impact of applying IAS 29 in the current year resulted in an increase in deferred taxation liability. Deferred taxation increased due to the effects of: 1. Changes in temporary differences arising between the restated closing carrying amounts of non-monetary assets and liabilities, and their respective unrestated tax bases 2. Remeasuring the deferred tax in the opening statement of financial position by applying the change in the general price index from the beginning of the current period to 31 December 2021.
Key business indicators			
Headline earnings (after tax)	**89**	55	Headline earnings for Nedbank Zimbabwe is impacted by the recognition of a loss on the net monetary position due to the purchasing power impact resulting from Nedbank Zimbabwe having monetary assets in excess of monetary liabilities as of 31 December 2021. The combined effects of the net monetary loss of R138m and the accompanying IAS 29 income statement indexation gain of R51m altered Nedbank Zimbabwe's initial unindexed profit after tax (pre-IAS 29) of R220m to an indexed after tax (post-IAS 29) of R133m (R89m after minorities impact).

Exchange rates

	Average		Closing	
	2021	2020	**2021**	2020
UK pound to rand	**20,32**	21,10	**21,48**	20,07
US dollar to rand	**14,78**	16,46	**15,90**	14,70
US dollar to naira	**408,99**	380,80	**424,83**	396,73
Rand to naira	**27,11**	21,85	**25,86**	25,94
US dollar to Zimbabwean dollar [1]			**108,41**	81,80
Zimbabwean dollar to rand [1]			**0,15**	0,18
Mozambican metical to rand	**0,23**	0,24	**0,25**	0,20

[1] Due to exchange rate volatility associated with currencies in hyperinflationary economies, average rates have not been disclosed since those would not be representative of exchange rate movements for the period.

Geographic analyses

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

N2 EVENTS AFTER THE REPORTING PERIOD

Following the initial announcement by the Minister of Finance, on 24 February 2021 that the corporate income tax rate will change from 28% to 27%, the Minister further announced on 23 February 2022 that this change is effective for years of assessment ending on or after 31 March 2023. Current and deferred tax balances are reflected at 28% at 31 December 2021, as this is the rate that was substantively enacted. The change in the corporate income tax rate is considered a non-adjusting event after the reporting period and is only applicable to the group for the 2023 financial year. The group does not consider it practical to estimate the quantitative impact of the change in the corporate income tax rate at the date when the financial statements were authorized for issue.

The directors are not aware of any further events (as defined in IAS10: Events after the Reporting Period) after the reporting date of 31 December 2021 and the date on which these annual consolidated and separate financial statements were authorised.

N3 DIRECTORS' EMOLUMENTS

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

N3.1 TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

	Mike Brown		Mfundo Nkuhlu	
R'000	2021	2020	2021	2020
Cash portion of package	7 922	7 722	5 357	5 249
Other benefits	244	263	206	192
Defined-contribution retirement fund	1 140	1 115	776	759
Guaranteed remuneration	**9 306**	9 100	**6 339**	6 200
Cash performance incentive	7 250	4 500	5 125	3 125
Cash performance incentive (delivered in shares)[1]	6 250	3 500	4 125	2 125
Total short-term incentive (STI)	**13 500**	8 000	**9 250**	5 250
Total remuneration[2]	22 806	17 100	15 589	11 450
Value of share-based awards (face value at award)[3]	16 500	26 000	12 500	18 000
Total direct remuneration	**39 306**	43 100	**28 089**	29 450

	Iolanda Ruggiero		Ciko Thomas	
R'000	2021	2020	2021	2020
Cash portion of package	3 624	3 551	4 701	4 605
Other benefits	122	113	156	144
Defined-contribution retirement fund	523	511	768	751
Guaranteed remuneration	**4 269**	4 175	**5 625**	5 500
Cash performance incentive	3 750	2 625	5 375	2 900
Cash performance incentive (delivered in shares)[1]	2 750	1 625	4 375	1 900
Total short-term incentive (STI)	**6 500**	4 250	**9 750**	4 800
Total remuneration[2]	10 769	8 425	15 375	10 300
Value of share-based awards (face value at award)[3]	7 500	10 250	10 000	14 500
Total direct remuneration	**18 269**	18 675	**25 375**	24 800

[1] In terms of the rules of the Matched-share Scheme (MSS), the total STI has the potential to increase by up to 27,5% (before share price movement) if the deferred amount is invested in the MSS for 36 months and the performance condition in the MSS is met.
[2] Total remuneration is the sum of guaranteed remuneration and total STI.
[3] This is the value of the share-based awards made in the following financial year.
[4] Total remuneration amounts shown for Mike Davis, Anel Bosman and Terence Sibiya for 2020 are prorated based on the term during which they were appointed as executive director (Mike Davis was appointed 1 October 2020) and prescribed officers (Anel Bosman and Terence Sibiya were appointed on 1 April 2020).
[5] Raisibe Morathi resigned with effect from 31 September 2020.
[6] Brian Kennedy retired with effect from 30 March 2020.

Michael Davis[4]		Raisibe Morathi[5]	
2021	2020	**2021**	2020
4 404	1 079		3 588
200	47		140
816	199		453
5 420	1 325	**–**	4 181
4 875	3 000		
3 875	2 000		
8 750	5 000	**–**	–
14 170	6 325		4 181
10 000	16 625		
24 170	22 950	**–**	4 181

Anél Bosman[4]		Terence Sibiya[4]		Brian Kennedy[6]	
2021	2020	**2021**	2020	**2021**	2020
4 393	3 213	**3 556**	2 613		1 119
129	100	**190**	135		66
340	249	**344**	252		89
4 862	3 562	**4 090**	3 000	**–**	1 274
8 000	4 875	**3 625**	1 625		
7 000	3 875	**2 625**	625		
15 000	8 750	**6 250**	2 250	**–**	–
19 862	12 312	**10 340**	5 250		1 274
9 500	11 000	**8 000**	8 000		
29 362	23 312	**18 340**	13 250	**–**	1 274

N3.2 NON-EXECUTIVE DIRECTORS' REMUNERATION

Name	Note	Nedbank and Nedbank Group board fees (R000)	Committee fees (R000)	2021 (R000)	2020 (R000)
HR Brody	1,2	560	897	1 457	1 406
BA Dames		542	857	1 399	1 184
NP Dongwana		542	755	1 297	1 278
EM Kruger	3	542	1 645	3 307	3 049
RAG Leith	4	542	650	1 192	1 160
L Makalima	5,6,13	542	742	1 284	1 190
PM Makwana	7,8,13	1 966	1 208	3 174	2 008
T Marwala		542	343	885	867
MA Matooane		542	464	1 006	991
MP Moyo	9				227
V Naidoo	10	4 577		4 600	6 042
JK Netshitenzhe	11				372
SS Subramoney	13	542	1 519	2 061	2 006
IG Williamson	12	217		217	312
Total		**11 656**	**9 080**	**21 879**	22 092

