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Audited consolidated and separate annual financial statements

for the year ended 31 December 2022

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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 and, details about 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, as well as goodwill and other intangible assets.

Section H: Other assets

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

Section I: Financial instruments

Additional disclosure of 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 market risk in the trading book 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 occurring 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 2022, 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 (as amended), and their report is presented on pages 21 to 265.

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 6 March 2023 and are signed on its behalf by:

PM Makwana
Chairperson

MWT Brown
Chief Executive

Sandown
6 March 2023

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER INTERNAL FINANCIAL CONTROL RESPONSIBILITY STATEMENT

Each of the directors, whose names are stated below, hereby confirm that:

a) the annual financial statements set out on pages 21 to 265, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
b) to the best of our knowledge and belief, 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;
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 as executive directors with primary responsibility for implementation and execution of controls;
e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
f) we are not aware of any fraud involving directors.

MWT Brown
Chief Executive

MH Davis
Chief Financial Officer

Sandown
6 March 2023

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
6 March 2023

REPORT FROM THE GROUP AUDIT COMMITTEE

The Nedbank Group Audit Committee (GAC) is pleased to present its report for the 2022 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, which was reviewed and updated during the financial year.

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 (IFCs) and financial and corporate reporting processes. In addition, the GAC assesses the effectiveness of the internal auditors and the independence and effectiveness of the joint external auditors, as well as 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.

People update

Phumzile Langeni was appointed as an independent non-executive director on 22 March 2022 and subsequently as a member of the GAC. Her appointment further strengthens the GAC's financial services, mining, energy and resources, large corporates, macroeconomic and public policy skillset.

Composition and governance

Members of the committee satisfy the requirements to serve as members of an audit committee, as required by 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 2022 financial year are set out below:

Members	Formal	*Ad hoc
S Subramoney (Chair)*	6/6	4
EM Kruger	6/6	3
HR Brody	5/6	2
NP Dongwana	6/6	1
P Langeni	4/4	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 Chief Internal Auditor (CIA), the Chief Compliance Officer (CCO) 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 2022 financial year, aligned with key reporting and regulatory timelines. There were two ad hoc meetings held to address Nedbank's H1 2022 trading statement and the results and recommendation of the Project Libra Tender Evaluation Committee 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:

26 May 2022	Review of the March and April year-to-date results, approval of the JSE voluntary trading update for the four months ended 30 April 2022 and confirmation of the trading statement, reviewing of the external auditors' final management comments report, and approval of the external auditors' engagement letter.
23 June 2022 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.
19 July 2022	Ad hoc meeting to approve the trading statement for the period ended 30 June 2022.
28 July 2022 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.
3 August 2022	Approval of the interim results for the six months to June 2022. 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.
14 October 2022	Adhoc meeting to consider the results and recommendation of the Project Libra Tender Evaluation Committee (TEC) following their evaluation of proposals for external audit services received from the participating firms, in terms of the group's programme for managed audit firm rotation.
27 October 2022	Review of the results for the nine months to 30 September 2022. Approval of the joint external auditors' strategy, plan, scope and fees for the 2022 financial year. Review and discussion of the group's Q3 forecast.

25 January 2023	Review of preliminary results for the 2022 financial year, key accounting judgements and tax matters. Review and approval of the GIA audit plan for the 2023 financial year.
22 February 2023 College of Audit Committee Chairs	Discussion and review of subsidiaries' full-year performance and GIA feedback on subsidiaries.
2 March 2023	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 2023 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 was reviewed as part of an effectiveness review of the board and all its committees. The feedback from the effectiveness review was very positive with highlights being that GAC is well managed, thorough and proactive. The GAC was evaluated on five governance areas. The GAC's performance in each governance area received a score above 4/5.

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 2022.

During the period the GAC:

- approved the external auditors' 2022 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 audit quality 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 (IRBA) or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the external auditors to confirm the suitability for appointment of the external auditors and designated individual partners;
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- considered and recommended to shareholders the appointment of Ernst & Young Inc and Deloitte & Touche for the 2023 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.

External audit tender

In line with the MAFR timelines Deloitte & Touche is required to rotate off the group's audit after the completion of the year-ending 31 December 2023 audit. In anticipation the GAC initiated a comprehensive tender process for the provision of external audit services as one of the joint auditors of Nedbank Group Limited for the year ending 31 December 2024.

The tender process was led by Ms Neo Dongwana. Requests for proposals were sent to four participating firms and two participating firms submitted written proposals and attended an oral presentation. Feedback and the key observations were made by the TEC and to the GAC members. The CIA provided a verbal report, indicating that the tender process was well-governed and fair.

The GAC considered the TEC's proposal during a closed session and approved the appointment of KPMG as the group's next joint auditor, subject to shareholder and regulatory approval. The appointment will be presented to shareholders at the 2023 AGM.

The GAC nominated Deloitte & Touche and Ernst & Young Inc as the external auditors for Nedbank Limited and Nedbank Group Limited for the year ending 31 December 2023.

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 in mitigating, 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 continues on fully implementing its digital transformation journey, where traction has been slower than planned. This is now a deliberate part of GIA's TOM 2.0 plan for 2023–2025. One of the key enablers is a 'future-fit' skills mix that includes the skills of data scientists, developers, as well as 4IR technology and cybersecurity specialists.. In addition, GIA's TOM 2.0 plan will leverage technology and data platforms to obtain efficient and increased coverage, including advanced data analytics and continuous (robotic) 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 Chairperson of the group 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' (the IIA's) 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 with The IIA standards.

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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 the 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 sensitivities and post-model adjustments and considered the feedback from GIA and the 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 key disclosures and 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 and management's cash flow forecasts. The GAC considered the key disclosures and management's conclusion that no impairment was required, as well as considered the feedback from the 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 the 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 the 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, 94 of 1990 (Banks Act), which included an 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.

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 liquidity profiles.

- The GAC reviewed and discussed the integrated report, reporting process and governance and financial information included in the 2022 Integrated Report after having considered recommendations from the Group Transformation, Social and Ethics Committee (GTSEC); Group Remuneration Committee (REMCO); Group Risk and Capital Management Committee (GRCMC); and the Group Directors' Affairs Committee (DAC).

- The GAC recommended to the board that the annual financial statements be approved. The board subsequently approved the annual financial statements, which will be presented at the forthcoming annual general meeting (AGM).

- The GAC reviewed and discussed the annual disclosure review performed by management and, through the 2022 review process, the resulting restatements of prior-period information included in note A4 and A5. The GAC considered management's feedback in relation to the process. The GAC noted management's feedback that there were two restatements where management pro-actively updated the presentation and disclosure to enhance the usefulness of the statement of comprehensive income (SOCI). Management also reported that there were three restatements relating to information that came to the attention of management during the 2022 financial close process. Management have correctly restated the appropriate information in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and have enhanced the internal financial control environment to ensure similar instances do not reoccur.

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 ensure that the ERMF is robust, resilient and agile enough to respond appropriately to the challenging external operating environment. The ERMF continues to be refreshed to ensure it remains fit for purpose, in that way 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, as well as 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 ERMF processes 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 or 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 contained in 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 were 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 incorporates, integrates and optimises 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.

- CA continued to go from strength to strength in 2022, including many favourable comments received from business clusters on the much more efficient and effective planning, and well-coordinated audit, compliance and risk work (second and third lines of defence). The business cluster risk functions and CFO were invited to all CA Forums in 2022.

- CA remains a key tool and strategy for helping ensure adequate independent assurance coverage of Nedbank's expansive risk universe and remains a significant focus in navigating the expansive risk landscape. With the risk universe continuing to expand to incorporate new, emerging and non-traditional risk types, and with management continuing to be challenged by the Covid-19 working arrangements, the need for the coordination, alignment and integration of assurance activities becomes even more critical to ensure the following:
  - Reliance is placed on work and output of multiple assurance providers to reduce duplication or overlap and the resultant impact on frontline teams. Specialist risk, audit and compliance skillsets across the enterprise are prized and optimised so that execution is streamlined.
  - Efforts are directed to the risks that matter most and the new or emerging risk areas.

- During 2022, the CA Internal Forum and CA External Forum were merged to form one CA forum where the CA plans continued to be managed. During the CA forums held on 30 September 2022, 16 November 2022 and 31 January 2023 final discussions and challenges to the 2023 plans were accommodated. Group Risk, Group Internal Audit and Group Compliance and business cluster risk functions shared information and challenged:
  - the key focus areas for 2023;
  - draft plans and coverage for 2023; and
  - the adequacy of the CA 2023 plan in terms of whether it covered sufficient risk types and risk categories across the enterprise.

Internal financial control attestation

Nedbank continues to maintain a strong risk culture and has implemented adequate and effective 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 Listings Requirements. The CFO and CE make positive statements under their names and signatures.

The deficiencies in design and operating effectiveness of IFCs 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 compensatory controls and additional review procedures. As a result, the GAC noted the CE and CFO final attestation.

Future accounting developments

IFRS 17: Insurance Contracts replaces IFRS 4: Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023. Management have provided training and updates to the GAC during the July and October GAC meetings.
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held. The main difference between IFRS 4 and IFRS 17 is that IFRS 17 prescribes specific measurement requirements for short- and long-term insurance contracts, whereas under IFRS 4 entities disclosed the insurance contracts depending on whether it was a long-term or short-term entity, as well as that the rule did not require standard disclosures, which made comparability between insurance entities challenging. IFRS 17 aims to increase comparability and transparency about profitability across entities where insurance contracts are issued and held.

The Nedbank IFRS 17 implementation steering committee (committee) is chaired by the Nedbank Wealth CFO and includes internal and external stakeholders. The committee has a number of work streams to ensure that the group can report under IFRS 17 from January 2023, can appropriately account for IFRS 17 from 1 January 2022 and restate the 2022 reporting results, and can appropriately estimate the day one (1 January 2022) impact on reserves.

For FY 2022 reporting the day one estimate (1 January 2022) impact on reserves is required to be disclosed. The IFRS 17 implementation steering committee reviewed the current draft impacts, considered the input from the actuarial teams, external consultants and external auditors and determined an appropriate range of impacts on reserves to be an increase of between 0% and +0,5% (post tax). This was presented to the GAC.

The IFRS 17 implementation steering committee will remain in place during 2023 to oversee the transition from IFRS 4 to IFRS 17. The following are the next steps in terms of IFRS 17 implementation:

- Finalisation of the 1 January 2022 impact of the reserves estimate and audit of this amount. This will be reported on together with the opening balance sheet impact during HY 2023.
- Finalisation of the impact of restating FY 2022 reportable amounts under IFRS 17.
- Audit of the 2022 restatement.
- Audit of 2023 under IFRS 17.

Key focus areas for 2023

- Ensure a smooth transition including the observation period for the new external auditors to ensure minimal disruptions to the 2024 year-end audit process.
- Oversee the implementation of IFRS 17 including 2022 restatements.
- Ensure that the group's financial systems, processes and controls are operating effectively, are commensurate with the group's complexity and are responsive to changes in the environment and industry.
- Ensure, through the Chairperson'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 IFCs.

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 2022 and recommended them for approval to the board on 2 March 2023.

On behalf of the GAC

Stanley Subramoney
Group Audit Committee Chairperson

Sandown
6 March 2023

REPORT FROM OUR DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 secondary listings on A2X and the Namibian Stock Exchange.

Annual financial statements

Details of the financial results are set out on pages 21 to 265 of the audited consolidated annual financial statements, which have been prepared under the supervision of the 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 related to its incorporation and has operated in conformity with its memorandum of incorporation (MoI) during the period under review.

Year under review

In 2022 the South African (SA) economy faced multiple global and domestic challenges, including the war in Ukraine, lockdowns in China, slower global growth, lower commodity prices, destructive floods in KwaZulu-Natal, persistent power outages that accelerated into the last quarter of 2022, as well as 325-bps-higher interest rates and inflation that peaked at 7,8% in July. Despite this difficult and uncertain environment, the economy was resilient and is forecast to have expanded by 2,3% in 2022.

Against this challenging macroeconomic backdrop, Nedbank Group's 2022 financial performance was strong, as headline earnings (HE) grew by 20% to R14bn and return on equity (ROE) increased to 14,0% (2021: 12,5%), but still remains below both the 2019 level of 15% and our estimated cost of equity (COE) of 14,9%. The HE increase was supported by double-digit revenue growth, a slightly higher credit loss ratio (CLR) at 89 bps (2021: 83 bps) and a well-managed expense base. All our business clusters reported pleasing earnings growth and higher ROEs. A strong balance sheet and excess levels of capital enabled the group to declare a record-high final dividend of 866 cents per share as well as announce a R5bn capital optimisation initiative to be executed through both a share repurchase and an odd-lot offer.

We have made excellent progress on our strategic value drivers of growth, productivity, and risk and capital management. Growth trends across net interest income (+12%), non-interest revenue (+10%) and gross banking advances (+7%) increased when compared with those reported during our 2022 interim results. Levels of productivity improved, evident in our cost-to-income ratio declining to 56,5% (2021: 57,8%) and the 15% increase in pre-provisioning operating profit. Capital and liquidity ratios increased to multi-year highs, with a common equity tier 1 (CET1) ratio of 14,0% (Dec 2021: 12,8%), an average fourth-quarter liquidity coverage ratio (LCR) of 161% (Dec 2021: 128%) and a net stable funding ratio (NSFR) of 119% (Dec 2021: 116%). The group's total ECL coverage increased to 3,37% (2021: 3,32%) and remained well above pre-Covid-19 levels of 2,26%.

Our strategy to build a modern, modular and agile technology platform (Managed Evolution or ME) has reached 91% completion of the IT build, enabling continued double-digit growth in digital metrics, client satisfaction scores at the top-end of the South African banking peer group, higher levels of cross-sell, main-banked client gains, market share gains in household deposits as well as improved efficiencies evidenced by cumulative operating model (TOM 2.0) cost savings of R1,5bn. We also continued to create positive impacts through R123bn of exposures that support sustainable development finance, aligned to the United Nations Sustainable Development Goals (UN SDGs), and retained our top-tier rankings on environmental, social and governance (ESG) scores, including MSCI upgrading Nedbank's ESG rating to AAA (now within the top 5% of global banks) and maintaining our Level 1 BBBEE status under the amended FSC codes for the fifth year in a row.

Looking forward, we currently expect the economic environment in SA to remain challenging, particularly given the high levels of electricity shortages that we expect to continue. The Nedbank Group Economic Unit forecasts SA's gross domestic product (GDP) to increase by only 0,7% in 2023; interest rates to increase by a further 50 bps from December 2022 levels, taking the repo rate to 7,5% and the prime lending rate to 11,0% by the end of the year; and for inflation to reduce from 2022 levels and average 5,5% in 2023.

The network infrastructure provided largely by state-owned monopolies and needed to enable higher levels of GDP growth and sustainable job creation in SA, has been deteriorating over many years, including, in particular, the crises being experienced in the areas of electricity supply and distribution, transport and logistics, and water infrastructure. In addition, municipal service delivery is poor and levels of crime and corruption are unacceptably high. Progress on structural reforms to address these matters has been far too slow and the will of the political and public sector to make meaningful changes is uneven and actual delivery is poor. This cannot continue and more urgent and decisive leadership and action is required. Nedbank remains committed to working with all like-minded South Africans to accelerate delivery of structural reforms in these key areas.

We have made good progress towards our published 2023 targets* by exceeding our 2019 diluted headline earnings per share (DHEPS) level of 2 565 cents in 2022 (a year earlier than planned) and aim to achieve an ROE greater than the 2019 ROE level of 15%, a cost-to-income ratio of below 54% and maintain our #1 ranking on NPS among South African banks by the end of 2023.

Given our strong 2022 performance, we have set ourselves revised medium-term (2025) and long-term targets*. In 2025 we aim to achieve an ROE of 17% (around COE plus 2%) and a cost-to-income ratio of 52%. Over the longer term we aim to improve these to above 18% (around COE plus 3%) and below 50% respectively. Achieving these targets should be value-creating for shareholders.

Thank you to our dedicated employees for their commitment and hard work in difficult conditions – I appreciate the value they strive to deliver to our clients at every touchpoint. We thank our more than 7 million retail and wholesale clients for choosing to bank with Nedbank every single day, and we appreciate the support of the investment community, regulators and our other stakeholders. As Nedbank, we will continue to play our role in society as we fulfil our purpose of using our financial expertise to do good.

The year under review is fully covered in the 'Reflections from our Chairperson', 'Reflections from our Chief Executive', and 'Reflections from our Chief Financial Officer' sections as set out in the 2022 Nedbank Group Limited Integrated Report, which will be available at nedbankgroup.co.za on or around 20 April 2023.

Financial Action Task Force grey-listing

In February 2023, the Financial Action Task Force (FATF) placed SA on its grey list as the country is deemed to pose a high money-laundering and terrorist-financing risk given weaknesses in parts of the country's anti- money-laundering (AML) and combating the financing of terrorism (CFT) systems. On the positive side, FATF informed the SA government that it recognised the significant and positive progress made by the country in addressing the 67 recommended actions or deficiencies raised in the 2019 review. Eight areas of strategic deficiencies relating to the effective implementation of SA's AML and CFT laws required further and sustained progress. In response to the grey-listing, the National Treasury noted: '… there are no items on the action plan that relate directly to the preventive measures in respect of the financial sector. This reflects the significant progress in the application of a risk-based approach to the supervision of banks and insurers. National Treasury therefore expects that the increased monitoring will have limited impact on financial stability and costs of doing business with South Africa. This will, however, be monitored closely. Importantly, the costs of increased monitoring will be substantially lower than the long-term costs of allowing South Africa's economy to be contaminated by the flows of proceeds of crime and corruption.' Nedbank has adequate AML, CFT and sanctions measures in place and is well prepared to deal with any potential higher levels of due diligence from global correspondent banks and other intermediary financial institutions involved in transactions with South African entities.

In May 2022, S&P Global (S&P) revised its outlook on Nedbank to 'positive' and affirmed our global and national scale ratings, including issuer ratings. The revised outlook followed S&P's decision to revise its outlook on SA to 'positive' from 'stable' on 'resilient external sector performance'.
We hold investments of over R181bn in government and public sector bonds as part of our HQLA requirements.
We made cash taxation payments relating to direct, indirect and employee taxes, as well as other taxation, of R11,5bn across the group (2021: R11,2bn).

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 2022 Nedbank Group had 5 187 694 (31 December 2021: 5 487 126) 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.

Zimbabwe depository receipts (ZDRs)

Corpserve Nominees (the nominee company that holds Nedbank Group shares on behalf of our Zimbabwean shareholders) listed unsponsored Nedbank Group ZDRs on 25 November 2022. At 31 December 2022 Nedbank Group had 160 197 ZDRs in issue through Corpserve Nominees as depository and issuer on the Victoria Falls Stock Exchange (VFEX) in Zimbabwe. Each ZDR is equal to one ordinary share.

Ownership

Details of shareholders appear in note 15 to the separate annual financial statements.

Dividends

The following dividends were declared in respect of the year ended 31 December 2022:

- Interim ordinary dividend of 783 cents per share (2021: 433 cents per share).
- Final ordinary dividend of 866 cents per share (2021: 758 cents per share).

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 MoI. 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 2022 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 of resignation/retirement as director (where applicable)
Mpho Makwana	Non-executive Chairperson	17 November 2011	2 June 2023
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	
Phumzile Langeni	Independent non-executive director	22 March 2022	
Rob Leith	Independent non-executive director	13 October 2016 and 1 January 2019	
Linda Makalima	Independent non-executive director	1 June 2017	
Tshilidzi Marwala	Independent non-executive director	27 May 2019	28 February 2023
Mantsika Matooane	Independent non-executive director	15 May 2014	2 June 2023
Mfundo Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
Mteto Nyati	Independent non-executive director	1 October 2022	
Stanley Subramoney	Independent non-executive director	23 September 2015	

In terms of Nedbank Group's MoI 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 who were appointed after the last shareholders' meeting, and thereafter those longest in office since their last election.

- **Appointment since last shareholders' meeting**

Mteto Nyati was appointed by the board of directors on 1 October 2022, and Daniel Mminele has been appointed as director and Chair-designate effective 1 May 2023.

In terms of the memorandum of incorporation, their appointments terminate at the close of the AGM to be held on 2 June 2023. Mteto and Daniel make themselves available for election.

- **Longest in office since last election**

As described above, Hubert Brody, Mike Davis, Errol Kruger and Linda Makalima 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 for the elections.

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 and Mantsika Matooane have served on the Nedbank Group Board for longer than nine years, and retire at the conclusion of the AGM on 2 June 2023.

Brian Dames has also 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 2022 (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 2022 Nedbank Group Integrated Report, which will be released on or around 20 April 2023.

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, 135 Rivonia Road Sandown, Sandton 2196 SA	Nedbank Group Limited 135 Rivonia Road, Sandown, Sandton 2196 SA	Nedbank Group Limited 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 MoI.

The key responsibilities relating to the position of Nedbank Group Chairperson 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 2022 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.

Events after the reporting period

The directors are not aware of any material events that have occurred between the reporting date and 6 March 2023, which is the date of approval of the consolidated and separate annual financial statements.

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 263 which comprise the consolidated and separate statements of financial position at 31 December 2022, 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 2022 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 70.4% 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 macro-economic variables and assumptions that change on an annual basis; and
- The evaluation of post model adjustments to address limitations not taken into account by the models. Post model adjustments increase the risk of management override.

The level of estimation and judgement is affected by the uncertain macroeconomic and geopolitical environment, high levels of inflation and rising interest rate environment. 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 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.

Definitions, policy choices, and judgements made in applying accounting policies including SICR, stage determination and migration and collateral valuation

There is judgement in the definitions and methodologies applied in the ECL models, 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 increases in interest rates, requires careful reassessment.

Our response to the key audit matter included performing the following audit procedures across retail, commercial banking and wholesale portfolios:

- Through inspection and enquiry, we obtained an understanding of management's process over credit origination, credit monitoring and credit remediation;
- We identified relevant controls that address the ECL risks identified and evaluated the design and implementation, and where appropriate the operating effectiveness, of these controls; and
- 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; and
- 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 and risk profile.

Model risk

Together with the assistance of our credit specialists, we:

- Tested the design, implementation and where appropriate 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 significant 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.

Collateral valuation

- We have evaluated the collateral management, monitoring and valuation process and inspected a sample of the legal documentation in support of

Key audit matter	How the matter was addressed in the audit

Indicators of a SICR in the wholesale and commercial banking portfolios may include any of the following: significant increase in the credit spread, significant adverse changes in business, financial and/or expected forbearance or restructuring, significant change in collateral value or early signs of liquidity and cash flow challenges.
 	
Post model adjustments
 	
A significant portion of the ECL is calculated on a modelled basis. Post model adjustments are applied to address risks that are not specifically considered by the ECL models. The basis and calculation of the post model adjustments require significant judgement including the consideration of the risk of management override.
 	
Forward-looking information
 	
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.
 	
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.
 	