1 Hubert Brody was appointed as Lead Independent Director, with effect from 2 December 2021.
2 Hubert was appointed as Chairperson of the DAC, with effect from 2 December 2021.
3 Errol Kruger's total fee is inclusive of the Nedbank Private Wealth (Isle of Man) Chairperson fees of £55120 (R1 120 187).
4 Rob Leith was appointed as a member of the Group Remco, with effect from 2 December 2021.
5 Linda Makalima was appointed as Chairperson of GTSEC, with effect from 2 December 2021.
6 Linda Makalima was appointed as a member of the DAC, with effect from 2 December 2021.
7 Mpho Makwana was appointed as Acting Chairperson on 22 January 2021. In line with shareholder approval obtained at the Nedbank Group AGM on 28 May 2021, Acting Chairperson fees were paid for the period 28 May 2021 to 1 December 2021.
8 Mpho Makwana was appointed as Chairperson of Nedbank Limited and Nedbank Group Limited, with effect from 2 December 2021.
9 Peter Moyo resigned from the boards on 19 March 2020.
10 Vassi Naidoo's total fee includes taxable reimbursements for travel and accommodation.
11 Joel Netshinenzhe retired from the boards, with effect from 22 May 2020.
12 Iain Williamson resigned as non-executive director of Nedbank Limited and Nedbank Group Limited, with effect from 26 May 2021 and 28 May 2021 respectively.
13 The Group Related-party Transactions Committee (GRPTC) was discontinued, with effect from 1 November 2021.

Where applicable, board fees include travel reimbursements for business mileage.

Number of shares	Beneficial direct 2021	Beneficial direct 2020	Beneficial indirect 2021	Beneficial indirect 2020
Directors				
Hubert Brody	**2 737**	2 556		
Mike Brown	**488 530**	470 345	**423 210**	270 554
Brian Dames	**64**	64		
Michael Davis	**43 498**	43 273	**219 448**	109 926
Mantsika Matooane	**2 261**	2 261		
Vassi Naidoo[1]			**50 124**	49 254
Mfundo Nkuhlu	**30 967**	39 073	**277 757**	169 433
Stanley Subramoney			**2 300**	2 300
Iain Williamson[2]	**7 154**	785		
Raisibe Morathi[3]		31 045		200 096
Peter Moyo[4]				51 128
Prescribed Officers				
Brian Kennedy[5]		229		193 304
Ciko Thomas	**24 167**	24 167	**220 313**	143 283
Iolanda Ruggiero	**80 866**	69 543	**170 990**	109 347
Anél Bosman	**48 218**	30 187	**211 218**	131 518
Terence Sibiya	**28 279**	42 635	**131 838**	80 482
Total ordinary shares	**756 741**	756 163	**1 707 198**	1 510 625

[1] Vassi Naidoo passed away on 28 September 2021.
[2] Iain Williamson stepped down from the Nedbank Group Limited Board on 28 May 2021.
[3] Raisibe Morathi resigned with effect from 31 September 2020.
[4] Peter Moyo resigned from the boards on 19 March 2020.
[5] Brian Kennedy retired with effect from 30 March 2020.

Number of shares	Beneficial direct 2021	Beneficial direct 2020
Prescribed officers		
Anél Bosman – Nedbank preference shares		53 000
Total preference shares	**–**	53 000

No change in the above interests occurred between 31 December 2021 and 8 March 2022.

N3.3 SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS.

	Opening balance at 1 January 2021							
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								
	48 376	14 March 2018	299,73	15 March 2021				
	61 122	14 March 2019	269,95	15 March 2022				
	91 824	19 March 2020	168,80	20 March 2023				
					158 090	25 March 2021	131,57	26 March 2024
					39 523	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	12 034	31 March 2018	291,36	1 April 2021				
	16 307	31 March 2019	252,95	1 April 2022				
	34 638	31 March 2020	83,36	1 April 2023				
					14 347	31 March 2021	134,17	1 April 2024
Voluntary Bonus Share Scheme[4]								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
					2 049	31 March 2021	134,17	1 April 2024
Total value of dividends								
Total	269 629				214 009			

Awards vesting/lapsing during 2021					Dividends	Closing balance at 31 December 2021		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing[5]	Total value of dividends paid in respect of all plans[6]	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
7 257	41 119	136,79	992 685	(5 624 668)				
						61 122	31 December 2021	15 March 2022
						91 824	31 December 2022	20 March 2023
						158 090	31 December 2023	26 March 2024
						39 523	31 December 2023	27 March 2024
12 304		167,05	2 055 383					
						16 307	31 December 2021	1 April 2022
						34 638	31 December 2022	1 April 2023
						14 347	31 December 2023	1 April 2024
943		167,05	157 528					
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
					1 800 635			
20 504	41 119		3 205 596	(5 624 668)	1 800 635	422 285		

Executive directors	Opening balance at 1 January 2021							
	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
MC Nkuhlu								
Nedbank restricted shares								
	31 695	14 March 2018	299,73	15 March 2021				
	37 969	14 March 2019	269,95	15 March 2022				
	60 722	19 March 2020	168,80	20 March 2023				
					109 447	25 March 2021	131,57	26 March 2024
					27 362	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	6 606	31 March 2018	291,36	1 April 2021				
	8 969	31 March 2019	252,95	1 April 2022				
	18 144	31 March 2020	83,36	1 April 2023				
					8 710	31 March 2021	134,17	1 April 2024
Voluntary Bonus Share Scheme[4]								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
					2 049	31 March 2021	134,17	1 April 2024
Total value of dividends								
Total	169 433				147 568			

Awards vesting/lapsing during 2021					Dividends	Closing balance at 31 December 2021		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing[5]	Total value of dividends paid in respect of all plans[6]	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
4 755	26940	136,79	650 436	(3 685 123)				
						37 969	31 December 2021	15 March 2022
						60 722	31 December 2022	20 March 2023
						109 447	31 December 2023	26 March 2024
						27 362	31 December 2023	27 March 2024
6 606		167,05	1 103 532					
						8 969	31 December 2021	1 April 2022
						18 144	31 December 2022	1 April 2023
						8 710	31 December 2023	1 April 2024
943		167,05	157 528					
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
					1 174 829			
12 304	26 940		1 911 496	(3 685 123)	1 174 829	277 757		