The related disclosures in the financial statements are included in:
• Section A – Accounting policies;
• Section C1 – Loans and advances;
• Section C2 – Impairment charge on financial instruments; and
• Section I – Financial instruments.
	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 valuation 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, including those involving business rescue proceedings, considering the current economic climate as part of our assessment of management's valuation of recoverable amounts.
	• Specifically, for wholesale and commercial 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 be impacted by macroeconomic conditions 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 perform 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 risks that are not specifically considered by the ECL models.
	• We assessed the inherent limitations of the ECL models within the retail and commercial banking 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 the 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

Key audit matter	How the matter was addressed in the audit
	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, and the rising interest rate environment 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 the adequacy of the disclosure 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 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 funding valuation adjustments (FVAs).
 	
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.
	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 where appropriate the 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.
	• 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 investments including the use of market related data and changes to macroeconomic variables where available;
	  ◦ Evaluated 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 performed independent calculations and assessed these against management assumptions, estimates and judgements used.
	• 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

Key audit matter	How the matter was addressed in the audit
There remains a high level of estimation uncertainty in the 2022 financial year as a result of the continuing impact of evolving global and local macro-economics. The portfolios impacted by the fair value level 3 instruments, include unlisted investment securities and property valuations 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. The complexity around the IFRS 13 funding valuation adjustments impacts the derivative financial instruments which require estimation. As the determination of the fair value level 3 financial instruments and funding 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.	assess consistency with the requirements of the relevant accounting standards, such as IFRS 7 Financial 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 funding valuation adjustments: • We assessed the reasonability of accounting assumptions and methodology used with respect to IFRS 13, and benchmarked this against market practice; • We assessed the theoretical quantitative approach adopted by management in measuring its FVAs, 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; and • 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 270 page document titled “Nedbank Group Limited audited consolidated and separate annual financial statements for the year ended 31 December 2022” 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 2022, 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 2022, 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 4 years and Deloitte & Touche has been the auditor of Nedbank Group Limited for 49 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.

6 March 2023

Johannesburg
102 Rivonia Road
Sandton

DocuSigned by:

Deloitte & Touche

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Vuyelwa Sangoni

Partner

Chartered Accountant (SA)

Registered Auditor

For and on behalf of Deloitte & Touche

6 March 2023

Johannesburg
5 Magwa Crescent
Waterfall City

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2022 Rm	2021 Rm (Restated)[1]
Interest income on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)	B6.1.1	**80 436**	64 857
Interest income on other financial instruments and similar income	B6.1.1	**1 668**	915
Interest and similar income		**82 104**	65 772
Interest expense and similar charges	B6.1.2	**45 827**	33 272
Interest expense related to all activities		**47 731**	34 123
Less interest expense related to fair-value activities		**(1 904)**	(851)
Net interest income		**36 277**	32 500
Non-interest revenue and income	B6.2	**27 301**	24 889
Net commission and fees income		**18 964**	17 754
Commission and fees revenue		**24 196**	22 085
Commission and fees expense		**(5 232)**	(4 331)
Net insurance income		**2 369**	2 005
Fair-value adjustments		**187**	(833)
Net trading income		**4 166**	4 475
Equity revaluation gains		**815**	650
Investment income		**96**	263
Net sundry income		**704**	575
Share of gains of associate companies	F2.1	**879**	786
Total income		**64 457**	58 175
Impairments charge on financial instruments	C2.1	**7 381**	6 534
Net income		**57 076**	51 641
Total operating expenses	B7	**36 425**	33 639
Indirect taxation	B8.1	**1 152**	1 073
Impairments charge on non-financial instruments and other gains and losses	B9	**(245)**	499
Profit before direct taxation		**19 744**	16 430
Direct taxation	B8.2.1	**4 326**	4 043
Profit for the year		**15 418**	12 387
Other comprehensive (losses)/income (OCI) net of taxation	B8.2.3	**(2 076)**	784
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations including the effect of hyperinflation		**(2)**	1 029
Share of OCI of investments accounted for using the equity method		**(1 821)**	(722)
Debt instruments at FVOCI – net change in fair value		**146**	(5)
Items that may not subsequently be reclassified to profit or loss			
Property revaluations		**(106)**	36
Remeasurements on long-term employee benefit assets		**(245)**	389
Share of OCI of investments accounted for using the equity method		**(1)**	(21)
Equity instruments at FVOCI – net change in fair value		**(47)**	78
Total comprehensive income for the year		**13 342**	13 171
Profit attributable to:			
– Ordinary shareholders		**14 275**	11 238
– Holders of preference shares			188
– Holders of participating preference shares		**106**	125
– Holders of additional tier 1 capital instruments		**873**	737
– Non-controlling interest – ordinary shareholders		**164**	99
Profit for the year		**15 418**	12 387
Total comprehensive income attributable to:			
– Ordinary shareholders		**12 227**	11 941
– Holders of preference shares			188
– Holders of participating preference shares		**106**	125
– Holders of additional tier 1 capital instruments		**873**	737
– Non-controlling interest – ordinary shareholders		**136**	180
Total comprehensive income for the year		**13 342**	13 171
Basic earnings per share (cents)	B2	**2 932**	2 317
Diluted earnings per share (cents)	B2	**2 851**	2 271

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT

	Notes	31 December 2022 Rm	31 December 2021 Rm (Restated)[1]	1 January 2021 Rm (Restated)[1]
Assets				
Cash and cash equivalents	C6	**45 618**	44 586	41 382
Other short-term securities	C4	**70 661**	60 037	52 605
Derivative financial instruments	C7	**9 101**	39 179	80 325
Government and other securities	C3	**160 495**	150 498	132 221
Loans and advances	C1.1	**882 165**	831 735	843 303
Other assets	H3	**28 052**	30 011	13 412
Current taxation assets		**147**	124	164
Investment securities	F1	**25 465**	25 498	26 425
Non-current assets held for sale	H2	**244**	638	69
Investments in associate companies	F2	**2 496**	3 395	3 322
Deferred taxation assets	B8.3	**681**	889	657
Investment property		**26**	28	
Property and equipment	G1	**11 064**	10 739	11 334
Long-term employee benefit assets	H1.1	**4 107**	4 339	5 777
Intangible assets	G2	**12 649**	13 221	13 751
Total assets		**1 252 971**	1 214 917	1 224 747
Equity and liabilities				
Ordinary share capital	B4.1	**487**	486	484
Ordinary share premium		**19 208**	18 768	18 583
Reserves		**85 233**	80 259	69 925
Total equity attributable to ordinary shareholders		**104 928**	99 513	88 992
Holders of preference shares				3 222
Holders of participating preference shares		**51**	59	(58)
Holders of additional tier 1 capital instruments	B5	**10 219**	9 319	7 822
Non-controlling interest attributable to ordinary shareholders		**698**	620	466
Total equity		**115 896**	109 511	100 444
Derivative financial instruments	C7	**9 738**	36 042	65 130
Amounts owed to depositors	D1	**1 039 622**	967 929	950 325
Provisions and other liabilities	K1.1	**17 752**	23 451	23 704
Current taxation liabilities		**322**	330	590
Non-current liabilities held for sale	H2		80	
Deferred taxation liabilities	B8.3	**499**	458	390
Long-term employee benefit liabilities	H1.1	**6**	156	2 604
Investment contract liabilities	D3	**16 609**	17 959	20 868
Insurance contract liabilities	D4	**624**	842	922
Long-term debt instruments	D2	**51 903**	58 159	59 770
Total liabilities		**1 137 075**	1 105 406	1 124 303
Total equity and liabilities		**1 252 971**	1 214 917	1 224 747

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

Rm				Reserves	
	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve[1]	Property revaluation reserve[2]
Balance at 1 January 2021	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 (LTI) and BEE	1 708 780	2	185		
Preference share redeemed					
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive income/(losses) for the year				499	28
Profit attributable to ordinary shareholders 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)					
Transactions with non-controlling interests				(12)	3
Other movements					
Balance at 31 December 2021	**485 601 547**	**486**	**18 768**	**(1 508)**	**1 764**
Additional tier 1 capital instruments issued					
Additional tier 1 capital instruments redeemed					
Share movements in terms of LTI and BEE schemes	**1 650 168**	**1**	**440**		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive (losses)/income for the year				**(1 391)**	**(97)**
Profit attributable to ordinary shareholders and non-controlling interest					
Exchange differences on translating foreign operations including the effect of hyperinflation				**11**	
Movement in fair-value reserve					
Property revaluations					**(97)**
Remeasurements of long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				**(1 402)**	
Transfer (from)/to reserves					**(58)**
Value of employee services (net of deferred tax)					
Transactions with non-controlling interests				**(17)**	**2**
Other movements					
Balance at 31 December 2022	**487 251 715**	**487**	**19 208**	**(2 916)**	**1 611**

[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.

Reserves									
Share-based payments reserve[3]	Other non-distributable reserves[4]	FVOCI reserve[5]	Other distributable reserves	Total equity attributable to ordinary equity holders	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
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**
				–			**1 500**		**1 500**
				–			**(600)**		**(600)**
(384)			**(82)**	**(25)**					**(25)**
				–		**(114)**			**(114)**
				–			**(873)**		**(873)**
			(7 788)	**(7 788)**				**(38)**	**(7 826)**
–	**–**	**(317)**	**14 032**	**12 227**	**–**	**106**	**873**	**136**	**13 342**
			14 275	**14 275**		**106**	**873**	**164**	**15 418**
				11				**(13)**	**(2)**
		102		**102**				**(3)**	**99**
				(97)				**(9)**	**(106)**
			(242)	**(242)**				**(3)**	**(245)**
		(419)	**(1)**	**(1 822)**					**(1 822)**
(70)	**3**		**125**	**–**					**–**
979				**979**					**979**
			35	**20**				**(20)**	**–**
			2	**2**					**2**
1 730	**276**	**452**	**84 080**	**104 928**	**–**	**51**	**10 219**	**698**	**115 896**

[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 R276m (2021: R273m).

[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.

All movements are reflected net of taxation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2022 Rm	2021 Rm (Restated)[1]
Profit before direct taxation		**19 744**	16 430
Adjusted for:		**(22 674)**	(17 528)
Non-cash items and indirect taxation	M1	**13 824**	15 232
Dividends received		**(221)**	(260)
Interest and similar income		**(82 104)**	(65 772)
Interest expense and similar charges		**45 827**	33 272
Interest received		**80 149**	65 018
Interest paid		**(41 565)**	(34 273)
Dividends received on investments		**221**	260
Change in funds for operating activities		**(12 015)**	(12 169)
(Increase)/Decrease in operating assets[1]	M2	**(44 809)**	3 769
Increase/(Decrease) in operating liabilities[1]	M3	**32 794**	(15 938)
Net cash from operating activities before taxation		**23 860**	17 738
Taxation paid	M4	**(5 006)**	(5 599)
Cash flows from operating activities		**18 854**	12 139
Cash flows used by investing activities		**(2 626)**	(2 050)
Acquisition of property, equipment, computer software and development costs and investment property		**(3 176)**	(3 455)
Disposal of property, equipment, computer software and development costs		**91**	29
Disposal of investment banking assets			161
Disposal of subsidiary companies		**339**	
Acquisition of associate companies			(43)
Acquisition of investment securities		**(2 643)**	(2 443)
Disposal of investment securities		**2 763**	3 701
Cash flows used by financing activities		**(15 237)**	(7 412)
Issue of additional tier 1 capital instruments		**1 500**	3 497
Issue of long-term debt instruments	D2.1	**1 424**	6 579
Redemption of preference shares			(3 144)
Redemption of additional tier 1 capital instruments		**(600)**	(2 000)
Redemption of long-term debt instruments	D2.1	**(7 811)**	(8 244)
Capital repayments of lease liabilities		**(937)**	(989)
Dividends paid to ordinary shareholders		**(7 826)**	(2 178)
Preference share dividends paid		**(114)**	(196)
Additional tier 1 capital instruments interest paid		**(873)**	(737)
Effects of exchange rate changes on cash and cash equivalents		**41**	527
Net increase in cash and cash equivalents		**1 032**	3 204
Cash and cash equivalents at the beginning of the year		**44 586**	41 382
Cash and cash equivalents at the end of the year	C6	**45 618**	44 586

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

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 2022 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 (as amended), 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 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTANTY

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 2022 reporting period and have not been 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 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

A4.1 Restatement of interest expense and similar charges

During 2022 the group reviewed its presentation of the statement of comprehensive income (SOCI). As a result of the review, the presentation of interest expense and similar charges was changed to include a breakdown of total finance cost on the face of the SOCI. The changes in the presentation of the Nedbank SOCI were made as a result of a prior omission in applying IAS 1.82(b), which requires total finance cost to be presented on the face of the SOCI (previously, this information was reported in note B6.1.2). As a result, the comparative information has been restated. The restatement has no impact on any subtotals and totals presented in the prior year.

A4.2 Restatement of net monetary loss

During the year management elected to change the presentation of the 'net monetary loss' line item that was previously disclosed separately on the face of the SOCI and disclose it as part of non-interest revenue and income (NIR) under the 'Net sundry income' line item on the face of the SOCI. The change will allow the impact of the foreign exchange currency gains or losses on the nostro net cash balances relating to Nedbank Zimbabwe, which are translated to the Zimbabwean dollar and the 'net monetary loss' line item to be presented together within NIR. As a result, foreign exchange gains, which were previously disclosed as part of other sundry income in note B6.2 (Non-interest revenue and income) in the 'net sundry income' line, is now being disclosed separately within the 'net sundry income' line. This change is a reclassification in terms of IAS 1: Presentation of Financial Statements (IAS 1), as it changes the presentation of the SOCI.

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 or statement of cash flows.

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

	31 December 2021			
Rm	As previously reported	Restatement	Restated	
Interest received on financial instruments measured at amortised cost and debt instruments at FVOCI	64 857		64 857	Interest received on financial instruments measured at amortised cost and debt instruments at FVOCI
Interest received on other financial instruments and similar income	915		915	Interest received on other financial instruments and similar income
Interest and similar income	**65 772**	–	**65 772**	**Interest and similar income**
Interest expense and similar charges	33 272	–	33 272	Interest expense and similar charges
		34 123	34 123	Interest expense related to all activities (note 4.1)
		(851)	(851)	Less interest expense related to fair-value activities (note 4.1)
Net interest income	**32 500**	–	**32 500**	**Net interest income**
Non-interest revenue and income (note 4.2)	25 027	(138)	24 889	Non-interest revenue and income (note 4.2)
Net commission and fees income	17 754	–	17 754	Net commission and fees income
Commission and fees revenue	22 085		22 085	Commission and fees revenue
Commission and fees expense	(4 331)		(4 331)	Commission and fees expense
Net insurance income	2 005		2 005	Net insurance income
Fair-value adjustments	(833)		(833)	Fair-value adjustments
Net trading income	4 475		4 475	Net trading income
Equity revaluation gains	650		650	Equity revaluation gains
Investment income	263		263	Investment income
Net sundry income (note 4.2)	713	(138)	575	Net sundry income (note 4.2)
Share of gains of associate companies	786		786	Share of gains of associate companies
Total income (note 4.2)	**58 313**	(138)	**58 175**	**Total income (note 4.2)**
Impairments charge on financial instruments	6 534		6 534	Impairments charge on financial instruments
Net income (note 4.2)	**51 779**	(138)	**51 641**	**Net income (note 4.2)**
Total operating expenses	33 639		33 639	Total operating expenses
Zimbabwe hyperinflation (note 4.2)	138	(138)		
Indirect taxation	1 073		1 073	Indirect taxation
Impairment charge on non-financial instruments and other gains and losses	499		499	Impairment charge on non-financial instruments and other gains and losses
Profit before direct taxation	**16 430**	–	**16 430**	**Profit before direct taxation**
Direct taxation	4 043		4 043	Direct taxation
Profit for the year	**12 387**	–	**12 387**	**Profit for the year**

The restatement of the net monetary loss had the following impact on note B6.2: Non-interest revenue and income:

	31 December 2021			
Rm	As previously reported	Restatement	Restated	
Commission and fees revenue	22 085	–	22 085	Commission and fees revenue
Administration fees	1 406		1 406	Administration fees
Card fees	6 017		6 017	Card fees
Cash-handling fees	1 027		1 027	Cash-handling fees
Exchange commission	648		648	Exchange commission
Guarantee income	267		267	Guarantee income
Insurance commission	671		671	Insurance commission
Other commission	5 184		5 184	Other commission
Other fees	2 534		2 534	Other fees
Service charges	4 331		4 331	Service charges
Commission and fees expense	(4 331)	–	(4 331)	Commission and fees expense
Administration fees	(3)		(3)	Administration fees
Card fees	(2 371)		(2 371)	Card fees
Insurance commission	(229)		(229)	Insurance commission
Other commission	(1 226)		(1 226)	Other commission
Other fees	(493)		(493)	Other fees
Service charges	(9)		(9)	Service charges
Net insurance income (note B6.2.2)	2 005		2 005	Net insurance income (note B6.2.2)
Fair-value adjustments (note B6.2.1)	(833)	–	(833)	Fair-value adjustments (note B6.2.1)
Fair-value adjustments	(128)		(128)	Fair-value adjustments
Hedge-accounted portfolios	(705)		(705)	Hedge-accounted portfolios
Net trading income	4 475	–	4 475	Net trading income
Foreign exchange	1 340		1 340	Foreign exchange
Debt securities	2 267		2 267	Debt securities
Equities	842		842	Equities
Commodities	26		26	Commodities
Equity revaluation gains	650	–	650	Equity revaluation gains
Realised gains, interest and other	570		570	Realised gains, interest and other
Unrealised losses	(77)		(77)	Unrealised losses
Dividends received	157		157	Dividends received
Investment income	263	–	263	Investment income
Dividends received on investments	103		103	Dividends received on investments
Long-term asset sales	160		160	Long-term asset sales
Net sundry income	713	(138)	575	Net sundry income
Rent received	45		45	Rent received
Rental income from properties in	1		1	Rental income from properties in
		(138)	(138)	Net monetary loss (note N1)
		234	234	Foreign exchange gains
Other sundry income	668	(234)	434	Other sundry income
	25 027	(138)	24 889	

A5 RESTATEMENT OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A5.1 Cash management deposit sweep

During 2022 the group identified a one-day delay in the sweep on the cash management deposit account and the debtor funding account. The delay resulted in the unswept balances being included incorrectly under cash management deposits (liability) and debtors (asset), and the affected line items were therefore overstated. The sweep eliminates the cash management deposit account and the debtor funding account. As a result, the comparative assets and liabilities have been restated.

A5.2 Restatement of long-term employee benefits

During 2022 the group reviewed its presentation of long-term employee benefits (LTEB) in the statement of financial position (SOFP). As a result of the review it was identified that the LTEB were not correctly disclosed in the presentation of the SOFP.

In terms of IAS 19: Employee Benefits, insurance policies may be held by the plan or by the entity. If the policy is held by the entity, then only qualifying insurance policies are treated as plan assets. IAS 19.8 defines a qualifying insurance policy as an insurance policy issued by an insurer that is not a related party (as defined in IAS 24: Related Party Disclosures) of the reporting entity, if the proceeds of the policy:

- can be used only to pay or fund employee benefits under a defined-benefit plan; and
- are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the reporting entity, unless either:
  - » the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
  - » the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Plan assets are required to be presented on a net basis in the SOFP (ie net defined-benefit asset or liability). When Old Mutual Limited ceased to be a related party in November 2021, the non-qualifying insurance policies became qualifying insurance policies in terms of IAS 19. The qualifying insurance policies were required to be accounted for as plan assets (on a net basis) in the 2021 SOFP. As a result, the comparative information has been restated. The impact of the restatement on the group's consolidated statement of financial position is detailed on the next page.

	31 December 2021			1 January 2021		
	Restated	Restatement	As previously reported	Restated	Restatement	As previously reported
Assets						
Cash and cash equivalents	44 586		44 586	41 382		41 382
Other short-term securities	60 037		60 037	52 605		52 605
Derivative financial instruments	39 179		39 179	80 325		80 325
Government and other securities	150 498		150 498	132 221		132 221
Loans and advances	831 735		831 735	843 303		843 303
Other assets (note A5.1)	30 011	(3 866)	33 877	13 412	(3 390)	16 802
Current taxation assets	124		124	164		164
Investment securities	25 498		25 498	26 425		26 425
Non-current assets held for sale	638		638	69		69
Investments in associate companies	3 395		3 395	3 322		3 322
Deferred taxation assets	889		889	657		657
Investment property	28		28	–		
Property and equipment	10 739		10 739	11 334		11 334
Long-term employee benefit assets (note A5.2)	4 339	(2 271)	6 610	5 777		5 777
Intangible assets	13 221		13 221	13 751		13 751
Total assets	1 214 917	(6 137)	1 221 054	1 224 747	(3 390)	1 228 137
Equity and liabilities						
Ordinary share capital	486		486	484		484
Ordinary share premium	18 768		18 768	18 583		18 583
Reserves	80 259		80 259	69 925		69 925
Total equity attributable to ordinary shareholders	99 513	–	99 513	88 992	–	88 992
Holders of preference shares	–			3 222		3 222
Holders of participating preference shares	59		59	(58)		(58)
Holders of additional tier 1 capital instruments	9 319		9 319	7 822		7 822
Non-controlling interest attributable to ordinary shareholders	620		620	466		466
Total equity	109 511	–	109 511	100 444	–	100 444
Derivative financial instruments	36 042		36 042	65 130		65 130
Amounts owed to depositors (note A5.1)	967 929	(3 866)	971 795	950 325	(3 390)	953 715
Provisions and other liabilities	23 451		23 451	23 704		23 704
Current taxation liabilities	330		330	590		590
Non-current liabilities held for sale	80		80	–		
Deferred taxation liabilities	458		458	390		390
Long-term employee benefit liabilities (note A5.2)	156	(2 271)	2 427	2 604		2 604
Investment contract liabilities	17 959		17 959	20 868		20 868
Insurance contract liabilities	842		842	922		922
Long-term debt instruments	58 159		58 159	59 770		59 770
Total liabilities	1 105 406	(6 137)	1 111 543	1 124 303	(3 390)	1 127 693
Total equity and liabilities	1 214 917	(6 137)	1 221 054	1 224 747	(3 390)	1 228 137

The impact of the restatements on the change in funds for operating activities previously disclosed in the group's consolidated statement of cash flows is summarised below.

	31 December 2021		
Rm	Restated	Restatement	As previously reported
Change in funds for operating activities	(4 424)	–	(4 424)
Decrease in operating assets	9 901	2 747	7 154
Decrease in operating liabilities	(14 325)	(2 747)	(11 578)

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 regarding resources to be allocated and to assess the segment's 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, brokering, 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 and Business Banking 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 commercial banking portfolio provides relationship-based banking services to mid-sized and large commercial entities, including tailored banking and financial propositions for agricultural, franchising and manufacturing industries as well as the public sector.