Executive directors	Opening balance at 1 January 2021							
	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
MH Davis								
Nedbank restricted shares	11 510	15 March 2018	299,73	16 March 2021				
	7 673	14 March 2018	299,73	15 March 2021				
	23 152	14 March 2019	269,95	15 March 2022				
	35 545	19 March 2020	168,80	20 March 2023				
					101 086	25 March 2021	131,57	26 March 2024
					25 272	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	4 908	31 March 2018	291,36	1 April 2021				
	6 305	31 March 2019	252,95	1 April 2022				
	15 505	31 March 2020	83,36	1 April 2023				
					8 198	31 March 2021	134,17	1 April 2024
Voluntary Bonus Share Scheme[4]								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	109 926				134 556			

Awards vesting/lapsing during 2021					Dividends	Closing balance at 31 December 2021		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing[5]	Total value of dividends paid in respect of all plans[6]	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
2 878	8 632	136,79	393 682	(1 180 771)				
7 673[2]		136,79	1 049 590					
						23 152	31 December 2021	15 March 2022
						35 545	31 December 2022	20 March 2023
						101 086	31 December 2023	26 March 2024
						25 272	31 December 2023	27 March 2024
4 908		167,05	819 881					
						6 305	31 December 2021	1 April 2022
						15 505	31 December 2022	1 April 2023
						8 198	31 December 2023	1 April 2024
943		167,05	157 528					
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
					931 223			
16 402	8 632		2 420 681	(1 180 771)	931 223	219 448		

Prescribed officers	Opening balance at 1 January 2021							
	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	11 343	15 March 2018	299,73	16 March 2021				
	17 015	14 March 2018	299,73	15 March 2021				
	37 043	14 March 2019	269,95	15 March 2022				
	60 722	19 March 2020	168,80	20 March 2023				
					88 166	25 March 2021	131,57	26 March 2024
					22 041	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	2 864	31 March 2019	252,95	1 April 2022				
	14 296	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme[4]					7 788	31 March 2021	134,17	1 April 2024
Total value of dividends								
Total	143 283				117 995			

Awards vesting/lapsing during 2021					Dividends	Closing balance at 31 December 2021		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing[5]	Total value of dividends paid in respect of all plans[6]	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
11 343		136,79	1 551 609					
4 254[2]	12 761	136,79	581 905	(1 745 577)				
						37 043	31 December 2021	15 March 2022
						60 722	31 December 2022	20 March 2023
						88 166	31 December 2023	26 March 2024
						22 041	31 December 2023	27 March 2024
2 864		168,17	481 639					
7 147		172,13	1 230 213			7 149	31 December 2022	1 April 2023
2 596		168,17	436 569			5 192	31 December 2023	1 April 2024
					1 008 544			
28 204	12 761		4 281 935	(1 745 577)	1 008 544	220 313		

Prescribed officers	Opening balance at 1 January 2021							
	Number of restricted shares/ options	Date of issue/ inception	Issue price	Vesting date	Number of restricted shares/ options	Date of issue/ inception	Issue price	Final vesting/ exercise date
			(R)				(R)	
I Ruggiero								
Nedbank restricted shares								
	8 007	15 March 2018	299,73	16 March 2021				
	12 011	14 March 2018	299,73	15 March 2021				
	25 930	14 March 2019	269,95	15 March 2022				
	39 988	19 March 2020	168,80	20 March 2023				
					62 324	25 March 2021	131,57	26 March 2024
					15 581	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	4 011	31 March 2018	291,36	1 April 2021				
	5 000	31 March 2019	252,95	1 April 2022				
	9 072	31 March 2020	83,36	1 April 2023				
					6 661	31 March 2021	134,17	1 April 2024
Voluntary Bonus Share Scheme[4]								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
					2 049	31 March 2021	134,17	1 April 2024
Total value of dividends								
Total	109 347				86 615			

Awards vesting/lapsing during 2021					Dividends	Closing balance at 31 December 2021		
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
8 007		136,79	1 095 278					
3 003[2]	9 008	136,79	410 780	(1 232 204)				
						25 930	31 December 2021	15 March 2022
						39 988	31 December 2022	20 March 2023
						62 324	31 December 2023	26 March 2024
						15 581	31 December 2023	27 March 2024
4 011		167,05	670 038					
						5 000	31 December 2021	1 April 2022
						9 072	31 December 2022	1 April 2023
						6 661	31 December 2023	1 April 2024
943		167,05	157 528					
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
					740 387			
15 964	9 008		2 333 623	(1 232 204)	740 387	170 990		

Prescribed officers	Opening balance at 1 January 2021							
	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
A Bosman								
Nedbank restricted shares								
	8 007	14 March 2018	299,73	15 March 2021				
	5 338	15 March 2018	299,73	16 March 2021				
	9 335	14 March 2019	269,95	15 March 2022				
	6 223	15 March 2019	269,95	16 March 2022				
	32 582	19 March 2020	168,80	20 March 2023				
	14 573	19 March 2020	168,80	20 March 2023				
	9 716	20 March 2020	168,80	21 March 2023				
					66 884	25 March 2021	131,57	26 March 2024
					16 721	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	7 550	31 March 2018	291,36	1 April 2021				
	10 599	31 March 2019	252,95	1 April 2022				
	22 267	31 March 2020	83,36	1 April 2023				
					15 884	31 March 2021	134,17	1 April 2024
Voluntary Bonus Share Scheme[4]								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
					2 049	31 March 2021	134,17	1 April 2024
Total value of dividends								
Total	131 518				101 538			

Awards vesting/lapsing during 2021					Dividends	Closing balance at 31 December 2021		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing[5]	Total value of dividends paid in respect of all plans[6]	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
2 002	6 005	136,79	273 854	(821 424)				
5 338[2]		136,79	730 185					
						9 335	31 December 2021	15 March 2022
						6 223	31 December 2021	16 March 2022
						32 582	31 December 2021	20 March 2023
						14 573	31 December 2022	20 March 2023
						9 716	31 December 2022	21 March 2023
						66 884	31 December 2023	26 March 2024
						16 721	31 December 2023	27 March 2024
11 325[3]		167,05	1 891 841					
						10 599	31 December 2021	1 April 2022
						22 267	31 December 2022	1 April 2023
						15 884	31 December 2023	1 April 2024
1 415[3]		167,05	236 376					
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
					895 587			
20 080	6 005		3 132 256	(821 424)	895 587	211 218		

	Opening balance at 1 January 2021							
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
T Sibiya								
Nedbank restricted shares								
	6 006	14 March 2018	299,73	15 March 2021				
	4 003	15 March 2018	299,73	16 March 2021				
	7 779	14 March 2019	269,95	15 March 2022				
	5 186	15 March 2019	269,95	16 March 2022				
	23 696	19 March 2020	168,80	20 March 2023				
	10 663	19 March 2020	168,80	20 March 2023				
	7 109	20 March 2020	168,80	21 March 2023				
					48 643	25 March 2021	131,57	26 March 2024
					12 161	26 March 2021	131,57	27 March 2024
Compulsory Bonus Share Scheme[1]								
	2 548	31 March 2018	291,36	1 April 2021				
	3 533	31 March 2019	252,95	1 April 2022				
	7 422	31 March 2020	83,36	1 April 2023				
					2 562	31 March 2021	134,17	1 April 2024
Voluntary Bonus Share Scheme[4]								
	943	31 March 2018	291,36	1 April 2021				
	395	31 March 2019	252,95	1 April 2022				
	1 199	31 March 2020	83,36	1 April 2023				
					1 490	31 March 2021	134,17	1 April 2024
Total value of dividends								
Total	80 482				64 856			

[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.*
[2] *Restricted-share awards with time-based vesting only.*
[3] *Match occurred at one share for every two shares 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.*
[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 2021					Dividends	Closing balance at 31 December 2021		
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
1 502	4 504	136,79	205 459	(616 102)				
4 003[2]		136,79	547 570					
						7 779	31 December 2021	15 March 2022
						5 186	31 December 2021	16 March 2022
						23 696	31 December 2022	20 March 2023
						10 663	31 December 2022	20 March 2023
						7 109	31 December 2022	21 March 2023
						48 643	31 December 2023	26 March 2024
						12 161	31 December 2023	27 March 2024
3 098[3]		167,05	517 521					
						3 533	31 December 2021	1 April 2022
						7 422	31 December 2022	1 April 2023
						2 562	31 December 2023	1 April 2024
1 415[3]		167,05	236 376					
						395	31 December 2021	1 April 2022
						1 199	31 December 2022	1 April 2023
						1 490	31 December 2023	1 April 2024
					557 505			
10 018	4 504		1 506 926	(616 102)	557 505	131 838		

AUDITED SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2021 Rm	2020 Rm (Restated)[1]
Dividends from subsidiary companies		**2 645**	4 673
Interest and similar income		**1 125**	1 077
Interest expense and similar charges		**(1 119)**	(1 104)
Other income/(expense)		**33**	(99)
Share of gains/(losses) from associate company		**686**	(177)
Total income		**3 370**	4 370
Impairment/(Reversal of impairment) of subsidiaries		**43**	(511)
Net income		**3 413**	3 859
Total operating expenses	4	**(20)**	(17)
Profit before direct taxation		**3 393**	3 842
Direct taxation	5	**(2)**	(16)
Profit for the year		**3 391**	3 826
Other comprehensive (loss)/income net of taxation		**(594)**	433
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**148**	227
Share of other comprehensive losses of investments accounted for using the equity method		**(721)**	(189)
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		**(21)**	395
Total comprehensive income for the year		**2 797**	4 259

[1] Refer to note 1: Reclassification of the separate statement of comprehensive income.
[2] Includes notional discounting of interest-free loans of R6m (2020: R27m).

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2021 Rm	2020 Rm
Assets			
Cash and cash equivalents		**217**	527
Government and other securities		**14 620**	13 665
Current taxation assets			
Investment securities		**20**	14
Investments in associate companies	6	**2 272**	2 180
Investments in subsidiary companies		**40 083**	36 203
Investment in ordinary shares		**27 588**	27 399
Investment in preference shares			339
Investment in additional tier 1 capital instruments		**9 319**	5 822
Intragroup assets investment in tier 2		**2 013**	2 012
Amounts from and deposits with subsidiaries		**1 163**	631
Total assets		**57 212**	52 589
Equity and liabilities			
Ordinary share capital	7	**509**	502
Ordinary share premium		**23 646**	22 753
Holders of additional tier 1 capital instruments		**9 319**	5 822
Reserves		**1 639**	1 631
Equity attributable to ordinary shareholders		**35 113**	30 708
Long-term debt instruments	8	**16 633**	15 677
Other liabilities		**16**	19
Amounts owing to subsidiaries		**5 450**	6 185
Total liabilities		**22 099**	21 881
Total equity and liabilities		**57 212**	52 589

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 Rm
Balance at 1 January 2020	497 053 536	497	21 974	4 850
Shares issued in terms of employee incentive schemes	5 000 960	5	779	
Additional tier 1 capital instruments issued				972
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method[6]				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Restated balance at 31 December 2020	**502 054 496**	**502**	**22 753**	**5 822**
Shares issued in terms of employee incentive schemes	**6 816 182**	**7**	**892**	
Additional tier 1 capital instruments issued				**3 497**
Total comprehensive (losses)/income for the year	**–**	**–**	**–**	**–**
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2021	**508 870 678**	**509**	**23 645**	**9 319**

[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 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.
[5]Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.
[6]Refer to note 2: Restatement of the separate statement of changes in equity.

Foreign currency translation reserve[1] Restated[6] Rm	Share-based payments reserve[2] Rm	Other non-distributable reserves[3] Rm	FVOCI reserve[4] Restated[6] Rm	Distributable reserves[5] Restated[6] Rm	Total ordinary shareholders' equity Rm
(3 347)	125	41	96	4 442	28 678
					784
					972
(299)	–	–	337	4 221	4 259
				3 826	3 826
227					227
(526)			337	395	206
				(3 489)	(3 489)
				(497)	(497)
(3 646)	**125**	**41**	**433**	**4 677**	**30 707**
					899
					3 497
(309)		**26**	**(264)**	**3 370**	**2 823**
		26		**3 391**	**3 417**
148					**148**
(457)			**(264)**	**(21)**	**(742)**
				(2 203)	**(2 203)**
				(611)	**(611)**
(3 955)	**125**	**67**	**169**	**5 233**	**35 112**

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	2021 Rm	2020 Rm (Restated)[1]
Profit before direct taxation		**3 393**	3 842
Adjusted for:		**(3 413)**	(3 869)
Non-cash items		**(740)**	806
Interest and similar income		**(1 125)**	(1 077)
Interest expense and similar charges		**1 119**	1 104
Dividends from subsidiary companies		**(2 667)**	(4 702)
Dividends received on investments		**2 559**	4 661
Interest received		**1 113**	1 066
Interest paid		**(1 103)**	(1 067)
Change in funds for operating activities		**(502)**	(501)
Increase in operating assets		**(202)**	(241)
Decrease in operating liabilities		**(300)**	(260)
Net cash from operating activities before taxation		**2 047**	4 132
Taxation paid	9	**(2)**	(16)
Cash flows from operating activities		**2 045**	4 116
Cash flows utilised by investing activities		**(4 887)**	(5 997)
Investments in additional tier 1 capital and long-term debt instruments		**(4 447)**	(5 034)
Acquisition of investments in subsidiaries and associate companies		**(440)**	(963)
Cash flows from financing activities		**2 532**	1 832
Proceeds from issue of ordinary shares		**899**	784
Additional tier 1 capital instruments issued		**3 497**	972
Long-term debt instruments issued		**950**	4 062
Dividends paid to ordinary shareholders		**(2 203)**	(3 489)
Additional tier 1 capital instruments interest paid		**(611)**	(497)
Net decrease in cash and cash equivalents for the year		**(310)**	(49)
Cash and cash equivalents at the beginning of year		**527**	576
Cash and cash equivalents at the end of the year		**217**	527