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 (NAR) 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 a 21,2% investment in Ecobank Transnational Incorporated (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	
	2022	2021 (Restated)[2]	**2022**	2021
Assets				
Cash and cash equivalents	**45 618**	44 586	**814**	2 122
Other short-term securities	**70 661**	60 037	**38 245**	30 058
Derivative financial instruments	**9 101**	39 179	**9 019**	39 151
Government and other securities	**160 495**	150 498	**79 524**	68 887
Loans and advances	**882 165**	831 735	**424 642**	398 622
Other assets	**84 931**	88 882	**31 983**	33 504
Intergroup assets	**–**	–		
Total assets	**1 252 971**	1 214 917	**584 227**	572 344
Equity and liabilities				
Total equity	**115 896**	109 511	**36 249**	36 536
Derivative financial instruments	**9 738**	36 042	**9 708**	35 998
Amounts owed to depositors	**1 039 622**	967 929	**441 886**	437 651
Provisions and other liabilities	**35 812**	43 276	**2 803**	7 305
Long-term debt instruments	**51 903**	58 159		316
Intergroup liabilities	**–**	–	**93 581**	54 538
Total equity and liabilities	**1 252 971**	1 214 917	**584 227**	572 344

[1] Includes all group eliminations.

[2] Refer to note A5: Restatement of the consolidated statement of financial position.

B1 Segmental reporting (continued)

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
2022	2021 (Restated)[2]	2022	2021	2022	2021	2022	2021 (Restated)[2]
5 629	5 137	1 723	2 526	7 048	8 075	30 404	26 726
		28 511	25 477	4 787	5 050	(882)	(548)
		39	9	23	1	20	18
		255	268	2 095	1 773	78 621	79 570
408 430	380 985	29 025	30 273	21 714	21 243	(1 646)	612
9 281	7 992	21 081	22 433	3 442	4 285	19 144	20 668
17 669	17 040			3 748	2 420	(21 417)	(19 460)
441 009	411 154	80 634	80 986	42 857	42 847	104 244	107 586
31 843	33 060	4 336	4 528	7 057	6 385	36 411	29 002
		16	34	14	10		
402 114	371 106	46 191	43 840	34 327	35 054	115 104	80 278
5 811	5 447	19 864	23 678	1 031	971	6 303	5 875
1 241	1 541			428	427	50 234	55 875
		10 227	8 906			(103 808)	(63 444)
441 009	411 154	80 634	80 986	42 857	42 847	104 244	107 586

B1 Segmental reporting (continued)

Statement of comprehensive income (Rm)

	Total		Nedbank Corporate and Investment Banking	
	2022	2021 (Restated)[2]	2022	2021
Net interest income	36 277	32 500	8 755	7 966
Non-interest revenue and income	27 301	24 889	8 241	7 881
Net commission and fees revenue	18 964	17 754	3 057	2 710
Net trading income	4 166	4 475	3 898	4 295
Other income	4 171	2 660	1 286	876
Share of gains of associate companies	879	799	100	100
Total income	64 457	58 188	17 096	15 947
Impairments charge on financial instruments	7 381	6 534	805	1 418
Net income	57 076	51 654	16 291	14 529
Total operating expenses	36 425	33 639	7 628	7 011
Staff costs	19 940	18 018	3 585	3 172
Other operating expenses	16 485	15 621	4 043	3 839
Indirect taxation	1 152	1 073	215	202
Profit before direct taxation[3]	19 499	16 942	8 448	7 316
Direct taxation[3]	4 307	4 104	2 049	1 711
Profit after direct taxation[3]	15 192	12 838	6 399	5 605
Profit attributable to non-controlling interest:				
– Ordinary shareholders	164	99		
– Preference shareholders	106	313		
– Additional tier 1 capital instrument noteholders	873	737		
Headline earnings/(loss)	14 049	11 689	6 399	5 605
Selected ratios				
Non-interest revenue and income to income (%)[4]	42,9	43,4	48,5	49,7
Non-interest revenue and income to total operating expenses (%)	75,0	74,0	108,0	112,4
Cost-to-income ratio (%)[5]	56,5	57,8	44,6	44,0
Effective taxation rate (%)[3]	22,1	24,2	24,3	23,4
Revenue (Rm)[6]	63 578	57 389	16 996	15 847

[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 impairment charges 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 224m (2021: R2 304m) and amortisation costs of R1 864m (2021: R1 706m) for property, equipment, computer software, capitalised development and other intangible assets are charged using an activity-justified transfer pricing methodology by the segment owning the assets to the segment using the benefits of those assets.

B1 Segmental reporting (continued)

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
					(Restated)[2]		
23 203	20 745	**1 236**	866	**1 718**	1 448	**1 365**	1 475
13 849	12 783	**3 692**	3 788	**1 589**	1 293	**(70)**	(856)
12 955	11 965	**2 057**	2 210	**968**	953	**(73)**	(84)
148	109			**120**	71		
746	709	**1 635**	1 578	**501**	269	**3**	(772)
				779	699		
37 052	33 528	**4 928**	4 654	**4 086**	3 440	**1 295**	619
6 613	5 172	**(63)**	28	**220**	168	**(194)**	(252)
30 439	28 356	**4 991**	4 626	**3 866**	3 272	**1 489**	871
22 615	21 442	**3 449**	3 280	**2 751**	2 535	**(18)**	(629)
8 287	7 963	**1 801**	1 719	**1 210**	1 113	**5 057**	4 051
14 328	13 479	**1 648**	1 561	**1 541**	1 422	**(5 075)**	(4 680)
587	529	**109**	99	**75**	72	**166**	171
7 237	6 385	**1 433**	1 247	**1 040**	665	**1 341**	1 329
2 034	1 728	**302**	285	**(95)**	(26)	**17**	406
5 203	4 657	**1 131**	962	**1 135**	691	**1 324**	923
				160	97	**4**	2
106	125						188
						873	737
5 097	4 532	**1 131**	962	**975**	594	**447**	(4)
37,4	38,1	**74,9**	81,4	**48,0**	47,2		
61,2	59,6	**107,0**	115,5	**57,8**	51,0		
61,0	64,0	**70,0**	70,5	**67,3**	73,7		
28,1	27,1	**21,1**	22,9	**(9,1)**	(3,9)		
37 052	33 528	**4 928**	4 654	**3 307**	2 741	**1 295**	619

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 having taken the dilutive impact of potential ordinary shares to be issued into account.

	Basic		Headline	
	Basic	Diluted	Basic	Diluted
2022				
Profit attributable to ordinary shareholders (Rm)	**14 275**	**14 275**	**14 275**	**14 275**
Adjusted for:				
– Headline earnings adjustments (note B9)			**(245)**	**(245)**
– Taxation on headline earnings adjustments			**19**	**19**
Adjusted profit attributable to ordinary shareholders (Rm)	**14 275**	**14 275**	**14 049**	**14 049**
Weighted-average number of ordinary shares	**486 867 063**	**486 867 063**	**486 867 063**	**486 867 063**
Adjusted for:				
– Share schemes that have a dilutive effect		**13 787 801**		**13 787 801**
Adjusted weighted-average number of ordinary shares	**486 867 063**	**500 654 864**	**486 867 063**	**500 654 864**
Earnings per share (cents)	**2 932**	**2 851**	**2 886**	**2 806**
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

The dilutive effect calculations are based on the group's daily average share price of 21 216 cents (2021: 15 736 cents).

B3 DIVIDENDS

B3.1 ORDINARY SHARES

	Last day to trade (cum dividend)	Cents per share	Rm
2022			
Final declared for 2021 – paid 2022[1]	**5 April 2022**	**758,00**	**3 877**
Interim declared for 2022[1,2]	**30 August 2022**	**783,00**	**3 911**
Dividends paid to non-controlling interests			**38**
Ordinary dividends paid 2022		**1 541,00**	**7 826**
Final ordinary dividends declared for 2022[2]		**866,00**	
2021			
Interim declared for 2021[2]	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	

[1] The net dividends paid totalled R7 881 (2021: R2 178m) and excluded dividends paid to group companies of R93m (2021: R25m).

[2] The total dividend declared was 1 649 cents per share (2021: 1 191 cents per share) and the dividend cover ratio equaled 1,75 times (2021: 2,02 times).

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

B3.3 AMOUNTS ATTRIBUTABLE TO PARTICIPATING PREFERENCE SHAREHOLDERS

Profits/Losses attributable to participating preference shareholders	Amount Rm
2022	
Nedbank (MFC) – share of economic profit[1]	**106**
	106
2021	
Nedbank (MFC) – share of economic profit[1]	125
	125

[1] Share of economic profit 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 all its liabilities have been deducted.

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

	2022 Rm	2021 Rm
Authorised		
600 000 000 (2021: 600 000 000) ordinary shares of R1 each	**600**	600
Issued		
511 500 790 (2021: 508 870 678) fully paid ordinary shares of R1 each	**511**	509
Treasury shares arising from share repurchases by subsidiaries of 24 249 075 (2021: 23 269 131) fully paid ordinary shares of R1 each	**(24)**	(23)
	487	486

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

	2022 Rm	2021 Rm
Authorised		
Nedbank Group Limited preference share capital		
1 000 000 (2021: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	**10 000**	10 000
Nedbank Limited preference share capital		
1 000 000 000 (2021: 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		
0 (2021: 100) class A redeemable non-cumulative preference shares of R0,0001 each		[1]
100 class B redeemable non-cumulative preference shares of R0,0001 each	[1]	[1]

[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 holders of any other class of shares, 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.

In February 2022 Nedbank undertook a process of repurchasing the A preference shares from Motus Corporation for R1, the A preference shares no longer hold any value as the conditions to the repurchase have been effected.

B5 HOLDERS OF ADDITIONAL TIER 1 CAPITAL INSTRUMENTS

The group has issued additional tier 1 (AT1) capital instruments as follows:

Instrument code	Date of issue	Call date	Instrument terms	2022 Rm	2021 Rm
Subordinated callable notes (rand-denominated)					
NGLT1A	30 June 2017	1 July 2022	3-month JIBAR + 5,65% per annum		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**	1 537
NGT1G – Green AT1	15 June 2021	16 June 2026	3-month JIBAR + 4,10% per annum	**910**	910
NGT109	3 November 2021	4 November 2026	3-month JIBAR + 3,91% per annum	**700**	700
NGT110	24 December 2021	27 December 2026	3-month JIBAR + 3,91% per annum	**350**	350
NGT111	22 April 2022	23 April 2027	3-month JIBAR + 3,79% per annum	**1 000**	
NGT112	9 December 2022	10 December 2027	3-month JIBAR + 3,40% per annum	**500**	
Total				**10 219**	9 319

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 has been 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 whether 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 managed on a fair-value basis measured at FVTPL including derivatives are included in non-interest revenue.

Fair-value gains or losses on all other financial instruments are included in non-interest revenue. These fair-value gains or losses are determined after having deducted the interest component, which is recognised separately in interest income and expense.

The gains and losses on the net monetary position are recognised in non-interest revenue and income.

B6.1 NET INTEREST INCOME

B6.1.1 INTEREST AND SIMILAR INCOME

	2022 Rm	2021 Rm
Listed corporate bonds	**1 634**	1 287
Home loans	**14 711**	11 314
Commercial mortgages	**15 210**	12 516
Instalment debtors	**14 581**	12 199
Credit cards	**2 267**	2 138
Overdrafts	**2 156**	1 576
Term and other loans	**17 042**	11 357
Personal loans	**5 684**	5 528
Government and other securities	**7 338**	6 837
Short-term funds and securities	**1 481**	1 020
	82 104	65 772
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments at amortised cost	**78 142**	63 904
– Interest and similar income from financial instruments at FVOCI	**2 294**	953
– Interest and similar income from financial instruments at FVTPL	**1 668**	915
	82 104	65 772

B6.1.2 INTEREST EXPENSE AND SIMILAR CHARGES

	2022 Rm	2021 Rm
Deposit and loan accounts	**27 940**	18 957
Current and savings accounts	**1 045**	523
Negotiable certificates of deposit	**6 677**	4 378
Other interest-bearing liabilities[1]	**7 951**	6 316
Long-term debt instruments	**4 118**	3 949
Interest expense related to fair-value activities[2]	**(1 904)**	(851)
	45 827	33 272
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments at amortised cost	**44 559**	32 537
– Interest expense and similar charges from financial instruments at FVTPL	**1 268**	735
	45 827	33 272

[1] *Includes interest expense of R188m (2021: R217m) related to lease liabilities.*

[2] *Refer to note B6.2.*

B6.2 NON-INTEREST REVENUE AND INCOME

	2022 Rm	2021 Rm (Restated)[4]
Commission and fees revenue[2]	**24 196**	22 085
Administration fees	**1 502**	1 406
Card fees	**7 223**	6 017
Cash-handling fees	**1 084**	1 027
Exchange commission	**733**	648
Guarantee income	**283**	267
Insurance commission	**265**	671
Other commission	**4 783**	5 184
Other fees	**3 987**	2 534
Service charges	**4 336**	4 331
Commission and fees expense	**(5 232)**	(4 331)
Administration fees		(3)
Card fees	**(3 123)**	(2 371)
Insurance commission	**(3)**	(229)
Other commission	**(1 231)**	(1 226)
Other fees	**(873)**	(493)
Service charges	**(2)**	(9)
Net insurance income (note B6.2.2)	**2 369**	2 005
Fair-value adjustments (note B6.2.1)	**187**	(833)
Fair-value adjustments	**(5)**	(128)
Hedged-accounted portfolios	**192**	(705)
Net trading income[3]	**4 166**	4 475
Foreign exchange	**1 589**	1 340
Debt securities	**1 897**	2 267
Equities	**679**	842
Commodities	**1**	26
Equity revaluation gains	**815**	650
Realised gains, interest and other income	**279**	570
Unrealised gains/(losses)	**431**	(77)
Dividends income	**105**	157
Investment income	**96**	263
Dividends income on investments	**116**	103
Long-term-asset sales	**(20)**	160
Net sundry income	**704**	575
Rental income	**57**	45
Rental income from properties in possession	**1**	[1]
Net monetary loss (note N1)[4]	**(419)**	(138)
Foreign exchange gains[4]	**899**	234
Other sundry income[4]	**167**	434
	27 301	24 889

[1] Represents amounts less than R1m.

[2] Commission and fees revenue includes R1 492m (2021: R1 541m) related to trust and fiduciary fees.

[3] Trading income includes R1 904m (2021: R851m) of amortised cost funding related to fair-value activities. Refer to note B6.1.2 for further details.

[4] Refer to note A4: Restatement of the consolidated statement of comprehensive income.

B6.2.1 ANALYSIS OF FAIR-VALUE ADJUSTMENTS

Fair-value adjustments can be analysed as follows:	2022 Rm	2021 Rm
– Financial instruments designated as FVTPL	**(6 504)**	(5 085)
– Financial instruments mandatorily at fair value	**6 691**	4 252
	187	(833)

B6.2.2 LONG-TERM AND SHORT-TERM INSURANCE

	2022 Rm	2021 Rm
Insurance contract income	**2 488**	1 961
Net insurance premium income	**3 395**	3 377
Gross premiums received	**3 599**	3 543
Reinsurance premiums	**(204)**	(166)
Net insurance claims and benefits	**(1 269)**	(1 676)
Gross claims and benefits paid	**(1 462)**	(1 803)
Reinsurance recoveries	**193**	127
Net commission and administration fees paid	**(149)**	(146)
Investment income	**94**	93
Changes in insurance contracts	**417**	313
Investment contract (expense)/income	**(119)**	44
Investment income	**61**	156
Changes in investment contracts	**(180)**	(112)
	2 369	2 005

B7 TOTAL OPERATING EXPENSES

	2022 Rm	2021 Rm
Staff costs	**19 940**	18 018
Remuneration and other staff costs	**16 406**	15 393
Short-term incentives	**2 900**	2 427
Long-term employee benefits (note H1)	**(249)**	(414)
Share-based payments expense – employees (note J2)	**883**	612
Computer processing	**6 494**	6 329
Depreciation of computer equipment	**671**	718
Depreciation of right-of-use assets – computer equipment	**82**	83
Amortisation of computer software	**1 864**	1 705
Short-term lease charges for computer equipment	**169**	198
Development costs	**577**	408
Other computer processing expenses	**3 131**	3 217
Communication and travel	**874**	718
Depreciation of vehicles	**5**	6
Other communication and travel expenses	**869**	712
Occupation and accommodation	**2 089**	2 185
Depreciation of owner-occupied land and buildings	**386**	385
Depreciation of right-of-use assets – land and buildings	**745**	780
Other occupation and accommodation expenses	**958**	1 020
Marketing and public relations	**1 554**	1 332
Fees and assurances	**4 420**	4 109
Auditors' remuneration	**292**	298
Statutory and regulatory audit	**286**	294
Non-audit services	**6**	4
Other fees and assurance costs	**4 128**	3 811
Furniture, office equipment and consumables	**584**	549
Depreciation of furniture and other equipment	**335**	332
Short-term lease charge for furniture and other equipment	**12**	12
Other office equipment and consumables	**237**	205
Other operating expenses	**470**	399
Amortisation of intangible assets	[1]	1
Other sundries	**470**	398
	36 425	33 639

[1] *Represents amounts less than R1m.*

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 used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

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

B8.1 INDIRECT TAXATION

	2022 Rm	2021 Rm
Value-added taxation[1]	**1 015**	948
Transaction-based taxes	**137**	125
	1 152	1 073

[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

	2022 Rm	2021 Rm
South African normal taxation:		
– Current charge	**3 705**	3 992
– Capital gains taxation – deferred	**(17)**	74
– Deferred taxation	**265**	(353)
Foreign taxation	**482**	315
Current and deferred taxation on income	**4 435**	4 028
Prior-year adjustments	**(151)**	76
Tax rate change (refer to B8.2.5)	**23**	
Total taxation on income	**4 307**	4 104
Taxation on impairments charge on non-financial instruments and other gains and losses items	**19**	(61)
	4 326	4 043

B8.2.2 Taxation rate reconciliation

	2022 %	2021 % (Restated)[1]
Taxation rate reconciliation		
Standard rate of South African normal taxation	**28,0**	28,0
Dividend income	**(1,0)**	(1,4)
Share of profits of associate companies	**(1,2)**	(1,3)
Capital items	**(0,7)**	(0,1)
Effects of profits taxed in non-African jurisdictions	**(0,6)**	(0,5)
Additional tier 1 capital instruments	**(1,2)**	(1,3)
Assessed losses not subject to deferred tax	**(0,1)**	0,1
Impairments charge on non-financial instruments and other gains and losses	**(0,3)**	0,5
Special allowances	**(0,1)**	(0,4)
Effects of profits taxed in Nedbank Africa Regions	**(0,9)**	(0,2)
Non-deductible expenses[2]	**0,7**	0,8
Prior-year adjustments	**(0,8)**	0,4
Tax rate change (refer to B8.2.5)	**0,1**	
Effective taxation rate	**21,9**	24,6

[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 reclassified and renamed to provide our users with additional information. 'Exempt income and special allowances' has been renamed 'Special allowances'. 'Revenue losses not recognised' has been renamed 'Assessed losses not subject to deferred tax'. 'Impairment of non-financial instruments' has been renamed 'Impairments charge on non-financial instruments and other gains and losses'. 'Foreign income and section 9D attribution' has been renamed 'Effects of profits taxed in non-African jurisdictions'. 'NAR non-taxable amounts' has been renamed 'Effects of profits taxed in Nedbank Africa Regions'. Net monetary loss (2021: 0,3%), previously included in 'Non-deductible expenses' (2021: 1,1%), has been reallocated to 'Effects of profits taxed in Nedbank Africa Regions' (2021: -0,5%). To provide comparability, the prior-year balances have been restated accordingly.

[2]Non-deductible expenses includes the impact of share-based payments and other non-deductible expenses.

B8.2.3 Income tax recognised in other comprehensive income

Rm	Gross	Taxation	Taxation rate change	Net of taxation
2022				
'Exchange differences on translating foreign operations including the effect of hyperinflation	**(2)**			**(2)**
Share of OCI of investments accounted for using the equity method	**(1 822)**			**(1 822)**
Debt instruments at FVOCI – net change in fair value	**188**	**(49)**	**7**	**146**
Remeasurements on long-term employee benefit assets	**(387)**	**145**	**(3)**	**(245)**
Equity instruments at FVOCI – net change in fair value	**(57)**	**10**		**(47)**
Property revaluations	**(164)**	**41**	**17**	**(106)**
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 investments 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

B8.2.4 Future taxation relief

The group has estimated taxation losses of R1 262m (2021: R1 317m), which are available for set-off against future taxable income. Deferred tax assets of R58m (2021: R47m) 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 053m (2021: R1 148m).

B8.2.5 Corporate tax rate change

The corporate tax rate was reduced from 28% to 27% during 2022 and is applicable from the 2023 year of assessment for South African companies in the group. Current tax balances are therefore reflected at the 28% rate and deferred tax balances at the 27% rate, resulting in a net decrease in deferred tax assets of R2m, this being related to the remeasurement at 31 December 2022.

B8.3 DEFERRED TAXATION

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

	2022 Rm	2021 Rm
Deferred taxation assets		
— Deferred taxation assets to be recovered after more than 12 months	**681**	889
	681	889
Deferred taxation liabilities		
— Deferred taxation liabilities to be recovered after more than 12 months	**(499)**	(458)
	(499)	(458)
Net deferred taxation assets	**182**	431
The gross movement on the deferred income taxation account is as follows:		
— Balance at the beginning of the year	**431**	267
— Statement of comprehensive income charge	**(474)**	369
— Tax credit relating to components of other comprehensive income	**147**	(151)
— Tax credit directly to equity	**85**	(53)
— Acquisition of subsidiary		(48)
— Disposal of subsidiary		48
— Rate change charged to profit or loss (refer B8.2.5)	**(23)**	
— Rate change credited to OCI and equity (refer B8.2.5)	**21**	
— Exchange differences	**(5)**	
— Reclassification between taxation types and categories		(1)
Balance at the end of the year	**182**	431

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 1 January 2021	181	286
(Credited)/charged 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**
(Credited)/charged to the income statement	**(18)**	**(33)**
Credited directly to equity		
Rate change credited to profit or loss (refer B8.2.5)	**(2)**	**(6)**
Rate change credited to OCI and equity (refer B8.2.5)		
Exchange differences		
Reclassification between taxation types and categories		
Balance at 31 December 2022	**39**	**186**

Deferred taxation liabilities	Accelerated asset allowances	Property revaluations	Deferred acquisition costs
Balance at 1 January 2021	(1 544)	(620)	(809)
Charged/(credited) to the income statement	189		(138)
(Credited)/charged to other comprehensive income		(13)	
Charged/(credited) directly to equity		9	
Reclassification between tax types and categories			
Balance at 31 December 2021	**(1 355)**	**(624)**	**(947)**
Charged/(credited) to the income statement	**163**		**(72)**
Charged/(credited) to other comprehensive income		**41**	
Charged directly to equity		**12**	
Rate change charged to profit or loss (refer B8.2.5)	**42**		**36**
Rate change charged/(credited) to OCI and equity (refer B8.2.5)		**17**	
Exchange differences			
Balance at 31 December 2022	**(1 150)**	**(554)**	**(983)**

Credit impairments	Deferred revenue	Provisions	Taxation losses	Total
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**
(176)	**(41)**	**(255)**	**11**	**(512)**
		(12)		**(12)**
(93)	**(13)**	**(33)**	**(1)**	**(148)**
		(8)		**(8)**
(4)	**(4)**	**(1)**		**(9)**
23		**(23)**		
2 614	**339**	**1 213**	**57**	**4 448**

Long-term employee benefits	Share-based payments	FVOCI	Acquired intangible assets	Total
(919)	(274)	(215)	(69)	(4 450)
(132)	29			(52)
(129)		15		(127)
	(53)			(44)
(33)				(33)
(1 213)	**(298)**	**(200)**	**(69)**	**(4 706)**
(80)	**24**		**3**	**38**
145		**(39)**		**147**
	85			**97**
44	**3**			**125**
(2)	**7**	**7**		**29**
		4		**4**
(1 106)	**(179)**	**(228)**	**(66)**	**(4 266)**

B9 HEADLINE EARNINGS

ACCOUNTING POLICY

Impairment charges on non-financial instruments and other gains and losses, which include insurance proceeds on items of property and equipment that were impaired, are disclosed separately on the face of the statement of comprehensive income. This line represents 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. The group's share of ETI's goodwill impairment of R0m (2021: R13m) is included in the share of gains of associate companies, and the taxation on impairments charged on non-financial instruments and other gains and losses of R19m (2021: R61m) is 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).

	2022		2021	
Rm	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary shareholders		**14 275**		11 238
Impairments charge on non-financial instruments and other gains and losses	**(245)**	**(226)**	499	438
IAS 16 (profit)/loss on disposal of property and equipment	**(155)**	**(111)**	41	26
IAS 36 impairment of goodwill			306	306
IAS 36 impairment of intangible assets	**93**	**67**	153	110
IFRS 10 profit on sale of subsidiaries or associates	**(181)**	**(181)**	(11)	(11)
IFRS 16 (reversal of impairment)/impairment of right-of-use assets	**(2)**	**(1)**	10	7
Share of gains of associate companies				
IAS 36 share of associate (ETI) impairment of goodwill			13	13
Headline earnings		**14 049**		11 689

SECTION C: CORE BANKING ASSETS

ACCOUNTING POLICY

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

C1 LOANS AND ADVANCES

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

C1.1 CATEGORIES OF LOANS AND ADVANCES

	2022 Rm	2021 Rm
Mortgage loans	385 989	368 416
Home loans	189 370	178 840
Commercial mortgages	196 619	189 576
Instalment debtors	151 582	142 559
Credit cards	16 816	16 297
Other loans and advances	354 987	330 113
Properties in possession	189	187
Overdrafts	26 613	23 042
Personal loans	30 166	29 175
Term and other loans	188 485	170 142
Covid-19 Loan Guarantee Scheme	903	1 225
Listed corporate bonds	25 027	23 279
Overnight loans	12 393	9 479
Foreign-client lending	20 762	19 571
Preference shares and debentures	11 503	12 204
Factoring accounts	8 572	7 188
Deposits placed under reverse repurchase agreements	32 096	33 870
Trade, other bills and bankers' acceptances	[1]	1
Fair-value hedge-accounted portfolios	(1 722)	750
Gross loans and advances	909 374	857 385
Impairment of loans and advances (note C2)	27 209	25 650
	882 165	831 735
Gross loans and advances comprise:		
– Banking loans and advances	862 769	806 954
– Trading loans and advances	46 605	50 431
	909 374	857 385

[1] *Represents amounts less than R1m.*

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

C1.2 SECTORAL ANALYSIS

	2022 Rm	2021 Rm
Individuals	**346 836**	329 263
Financial services, insurance and real estate	**246 298**	243 017
Banks	**45 261**	29 648
Manufacturing	**70 163**	67 179
Building and property development	**12 081**	9 549
Transport, storage and communication	**27 256**	26 341
Retailers, catering and accommodation	**21 036**	15 242
Wholesale and trade	**22 903**	24 835
Mining and quarrying	**33 289**	26 245
Agriculture, forestry and fishing	**20 408**	20 085
Government and public sector	**19 807**	21 940
Other services	**44 036**	44 041
	909 374	857 385

C1.3 GEOGRAPHICAL ANALYSIS

	2022 Rm	2021 Rm (Restated)
SA	**784 475**	750 522
Rest of Africa	**49 668**	42 397
Europe	**50 311**	48 694
Asia	**12 550**	6 302
United States of America	**5 521**	3 053
Rest of world	**6 849**	6 417
	909 374	857 385

During 2022 the group identified that some of the prior-year balances were incorrectly disclosed between regions. As a result the comparative information has been restated.

	2021		
Rm	Restated	Restatement	As previously reported
SA	750 522	(7 129)	757 651
Rest of Africa	42 397	(2 035)	44 432
Europe	48 694	4 057	44 637
Asia	6 302	1 435	4 867
United States of America	3 053	(1 049)	4 102
Rest of world	6 417	4 721	1 696
	857 385	–	857 385

C1.4 CLASSIFICATION OF LOANS AND ADVANCES

	Total	
Rm	2022	2021
Mortgage loans	381 945	364 414
Instalment debtors	151 582	142 558
Credit cards	16 816	16 296
Overdrafts	26 613	23 041
Preference shares and debentures	11 231	11 993
Term loans	136 934	136 941
Other loans[2]	82 062	76 376
Specialised and other loans to clients[3]	43 283	39 475
Properties in possession	189	187
Listed corporate bonds	17 625	20 047
Overnight loans	12 393	9 479
Factoring accounts	8 572	7 187
Trade, other bills and bankers' acceptances	[1]	1
Loans and advances at amortised cost	807 183	771 619
Loans and advances at FVTPL	61 089	59 562
Loans and advances at FVOCI	42 824	25 454
Fair-value hedge-accounted portfolios	(1 722)	750
Gross loans and advances (note C1.1)	**909 374**	**857 385**

[1] *Represents amounts less than R1m.*

[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	
2022	2021	**2022**	2021	**2022**	2021
327 370	313 067	**29 785**	36 624	**24 790**	14 723
121 720	117 158	**22 096**	18 125	**7 766**	7 275
13 207	12 930	**1 301**	1 105	**2 308**	2 261
19 988	17 048	**4 531**	4 265	**2 094**	1 728
10 822	10 615	**90**	1 080	**319**	298
109 486	103 688	**15 787**	22 092	**11 661**	11 161
75 235	59 002	**4 090**	15 485	**2 737**	1 889
39 037	34 415	**2 445**	4 276	**1 801**	784
123	106			**66**	81
16 797	13 719	**255**	5 614	**573**	714
11 558	4 599	**646**	4 659	**189**	221
7 720	6 162	**744**	936	**108**	89
1	1				
677 828	633 508	**77 680**	98 776	**51 675**	39 335
40 533	21 279	**1 001**	2 694	**1 290**	1 481
(1 722)	750				
716 639	655 537	**78 681**	101 470	**52 965**	40 816

C1.5 CREDIT QUALITY OF LOANS AND ADVANCES

	Total		NGR 1-12	
Rm	2022	2021	2022	2021
Subject to 12-month expected credit losses (stage 1)	**676 106**	634 258	**241 484**	228 432
Mortgage loans	**327 370**	313 067	**112 029**	116 419
Instalment debtors	**121 720**	117 158	**5 246**	4 548
Credit cards	**13 207**	12 930	**1 043**	652
Properties in possession	**123**	106		
Overdrafts	**19 988**	17 048	**4 515**	3 598
Personal, term and other loans	**148 523**	138 103	**88 416**	80 250
Listed corporate bonds	**16 797**	13 719	**15 970**	13 719
Overnight loans	**11 558**	4 599	**7 532**	4 077
Preference shares and debentures	**10 822**	10 615	**5 504**	3 810
Factoring accounts	**7 720**	6 162	**1 229**	1 359
Trade, other bills and bankers' acceptances	[1]	1		
Fair-value hedge-accounted portfolios	**(1 722)**	750		
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	**77 680**	98 776	**2 783**	14 325
Mortgage loans	**29 785**	36 624	**812**	1 073
Instalment debtors	**22 096**	18 125	**46**	47
Credit cards	**1 301**	1 105	**5**	1
Overdrafts	**4 531**	4 265	**303**	186
Personal, term and other loans	**18 232**	26 368	**1 617**	9 979
Listed corporate bonds	**255**	5 614		2 342
Overnight loans	**646**	4 659		351
Preference shares and debentures	**90**	1 080		346
Factoring accounts	**744**	936		
Subject to lifetime expected credit losses (stage 3) – credit-impaired	**51 675**	39 335	**–**	–
Mortgage loans	**24 790**	14 723		
Instalment debtors	**7 766**	7 275		
Credit cards	**2 308**	2 261		
Properties in possession	**66**	81		
Overdrafts	**2 094**	1 728		
Personal, term and other loans	**13 462**	11 945		
Listed corporate bonds	**573**	714		
Overnight loans	**189**	221		
Preference shares and debentures	**319**	298		
Factoring accounts	**108**	89		
Total loans and advances	**805 461**	772 369	**244 267**	242 757
Loans and advances at FVOCI	**42 824**	25 454	**30 761**	14 868
Provision for impairment of off-balance-sheet items[2]	**337**	396	**27**	38
Subject to 12-month expected credit losses (stage 1)	**150**	158	**27**	29
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	**77**	136		9
Subject to lifetime expected credit losses (stage 3) – credit-impaired	**110**	102		
Total credit quality	**848 622**	798 219	**275 055**	257 663

[1] Represents amounts less than R1m.

[2] 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 R277m (2021: R341m) and 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		NGR 21-25		NP 1-3		Unrated	
2022	2021	2022	2021	2022	2021	2022	2021
386 362	361 884	36 071	32 654	–	–	12 189	11 288
196 480	182 575	11 158	8 012			7 703	6 061
100 650	97 364	14 686	14 321			1 138	925
8 409	9 285	3 635	2 902			120	91
						123	106
13 605	12 753	812	304			1 056	393
50 657	48 278	5 681	6 607			3 769	2 968
827							
3 938	430	88	92				
5 318	6 389		416				
6 478	4 803	11				2	
1	1						
	6					(1 722)	744
36 815	41 251	37 229	42 796	–	–	853	404
13 196	13 090	15 424	22 268			353	193
7 857	4 320	14 092	13 734			101	24
556	320	737	780			3	4
2 960	2 711	1 018	1 294			250	74
11 132	11 846	5 337	4 434			146	109
255	3 272						
562	4 294	84	14				
	734	90					
297	664	447	272				
–	–	–	–	50 245	37 821	1 430	1 514
				23 866	13 754	924	969
				7 701	7 207	65	68
				2 292	2 248	16	13
				66	81		
				1 861	1 582	233	146
				13 270	11 627	192	318
				573	714		
				189	221		
				319	298		
				108	89		
423 177	403 135	73 300	75 450	50 245	37 821	14 472	13 206
10 208	8 424	522	676	1 333	1 486		
130	188	57	52	110	102	13	16
95	109	15	10			13	10
35	79	42	42				6
				110	102		
433 515	411 747	73 879	76 178	51 688	39 409	14 485	13 222

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 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

Rm	Total		Nedbank Corporate and Investment Banking	
	2022	2021	**2022**	2021
Mortgage loans	**385 989**	368 416	**157 646**	152 432
Home loans	**189 370**	178 840	**20**	19
Commercial mortgages	**196 619**	189 576	**157 626**	152 413
Instalment debtors	**151 582**	142 559	**2 940**	2 880
Credit cards	**16 816**	16 297		
Other loans and advances	**308 382**	279 682	**221 664**	197 175
Properties in possession	**189**	187		
Overdrafts	**26 613**	23 042	**3 987**	3 733
Personal loans	**30 166**	29 175		
Term and other loans	**176 877**	168 584	**153 203**	146 040
Overnight loans	**12 393**	9 479	**11 041**	8 341
Foreign client lending	**18 764**	5 793	**17 192**	3 799
Preference shares and debentures	**11 503**	12 204	**11 214**	11 977
Factoring accounts	**8 572**	7 188		
Listed corporate bonds	**25 027**	23 279	**25 027**	23 279
Trade, other bills and bankers' acceptances	[1]	1		
Fair-value hedge-accounted portfolios	**(1 722)**	750		6
Gross banking loans and advances	**862 769**	806 954	**382 250**	352 487
Impairment of advances	**(27 209)**	(25 650)	**(4 213)**	(4 296)
Net banking loans and advances	**835 560**	781 304	**378 037**	348 191
Trading loans and advances	**46 605**	50 431	**46 605**	50 431
Loans and advances	**882 165**	831 735	**424 642**	398 622

[1] Represents amounts less than R1m.

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
194 875	181 054	**23 868**	25 681	**9 511**	9 147	**89**	102
166 247	154 272	**15 756**	17 257	**7 347**	7 292		
28 628	26 782	**8 112**	8 424	**2 164**	1 855	**89**	102
147 013	138 013	**42**	32	**1 585**	1 629	**2**	5
16 667	16 154			**149**	143		
71 009	65 080	**5 485**	5 016	**11 657**	11 406	**(1 433)**	1 005
52	68	**14**	13	**123**	106		
19 259	16 048	**149**	151	**3 218**	3 110		
28 469	27 277	**10**		**1 687**	1 898		
13 288	13 278	**5 039**	4 641	**5 058**	4 364	**289**	261
1 126	878			**226**	260		
255	330			**1 317**	1 664		
16	16	**273**	211				
8 544	7 185			**28**	3		
				[1]	1		
						(1 722)	744
429 564	400 301	**29 395**	30 729	**22 902**	22 325	**(1 342)**	1 112
(21 134)	(19 316)	**(370)**	(456)	**(1 188)**	(1 082)	**(304)**	(500)
408 430	380 985	**29 025**	30 273	**21 714**	21 243	**(1 646)**	612
408 430	380 985	**29 025**	30 273	**21 714**	21 243	**(1 646)**	612

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 within the board-approved Credit Risk Appetite. The Group Credit Risk Management Framework covers the macrostructures for credit risk management and incorporates credit approval mandates and credit risk monitoring and governance structures. It is a key component of the group's ERMF, Capital Management Framework 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 Executive Credit Committee (GCC) an executive sub-committee that reports into the Group Credit Committee (GCC), a board sub-committee that is chaired by an independent non-executive member of the board. The framework also includes the Large-Exposures 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), from the business units originating credit within the group.

GCR monitors the business units' credit portfolios, risk procedures, policies and credit standards, and maintains the GCRMF. The CMVU is the bank's independent risk control unit required by banking regulations. It 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. GCR also validates the banks non-regulatory credit models, including credit valuation and pricing models, and the IFRS 9 macroeconomic forecast models.

Group Risk Analytics (GRA), which includes Model Risk Management (MRM), calculates and consolidates credit regulatory and economic capital. GRA maintains and enhances the Credit Portfolio Management (CPM) system and credit risk calculation engine, 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. MRM ensures that model risk is optimised and managed effectively across 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 used 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 reflective of 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 the 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.

C2.1 MOVEMENT IN IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

	2022	2021
Balance at the beginning 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
Statement of comprehensive income charge net of recoveries	**7 381**	6 534
Stage 1 ECL allowance	**(169)**	376
Stage 2 ECL allowance	**(869)**	(13)
Stage 3 ECL allowance	**8 703**	6 160
Off-balance-sheet allowance	**(52)**	(274)
Non-loans and advances	**(8)**	(5)
FVOCI loan impairment charge	**(224)**	290
Adjusted for:	**(5 881)**	(5 956)
Recoveries[1]	**1 587**	1 425
Interest in suspense[1]	**1 195**	1 062
Amounts written off[1]	**(8 757)**	(8 139)
Foreign exchange and other recovery costs[1]	**(138)**	(19)
Non-loans and advances	**8**	5
FVOCI loan impairment charge	**224**	(290)
Balance at the end of the year	**27 546**	26 046
Stage 1 ECL allowance	**4 197**	4 513
Stage 2 ECL allowance	**5 522**	6 495
Stage 3 ECL allowance	**17 827**	15 038
Split by measurement category[1]	**27 546**	26 046
Loans and advances	**27 209**	25 650
Off-balance-sheet allowance	**337**	396

[1] Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs, total R6 113m (2021: R5 671m) – refer to C2.2. Foreign exchange movements included in this amount result in a R2m gain (2021: R87m 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 – 2022				
Home loans	**3 157**	**528**	**(277)**	**3 408**
Commercial mortgages	**2 315**	**635**	**(299)**	**2 651**
Credit cards	**2 773**	**810**	**(878)**	**2 705**
Overdrafts	**1 386**	**320**	**(144)**	**1 562**
Instalment debtors	**6 339**	**2 396**	**(1 728)**	**7 007**
Preference shares and debentures	**229**	**(85)**		**144**
Term loans	**8 031**	**3 435**	**(2 798)**	**8 668**
Financial guarantees and loan commitments	**341**	**(57)**	**(7)**	**277**
Other loans[1]	**1 475**	**(369)**	**18**	**1 124**
Properties in possession	**10**	**(6)**		**4**
Specialised and other loans to clients	**1 267**	**(328)**	**10**	**949**
Overnight loans	**163**	**(32)**	**8**	**139**
Factoring accounts	**35**	**(3)**		**32**
Impairment on loans and advances at amortised cost	**26 046**	**7 613**	**(6 113)**	**27 546**
Impairment on loans and advances at FVOCI	**535**	**(224)**	**36**	**347**
Total impairment	**26 581**	**7 389**	**(6 077)**	**27 893**
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

[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 R27 893m (2021: R26 581m) includes off-balance-sheet items of R337m (2021: R396m).

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)	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Individuals	**19 062**	17 378	**3 283**	3 313	**4 192**	3 717	**11 587**	10 348
Financial services, insurance and real estate	**3 083**	3 331	**212**	259	**456**	1 525	**2 415**	1 547
Manufacturing	**1 242**	724	**110**	188	**299**	332	**833**	204
Building and property development	**347**	332	**35**	24	**62**	49	**250**	259
Transport, storage and communication	**511**	761	**48**	49	**41**	195	**422**	517
Retailers, catering and accommodation	**119**	255	**48**	74	**7**	98	**64**	83
Wholesale and trade	**350**	697	**75**	70	**23**	82	**252**	545
Mining and quarrying	**248**	251	**46**	75	**4**	4	**198**	172
Agriculture, forestry and fishing	**533**	333	**40**	36	**84**	62	**409**	235
Government and public sector	**354**	399	**13**	37	**54**	172	**287**	190
Other services	**1 697**	1 585	**287**	388	**300**	259	**1 110**	938
	27 546	26 046	**4 197**	4 513	**5 522**	6 495	**17 827**	15 038

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)	
	2022 Rm	2021 Rm (Restated)	**2022 Rm**	2021 Rm (Restated)	**2022 Rm**	2021 Rm (Restated)	**2022 Rm**	2021 Rm (Restated)
SA	**25 635**	23 871	**3 828**	4 084	**5 217**	6 247	**16 590**	13 540
Other African countries	**1 534**	1 312	**288**	367	**278**	154	**968**	791
Europe	**322**	809	**54**	24	**24**	82	**244**	703
Asia	**37**	9	**11**	6	**1**	3	**25**	
United States of America	**1**	6	**1**			6		
Other	**17**	39	**15**	32	**2**	3		4
	27 546	26 046	**4 197**	4 513	**5 522**	6 495	**17 827**	15 038

During 2022 the group identified that some of the prior-year balances were incorrectly disclosed between regions. As a result the comparative information has been restated.

	2021 (Restated)			
Rm	Total	Stage 1	Stage 2	Stage 3
SA	23 871	4 084	6 247	13 540
Other African countries	1 312	367	154	791
Europe	809	24	82	703
Asia	9	6	3	
United States of America	6		6	
Other	39	32	3	4
	26 046	4 513	6 495	15 038

	2021 (Restatement)			
Rm	Total	Stage 1	Stage 2	Stage 3
SA	(58)	(44)	(15)	1
Other African countries	(18)	18	(36)	
Europe	326	3	67	256
Asia	(268)	4	(16)	(256)
United States of America	(2)	(2)		
Other	20	21		(1)
	–	–	–	–

	2021 (As previously reported)			
Rm	Total	Stage 1	Stage 2	Stage 3
SA	23 929	4 128	6 262	13 539
Other African countries	1 330	349	190	791
Europe	483	21	15	447
Asia	277	2	19	256
United States of America	8	2	6	
Other	19	11	3	5
	26 046	4 513	6 495	15 038

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

At each reporting period, an assessment is conducted on all performing financial instruments to determine whether a significant increase in credit risk (SICR) since initial 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 2022 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 in one or more of the following ways:

- 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 criteria that are indicative of a SICR to enhance the overall SICR assessment.
- Considering instruments that are more than 30 days past due as having experienced a SICR.

There was a decrease in stage 2 exposures in CIB driven by the withdrawal of the Directive 3/2020 regulation. Clients who were previously granted payment holidays in line with relief measures are now classified into their appropriate stages based on payment behaviour. The ECL models captured most of the risk in the portfolio at 31 December 2022 and overlays were considered for only:

- known model and systems deficiencies;
- operational issues; and
- known risks that may not be fully catered for in the models.

C2.6 DEFINITION OF 'DEFAULT'

Loans and advances are deemed to have defaulted when the South African banking regulations' default criteria are triggered (these criteria are 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 a 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 are classified as stage 3 and an appropriate ECL is 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 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 the client requests a restructure of its facilities due to financial distress.

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 ratio, 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 process includes approval by the GCC.

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 used and their associated weights are reviewed and approved by an executive-level subcommittee (ECC) annually.

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

	2022					
				Economic forecast[1] (%)		
Scenario	**Probability weighting (%)**	**Total ECL allowance**	**Economic measures**	**2023**	**2024**	**2025**
			GDP	**1,25**	**1,76**	**1,66**
Base case	**50**	**27 817**	**Prime**	**11,00**	**10,50**	**10,50**
			HPI	**2,50**	**3,02**	**3,57**
			GDP	**(0,14)**	**0,37**	**1,02**
Mild stress	**21**	**28 122**	**Prime**	**11,75**	**12,00**	**12,25**
			HPI	**2,06**	**2,37**	**2,69**
			GDP	**1,91**	**2,33**	**2,25**
Positive outcome	**21**	**27 630**	**Prime**	**10,00**	**9,75**	**9,75**
			HPI	**3,29**	**3,87**	**4,74**
			GDP	**(1,17)**	**(0,48)**	**0,77**
High stress	**8**	**28 446**	**Prime**	**12,75**	**12,75**	**12,75**
			HPI	**1,63**	**1,72**	**1,81**
Weighted scenarios	**100**	**27 893**				

[1] *Forecast at 31 December 2022.*

	2021					
				Economic forecast[1] (%)		
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)	0,30
High stress	8	27 259	Prime	8,75	10,00	11,00
			HPI	3,04	2,82	2,85
Weighted scenarios	100	26 581				

[1] *Forecast at 31 December 2021.*

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, 2023 to 2025, all variables are forecast as a long-term average for modelling purposes. The long-term averages used for modelling purposes are GDP of 2,4% (2021: 2%), prime of 10,5% (2021: 10,25%) and the house price index (HPI) of 7,2% (2021: 5%).