[1]*Refer to note 3: Restatement of the separate statement of cash flow statement*

1 RECLASSIFICATION OF THE SEPARATE STATEMENT OF COMPREHENSIVE INCOME

During the year, the company reviewed its statement of comprehensive income presentation. As a result of the review, certain line descriptions and line item location have been updated, subtotals removed and certain line items have been aggregated. It is the company's view that these changes provide more relevant disclosures on the company's financial performance. To provide comparability, the prior-year balances have been restated accordingly. The reclassification had no impact on the company’s statement of financial position, statement of changes in equity and statement of cashflows.

1.1 The impact of the restatements on the separate statement of comprehensive income is detailed below:

	2020			
	As previously reported	Restatement	Restated	
	Rm	Rm	Rm	
Dividends from subsidiary companies	**4 673**		**4 673**	Dividends from subsidiary companies
Interest and similar income	**1 077**		**1 077**	Interest and similar income
Interest expense and similar chargers	**(1 104)**		**(1 104)**	Interest expense and similar chargers
Preference dividend from subsidiary company	**29**	(29)		
Non-interest (loss)/revenue	**(56)**	56		
Fair value adjustments	**(72)**	72		
		(99)	**(99)**	Other income/(expense)
		(177)	**(177)**	Share of (losses)/gains of associate
Operating income	**4 547**	(177)	**4 370**	**Total income**
		511	**511**	Impairment of subsidiaries
		3 859	**3 859**	**Net income**
Total operating expenses	**17**		**17**	Total operating expenses
Profit from operations	**4 530**	(4 530)		
Impairment of subsidiaries	**511**	(511)		
Share of (losses)/gains of associate	**-177**	177		
Profit before direct taxation	**3 842**		**3 842**	**Profit before direct taxation**
Direct taxation	**16**		**16**	Direct taxation
Profit for the year	**3 826**		**3 826**	**Profit for the year**

2 RESTATEMENT OF THE SEPARATE STATEMENT OF CHANGES IN EQUITY

During the year, the company reviewed its presentation of the separate statement of changes in equity. As a result of this review, it was noted that the "Share of OCI of investments accounted for using the equity method" was incorrectly disclosed in the "Foreign currency translation reserve" column only. The "Share of OCI of investments accounted for using the equity method" should have been disaggregated into both the "FVOCI reserve" (2020: R337m) and "Other non-distributable reserves" (2020: R395m) columns. The company has corrected this misstatement and to provide comparability, the prior-year balances have been restated accordingly.

The impact of the restatements are detailed as below:

2.1 Impact on the separate statement of changes in equity

	2020			
	Restated			
	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Holders of additional tier 1 capital instruments Rm
Balance at 1 January 2020	497 053 536	497	21 974	4 850
Shares issued in terms of employee incentive schemes	5 000 960	5	779	
Additional tier 1 capital instruments issued				972
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Restated Balance at 31 December 2020	502 054 496	502	22 753	5 822

	2020			
	Restatement			
	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Holders of additional tier 1 capital instruments Rm
Balance at 1 January 2020				
Shares issued in terms of employee incentive schemes				
Additional tier 1 capital instruments issued				
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Restated Balance at 31 December 2020	–	–	–	–

	2020			
	As previously reported			
	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Holders of additional tier 1 capital instruments Rm
Balance at 1 January 2020	497 053 536	497	21 974	4 850
Shares issued in terms of employee incentive schemes	5 000 960	5	779	
Additional tier 1 capital instruments issued				972
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2020	502 054 496	502	22 753	5 822

Foreign currency translation reserve[1] Rm	Share-based payments reserve[2] Rm	Other non-distributable reserves[3] Rm	FVOCI reserve[4] Rm	Distributable reserves[5] Rm	Total ordinary shareholders' equity Rm
(3 347)	125	41	96	4 442	28 678
					784
					972
(299)	–	–	337	4 221	4 259
				3 826	3 826
227					227
(526)			337	395	206
				(3 489)	(3 489)
				(497)	(497)
(3 646)	125	41	433	4 677	30 707

Foreign currency translation reserve[1] Rm	Share-based payments reserve[2] Rm	Other non-distributable reserves[3] Rm	FVOCI reserve[4] Rm	Distributable reserves[5] Rm	Total ordinary shareholders' equity Rm
					–
					–
					–
(732)	–	–	337	395	–
					–
					–
(732)			337	395	–
					–
					–
(732)	–	–	337	395	–

Foreign currency translation reserve[1] Rm	Share-based payments reserve[2] Rm	Other non-distributable reserves[3] Rm	FVOCI reserve[4] Rm	Distributable reserves[5] Rm	Total ordinary shareholders' equity Rm
(3 347)	125	41	96	4 442	28 678
					784
					972
433	–	–	–	3 826	4 259
				3 826	3 826
227					227
206					206
				(3 489)	(3 489)
				(497)	(497)
(2 914)	125	41	96	4 282	30 707

3 RESTATEMENT OF THE SEPARATE STATEMENT OF CASH FLOWS

During 2021, the company reviewed its presentation of the statement of cash flows. As a result of the review, the presentation of cash flows from operating activities has been changed from the direct method to the indirect method, where the profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. In terms of IAS 7, entities have an accounting policy choice to present operating activities on the statement of cash flows using either the direct or indirect method. The company is of the view that the change to the indirect method provides more relevant and reliable information for users as it improves comparability to industry peers.

As a result of this change in presentation, the comparative information relating to cash flows from operating activities has been restated.