Base case scenario

Global economic assumptions

- Geopolitical tensions persist, with the world becoming more polarised between countries aligned with the West, led by the US, and those affiliated with China and Russia.
- The global recovery loses momentum in 2023, with some countries entering technical recessions.
- Commodity prices decline, driven by the global downturn and a strong US dollar.
- Global inflation recedes only gradually from its 2022 peak. Structural changes to world supply and demand keep costs and prices elevated for longer. These include the onshoring and nearshoring of supply chains, persistent labour shortages in some countries and industries, the damage caused by extreme weather events, and the transition to renewable energy. However, tighter global monetary policy and weaker demand gradually realign demand and supply, returning inflation to within central bank targets.
- Heightened risk aversion persists until there is normalisation of US monetary policy, resulting in capital flows to emerging market economies remaining constrained.

Global policy responses

- Monetary policy: Global monetary policy tightens further in H1 of 2023. The US Fed raises its policy rates to a peak of over 5% by mid-2023, before easing them from the fourth quarter of 2023 onward and into subsequent years.
- Fiscal policy: Fiscal policies remain supportive of economic activity and employment. However, high public debt burdens and surging debt service costs limit the scope and stimulus of public expenditure.

Domestic policy landscape

- Monetary policy: The Monetary Policy Committee (MPC) tightens policy rates further, with prime peaking at 11% in H1 of 2023. The MPC remains hawkish until early 2024, easing monetary policy as inflation approaches the 4,5% midpoint of the target range and the US starts to ease its policy stance in 2024.
- Fiscal policy: Fiscal metrics remain unfavourable. The budget deficit remains persistently close to 5,5% of GDP, while the debt burden climbs to 75% of GDP. Expenditure restraint is undermined by higher-than-budgeted-for wage increases, an elevated social burden and further bailouts for Eskom and other state-owned enterprises (SOEs).
- Structural constraints: Structural reforms occur slowly, this driven mainly by load-shedding, but the frequency and intensity of load-shedding declines as more renewable-energy sources come on stream towards the end of the forecast period.
- Inflation moderates gradually off a higher base on lower global oil, food and other commodity prices.
- Political uncertainty intensifies ahead of the general election in 2024. The ANC as led by President Cyril Ramaphosa stays in power, but with a smaller majority and greater competition.

Domestic economic consequences

- GDP
  The economy proved more resilient than expected in the face of multiple domestic and global shocks in 2022. The economy stumbles in 2023, with growth slowing to 1,3% in 2023 before picking up to 1,8% and 1,7% in 2024 and 2025 respectively. The drag comes from weaker consumer spending and shrinking exports as the global downturn intensifies and commodity prices decline.

  Consumer spending also slows over 2023, with disposable income strained by the earlier acceleration in inflation and higher interest rates. However, moderate job gains and higher wages provide some reprieve.

  Fixed investment grows at a moderate pace, supported by renewable-energy projects and a moderate increase in infrastructure spending.

- Credit
  Household credit: Demand for credit increases gradually up until the end of 2025. Loan growth peaks in early 2024, maintaining a steady but non-accelerating growth rate over the rest of the period. Credit quality remains compromised, and the risk of bad debts remains high, improving gradually from 2024 onwards. The ratio of household debt to disposable income increases moderately, averaging around 69% over 2023 to 2025.

  Corporate credit: Credit growth slows to 4,7% by the end of 2023, hindered by higher interest rates, strain on household incomes, and slower economic growth.

- Asset prices
  Equities: Stock markets lose momentum early 2023, hurt by heightened global risk aversion, triggered by weaker global and domestic economic growth and much tighter liquidity conditions. Equities start to recover from H2 2023.

  House prices: House price growth slows from 3,7% in 2022 to 2,5% in 2023, before regaining modest upward traction in 2024.

Mild stress scenario

The mild stress scenario is a milder version of the high-stress scenario.

High-stress scenario

Global economic assumptions

- Geopolitical tensions intensify, with the US, EU and its allies set against China, Russia and its backers.
- The world economy loses momentum and enters recession in 2023 followed by a weak recovery from 2024 onwards.
- The growth in commodity prices is inconsistent across the market, with metal prices declining sharply, while oil, food and industrial commodity prices show heightened volatility and remain at elevated levels.

- Global inflation remains high, peaking only in 2023, as global supply shocks outweigh the impact of shrinking demand. Supply is constrained driven by a prolonged war, dysfunctional global supply chains, persistent labour shortages due reduced emigration and ageing populations, extreme weather events and a poorly managed transition to renewable-energy sources.
- Risk sentiment intensifies and emerging-market economies experience persistent capital outflows. SA is especially impacted given that the country is grey-listed and political risks escalate.

Global policy responses

- Monetary policy: Monetary policies tighten aggressively. US Fed moves its policy rates to a peak of over 5,75% by mid-2023, only easing slowly from 2024 onwards.
- Fiscal policy: Government fiscal policies become more supportive of economic activity and employment, but effectiveness is undermined by surging public debt burdens and debt service costs, resulting in rising risk premiums.

Domestic policy landscape

- Monetary policy: The Monetary Policy Committee (MPC) tightens policy rates further, with prime peaking at 12,75% in Q4 2023. The MPC remains hawkish as inflation remains above 4,5% throughout the period.
- Fiscal policy: The budget deficit averages 6% of GDP, driving debt to over 80% of GDP by 2025. Subdued economic growth weighs on revenue, while expenditure is inflated by above-inflation wage increases, the adoption of a generous basic income grant and the Eskom bailout.
- Structural constraints: Structural reforms stall, undermined by political turmoil and competing ideologies. Severe load-shedding continues in 2023. Thereafter, energy supply stabilises on subdued demand and increased generating capacity. Energy and other structural reforms resume in 2025.
- Inflation rises further to an average of 7,3% in 2023, before receding to just over 5% in 2024 and 2025. Costs are kept high by structurally-constrained production capacity, a weak rand, rising wages, fading productivity and increased transfer to consumers.
- Political uncertainty increases significantly ahead of the 2024 general elections, with the ruling party bogged by legal challenges and paralysed by vested interest. The ANC loses its majority in 2024, resulting in a left-leaning and chaotic coalition government.

Domestic economic consequences

- GDP
  GDP growth loses momentum, with GDP shrinking by 1,2% in 2023 and 0,5% in 2024. The economy gradually returns to growth in 2025. Exports are hard hit by global recession and lower commodity prices, while domestic confidence and spending implode on persistent political turmoil and heightened policy uncertainty.

  Consumer spending weakens, with disposable income eroded by renewed job losses, persistently high inflation and sharply higher interest rates.

  Fixed investment slows significantly as the pipeline of new projects evaporates amid mounting uncertainties, poor policy choices and weak global conditions.

- Credit
  Household credit: Demand for credit increases materially between 2023 and 2025. Loan growth peaks in early 2024, maintaining a steady but non-accelerating growth rate over the rest of the period. Credit quality remains compromised, and the risk of bad debts remains high, while household debt to disposable income increases significantly, averaging around 75% over 2023 to 2025.

  Corporate credit: Credit growth slows as a result of stretched household finances, weak economic growth, higher interest rates and rising risk premiums.

- Asset prices
  Equities: Stock market prices decline sharply in 2023 as a result of heightened global risk aversion and much tighter global liquidity conditions. Equities start to recover after the elections in H2 2024.

  House prices: Growth in house prices slows from 3,7% in 2022 to 1,6% in 2023, before recovering slowly over 2024 and 2025.

Positive-outcome scenario

Global economic assumptions

- Geopolitical tensions persist but pragmatism prevails.
- Global growth slows in 2023, followed by a relatively strong rebound in 2024.
- Commodity prices decline throughout 2023, before entering a mild upcycle from 2024 onwards.
- Global inflation recedes much faster than anticipated as the moderate slowdown in global demand and falling global oil, food and other commodity prices help to realign demand and supply relatively quickly. Global supply chains normalise faster than expected as China learns to live with Covid-19 and new supply sources are rapidly integrated into the global transport system.
- Risk sentiment improves as investors sense the end of the rate hiking cycle, supporting capital inflows to heavily oversold emerging market economies.

Global policy responses

- Monetary policy: The US Fed, and most other central banks, start normalisation of monetary policy as inflation falls rapidly towards central bank targets towards the end of 2023. The US Fed raises its policy rates to a peak of 4,75% in early 2023 and starts to reduce rates from Q3 of 2023.
- Fiscal policy: Fiscal policy shifts towards infrastructure investment, with a strong focus on accelerating the transition to renewable-energy sources. This effectively raises potential growth rates, helping governments to manage elevated public debt burdens.

Domestic policy landscape

- Monetary policy: The Monetary policy committee (MPC) starts to ease monetary policy by mid-2023 on the back of decreasing inflation. Prime stabilises at 9,75% in early 2024.
- Fiscal policy: Improved fiscal policy and structural reforms slowly lift growth, resulting in the budget deficit narrowing to 3,2% of GDP by 2025, while the debt burden stabilises just below 72% of GDP. Revenue is boosted by improved collections and firmer economic growth. Expenditure rises at rates slightly above inflation due to significant wage restraint, which enables government to increase social support and fund a greater portion of Eskom's debt without worsening fiscal risks.
- Structural constraints: Structural reforms gain moderate traction. Load-shedding persists, but the frequency and intensity declines as more renewable energy comes on stream.
- Inflation declines rapidly off a higher base on lower global oil, food and other commodity prices.
- Political uncertainty remains elevated ahead of the general election in 2024. The ruling party stays in power and the support for the moderate faction grows significantly.

Domestic economic consequences

- GDP
  GDP growth loses momentum in 2023, slowing to 1,9%, before picking up to 2,3% and 2,2% in 2024 and 2025 respectively.

  Consumer spending regains momentum in 2022, supported by lower inflation and interest rates, and reinforced by firmer employment growth and moderate gains in household wealth.

  Fixed investment accelerates as the energy crisis gradually eases and business confidence improves on evidence of some structural reforms.

- Credit
  Household credit: Demand for credit increases gradually before peaking in 2024, maintaining a steady but non-accelerating growth rate over the rest of the period. Credit quality remains compromised, and the risk of bad debts remains high, improving gradually from 2024 onwards.

  Corporate credit: Credit growth shows signs of easing by the end of 2023 before recovering in 2024 and 2025, supported by the firmer disposable income and economic growth.

- Asset prices
  Equities: Equity prices rebound in mid-2023, supported by improved global financial conditions as well as investors' starting to anticipate a relatively robust recovery.

  House prices: Growth in house prices slows from 3,7% in 2022 to 3,3% in 2023, before regaining upward traction in 2024 and 2025.

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.

In 2020 and 2021 the scale of the economic shock induced by the Covid-19 pandemic led to significant challenges in reliably estimating ECL. Nedbank responded with a comprehensive Covid-19 credit programme that sought to address these challenges and associated uncertainty. The programme focused on updating credit policies, data and models, and included additional emphasis on judgemental adjustments to ensure emerging risks were adequately accounted for.

In 2022 Nedbank believes the credit risks associated with the Covid-19 pandemic have either emerged in the portfolio or are adequately catered for in the ECL models. As such, none of the judgemental overlays held in December 2022 relate directly to the impact of Covid-19.

Approximately 17,2% of the 2022 balance sheet ECL (2021: 19,7%; 2020: 23,9%) 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 2022 and 31 December 2021 by cluster or 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 include book growth, updates to the macroeconomic forecasts, changes in credit risk mix and enhancements made to impairment models.

- **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 these clients is based on the judgement 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 watch-list process. Potential losses are assessed under three different recovery scenarios, namely an expected-case, a best-case and a worst-case scenario.

  - **Forward-looking-information adjustments**: The FLI adjustments include catering for a potential deterioration in collateral valuations, impacts not fully captured by the portfolio-level macroeconomic models, and emerging risks or developing events that are not yet reflected in the underlying data or model or macroeconomic forecasts.

  - **Other judgemental adjustments**: Adjustments processed to address known system and model shortcomings and data limitations that have not yet been incorporated into the group's models.

Balance sheet ECL

	2022				
Rm	Model ECL	Individually assessed	Other judgemental adjustments	Total ECL	Modelled ECL as % of total ECL
Investment Banking and Transactional Services	1 245	1 529		2 774	44,88
Property Finance	156	1 858		2 014	7,75
Retail	18 768		784	19 552	95,99
Commercial Banking	1 398		265	1 663	84,04
Wealth	311		59	370	84,03
NAR	1 214		2	1 216	99,84
Centre	4		300	304	1,32
Total	**23 096**	**3 387**	**1 410**	**27 893**	**82,80**

	2021					
Rm	Model ECL	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
Commercial 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

Income statement charge

	2022					
Rm	**Model ECL**	**Individually assessed**	**Covid-19 and FLI adjustments**	**Other judgemental adjustments**	**Total impairment**	**Modelled ECL as % of total ECL**
Investment Banking and Transactional Services	**(31)**	**668**	**(76)**	**(218)**	**343**	**(9,04)**
Property Finance	**(236)**	**1 368**	**(370)**	**(300)**	**462**	**(51,08)**
Retail	**6 635**		**(190)**	**72**	**6 516**	**101,82**
Commercial Banking	**336**		**(307)**	**68**	**97**	**345,98**
Wealth	**22**		**(71)**	**(14)**	**(63)**	**(34,92)**
NAR	**222**		**(4)**	**2**	**220**	**101,00**
Centre	**6**		**(500)**	**300**	**(194)**	**(3,09)**
Total	**6 954**	**2 036**	**(1 518)**	**(90)**	**7 381**	**94,21**

	2021					
Rm	Model ECL	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
Commercial 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

Judgemental adjustments, which are inclusive of ‘individually assessed’ and ‘other judgemental adjustments’, are recognised in the following stages: R149m in stage 1, R755m in stage 2 and R3 894m in stage 3 (2021: R642m in stage 1; R1 920m in stage 2; R2 681m in stage 3). These adjustments 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 typically is 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 2022 judgemental adjustments continued to be monitored closely, with an overall reduction noted in line with the following:

- Clients who were previously classified under Directive 3/2020 have been reclassified into their appropriate stages, with the risk on this population reflected in model-driven ECL through actual payment behaviour and client re-ratings.
- 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 the most recent data, perform well historically, and provide the most appropriate estimates of forward-looking default risk and losses.

The unwinding of the Covid-19 ECL adjustments was 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 80,3% at YE 2021 to 82,8% at YE 2022. The model-driven contribution to the income statement ECL charge has decreased from 104,3% at YE 2021 to 94,2% at YE 2022.

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. Other judgemental adjustments reflect items that are more longstanding in nature and that 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 or quantification methodologies are developed by the business units.
- **Second line of defence**: GCR provides assurance by challenging existing overlays, identifying emerging risks and recommending overlays to ensure the 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 provides further oversight in ensuring alignment and consistency in the ECL approaches across the various portfolios. GCR also performs a final assessment of the adequacy of impairments and considers emerging risks that should be accounted for as part of the group's FLI adjustments.
- **Third 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 (%)

	2022				2021			
Scenario	**Probability weighting (%)**	**Total ECL allowance**	**Difference to weighted scenario**	**Percentage difference to weighted scenario**	Probability weighting (%)	Total ECL allowance	Difference to weighted scenario	Percentage difference to weighted scenario
Base case	**50**	**27 817**	**(76)**	**(0,28)**	50	26 491	(90)	(0,34)
Mild stress	**21**	**28 122**	**229**	**0,82**	21	26 857	276	1,04
Positive outcome	**21**	**27 630**	**(263)**	**(0,94)**	21	26 262	(319)	(1,20)
High stress	**8**	**28 446**	**553**	**1,98**	8	27 259	678	2,55
Weighted scenarios	**100**	**27 893**			100	26 581		

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

Nedbank has used 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 and 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 are 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

2022

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	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	
Statement of comprehensive income charge net of recoveries	7 381	805	6 613	(63)	220	(194)
Stage 1	(169)	(67)	(161)	(1)	60	
Stage 2	(869)	(1 093)	433	(9)	(3)	(197)
Stage 3	8 703	2 241	6 351	(53)	164	
Off-balance-sheet allowance	(52)	(52)	(10)		10	
Non-loans and advances	(8)				(11)	3
FVOCI loan impairment charge	(224)	(224)				
Adjusted for:	(5 881)	(943)	(4 804)	(23)	(109)	(2)
Recoveries[1]	1 587	79	1 451		57	
Interest in suspense[1]	1 195	198	980		17	
Amounts written off against the impairment[1]	(8 757)	(1 216)	(7 393)	(20)	(128)	
Foreign exchange and other transfers[1]	(138)	(228)	158	(3)	(66)	1
Non-loans and advances	8				11	(3)
FVOCI loan impairment charge	224	224				
ECL allowance at the end of the year	27 546	4 441	21 215	370	1 216	304
Stage 1	4 197	453	3 487	42	215	
Stage 2	5 522	506	4 564	29	120	303
Stage 3	17 827	3 482	13 164	299	881	1
Split by measurement category	27 546	4 441	21 215	370	1 216	304
Loans and advances	27 209	4 213	21 134	370	1 188	304
Off-balance-sheet allowance	337	228	81		28	

[1] Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs total R6 113m (2021: R5 671m). Refer to C2.2. Foreign exchange movements included in this amount result in a R2m gain (2021: R87m loss).

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	1 425	4	1 391		30	
Interest in suspense	1 062	152	922		(12)	
Amounts written off against the impairment	(8 139)	(691)	(7 380)	(5)	(63)	
Foreign exchange and other transfers	(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	

C2.11 CREDIT RISK EXPOSURE

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

	Maximum exposure to credit risk[1]	
Rm	**2022**	2021
Other short-term securities	**41 203**	35 008
Derivative financial instruments	**9 101**	39 179
Government and other securities	**80 282**	69 636
Loans and advances	**61 089**	59 562
Other assets	**19 413**	21 007
Investment securities	**25 360**	25 373
Total	**236 448**	249 765

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

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

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

2022

Rm	Gross exposure[1]	Impairment allowance	Carrying amount	Fair value of collateral held
Home loans	10 766	2 416	8 350	9 197
Commercial mortgages	14 024	2 360	11 664	11 347
Properties in possession	66	4	62	
Credit cards and overdrafts	4 402	2 760	1 642	850
Term loans	12 951	6 432	6 519	3 318
Overnight loans	189	80	109	
Specialised and other loans to clients	2 374	456	1 918	230
Instalment debtors	7 766	3 395	4 371	5 335
Preference shares and debentures	319	59	260	260
Factoring accounts	108	12	96	99
Loans and advances at amortised cost and FVOCI	**52 965**	**17 974**	**34 991**	**30 636**

[1] *Included in the total loans and advances at amortised cost and FVOCI is a gross carrying amount of R1 290m relating to term loans at FVOCI.*

2021

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.

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

Loans and advances

LTV distributions

2022

Rm	Gross carrying amount of credit-impaired financial assets			
	Home loans	**Commercial mortgages**	**Properties in possession**	**Credit cards and overdrafts**
Lower than 50%	**1 902**	**431**	**14**	**431**
50% to 75%	**1 794**	**753**		**10**
75% to 100%	**4 333**	**3 591**	**14**	**643**
Higher than 100%	**2 737**	**9 249**	**38**	**3 318**
Loans and advances at amortised cost and FVOCI	**10 766**	**14 024**	**66**	**4 402**

2021

Rm	Gross carrying amount of credit-impaired financial assets			
	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

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**
266	**189**	**1 217**	**154**		
1		**16**	**357**		
3 770		**197**	**1 193**		**94**
8 914		**944**	**6 062**	**319**	**14**
12 951	**189**	**2 374**	**7 766**	**319**	**108**

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	82	152		
1		64	297		
2 786		195	1 040		88
9 092		1 157	5 786	298	1
12 642	221	1 498	7 275	298	89

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:

2022

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	625 216	4 513	620 703
New financial assets originated or purchased	340 508	3 721	336 787
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	(170 160)	3 424	(173 584)
Final repayments	(95 576)	(875)	(94 701)
Transfers to 12-month ECL	45 918	843	45 075
Transfers to lifetime ECL (not credit-impaired)	(55 720)	(3 294)	(52 426)
Transfers to lifetime ECL (credit-impaired)	(18 787)	(4 262)	(14 525)
Foreign exchange movements	(1 604)	127	(1 731)
Net balances (refer note C2.2)	669 795	4 197	665 598
Total credit and zero balances[2]	8 033	(48)	8 081
Balance at the end of the year	677 828	4 149	673 679
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 include 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
98 762	6 495	92 267	39 299	15 038	24 261	763 277	26 046	737 231
		–			–	340 508	3 721	336 787
		–	(8 757)	(8 757)	–	(8 757)	(8 757)	–
3 486	513	2 973	(9 576)	4 354	(13 930)	(176 250)	8 291	(184 541)
(21 420)	(1 242)	(20 178)	(1 817)	(524)	(1 293)	(118 813)	(2 641)	(116 172)
(44 159)	(731)	(43 428)	(1 759)	(112)	(1 647)	–	–	–
60 458	3 875	56 583	(4 738)	(581)	(4 157)	–	–	–
(19 508)	(3 433)	(16 075)	38 295	7 695	30 600	–	–	–
28	45	(17)	693	714	(21)	(883)	886	(1 769)
77 647	5 522	72 125	51 640	17 827	33 813	799 082	27 546	771 536
33	(10)	43	35	(1)	36	8 101	(59)	8 160
77 680	5 512	72 168	51 675	17 826	33 849	807 183	27 487	779 696
								61 089
								42 824
								337
								(1 722)
								(59)
								882 165

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	151 227	287	150 940
New financial assets originated or purchased	12 965	44	12 921
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	10 298	513	9 785
Final repayments	(10 424)	(13)	(10 411)
Transfers to 12-month ECL	5 266	21	5 245
Transfers to lifetime ECL (not credit-impaired)	(7 960)	(250)	(7 710)
Transfers to lifetime ECL (credit-impaired)	(2 383)	(298)	(2 085)
Foreign exchange movements	(264)	32	(296)
Net balances	158 725	336	158 389
Total credit and zero balances	207	(1)	208
Balance at the end of the year	158 932	335	158 597

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	161 636	217	161 419
New financial assets originated or purchased	81 742	254	81 488
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(20 890)	(263)	(20 627)
Final repayments	(50 436)	(69)	(50 367)
Transfers to 12-month ECL	6 256	161	6 095
Transfers to lifetime ECL (not credit-impaired)	(7 476)	(38)	(7 438)
Transfers to lifetime ECL (credit-impaired)	(2 105)	(121)	(1 984)
Foreign exchange movements	(289)	(1)	(288)
Net balances	168 438	140	168 298
Total credit and zero balances			–
Balance at the end of the year	168 438	140	168 298

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
16 260	530	15 730	9 887	2 340	7 547	177 374	3 157	174 217
		–			–	12 965	44	12 921
		–	(365)	(365)	–	(365)	(365)	–
521	257	264	(673)	(34)	(639)	10 146	736	9 410
(882)	(24)	(858)	(675)	(162)	(513)	(11 981)	(199)	(11 782)
(4 549)	(13)	(4 536)	(717)	(8)	(709)	–	–	–
9 449	325	9 124	(1 489)	(75)	(1 414)	–	–	–
(2 383)	(420)	(1 963)	4 766	718	4 048	–	–	–
(12)	–	(12)	26	3	23	(250)	35	(285)
18 404	655	17 749	10 760	2 417	8 343	187 889	3 408	184 481
5	–	5	6	(1)	7	218	(2)	220
18 409	655	17 754	10 766	2 416	8 350	188 107	3 406	184 701

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
20 360	979	19 381	4 825	1 119	3 706	186 821	2 315	184 506
		–			–	81 742	254	81 488
		–	(371)	(371)	–	(371)	(371)	–
15 453	626	14 827	(279)	1 071	(1 350)	(5 716)	1 434	(7 150)
(17 758)	(925)	(16 833)	(331)	(32)	(299)	(68 525)	(1 026)	(67 499)
(5 922)	(148)	(5 774)	(334)	(13)	(321)	–	–	–
8 518	90	8 428	(1 042)	(52)	(990)	–	–	–
(9 439)	(492)	(8 947)	11 544	613	10 931	–	–	–
164	21	143	12	25	(13)	(113)	45	(158)
11 376	151	11 225	14 024	2 360	11 664	193 838	2 651	191 187
		–			–	–	–	–
11 376	151	11 225	14 024	2 360	11 664	193 838	2 651	191 187

Properties in possession

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	106		106
New financial assets originated or purchased	4		4
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(2)		(2)
Final repayments			–
Transfers to 12-month ECL			–
Transfers to lifetime ECL (not credit-impaired)			–
Transfers to lifetime ECL (credit-impaired)	(4)		(4)
Foreign exchange movements	19		19
Net balances	123	–	123
Total credit and zero balances			–
Balance at the end of the year	123	–	123

Credit card and overdrafts

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	21 890	815	21 075
New financial assets originated or purchased	7 537	160	7 377
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	341	1 091	(750)
Final repayments	(2 002)	(52)	(1 950)
Transfers to 12-month ECL	2 110	154	1 956
Transfers to lifetime ECL (not credit-impaired)	(4 138)	(385)	(3 753)
Transfers to lifetime ECL (credit-impaired)	(1 900)	(939)	(961)
Foreign exchange movements	1 531	66	1 465
Net balances	25 369	910	24 459
Total credit and zero balances	7 826	(47)	7 873
Balance at the end of the year	33 195	863	32 332

	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
			–	81	10	71	187	10	177
			–			–	4	–	4
			–	1	1	–	1	1	–
			–	(19)	(6)	(13)	(21)	(6)	(15)
			–	(1)	(1)	–	(1)	(1)	–
			–			–	–	–	–
			–			–	–	–	–
			–	4		4	–	–	–
			–			–	19	–	19
	–	–	–	66	4	62	189	4	185
			–			–	–	–	–
	–	–	–	66	4	62	189	4	185

	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
	5 360	884	4 476	3 964	2 460	1 504	31 214	4 159	27 055
			–			–	7 537	160	7 377
			–	(1 770)	(1 770)	–	(1 770)	(1 770)	–
	(79)	(191)	112	(104)	927	(1 031)	158	1 827	(1 669)
	(679)	(59)	(620)	(221)	(84)	(137)	(2 902)	(195)	(2 707)
	(1 958)	(117)	(1 841)	(152)	(37)	(115)	–	–	–
	4 305	448	3 857	(167)	(63)	(104)	–	–	–
	(927)	(374)	(553)	2 827	1 313	1 514	–	–	–
	(218)	6	(224)	(4)	14	(18)	1 309	86	1 223
	5 804	597	5 207	4 373	2 760	1 613	35 546	4 267	31 279
	28	(10)	38	29		29	7 883	(57)	7 940
	5 832	587	5 245	4 402	2 760	1 642	43 429	4 210	39 219

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	103 688	1 395	102 293
New financial assets originated or purchased	121 617	2 330	119 287
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(94 352)	901	(95 253)
Final repayments	(10 262)	(543)	(9 719)
Transfers to 12-month ECL	12 396	136	12 260
Transfers to lifetime ECL (not credit-impaired)	(16 320)	(1 116)	(15 204)
Transfers to lifetime ECL (credit-impaired)	(6 830)	(1 972)	(4 858)
Foreign exchange movements	(451)	33	(484)
Net balances	109 486	1 164	108 322
Total credit and zero balances			–
Balance at the end of the year	109 486	1 164	108 322

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	48 134	180	47 954
New financial assets originated or purchased	44 513	38	44 475
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(36 571)	(132)	(36 439)
Final repayments	(4 032)	(9)	(4 023)
Transfers to 12-month ECL	8 539	87	8 452
Transfers to lifetime ECL (not credit-impaired)	(2 890)	(27)	(2 863)
Transfers to lifetime ECL (credit-impaired)	(691)	(10)	(681)
Foreign exchange movements	(1 168)	(9)	(1 159)
Net balances	55 834	118	55 716
Total credit and zero balances			–
Balance at the end of the year	55 834	118	55 716

[1] Specialised and other loans to clients include 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	117 158	1 392	115 766
New financial assets originated or purchased	58 213	775	57 438
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(21 587)	1 556	(23 143)
Final repayments	(17 958)	(174)	(17 784)
Transfers to 12-month ECL	5 954	120	5 834
Transfers to lifetime ECL (not credit-impaired)	(15 261)	(1 434)	(13 827)
Transfers to lifetime ECL (credit-impaired)	(4 806)	(893)	(3 913)
Foreign exchange movements	7	6	1
Net balances	121 720	1 348	120 372
Total credit and zero balances			–
Balance at the end of the year	121 720	1 348	120 372

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
22 092	1 376	20 716	11 161	5 260	5 901	136 941	8 031	128 910
		–			–	121 617	2 330	119 287
		–	(3 898)	(3 898)	–	(3 898)	(3 898)	–
(7 413)	147	(7 560)	(5 223)	1 204	(6 427)	(106 988)	2 252	(109 240)
(546)	(98)	(448)	(173)	(104)	(69)	(10 981)	(745)	(10 236)
(12 382)	(135)	(12 247)	(14)	(1)	(13)	–	–	–
16 874	1 286	15 588	(554)	(170)	(384)	–	–	–
(2 873)	(1 252)	(1 621)	9 703	3 224	6 479	–	–	–
35	4	31	659	661	(2)	243	698	(455)
15 787	1 328	14 459	11 661	6 176	5 485	136 934	8 668	128 266
		–			–	–	–	–
15 787	1 328	14 459	11 661	6 176	5 485	136 934	8 668	128 266

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
9 890	623	9 267	1 498	464	1 034	59 522	1 267	58 255
		–			–	44 513	38	44 475
		–	(42)	(42)	–	(42)	(42)	–
(955)	(217)	(738)	(187)	65	(252)	(37 713)	(284)	(37 429)
(120)	(6)	(114)	(55)	(18)	(37)	(4 207)	(33)	(4 174)
(8 409)	(57)	(8 352)	(130)	(30)	(100)	–	–	–
2 962	66	2 896	(72)	(39)	(33)	–	–	–
(672)	(39)	(633)	1 363	49	1 314	–	–	–
4	5	(1)	(1)	7	(8)	(1 165)	3	(1 168)
2 700	375	2 325	2 374	456	1 918	60 908	949	59 959
		–			–	–	–	–
2 700	375	2 325	2 374	456	1 918	60 908	949	59 959

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
18 125	1 841	16 284	7 275	3 106	4 169	142 558	6 339	136 219
		–			–	58 213	775	57 438
		–	(2 312)	(2 312)	–	(2 312)	(2 312)	–
(2 599)	(124)	(2 475)	(3 058)	1 159	(4 217)	(27 244)	2 591	(29 835)
(1 402)	(114)	(1 288)	(360)	(118)	(242)	(19 720)	(406)	(19 314)
(5 609)	(101)	(5 508)	(345)	(19)	(326)	–	–	–
16 658	1 607	15 051	(1 397)	(173)	(1 224)	–	–	–
(3 156)	(851)	(2 305)	7 962	1 744	6 218	–	–	–
79	6	73	1	8	(7)	87	20	67
22 096	2 264	19 832	7 766	3 395	4 371	151 582	7 007	144 575
		–			–	–	–	–
22 096	2 264	19 832	7 766	3 395	4 371	151 582	7 007	144 575

Preference shares and debentures

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	10 615	96	10 519
New financial assets originated or purchased	3 002	2	3 000
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(3 214)	(48)	(3 166)
Final repayments			–
Transfers to 12-month ECL	419	12	407
Transfers to lifetime ECL (not credit-impaired)			–
Transfers to lifetime ECL (credit-impaired)		(1)	1
Foreign exchange movements			–
Net balances	10 822	61	10 761
Total credit and zero balances			–
Balance at the end of the year	10 822	61	10 761

Overnight loans

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	4 599	9	4 590
New financial assets originated or purchased	8 658	4	8 654
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(3 655)	(71)	(3 584)
Final repayments	(51)		(51)
Transfers to 12-month ECL	4 343	81	4 262
Transfers to lifetime ECL (not credit-impaired)	(1 348)	(4)	(1 344)
Transfers to lifetime ECL (credit-impaired)			–
Foreign exchange movements	(988)	(3)	(985)
Net balances	11 558	16	11 542
Total credit and zero balances			–
Balance at the end of the year	11 558	16	11 542

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
1 080	49	1 031	298	84	214	11 993	229	11 764
		–			–	3 002	2	3 000
		–			–	–	–	–
(571)	(13)	(558)	21	(26)	47	(3 764)	(87)	(3 677)
		–			–	–	–	–
(419)	(12)	(407)			–	–	–	–
		–			–	–	–	–
		–		1	(1)	–	–	–
		–			–	–	–	–
90	24	66	319	59	260	11 231	144	11 087
		–			–	–	–	–
90	24	66	319	59	260	11 231	144	11 087

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
4 659	68	4 591	221	86	135	9 479	163	9 316
		–			–	8 658	4	8 654
		–			–	–	–	–
(994)	54	(1 048)	(32)	(2)	(30)	(4 681)	(19)	(4 662)
		–			–	(51)	–	(51)
(4 343)	(81)	(4 262)			–	–	–	–
1 348	4	1 344			–	–	–	–
		–			–	–	–	–
(24)	(2)	(22)		(4)	4	(1 012)	(9)	(1 003)
646	43	603	189	80	109	12 393	139	12 254
		–			–	–	–	–
646	43	603	189	80	109	12 393	139	12 254

Factoring accounts

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	6 162	8	6 154
New financial assets originated or purchased	2 257	11	2 246
Financial assets written off			–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(528)	(11)	(517)
Final repayments	(411)	(1)	(410)
Transfers to 12-month ECL	635	9	626
Transfers to lifetime ECL (not credit-impaired)	(327)	(2)	(325)
Transfers to lifetime ECL (credit-impaired)	(68)	(7)	(61)
Foreign exchange movements			–
Net balances	7 720	7	7 713
Total credit and zero balances			–
Balance at the end of the year	**7 720**	**7**	**7 713**

Trade, other bills and banker's acceptances

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	1		1
New financial assets originated or purchased			–
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	(1)		(1)
Net balances	–	–	–
Total credit and zero balances			–
Balance at the end of the year	**–**	**–**	**–**

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
936	20	916	89	7	82	7 187	35	7 152
		–			–	2 257	11	2 246
		–			–	–	–	–
123	(2)	125	(22)	2	(24)	(427)	(11)	(416)
(33)	(1)	(32)	(1)	(1)	–	(445)	(3)	(442)
(568)	(6)	(562)	(67)	(3)	(64)	–	–	–
344	5	339	(17)	(3)	(14)	–	–	–
(58)	(3)	(55)	126	10	116	–	–	–
		–			–	–	–	–
744	13	731	108	12	96	8 572	32	8 540
		–			–	–	–	–
744	13	731	108	12	96	8 572	32	8 540

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	–	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	114	125	102	341
New financial assets originated or purchased	103			103
Financial assets written off				–
Repayments net of readvances, capitalised interest, fees and ECL	(112)	(24)	(6)	(142)
Final repayments	(14)	(15)	(4)	(33)
Transfers to 12-month ECL	62	(61)	(1)	–
Transfers to lifetime ECL (not credit-impaired)	(38)	44	(6)	–
Transfers to lifetime ECL (credit-impaired)	(21)	(2)	23	–
Foreign exchange movements	3	5		8
Net balances	97	72	108	277
Total credit and zero balances				–
Balance at the end of the year	97	72	108	277

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Loans and advances

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	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	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.

[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		
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

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	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

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount[1]	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[1]	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

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	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 cards and overdrafts

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	21 031	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			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
		–	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			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
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[1]	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.

Not credit-impaired			Credit-impaired					
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)			Total		
Gross carrying amount[1]	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

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

Preference shares and debentures

Rm	Not credit-impaired Subject to 12-month ECL Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	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

Rm	Not credit-impaired Subject to 12-month ECL 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
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

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			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
1 204	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			Total		
Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
		–			–	4	–	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

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 has 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 recovery 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 a loan or advance after a client has had two months with no payment at the legal stage, which translates into approximately eight months in default.
- Personal Loans will write off a loan or advance 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	2022	2021
Contractual amount outstanding	**6 476**	6 554

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. Refer to Section I: Financial Instruments for the group's accounting policy on the modification of loans.

The group continues to monitor whether there is a subsequent SICR 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, these modifications are not included in the disclosure below.

Rm	2022	2021
Modification during the year for which the loss allowance reflects lifetime ECL		
Amortised cost before modification	**2 617**	2 228
Net modification loss	**369**	315
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	**92**	516
Impact of modification on the ECL allowances associated with these assets	**1**	11

C3 GOVERNMENT AND OTHER SECURITIES

C3.1 ANALYSIS

	2022 Rm	2021 Rm
Government and government-guaranteed securities	**161 306**	146 491
Other dated securities[1]	**1 834**	1 158
Fair-value hedge-accounted portfolios	**(2 642)**	2 862
Impairment of government and other securities	**(3)**	(13)
	160 495	150 498

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

C3.2 SECTORAL ANALYSIS

	2022 Rm	2021 Rm
Financial services, insurance and real estate	**193**	171
Banks	**92**	132
Transport, storage and communication	**231**	136
Government and public sector	**159 979**	150 059
	160 495	150 498

C4 OTHER SHORT-TERM SECURITIES

C4.1 ANALYSIS

	2022 Rm	2021 Rm
Negotiable certificates of deposit	**22 174**	19 779
Treasury bills and other bonds	**48 493**	40 262
Impairment of other short-term securities	**(6)**	(4)
	70 661	60 037

C4.2 SECTORAL ANALYSIS

	2022 Rm	2021 Rm
Banks	**18 623**	16 398
Government and public sector	**48 090**	40 161
Other sectors	**3 948**	3 478
	70 661	60 037

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

CREDIT RATINGS

	Investment grade		Subinvestment grade		Not rated		Total	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Other short-term securities	**67,014**	55,423	**1,892**	1,839	**1,755**	2,775	**70,661**	60,037
Negotiable certificates of deposit	**22,095**	19,698	**79**	81			**22,174**	19,779
Treasury bills and other bonds	**44,921**	35,725	**1,813**	1,758	**1,759**	2,779	**48,493**	40,262
Impairment of other short-term securities	**(2)**				**(4)**	(4)	**(6)**	(4)
Government and other securities	**157,451**	148,023	**1,605**	1,333	**1,439**	1,142	**160,495**	150,498
Government and government-guaranteed securities	**159,114**	144,767	**766**	585	**1,426**	1,139	**161,306**	146,491
Other dated securities[1]	**981**	396	**839**	748	**14**	14	**1,834**	1,158
Fair-value hedge-accounted portfolios	**(2,642)**	2,862					**(2,642)**	2,862
Impairment of government and other securities	**(2)**	(2)			**(1)**	(11)	**(3)**	(13)
	224,465	203,446	**3,497**	3,172	**3,194**	3,917	**231,156**	210,535

[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

	2022 Rm	2021 Rm
Coins and banknotes	**6 457**	5 899
Money at call and short notice	**6 115**	8 745
Balances with central banks – other than mandatory reserve deposits	**9 124**	1 050
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**21 696**	15 694
Mandatory reserve deposits with central banks	**23 922**	28 892
	45 618	44 586

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 or loss, for as 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, 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), which is the reference floating rate used in the global financial markets and set primarily in London (London Interbank Offered Rate [LIBOR]), is undergoing significant reform and is being replaced by new benchmark reference rates that more accurately approximate risk-free rates and are less prone to the forms of manipulation observed in recent years.

Suitable designated replacement rates have since been identified by the industry and new transactions in both derivatives and lending assets and liabilities are taking place. Simultaneously, most major financial institutions have begun migrating legacy contracts to mitigate the cliff effect of an IBOR rate discontinuation.

The group has been preparing actively for IBOR reform through the establishment of a dedicated IBOR reform steering committee. This committee consists of a number of workstreams involving relevant stakeholders across the group, including from business, risk, legal, accounting and operational areas. The committee has been actively managing and coordinating the IBOR reform agenda for the group, which 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 of 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 industry best practice for reform of derivatives linked to IBOR.

Through the IBOR reform steering committee, the group reduced its exposure to IBOR-linked currencies that were discontinued on 31 December 2021, and notably to Sterling or euro-linked transactions referencing IBOR. The remaining focus of the committee is on the legacy portfolio of US-dollar-LIBOR-linked exposures that the group still has as well as on mitigating and reducing the risk these exposures pose by the revised June 2023 deadline set by the UK regulator.

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

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

	2022 Notional amount	2021 Notional amount
Rm	**USD LIBOR**	USD LIBOR
Non-derivative financial assets	**1 226**	2 294
Non-derivative financial liabilities	**257**	1 017
Derivative financial instruments	**12 192**	15 858

C7.1 TOTAL CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

	2022 Rm	2021 Rm
Gross carrying amount of assets	**9 101**	39 179
Gross carrying amount of liabilities	**(9 738)**	(36 042)
Net carrying amount	**(637)**	3 137

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.

	2022			2021		
Rm	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Equity derivatives	9 376	7 380	1 996	33 723	13 999	19 724
Options written	1 284		1 284	7 216		7 216
Options purchased	1 530	1 447	83	7 650	7 650	
Futures[2]	6 562	5 933	629	18 857	6 349	12 508
Commodity derivatives	110	55	55	376	145	231
Options written				230		230
Options purchased	104	52	52	17	17	
Swaps[1]	[1]	[1]	[1]	2	1	1
Futures	6	3	3	127	127	
Exchange rate derivatives	865 432	460 274	405 158	812 435	417 743	394 692
Forwards	611 966	324 929	287 037	469 757	236 915	232 842
Spot				17	17	
Futures				14 908	5 770	9 138
Currency swaps	249 238	133 111	116 127	284 881	152 270	132 611
Options purchased				22 771	22 771	
Options written	4 228	2 234	1 994	20 101		20 101
Interest rate derivatives	5 424 121	2 810 507	2 613 614	4 568 969	2 268 930	2 300 039
Interest rate swaps	4 210 520	2 146 707	2 063 813	3 160 726	1 593 828	1 566 898
Forward rate agreements	1 125 609	625 353	500 256	1 348 855	661 395	687 460
Options purchased	90	30	60			
Futures	21 564	11 467	10 097	23 164		23 164
Caps	14 052	5 181	8 871	11 188	4 604	6 584
Floors	2 970	1 360	1 610	5 448	3 209	2 239
Credit default swaps	15 525	6 318	9 207	9 134	4 468	4 666
Total return swaps	33 791	14 091	19 700	10 454	1 426	9 028
Total notional principal	6 299 039	3 278 216	3 020 823	5 415 503	2 700 817	2 714 686

[1] Represents amounts less than R1m.

[2] Includes contracts for difference with positive notionals of R0m (2021: R726m) and negative notionals of R0m (2021: R800m). The equity forward agreement has positive notionals of R5 933m (2021: R5 623m) and negative notionals of R629m (2021: R11 708m).

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.

Rm	2022			2021		
	Net carrying amount	**Carrying amount of assets**	**Carrying amount of liabilities**	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	**(184)**	**1 822**	**2 006**	299	1 735	1 436
Options written	**(512)**		**512**	(1 244)		1 244
Options purchased	**459**	**1 416**	**957**	1 575	1 575	
Futures[2]	**(131)**	**406**	**537**	(32)	160	192
Commodity derivatives	**16**	**172**	**156**	112	282	170
Options written				(149)		149
Options purchased	**(4)**	**106**	**110**	245	245	
Swaps	**(1)**	**2**	**3**	15	36	21
Futures	**21**	**64**	**43**	1	1	
Exchange rate derivatives	**(655)**	**3 663**	**4 318**	616	13 188	12 572
Forwards	**(281)**	**1 241**	**1 522**	(46)	8 268	8 314
Spot				[1]	[1]	
Futures				51	251	200
Currency swaps	**(621)**	**1 270**	**1 891**	530	4 120	3 590
Options purchased				549	549	
Options written	**247**	**1 152**	**905**	(468)		468
Interest rate derivatives	**186**	**3 444**	**3 258**	2 110	23 974	21 864
Interest rate swaps	**954**	**2 676**	**1 722**	2 196	22 772	20 576
Forward rate agreements	**(8)**	**1**	**9**	(4)	442	446
Options purchased[1]	**[1]**		**[1]**			
Futures	**5**	**60**	**55**	(150)		150
Caps	**(203)**	**21**	**224**	(65)	50	115
Floors[1]	**31**	**31**	**[1]**	23	39	16
Credit default swaps	**(8)**	**12**	**20**	(1)	118	119
Total return swaps	**(585)**	**643**	**1 228**	111	553	442
Total carrying amount	**(637)**	**9 101**	**9 738**	3 137	39 179	36 042

[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					
2022					
Maturity analysis					
Under one year	**1 594**	**145**	**2 763**	**889**	**5 391**
One to five years	**228**	**27**	**765**	**864**	**1 884**
Over five years			**135**	**1 691**	**1 826**
	1 822	**172**	**3 663**	**3 444**	**9 101**
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
Derivative liabilities					
2022					
Maturity analysis					
Under one year	**1 740**	**156**	**2 546**	**1 097**	**5 539**
One to five years	**266**		**579**	**1 704**	**2 549**
Over five years			**1 193**	**457**	**1 650**
	2 006	**156**	**4 318**	**3 258**	**9 738**
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
Notional principal of derivatives					
2022					
Maturity analysis					
Under one year	**8 973**	**109**	**672 486**	**4 392 607**	**5 074 175**
One to five years	**403**	**1**	**120 478**	**642 545**	**763 427**
Over five years			**72 468**	**388 969**	**461 437**
	9 376	**110**	**865 432**	**5 424 121**	**6 299 039**
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

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 its hedging activities, the group 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 consist of principally interest rate swaps. The corresponding hedged items forming part of these fair-value hedges, designated into the fair-value hedge accounting solution, consist of primarily 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 ensuring its 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 workstreams 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 group's fair-value hedge accounting programme with all exposures being in local currency.

During 2019 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, after 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 and 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 the fourth quarter of 2022 the SARB began daily publication of the key ZARONIA rate in an observation only status (ie no active trading).