The impact of the change in accounting policy on the company's statement of cash flows line items is as follows:

	31 December 2020		
	As previously reported	Adjustments	Restated
Direct method			
Cash generated by operations	4 633	(4 633)	–
Cash received (paid to) clients, employees and suppliers	(28)	28	
Dividends received on investments	4 661	(4 661)	
Indirect method			
Profit before direct taxation		3 842	3 842
Adjusted for:	–	(3 869)	(3 869)
Non-cash items		806	806
Interest and similar income		(1 077)	(1 077)
Interest expense and similar charges		1 104	1 104
Dividends from subsidiary companies		(4 702)	(4 702)
Dividends received on investments		4 661	4 661
Interest received		1 066	1 066
Interest paid		(1 067)	(1 067)
Change in funds for operating activities	(501)	–	(501)
Increase in operating assets	(241)		(241)
Increase in operating liabilities	(260)		(260)
Net cash from operating activities before taxation	4 132	–	4 132
Taxation received/(paid)	(16)		(16)
Cash flows from operating activities	4 116	–	4 116

4 TOTAL OPERATING EXPENSES

	2021 Rm	2020 Rm
Audit fees	**9**	7
Release of audit fee provision		(10)
Directors' fees	**2**	2
Listing and admin fees	**9**	8
Premiums paid		10
	20	17

5 DIRECT TAXATION

5.1 Charge for the year

	2021 Rm	2020 Rm
Foreign dividend withholding tax	**2**	16
	2	16

5.2 Taxation rate reconciliation

	2021 %	2020 %
Standard rate of South African normal taxation	**28**	28
Non-taxable income	**(28)**	(28)
Effective taxation rate	**–**	–

6 INVESTMENT IN ASSOCIATE COMPANIES

6.1 Movement in carrying amount

	2021 Rm	2020 Rm
Carrying amount at the beginning of the year	**2 180**	2 673
Impairment provision for investments in associate company		(750)
Share of associate companies' profit after taxation for the year	**686**	(177)
Share of associate companies' OCI for the year	**(742)**	207
Foreign currency translation and other movements	**148**	227
Carrying amount at the end of the year	**2 272**	2 180

6.2 Analysis of carrying amount

	2021 Rm	2020 Rm
Associate investments – on acquisition: net asset value	**6 265**	6 265
Impact of adopting IFRS 9, net of taxation	**(780)**	(780)
Share of retained earnings since acquisition	**1 932**	1 246
Share of OCI since acquisition	**(4 779)**	(4 037)
Dividends received from equity-accounted associate company	**(159)**	(159)
Impairment provision for investments in associate company	**(1 750)**	(1 750)
Foreign currency translation and other movements	**1 543**	1 395
	2 272	2 180

7 SHARE CAPITAL

7.1 Ordinary share capital

	2021 Rm	2020 Rm
Authorised		
600 000 000 (2020: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
508 870 678 (2020: 502 054 496) fully paid ordinary shares of R1 each	**509**	502

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

7.2 Preference share capital and premium

	2021 Rm	2020 Rm
Authorised		
1 000 000 (2020: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	**10 000**	10 000

8 LONG-TERM DEBT INSTRUMENTS

Instrument type	Maturity date	Interest rate	2021 Rm	2020 Rm
Subordinated debt				
Callable notes (rand-denominated – floating)	22 September 2021	JIBAR + 4,0%		2 004
Callable notes (rand-denominated – floating)	15 March 2027	JIBAR + 3,80%	**2 007**	2 007
Callable notes (rand-denominated – floating)	26 May 2027	JIBAR + 3,75%	**504**	511
Callable notes (rand-denominated – floating)	20 March 2028	JIBAR + 3,05%	**2 004**	2 001
Callable notes (rand-denominated – floating)	26 July 2028	JIBAR + 2,58%	**1 524**	1 518
Callable notes (rand-denominated – floating)	1 December 2028	JIBAR + 2,45%	**1 005**	1 005
Callable notes (rand-denominated – floating)	9 April 2029	JIBAR + 2,4%	**2 534**	2 533
Callable notes (rand-denominated – floating)	2 July 2030	JIBAR + 3,85%	**2 087**	2 086
Callable notes (rand-denominated – floating)	30 June 2030	JIBAR + 2,80%	**2 013**	2 012
Callable notes (rand-denominated – floating)	19 June 2031	JIBAR + 2,35%	**2 505**	
Callable notes (rand-denominated – floating)	27 December 2031	JIBAR + 2,0%	**450**	
			16 633	15 677

The movement for the year relates to two new notes issued for R950m (2020: R4 050m) and interest accrued of R6m (2020: R12m)

9 TAXATION PAID

	2021 Rm	2020 Rm
Statement of comprehensive income charge – foreign dividend withholding tax	**2**	16
	2	16

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 stand-alone 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.

10.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group 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.	Ten years subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 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 reserve	
	2021	2020
Community scheme	**125**	124
	125	124

10.3 Movements in number of instruments

	2021		2020	
	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**	**10**	1 689 648	11
Sold	**(130 200)**			
Outstanding at the end of the year	**1 559 448**	**9**	1 689 648	10
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

On the 23rd of June 2021, Old Mutual made an announcement regarding unbundling all of the Nedbank Group Limited's shares held by Old Mutual Emerging Markets Proprietary Limited by way of a dividend in specie to Old Mutual shareholders – this was finalised in November 2021. Consequently, as at 31 December 2021, Old Mutual has retained a 7,2% shareholding in Nedbank Group Limited and is no longer considered a related party of the group.

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 employees 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 employees, as well as the number of share instruments held, are shown below:

	Directors	Key management employees	Total
Compensation (Rm)			
2021			
Directors' fees	**22**		**22**
Remuneration – paid by subsidiaries	**58**	**135**	**193**
Short-term employee benefits	**53**	**115**	**168**
Gain on exercise of share instruments	**5**	**20**	**25**
	80	**135**	**215**
2020			
Directors' fees	22		22
Remuneration – paid by subsidiaries	50	110	160
Short-term employee benefits	39	86	125
Gain on exercise of share instruments	11	24	35
	72	110	182

	Directors	Key management employees	Total
2021			
Outstanding at the beginning of the year	**548 988**	**1 046 798**	**1 595 786**
Granted	**496 133**	**800 377**	**1 296 510**
Forfeited		**(39 920)**	**(39 920)**
Exercised	**(125 631)**	**(231 703)**	**(357 334)**
Outstanding at the end of the year	**919 490**	**1 575 552**	**2 495 042**
2020			
Outstanding at the beginning of the year	470 183	831 156	1 301 339
Granted	294 913	565 325	860 238
Forfeited	(165 050)	(12 292)	(177 342)
Exercised	(160 984)	(246 160)	(407 144)
Transferred[1]	109 926	(91 231)	18 695
Outstanding at the end of the year	548 988	1 046 798	1 595 786

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

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.

Outstanding balances (Rm)

	Due from/(Owing to)	
Outstanding balances (Rm)	**2021**	2020
Subsidiaries		
Loan from Nedbank Nominees Proprietary Limited – interest-free	**(5)**	(4)
Advance to Ned Settle Services Proprietary Limited – interest-free	**71**	69
Advance to NPE Holdco Proprietary Limited – interest-free	**443**	241
Advance to Nedbank Group Insurance Holdings Limited	**260**	257
Interest-free loan account Nedbank Limited CIB	**12**	12
Advance to Nedgroup Securities Limited		
Bank account with Nedbank Limited – interest-free	**217**	527
Nedbank Limited intragroup assets investment in tier 2	**2 013**	2 012
Loan from Nedbank Limited – interest-free	**(5 445)**	(6 180)
Tier 2 long-term debt – Nedbank Limited	**14 620**	13 665
Dividends receivable from Nedbank Eswatini Limited		41
Advance to Nedbank Moçambique, SA – interest-free	**16**	11
Accounts receivable from Nedgroup Securities Proprietary Limited	**366**	
Nedbank Limited preference shares		339
Key management employees		
– Community Trust – share-based payments reserve	**(125)**	(124)

Transactions (Rm)

	Income/(Expense)	
Transactions (Rm)	**2021**	2020
Interest income from subsidiaries		
Nedbank Limited – interest received	**1 125**	1 077
Nedbank Limited – interest paid	**1 119**	1 099
Ned Settle Services Proprietary Limited – interest paid		2
Nedbank Group Insurance Holdings Limited – interest paid		3
Dividends from subsidiaries		
Nedbank Limited	**1 711**	3 297
Nedbank Limited preference dividend	**22**	29
Nedeurope Limited	**235**	172
Nedbank Eswatini Limited		91
Syfrets Securities Limited		426
Nedcapital investment Holdings Proprietary Limited		3
Ned Settle Services Proprietary Limited		5
NedCell Proprietary Limited		62
ERF 7 Sandown Proprietary Limited	**146**	
NedNamibia Holdings Proprietary Limited	**48**	132
Nedbank Group Insurance Holdings Limited	**350**	300
Nedgroup Investments Proprietary Limited	**155**	185
Dividends declared by subsidiaries	**2 667**	4 702

12 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

Assets and liabilities primarily consist of non-financial assets and liabilities.

The amounts owing to subsidiaries mainly relate to amounts due to Nedbank Limited (a subsidiary of the company), which is contractually repayable within the next 12 months. Refer to note 8.

Financial assets subject to credit risk are mainly cash and cash equivalents, government and other securities, and intergroup investments in tier 2 instruments which are receivable from Nedbank Limited (a subsidiary of the company) which has an external credit rating of zaAA issued by Standard & Poor's and Aa1 issued by Moody's Investors Service.

The company is not exposed to material liquidity, credit and market risk.

13 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities primarily consist of non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7: Financial Instruments – Disclosures.

13.1 DIRECTORS' EMOLUMENTS

Details of directors' emoluments have been included in N3.

13.2 EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period.

INFORMATION NOT COVERED BY THE INDEPENDENT AUDITORS' REPORT

14 SHAREHOLDER ANALYSIS

Register date: 31 December 2021

Authorised share capital: 600 000 000 shares

Issued share capital: 508 870 678 shares

Shareholder spread	Number of share-holdings	%	Number of shares	%
1–1 000 shares	405 558	98,58	10 050 392	1,97
1 001–10 000 shares	4 291	1,04	11 598 359	2,28
10 001–100 000 shares	1 115	0,27	36 884 015	7,25
100 001–1 000 000 shares	382	0,09	115 610 677	22,72
1 000 001 shares and over	69	0,02	334 727 235	65,78
Total	411 415	100,00	508 870 678	100,00

Distribution of shareholders	Number of share-holdings	%	Number of shares	%
Banks/Brokers	378	0,09	135 373 787	26,60
Close corporations	1 057	0,26	240 152	0,05
Empowerment	35	0,01	6 890 094	1,35
Endowment funds	203	0,05	3 216 618	0,63
Government	13		399 110	0,08
Individuals	394 927	95,99	20 631 962	4,06
Insurance companies	126	0,03	29 926 493	5,88
Investment companies	10		851 407	0,17
Medical aid schemes	56	0,02	1 581 289	0,31
Mutual funds	637	0,15	133 494 611	26,23
Other corporations	475	0,12	311 188	0,06
Private companies	2 041	0,50	2 668 042	0,53
Public companies	88	0,02	759 207	0,15
Retirement funds	745	0,18	138 319 362	27,18
Share trusts[1]	11		20 152 389	3,96
Sovereign wealth funds	16	0,01	8 943 145	1,76
Trusts	10 249	2,49	4 400 659	0,86
UK nominee accounts	348	0,08	711 163	0,14
Total	411 415	100,00	508 870 678	100,00

[1] Excludes shares held by directors and prescribed officers in share trusts and Eyethu schemes.

Public/Non-public shareholders	Number of share-holdings	%	Number of shares	%
Non-public shareholders	79	0,02	98 631 825	19,38
Directors and associates of the company[1]	9		1 490 772	0,29
Prescribed officers of the company[1]	4		915 889	0,18
Strategic holdings (more than 10%)	1		67 357 103	13,24
Nedbank/Nedbank Group pension funds	2		98 077	0,02
Nedbank Group Limited and associates (share trusts and foundation)[2]	11		18 498 540	3,64
Nedbank Group and associates (foundation)	1		1 200	
Nedbank Group Limited and associates (mutual funds and banks)	16	0,01	3 380 150	0,66
Nedbank Group BEE trusts – SA[2]	5		6 517 381	1,28
Nedbank Group BEE trusts – Namibia	30	0,01	372 713	0,07
Public shareholders	411 336	99,98	410 238 853	80,62
Total	411 415	100,00	508 870 678	100,00

[1] Includes shares held by directors and prescribed officers in share trusts and Eyethu schemes.
[2] Excludes shares held by directors and prescribed officers in share trusts and Eyethu schemes.

Major shareholders/managers	Number of shares	2021 % holding	2020 % holding
Nedbank Group treasury shares	23 269 131	4,58	3,62
BEE trusts:	6 485 648	1,28	1,32
– Eyethu scheme – Nedbank SA	6 336 586	1,25	1,29
– Omufima scheme – Nedbank Namibia	149 062	0,03	0,03
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme	16 735 971	3,29	2,29
Nedbank Namibia Limited	47 512	0,01	0,01
Public Investment Corporation (SA)	69 667 537	13,69	10,39
Allan Gray Investment Council (SA)	54 083 505	10,63	8,95
Coronation Fund Managers (SA)	35 632 689	7,00	8,58
Old Mutual Life Assurance Company (SA) Limited and associates	26 326 444	5,17	21,96
BlackRock Incorporated (international)	23 143 128	4,55	4,17
Lazard Asset Management (international)	16 438 722	3,23	2,79
The Vanguard Group Incorporated (international)	15 729 896	3,09	2,51
Sanlam Investment Management Proprietary Limited (SA)	15 663 050	3,08	2,16
GIC Asset Management Proprietary Limited (international)	15 100 406	2,97	1,69
Ninety One (SA)	14 830 894	2,91	0,32