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 follows:

- 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:

Rm	Notional amount of hedged items		Accumulated amount of fair-value adjustments on the hedged item	
	Assets	**Liabilities**	**Assets**	**Liabilities**
2022				
Loans and advances	**78 551**		**(1 722)**	
Government and other securities	**70 200**		**(2 642)**	
Amounts owed to depositors		**170 201**		**1 367**
Total	**148 751**	**170 201**	**(4 364)**	**1 367**
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)

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 or loss without recognition of the effective portion of the fair-value movement designated risk in profit or 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.

Rm	2022											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Change in the fair value of hedged items	**(1 400)**	**101**	**(1 078)**	**(2 100)**	**275**	**(2 701)**	**1 440**	**(784)**	**(2 118)**	**537**	**1 935**	**(630)**
Change in the fair value of the hedging instruments	**1 338**	**(149)**	**1 009**	**2 060**	**(283)**	**2 699**	**(1 440)**	**819**	**2 154**	**(478)**	**(1 917)**	**654**
Net fair-value change	**(62)**	**(48)**	**(69)**	**(40)**	**(8)**	**(2)**	**–**	**35**	**36**	**59**	**18**	**24**

Rm	2021											
	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)

The following table contains the impact on profit or loss:

Rm	2022	2021
Losses on hedged items	**(6 523)**	(5 288)
Profit on hedging instruments	**6 466**	4 273
Movement in fair-value that was recognised in profit or loss[1]	**(57)**	(1 015)

[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

	2022 Rm	2021 Rm (Restated)[1]
Current accounts	**110 590**	106 751
Savings deposits	**42 095**	46 343
Other deposits and loan accounts	**726 686**	694 209
Call and term deposits	**409 270**	363 857
Fixed deposits	**72 277**	60 238
Cash management deposits[1]	**99 734**	111 768
Other deposits and loan accounts	**145 405**	158 346
Foreign currency liabilities	**29 180**	22 688
Negotiable certificates of deposit	**118 892**	82 429
Deposits received under repurchase agreements[2]	**13 546**	15 426
Macro fair-value hedge-accounted portfolios	**(1 367)**	83
	1 039 622	967 929
Comprises:		
– Banking deposits	**983 582**	882 141
– Trading deposits	**56 040**	85 788
	1 039 622	967 929

[1] Refer to note A5: Restatement of the consolidated statement of financial position.

[2] The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R14 408m (2021: R16 349m) as collateral for deposits received under repurchase agreements, of which R13 546m (2021: R8 424m) 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

	2022 Rm	2021 Rm (Restated)[1]
Banks	**46 164**	30 289
Government and public sector	**84 654**	96 982
Individuals	**231 247**	221 359
Business sector[1]	**677 557**	619 299
	1 039 622	967 929

[1] Refer to note A5: Restatement of the consolidated statement of financial position.

D1.3 GEOGRAPHICAL ANALYSIS

	2022 Rm	2021 Rm (Restated)[1]
SA	**930 106**	867 232
Rest of Africa	**42 317**	41 805
Europe	**51 832**	44 282
Asia	**9 428**	9 573
United States of America	**1 910**	2 196
Rest of world	**4 029**	2 841
	1 039 622	967 929

[1] Refer to note A5: Restatement of the consolidated statement of financial position. As a result of the cash management deposit sweep restatement (note A5.1) and incorrectly disclosed balances under 'SA' instead of being allocated to other regions, the comparative disclosure for the geographical analysis has been restated as shown below.

	2021		
Rm	Restated	Restatement	As previously reported
SA	867 232	(8 412)	875 644
Rest of Africa	41 805	685	41 120
Europe	44 282	2 654	41 628
Asia	9 573	468	9 105
United States of America	2 196	335	1 861
Rest of world	2 841	404	2 437
	967 929	(3 866)	971 795

D1.4 SEGMENTAL ANALYSIS

Rm	Total		Nedbank Corporate and Investment Banking	
	2022	2021 (Restated)[1]	**2022**	2021
Current accounts	**110 590**	106 751	**8 672**	6 170
Savings deposits	**42 095**	46 343		
Other deposits and loan accounts	**726 686**	694 209	**399 552**	400 175
Call and term deposits	**409 270**	363 857	**162 380**	137 404
Fixed deposits	**72 277**	60 238	**15 586**	14 361
Cash management deposits[1]	**99 734**	111 768	**87 459**	102 170
Other deposits and loan accounts	**145 405**	158 346	**134 127**	146 240
Foreign currency liabilities	**29 180**	22 688	**20 116**	15 880
Negotiable certificates of deposit	**118 892**	82 429		
Macro fair-value hedge-accounted portfolios	**(1 367)**	83		
Deposits received under repurchase agreements	**13 546**	15 426	**13 546**	15 426
	1 039 622	967 929	**441 886**	437 651
Comprises:				
– Banking deposits	**983 582**	882 141	**385 846**	351 863
– Trading deposits	**56 040**	85 788	**56 040**	85 788
	1 039 622	967 929	**441 886**	437 651

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
2022	2021 (Restated)[1]	**2022**	2021	**2022**	2021	**2022**	2021
88 662	87 005	**2 275**	2 256	**10 758**	11 224	**223**	96
13 796	13 404	**27 422**	32 066	**877**	873		
290 669	263 956	**16 473**	9 471	**18 819**	19 182	**1 173**	1 425
223 350	206 433	**13 968**	7 652	**9 567**	12 364	**5**	4
49 835	42 237	**1 124**	651	**5 732**	2 989		
9 459	7 421	**262**	382	**2 385**	1 702	**169**	93
8 025	7 865	**1 119**	786	**1 135**	2 127	**999**	1 328
8 987	6 741	**21**	47	**56**	20		
				3 817	3 755	**115 075**	78 674
						(1 367)	83
402 114	371 106	**46 191**	43 840	**34 327**	35 054	**115 104**	80 278
402 114	371 106	**46 191**	43 840	**34 327**	35 054	**115 104**	80 278
402 114	371 106	**46 191**	43 840	**34 327**	35 054	**115 104**	80 278

D2 LONG-TERM DEBT INSTRUMENTS

Instrument type	Maturity dates	Interest rates	2022 Rm	2021 Rm
Subordinated debt[1]				
Callable notes (Namibian-dollar-denominated – floating)	27 October 2031	JIBAR plus 2,75%	**103**	101
Callable notes (Namibian-dollar-denominated – fixed)	31 July 2029 to 27 January 2032	9,16% to 10,82%	**313**	314
Long-term debenture[2]	15 September 2030	Zero coupon	**13**	11
Basel III subordinated debt[3]				
Callable notes (rand-denominated – floating)	15 March 2027 to 19 November 2032	JIBAR plus 2,00% to 3,85%	**13 594**	14 620
Callable notes green bonds	30 June 2030	JIBAR plus 2,80%	**2 018**	2 013
Securitised liabilities[4]				
Callable notes (rand-denominated – floating)	20 February 2037 to 25 November 2053	JIBAR plus 1,24% to 2,50%	**1 240**	1 856
Senior unsecured debt[5]				
Senior unsecured notes – fixed	17 February 2023 to 19 November 2027	9,41% to 11,15%	**12 531**	13 943
Senior unsecured notes – floating	15 February 2023 to 1 August 2029	JIBAR plus 1,10% to 2,25%	**19 333**	21 421
Senior unsecured green bonds	30 April 2024 to 15 December 2028	JIBAR plus 1,10% to 1,45%	**2 697**	3 829
Unsecured debentures	30 November 2029	Zero coupon	**61**	51
Total long-term debt instruments in issue			**51 903**	58 159

[1]During 2022 two Basel III subordinated debt instruments were redeemed and one was issued. The issuance was at R1,4bn at JIBAR plus 2,10% redeemable on 19 November 2027.

[2] During 2022 the movement in securitised liabilities was due to capital repayments.

[3] During 2022 nine senior unsecured debt instruments were repaid to the value of R4,7bn.

D2.1 MOVEMENT IN CARRYING AMOUNT

	2022 Rm	2021 Rm
Balance at the beginning of the year	**58 159**	59 770
Changes arising from cash movements	**(10 350)**	(5 555)
Issue of long-term debt instruments	**1 424**	6 579
Redemption of long-term debt instruments	**(7 811)**	(8 244)
Interest paid	**(3 963)**	(3 890)
Acquisition/(Disposal) of own long-term debt	**(30)**	(4)
Changes arising from non-cash movements	**4 124**	3 948
Accrued interest and unwinding of premiums/discount	**4 124**	3 948
Balance at the end of the year	**51 903**	58 159

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.

	2022 Rm	2021 Rm
Balance at the beginning of the year	17 959	20 868
Premium income	4 118	4 236
Investment income	735	1 531
Annuities	(261)	(319)
Death and disability benefits	(187)	(232)
Withdrawals/Surrenders	(5 877)	(8 175)
Other movements	122	50
Balance at the end of the year	**16 609**	17 959

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 replaces IFRS 4 and is effective from 1 January 2023. The group will restate comparative information for 2022 applying the transitional provisions to IFRS 17. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held. The standard aims to increase comparability and transparency of profitability across entities where insurance contracts are issued and held. The standard introduces a new comprehensive model (general measurement model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach (premium allocation approach) and modified approach (variable-fee approach) for contracts with discretionary participation features.

The implementation of IFRS 17 will have financial and operational implications for the group and its insurance subsidiaries, including in the following areas:

- Liability measurement
- Data requirements
- Operations and the underlying systems
- Internal and external financial reporting

An IFRS 17 steering committee has been created and includes members across the group, as well as invitees from internal and external stakeholders. The role of the committee is to promote, direct and oversee the successful implementation of IFRS 17 for the group and its impacted subsidiaries. This involves formulating, coordinating, monitoring and reporting on the delivery of the fundamental project workstreams that cover the entirety of implementation. A review of insurance contracts within the group has indicated that all three measurement approaches will be applicable (ie premium allocation approach, general measurement model and variable-fee approach).

A technical committee has been established as one of the subcommittees of the steering committee to determine key judgements in the interpretation of IFRS 17. The majority of the key judgements have been considered and the subcommittee has concluded on the judgements to be applied by the group. This committee is cognisant of interpretation issues that the industry faces and is keeping abreast of the developments arising from industry forums.

Transitional impact

The after-tax impact on the equity at transition will be an increase of between 0% and 0,5% of reserves at 1 January 2022.

Initial application impact

While the group intends rolling forward in full from transition to initial application, the impact on equity for 2022 is currently being assessed. The following areas will continue to receive attention as the implementation of IFRS 17 progresses during the 2023 financial reporting period:

- Further refining certain models.
- Finalising the reporting and disclosure framework.
- Observing local and international industry trends with respect to IFRS 17 adoption.

The estimates are based on accounting policies, assumptions, judgements and estimation techniques, which will be reviewed and assessed regularly during the year in preparation for the financial statements for the year ending 31 December 2023.

D4.1 RECONCILIATION OF INSURANCE CONTRACT LIABLITIES

	2022 Rm	2021 Rm
Balance at the beginning of the year	**842**	922
Net premiums	**2 311**	2 290
Individual – recurring premiums	**2 415**	2 383
Net reinsurance premiums	**(104)**	(93)
Investment income	**249**	450
Dividends	**25**	23
Interest	**384**	456
Realised and unrealised gains/losses on investments	**(160)**	(29)
Policyholders' benefits paid	**(614)**	(978)
Annuities		(2)
Death and disability benefits	**(596)**	(932)
Gross surrenders and withdrawals	**(18)**	(44)
Total expenses	**(618)**	(581)
Administration expenses	**(560)**	(527)
Indirect taxation	**(58)**	(54)
Transfer to operating profit	**(1 546)**	(1 261)
Balance at the end of the year	**624**	842

D4.2 SENSITIVITY ANALYSIS

	Impact on profit or loss	
	2022 Rm	2021 Rm
Economic assumptions decrease by 1%	**(35)**	(27)
Economic assumptions increase by 1%	**31**	23
Voluntary discontinuance rates decreasing by 10%	**(22)**	(23)
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	**31**	27
Expense inflation increases by 1%	**(19)**	(14)
Mortality and morbidity rates decrease by 5%	**18**	23
Equity and property market value decrease by 10%	**(37)**	(25)

D5 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

Rm	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year
2022				
Long-term debt instruments	**51 903**	**5 092**	**1 851**	**4 619**
Investment contract liabilities	**16 609**	**16 609**		
Insurance contract liabilities	**624**			
Amounts owed to depositors	**1 039 622**	**754 552**	**86 697**	**122 237**
Current accounts	**110 590**	**110 689**		
Savings deposits	**42 095**	**42 133**		
Other deposits and loan accounts	**726 686**	**539 211**	**51 431**	**88 409**
Foreign currency liabilities	**29 180**	**29 235**		
Negotiable certificates of deposit	**118 892**	**19 738**	**35 266**	**33 828**
Deposits received under repurchase agreements	**13 546**	**13 546**		
Macro fair-value hedge-accounted portfolios	**(1 367)**			
Derivative financial instruments – liabilities	**9 738**	**2 227**	**1 122**	**2 190**
Lease liabilities	**2 595**	**263**	**230**	**461**
Provisions and other liabilities	**15 984**	**3 799**	**33**	**275**
	1 137 075	**782 542**	**89 933**	**129 782**
Contingent liabilities, undrawn facilities and commitments				
Guarantees on behalf of clients		**34 462**		
Letters of credit and discounting transactions		**9 038**		
Irrevocable unused facilities and other		**155 049**		
	–	**198 549**	**–**	**–**

Rm	Statement of financial position amount (Restated)[1]	<3 months (Restated)[1]	>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	967 929	718 850	69 484	95 344
Current accounts	106 751	106 788		
Savings deposits	46 343	46 357		
Other deposits and loan accounts	694 209	515 226	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	21 992	4 904	77	463
	1 105 406	752 323	75 792	104 421
Contingent liabilities, undrawn facilities and commitments				
Financial guarantees on behalf of clients		33 425		
Letters of credit and discounting transactions		7 610		
Irrevocable unused facilities and other		157 687		
	–	198 722	–	–

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

Provisions and other liabilities are included in this table to provide a reconciliation with the statement of financial position and 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
35 581	**18 136**		**65 279**
			16 609
		624	**624**
103 629	**8 301**	**–**	**1 075 416**
			110 689
			42 133
59 271	**7 522**		**745 844**
			29 235
44 358	**2 146**		**135 336**
			13 546
	(1 367)		**(1 367)**
2 549	**1 650**		**9 738**
1 692	**542**		**3 188**
254	**9**	**11 685**	**16 055**
143 705	**28 638**	**12 309**	**1 186 909**
			34 462
			9 038
			155 049
–	**–**	**–**	**198 549**

>1 year < 5years	>5 years	Non-determinable maturity (Restated)[1]	Total (Retstated)[1]
41 338	21 458		74 398
			17 959
		842	842
94 111	9 898	–	987 687
			106 788
			46 357
48 772	7 718		706 282
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	15 721	21 993
147 160	45 681	16 563	1 141 940
			33 425
			7 610
			157 687
–	–	–	198 722

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

	2022 Rm	2021 Rm
Fair value of funds under management – by type		
Unit trusts	**341 045**	359 404
Third party	**1 008**	1 105
Private clients	**51 011**	63 820
	393 064	424 329

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

	2022 Rm	2021 Rm
SA	**298 460**	325 318
Rest of world[1]	**94 604**	99 011
	393 064	424 329

[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 1 January 2021	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**
Inflows	**690 545**	**12**	**6 608**	**697 165**
Outflows	**(692 979)**	**(32)**	**(14 787)**	**(707 798)**
Mark-to-market value adjustment	**(20 594)**	**(10)**	**(4 210)**	**(24 814)**
Foreign currency translation differences	**4 669**	**(67)**	**(420)**	**4 182**
Balance at 31 December 2022	**341 045**	**1 008**	**51 011**	**393 064**

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

	SA Rm	Rest of world Rm	Total Rm
Balance at 1 January 2021	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**
Inflows	**677 208**	**19 957**	**697 165**
Outflows	**(695 073)**	**(12 725)**	**(707 798)**
Mark-to-market value adjustment	**(8 993)**	**(15 821)**	**(24 814)**
Foreign currency translation differences		**4 182**	**4 182**
Balance at 31 December 2022	**298 460**	**94 604**	**393 064**

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)	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Private-equity investments	**6 612**	6 287	**135**	207	**127**	303
Private-equity associates and joint-ventures – Property Partners	**1 598**	1 799	**8**	1	**96**	39
Private-equity associates – Investment Banking	**1 176**	1 020			**119**	215
Private equity (unlisted) – Property Partners	**1 592**	1 228			**259**	17
Private equity (unlisted) – Investment Banking	**2 246**	2 240	**127**	206	**(347)**	32
Listed investments	**347**	23	**5**	29	**(1)**	1
Unlisted investments	**2 930**	3 349	**30**	22	**167**	(13)
Taquanta Asset Managers portfolio	**526**	550		4		57
Strate Limited	**163**	163	**14**	15		
Other	**2 241**	2 636	**16**	3	**167**	(70)
Total listed and unlisted investments	**9 889**	9 659	**170**	258	**293**	291
Listed policyholder investments at market value	**11 851**	11 638				
Unlisted policyholder investments at directors' valuation	**3 725**	4 201				
Total policyholder investments	**15 576**	15 839				
Total investment securities	**25 465**	25 498				

The group has designated 14 listed and unlisted investments (2021:13) at FVOCI, as these investments are held with strategic intent. The fair value of these investments was R926m at 31 December 2022 (31 December 2021: R972m). R8m (2021: R5m) 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 postacquisition profit or loss and postacquisition movements in OCI are recognised in the income statement and OCI respectively. The group applies the equity method of accounting from the date on which significant influence 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 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 to dispose of them 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. The fair value of these joint-venture companies is included in note F1 Investment securities as part of Private-equity associates and joint-ventures – Property Partners. 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, ETI, will report results for the year ended 31 December 2022 subsequent to the release of the group's audited consolidated financial statements. Therefore, as allowed by IAS 28, the group uses the most recent public information of ETI (at 30 September 2022, ie a quarter in arrear) to determine its share of ETI's earnings and OCI. In addition, as required by IAS 28, the group considers whether adjustments for significant transactions or events between 30 September 2022 and 31 December 2022, are required, based on publicly available information. The resulting equity-accounted earnings is translated from US dollar to rand at the average exchange. The group's share of the net assets of ETI is translated from US dollar to rand at the closing exchange rate.

Our associate income includes our share of ETI's earnings from 1 October 2021 to 30 September 2022, in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear, and any significant transactions or events that occurred between 1 October 2022 and 31 December 2022. During December 2022, the Government of Ghana announced its intention to restructure its local and external debt. The Ghanaian Finance Minister announced that Ghana was entering a voluntary domestic-debt restructure programme for its local debt, while indicating that it will not service its external debts. This led to a default event when Ghana's Eurobond coupon payments were not made in January 2023. Nedbank concluded its own governance review process for the 2022 full-year results and, in accordance with our accounting policy, estimated our share of the impact of the Ghanaian sovereign-debt restructure programme on ETI, using publicly available information, such as Ecobank Ghana's published financial statements, and published economic data and reports on the restructuring. The impact was an estimated R175m after-tax associate loss.

The carrying value of Nedbank Group's strategic investment in ETI decreased from R2,3bn to R1,3bn during the year. The market value of the group's investment in ETI, based on its quoted share price on 31 December 2022, was R2,1bn. There are no indicators of impairment or reversal thereof at 31 December 2022. 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.

As there is no indicator of impairment or reversal thereof, management determined neither to change the previous R1,75bn impairment nor to reverse any impairment in the current period. The calculation will be revisited at each reporting period where the indicators of impairment are reconsidered and the VIU calculation reassessed with any future changes in estimates and assumptions taken into account.

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 2 March 2023 the market value of the group's investment in ETI was R2,5bn.

F2.1 MOVEMENT IN CARRYING AMOUNT OF ASSOCIATE COMPANIES

	2022 Rm	2021 Rm
Carrying amount at the beginning of the year	**3 395**	3 322
Share of associate companies' profit after taxation for the year[1]	**879**	786
Share of associate companies' OCI for the year	**(1 823)**	(742)
Dividends received from equity-accounted associate companies	**(145)**	(162)
Acquisitions/(Disposals) of investments in associate companies		43
Foreign currency translation and other movements	**190**	148
Carrying amount at the end of the year	**2 496**	3 395

[1] *Of this amount R0m (2021: R13m) relates to our share of ETI's goodwill impairment.*

F2.1.1 MOVEMENT IN CARRYING AMOUNT OF ETI

	2022 Rm	2021 Rm
Carrying amount at the beginning of the year	**2 272**	2 180
Share of associate company's profit after taxation for the year	**779**	686
Share of associate company's OCI for the year	**(1 823)**	(742)
Foreign currency translation	**190**	148
Dividends received from equity-accounted associate company	**(132)**	
Carrying amount at the end of the year	**1 286**	2 272

F2.2 ANALYSIS OF CARRYING AMOUNT OF ASSOCIATE COMPANIES

	2022 Rm	2021 Rm
Associate investments – on acquisition: net asset value	**7 233**	7 233
Impact of adopting new accounting standards, net of taxation	**(780)**	(780)
Share of retained earnings since acquisition[1]	**3 203**	2 324
Share of OCI since acquisition	**(6 662)**	(4 839)
Dividends received from equity-accounted associate companies	**(527)**	(382)
Impairment provision for investments in associate companies	**(1 750)**	(1 750)
Foreign currency translation and other movements[2]	**1 779**	1 589
	2 496	3 395

[1] Of this amount, R541m relates to the group's share of ETI's goodwill impairment.

[2] Of this amount, R125m (2021: R92m) 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 2022 %	Percentage holding 2021 %
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 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 SA. The group has the same proportion of voting rights as its proportion of ownership interest, unless stated otherwise, and has not incurred any contingent liabilities with regard to the associates listed above.

F2.4 ADDITIONAL DISCLOSURE RELATING TO MATERIAL ASSOCIATE COMPANY

	ETI[1] 2022 Rm	ETI[1] 2021 Rm
Fair value of investment in ETI based on the closing quoted price on the Nigerian Stock Exchange[2]	**2 050**	1 709
Statement of comprehensive income		
Revenue	**21 607**	25 737
Profit from continuing operations	**4 448**	5 142
After-tax profit from discontinued operations		24
Other comprehensive losses	**(10 051)**	(4 353)
Total comprehensive (losses)/income	**(5 603)**	813
Statement of financial position		
Current assets	**304 829**	248 677
Non-current assets	**155 789**	184 738
Current liabilities	**386 290**	362 596
Non-current liabilities	**43 227**	36 969

[1] The information provided for ETI has been based on the latest available financial information, being the audited financial results available at 30 September 2022.

[2] Based on the NAFEX NGN/USD and prevailing ZAR/USD exchange rates.

No indicators of impairment or reversal thereof at 31 December 2022.