Beneficial shareholders holding of 5% or more	Number of shares	2021 % holding	2020 % holding
Government Employees Pension Fund (SA)	76 316 690	15,00	11,36
Allan Gray Balanced Fund (ZA)	38 066 319	7,48	5,74
Old Mutual Life Assurance Company (SA) Limited and associates (SA)	24 662 527	4,85	21,47
	139 045 536	27,32	38,57

Geographical distribution of shareholders	Number of shares	2021 % holding	2020 % holding
Domestic	349 309 703	68,64	75,91
South Africa	318 612 839	62,61	71,70
Namibia	13 211 454	2,59	3,07
Unclassified	17 485 410	3,44	1,15
Foreign	159 560 975	31,36	24,09
United States of America	79 164 152	15,56	12,67
Asia	28 019 991	5,51	3,56
Europe	21 447 861	4,21	3,51
United Kingdom and Ireland	14 908 598	2,93	2,47
Other countries	16 020 373	3,15	1,88
	508 870 678	100,00	100,00

COMPLIANCE WITH IFRS – FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
A1	Principal accounting policies	IAS 1
A2	Key assumptions concerning the future and key sources of estimation	IAS 1
A3	New standards and interpretations not yet adopted	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 and income	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	Headline earnings	IAS 1, IAS 16 and IAS 36
C1	Loans and advances	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 10 and 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, IFRS 13 and IFRS 16
G2	Intangible assets	IAS 38 and IAS 36
H1	Long-term employee benefits	IAS 19 and IFRIC 14
H2	Non-current assets and liabilities 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
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, IFRS 13 and IFRS 16
K2	Contingent liabilities and undrawn facilities and commitments	IAS 37, IAS 10 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	Cash flow information	IAS 7
N1	Foreign currency conversion	IAS 21 and IAS 29
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	2021 Rm	2020 Rm
Adjusted net worth		**2 145**	1 651
Required capital		**1 187**	911
Free surplus		**958**	740
Value of inforce business		**1 894**	1 955
Present value of future profits		**2 065**	2 150
Frictional cost of capital		**(70)**	(81)
Cost of non-hedgeable risk		**(101)**	(114)
Total EV	12,0	**4 039**	3 606
Present value of future profits		**336**	296
Frictional cost of capital		**(7)**	(5)
Cost of non-hedgeable risk		**(7)**	(8)
Total value of new business	13,8	**322**	283
New-business sales (APE[1])	19,7	**1 080**	902
APE[1] margin		**29,8%**	31,3%
PVNBP[2]	12,5	**2 030**	1 805
PVNBP[2] margin		**15,9%**	15,6%
Analysis of EV earnings:			
EV at the beginning of the year		**3 606**	3 188
Total EV earnings		**783**	668
Operating EV earnings		**635**	640
Value of new business		**322**	283
Expected return		**73**	130
Experience variances and modelling changes		**365**	237
Non-economic assumption changes		**(125)**	(10)
Economic variances and assumption changes		**59**	(40)
Return on adjusted net worth		**89**	68
Adjustment: dividends paid		**(350)**	(250)
EV at the end of the year	12,0	**4 039**	3 606
Operating earnings return on opening EV (annualised %)		**17,6%**	20,1%

[1] Annualised premium equivalent.
[2] Present value of new-business premiums.

METHODOLOGY

Covered business refers to all long-term life insurance business underwritten by the Nedgroup Life Assurance company. It excludes Nedgroup Structured Life and NedNamibia Life Assurance.

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 liabilities. The actuarial liabilities are determined in accordance with IFRS and 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, whose distribution 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 as it is more onerous than the regulatory capital. The required capital is considered at the target threshold of 110% of 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 in-force business

Value in-force (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 cash flows 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 that are expected to emerge from the inforce covered business. Cash flows are determined on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates determined by the South African swap yield curve. 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 5% has been applied to allow for residual symmetric and asymmetric non-hedgeable risks. This has been reviewed from 3,5% in 2020.

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. VNB is net of all acquisition expenses, which include a proportion of the companies overhead expenses for the year. The definition of new business used in the calculation of the VNB is consistent with the reporting basis in the financial statements.

APE and PVNBP margins

APE is the annual premium equivalent 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 premiums on new business policies written in the year and is calculated using the same assumptions as used to calculate the after-tax sharedholder 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.

Extraordinary changes

There were no extraordinary changes for 2021 or 2020. Assumptions allowing for higher claims experience due to Covid-19 are captured under non-economic basis.

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. Assumptions for additional claims arising from Covid-19 have been set relying on recent claim experience and expert judgement.

Economic assumptions

Economic assumptions for best-estimate cash flows are determined so that projected cash flows are valued in line with the prices of similar cash flows that are traded in the capital markets. Investment return and discounting assumptions are based on the South African swap yield curve. The swap curve is sourced from the JSE zero nominal swap curve. Expense inflation assumptions are determined considering management's view on long-term inflation.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

Risk-free yields	2021	2020
Term (years)		
1	4,7%	3,4%
5	6,5%	4,8%
10	7,8%	7,1%

Expense inflation	2021	2020
Term (years)		
1	6,6%	6,6%
5	6,6%	6,6%
10	6,6%	6,6%

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 and no management actions were assumed.

2021

Rm	PVFP	EV	VNB
Central assumptions	1 894	4 039	322
Economic assumptions increase by 1%	1 846	3 992	308
Economic assumptions decrease by 1%	1 948	4 090	329
Equity and property market value decrease by 10%	1 892	4 001	322
Voluntary discontinuance rates decrease by 10%	2 023	4 146	368
Mortality and morbidity rates decrease by 5%	1 937	4 105	334
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 933	4 106	350
Acquisition expenses decrease by 10%	1 894	4 039	335

2020

Rm	PVFP	EV	VNB
Central assumptions	1 955	3 606	283
Economic assumptions increase by 1%	1 915	3 566	271
Economic assumptions decrease by 1%	2 003	3 648	287
Equity and property market value decrease by 10%	1 954	3 561	283
Voluntary discontinuance rates decrease by 10%	2 082	3 678	318
Mortality and morbidity rates decrease by 5%	1 993	3 673	292
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 996	3 696	296
Acquisition expenses increase by 10%	1 955	3 606	294

Review by independent actuaries

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB as at 31 December 2021 and 31 December 2020. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles. They noted that disclosure requirements follow Advisory Practice Note 107 (version 8) – Embedded value reporting, except that the analysis of EV earnings is not split between ANW, VIF and more details should be provided on experience variances and assumption changes. This additional disclosure would provide more insight into the results.

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