			Group			
			Carrying amount		Net exposure to/(from) associates[1]	
Measurement method	Acquisition date	Year-end	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Equity-accounted	October 2014	December	**1 286**	2 272	**782**	81
Equity-accounted	November 2018	June	**530**	480	**1 615**	1 246
Equity-accounted			**238**	237	**437**	271
Equity-accounted			**442**	406	**67**	35
			2 496	3 395	**2 901**	1 633

F2.5 ADDITIONAL DISCLOSURE RELATING TO IMMATERIAL ASSOCIATES

	2022 Rm	2021 Rm
Carrying amount of immaterial associates	**1 210**	643
Group's share of:		
Total comprehensive income	**272**	8
Profit from continuing operations	**272**	11
Other comprehensive losses		(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 an interest in, the group considers factors such as the purpose and design of the investee, the group's practical ability to direct the relevant activities of the investee, the nature of the group's relationship with the investee, and the size of the group's 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, whether the name of the group is associated with the name of the entity, or whether the group 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	
	2022 Rm	2021 Rm	2022 %	2021 %
Banking[2]				
Nedbank Limited	**28**	28	**100**	100
Nedbank Moçambique, 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]				

[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.

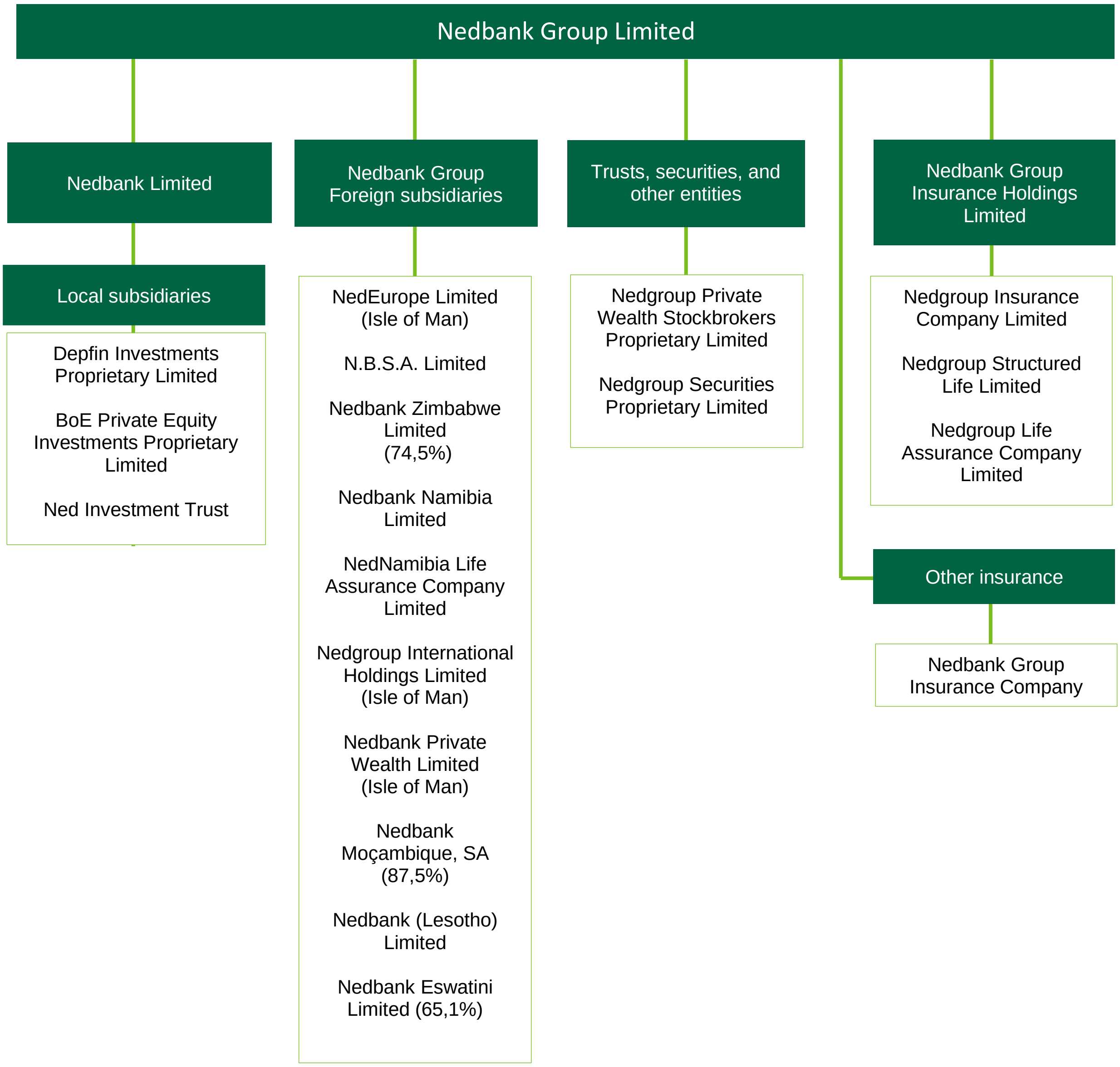
[5] In terms of a dispensation received from the FSCA these companies are not allowed to declare any distributions to their holding company.

Company			
Book value of investments		Net indebtedness	
2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
33 818	32 918	**10 914**	11 783
730	730		16
1	1		
566	566		
1 612	1 612		
196	196	**257**	260
429	429		
155	155		
394	300	**507**	509
37 901	36 907	**11 678**	12 568

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.

F3.2 MAJOR SUBSIDIARY COMPANIES



All subsidiaries are wholly owned, unless stated otherwise.

F3.3 MATERIAL NON-CONTROLLING INTERESTS

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

	Nedbank Moçambique, SA		Nedbank Eswatini Limited		Nedbank Zimbabwe Limited	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Financial position						
Total assets	**8 235**	7 942	**6 190**	6 088	**3 272**	3 594
Total liabilities	**7 028**	6 939	**5 198**	5 152	**2 591**	3 100
Accumulated non-controlling interests at the end of the year	**151**	125	**347**	327	**173**	142
Comprehensive income						
Income from lending activities	**495**	422	**299**	264	**152**	179
Non-interest revenue and income	**197**	140	**202**	191	**650**	605
Profit from continuing operations	**130**	53	**167**	131	**329**	134
Total comprehensive income	**130**	53	**167**	131	**329**	134
Profit allocated to non-controlling interests during the reporting period	**16**	7	**58**	46	**85**	44
Cash flows						
Cash flows from/(used by) operating activities	**182**	(784)	**(5)**	(220)	**1 146**	363
Cash flows (used by)/from investing activities	**(11)**	(148)	**(10)**	4	**(41)**	(52)
Cash flows used by financing activities	**(46)**		**(122)**	(80)	**(9)**	(7)
Net increase/(decrease) in cash and cash equivalents	**125**	(932)	**(137)**	(296)	**1 096**	304
Dividends paid to non-controlling interests			**37**	25		

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

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

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 programme Greenhouse Funding 5 (RF) Limited and the commercial-mortgage-backed securitisation programme Precinct Funding 2 (RF) Limited which matured on 21 February 2022. 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 and commensurate with the services provided and include 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
2022	
Carrying amount of the group's interest	**11**
Fees earned	**792**
Total assets under management	**255 064**
2021	
Carrying amount of the group's interest	10
Fees earned	816
Total assets under management	269 983

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 one active and one matured traditional securitisation transaction:

- 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 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 notes, 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 was a commercial-mortgage-backed securitisation (CMBS) programme. Precinct Funding 2 securitised R1bn worth of both commercial-property mortgage loans originated by Nedbank Limited, through the issuance of senior notes to the capital market as well as subordinated notes, and a subordinated loan provided by Nedbank Limited.

The maturity of the Precinct Funding 2 securitisation transaction occurred on 21 February 2022. As a result, all the outstanding notes held by external investors that were originally issued by Precinct Funding 2 were redeemed in full.

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:

	2022		2021	
Rm	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients:				
– Residential mortgage loans	**1 210**	**1 240**	1 576	1 541
Less: Impairments	**(8)**		(4)	
– Commercial mortgage loans			397	315
Less: Impairments			(1)	
Total	**1 202**	**1 240**	1 968	1 856

F6 RELATED PARTIES

F6.1 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)			
2022			
Directors' fees	**23**		**23**
Remuneration – paid by subsidiaries	**75**	**160**	**234**
Short-term employee benefits	**62**	**130**	**192**
Gain on exercise of share instruments	**13**	**30**	**42**
	98	**160**	**257**
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

	Directors	Key management personnel	Total
Number of share instruments			
2022			
Outstanding at the beginning of the year	**919 490**	**1 575 552**	**2 495 042**
Granted	**215 037**	**398 511**	**613 548**
Forfeited		**(123 372)**	**(123 372)**
Exercised	**(157 085)**	**(261 725)**	**(418 810)**
Transferred[1]		**22 077**	**22 077**
Outstanding at the end of the year	**977 442**	**1 611 043**	**2 588 485**
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

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

F6.2 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 these transactions were entered into in the normal course of business.

	Due from/(Owing to)	
Outstanding balances (Rm)	**2022**	2021
Associate companies		
Loans due from associate companies	**6 934**	3 445
Deposits owing to associate companies[1]	**(1 774)**	(1 647)
Bank balances owing to associate companies	**(48)**	(11)
Key management personnel		
Mortgage bonds due from key management personnel[2]	**63**	48
Deposits owing to key management personnel[2]	**(344)**	(87)
Bank balances due from key management personnel[2]	**3**	4
Bank balances owing to key management personnel[2]	**(119)**	(4)
Key management personnel – directors	**(56)**	(23)
Key management personnel – other	**(90)**	(44)
Share-based payments reserve	**(146)**	(67)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund		(14)
Bank balances owing to Nedgroup Pension Fund	**(12)**	(12)
Bank balances and deposits owing to other funds	**(469)**	(392)

[1] The balance includes derivatives.

[2] The balance includes transactions with close family members and key management personnel business accounts.

	Income/(Expense)	
Transactions (Rm)	**2022**	2021
Old Mutual Group[1]		
Dividend paid to Old Mutual Group[1]		(477)
Interest income from Old Mutual Group[1]		1 271
Interest expense to Old Mutual Group[1]		(2 585)
Insurance premiums to Old Mutual Insure Limited[1]		(141)
Claims recovered from Old Mutual Insure Limited[1]		88
Commission income from Old Mutual Insure Limited[1]		25
Management fee income from Old Mutual Group[1]		169
Management fee expense to Old Mutual Group[1]		(55)
Fees received for provision of information technology services from Old Mutual Group[1]		123
Rent paid to Old Mutual Group[1]		(14)
Associate companies		
Income from associate companies[2]	**540**	89
Expense to associate companies[3]	**(29)**	(26)
Key management personnel		
Interest income from key management personnel[4]	**4**	2
Interest expense to key management personnel[4]	**(16)**	(1)
Key management personnel – directors	**38**	22
Key management personnel – other	**62**	41
Share-based payments expense (included in staff costs)	**100**	63

[1] The group and Old Mutual' s related-party relationship ceased during 2021.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 balance includes interest income and non interest revenue.

[3] The balance Includes interest paid and operating expense.

[4] The balance includes transactions with close family members and key management personnel business accounts.

Key management personnel paid insurance premiums amounting to less than R1m.

	Income/(Expense)	
	2022	2021
Long-term employee benefit plans		
Interest expense to other funds	**(27)**	(41)

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 the assessment of the 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 the items 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 used. Land is not depreciated.

The 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 represent 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:

- Whether a significant decline in expected economic benefits from the full operational effects of the lease contract has occurred.
- Whether the leased asset is underutilised, renounced, relinquished or abandoned.
- An array of factors to make a conclusion as to whether the lease is onerous.
- The prevailing merits, facts and circumstances of each case.

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

	2022 Rm	2021 Rm
Property and equipment (owned) (note G1.2)	**9 169**	9 072
Right-of-use assets (leased) (note G1.3)	**1 895**	1 667
Property and equipment	**11 064**	10 739

G1.2 PROPERTY AND EQUIPMENT (OWNED)

	Land		Buildings	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Gross carrying amount				
Balance at 1 January	**975**	974	**6 571**	7 753
Acquisitions		4	**681**	465
Increases/(Decreases) arising from revaluations[1]	**27**		**(428)**	(112)
Transfers to non-current assets held for sale	**(5)**	(15)	**(45)**	(244)
Disposals		(1)	**(390)**	(1 458)
Transfers between assets				110
Effect of movements in foreign exchange rates and other movements	**(47)**	13	**(51)**	57
Balance at 31 December	**950**	975	**6 338**	6 571
Accumulated depreciation and impairment losses				
Balance at 1 January			**1 419**	2 479
Depreciation charge for the year			**386**	386
Write-off of accumulated depreciation on revaluations			**(111)**	(32)
Disposals			**(382)**	(1 418)
Effect of movements in foreign exchange rates and other movements			**8**	4
Balance at 31 December	**–**	–	**1 320**	1 419
Carrying amount				
At 1 January	**975**	974	**5 152**	5 275
At 31 December	**950**	975	**5 018**	5 152

[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	
2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
3 817	6 663	2 361	3 776	76	65	13 800	19 232
956	756	367	188	19	17	2 023	1 430
			86			(401)	(26)
						(50)	(259)
(629)	(3 609)	(286)	(1 603)	(3)	(7)	(1 308)	(6 678)
2		(2)	(110)			–	–
(52)	7	(30)	24	(29)	1	(209)	102
4 094	3 817	2 410	2 361	63	76	13 855	13 801
1 872	4 753	1 388	2 638	51	52	4 729	9 921
671	717	335	334	5	6	1 397	1 443
	(7)	(1)	(1)	(13)	(2)	(125)	(42)
(604)	(3 594)	(279)	(1 596)	(3)	(5)	(1 268)	(6 613)
(13)	3	(29)	13	(13)		(47)	20
1 926	1 872	1 414	1 388	27	51	4 686	4 729
1 945	1 910	973	1 138	25	14	9 070	9 310
2 168	1 945	996	973	36	25	9 169	9 072

G1.2 PROPERTY AND EQUIPMENT (OWNED)

Type of property	Valuation method	Significant inputs	Parameters	Land 2022 Rm	Land 2021 Rm	Buildings 2022 Rm	Buildings 2021 Rm
Commercial property	Market-comparable approach and discounted cash flow	Income capitalisation rates	9,00% – 10,00%. (2021: 8,70% – 10,00%.)	**950**	975	**5 018**	5 152
Total land and buildings				**950**	975	**5 018**	5 152

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 model and not the revaluation model, the carrying amount would have been R4 413m (2021: R3 362m).

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

Right-of-use assets reconciliation

	2022 Rm	2021 Rm
Balance at the beginning of the year	**1 667**	2 023
Depreciation charge for the year	**(826)**	(864)
Additions	**244**	115
Lease modifications[1]	**816**	370
Reversal of impairment/(Impairment losses)[2]	**2**	(9)
Derecognition and disposals	**5**	
Effect of movements in foreign exchange rates and other movements	**(13)**	32
Balance at the end of the year	**1 895**	1 667

[1] Related to amendments to new and existing lease contracts subsequent to 1 January 2019. Included in lease modifications are reinstatement costs of R36m (2021: R44m).

[2] The impairment indicator is due to the group's plans to implement new ways of work, which results in leased office space becoming redundant. These impairment losses in 2022 were offset by the reversal of an impairment. 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

	2022 Rm	2021 Rm
Property (ATMs, branches, offices and campus sites)	**(744)**	(782)
Office equipment	**(82)**	(82)
	(826)	(864)

Closing balances by class of right-of-use assets

	2022 Rm	2021 Rm
Property (ATMs, branches, offices and campus sites)	**1 720**	1 501
Office equipment	**175**	166
	1 895	1 667

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 their fair value less costs to sell, their 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 the assessment of 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 the 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 has become 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 the impairments charge on non-financial instruments and other gains and losses (in profit and 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 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 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 Private Wealth, is marginally above the net asset value.

Management stressed the various key assumptions and inputs into the VIU (ie discount rate, cash flows and regulatory capital charge) and are comfortable that the goodwill balance is 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 marginal VIU and found that this would result in an impairment of R35m.

Management considered the source of the key inputs, which is a significant judgement in particular cash flow forecasts. These are aligned with the group's three-year planning and strategy process. Discount rates have been prepared by the group's Balance Sheet Management unit and reviewed by the Group ALCO, and regulatory capital impacts are aligned with the group's 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 be 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 that 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 commiss-ioned)	Client relationships, contractual rights and other	Total
2022					
Cost					
Balance at the beginning of the year	**6 540**	**13 215**	**1 391**	**930**	**22 076**
Acquisitions		**101**	**1 279**	**18**	**1 398**
Development costs commissioned to software		**1 018**	**(1 018)**		**–**
Disposals and retirements		**(551)**			**(551)**
Foreign currency translation and other movements	**(3)**	**10**	**(1)**		**6**
Balance at the end of the year	**6 537**	**13 793**	**1 651**	**948**	**22 929**
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	**2 245**	**5 452**	**253**	**905**	**8 855**
Amortisation charge		**1 864**			**1 864**
Disposals and retirements		**(543)**			**(543)**
Impairment losses[1]		**56**	**37**		**93**
Foreign currency translation and other movements		**6**	**3**	**2**	**11**
Balance at the end of the year	**2 245**	**6 835**	**293**	**907**	**10 280**
Carrying amount					
At the beginning of the year	**4 295**	**7 763**	**1 138**	**25**	**13 221**
At the end of the year	**4 292**	**6 958**	**1 358**	**41**	**12 649**
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[1]	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

[1] Impaired intangible assets consist of projects mainly in 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

	2022 Rm	2021 Rm
Nedbank Corporate and Investment Banking	**2 023**	2 023
Nedbank Retail and Business Banking	**1 449**	1 449
Nedbank Wealth	**658**	663
Nedbank Africa Regions	**162**	160
	4 292	4 295

The group's annual impairment test indicated that the goodwill relating to two CGUs in Nedbank Wealth was impaired at 31 December 2021 as a result of the negative macroeconomic environment. This resulted in an impairment of goodwill totalling R0m (2021: R306m), which is not recognised in headline earnings.

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

	2022 Rm		2021 Rm	
	SA and Namibia	UK	SA and Namibia	UK
Risk-free rate range, including country risk premium (%)	**7,45–10,27**	**3,48**	8,41–9,50	1,07
Beta range[1]	**1,08**	**1,00**	0,87–0,99	0,83
Equity risk premium (%)[1]	**4,24–5,00**	**6,5**	4,72–5,50	6,5
Inflation rate (%)[1]	**4,50–5,85**	**2,57**	4,50–5,71	1,94
Country risk premium (%)[1]	**3,56**		3,49	
Terminal growth rate range (%)[2]	**4,50–5,85**	**2,57**	4,50–5,71	1,94
Cash flow projection (years)	**3–5**	**5**	3–5	5
Discount rate range (pre-tax) (%)[3]	**20,05–26,04**	**12,32**	20,22–25,40	10,45
Discount rate range (post-tax) (%)[3]	**14,64–19,01**	**9,98**	14,56–18,29	8,47

[1] Management determined these key assumptions using information provided by the Nedbank Economic Unit, Balance Sheet Management Unit and reputable external sources.

[2] Based on management estimates of sustainable growth rates.

[3] Discount rates are based on the weighted-average cost of equity of the respective CGUs.

	2022 Rm	2021 Rm
Geographical split of goodwill is based on the area in which the CGU operates:		
– SA	**4 039**	4 039
– Rest of Africa	**162**	160
– Rest of world	**91**	96
	4 292	4 295

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 offset against plan liabilities only if they are assets held by long-term employee benefit funds or qualifying insurance policies. Qualifying insurance policies exclude any policies held by the related parties.

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 is 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 disablement. 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 2022.

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 Postretirement 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).

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

Rm	Assets	Liabilities	Net asset/ (liability)
2022			
Postemployment benefits (note H1.1.1)	**3 982**	**(6)**	**3 976**
Other long-term employee benefits – disability fund	**125**		**125**
	4 107	**(6)**	**4 101**

Rm	Assets (Restated)[1]	Liabilities (Restated)[1]	Net asset/ (liability)
2021			
Postemployment benefits (note H1.1.1)[1]	4 216	(156)	4 060
Other long-term employee benefits – disability fund[1]	123		123
	4 339	(156)	4 183

[1] Refer to note A5: Restatement of the consolidated statement of financial position.

H1.1.1 Net asset/(liability) recognised

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
2022				
Present value of defined-benefit obligation	**(3 502)**	**(907)**		**(4 409)**
Fair value of plan assets	**6 515**	**1 138**	**939**	**8 592**
Funded status	**3 013**	**231**	**939**	**4 183**
Unrecognised due to paragraph 65 limit	**(207)**			**(207)**
	2 806	**231**	**939**	**3 976**
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	3 068	221	985	4 274
Unrecognised due to paragraph 65 limit	(214)			(214)
	2 854	221	985	4 060

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					
2022					
Pension funds	**3 502**	**6 515**	**3 013**	**(207)**	**2 806**
Nedgroup Fund	**2 829**	**5 635**	**2 806**		**2 806**
Nedbank UK Fund	**306**	**411**	**105**	**(105)**	**–**
Nedbank Private Wealth funds	**119**	**127**	**8**	**(8)**	**–**
Other funds	**248**	**342**	**94**	**(94)**	**–**
Medical aid funds	**907**	**1 138**	**231**	**–**	**231**
Nedgroup scheme for Nedbank employees	**844**	**1 065**	**221**		**221**
Nedgroup scheme for BoE employees	**55**	**73**	**18**		**18**
Nedbank Namibia scheme (unfunded)	**8**		**(8)**		**(8)**
Contribution asset		**939**	**939**		**939**
Total	**4 409**	**8 592**	**4 183**	**(207)**	**3 976**
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

Rm	Pension and provident funds	Medical aid funds	Total
Present value of defined-benefit obligation			
2022			
Balance at the beginning of the year	**4 000**	**965**	**4 965**
Current service cost	**8**		**8**
Past service cost	**7**		**7**
Interest cost	**318**	**98**	**416**
Contributions by plan participants	**(20)**		**(20)**
Actuarial (gains)/losses	**(339)**	**(69)**	**(408)**
Benefits paid	**(431)**	**(87)**	**(518)**
Impact of foreign currency exchange rate changes	**(41)**		**(41)**
Balance at the end of the year	**3 502**	**907**	**4 409**
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 (gains)/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

H1.1.2 Postemployment benefits

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Fair value of plan assets				
2022				
Balance at the beginning of the year	**7 068**	**1 186**	**985**	**9 239**
Expected return on plan assets	**623**	**120**	**(46)**	**697**
Actuarial gains/(losses)	**(685)**	**(82)**		**(767)**
Contributions by the employer	**33**	**1**		**34**
Contributions by plan participants	**(20)**			**(20)**
Benefits paid	**(433)**	**(87)**		**(520)**
Scheme-settled administration costs	**(9)**			**(9)**
Impact of foreign currency exchange rate changes	**(62)**			**(62)**
Balance at the end of the year	**6 515**	**1 138**	**939**	**8 592**
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

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Net (income)/expense recognised				
2022				
Current service cost	**10**			**10**
Interest (received)/cost	**(302)**	**(23)**	**46**	**(279)**
Scheme-settled plan administration costs	**9**			**9**
Past service cost – vested benefit	**7**			**7**
Effect of application of asset ceiling	**4**			**4**
	(272)	**(23)**	**46**	**(249)**
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)

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Movements in net asset/(liability) recognised				
2022				
Balance at the beginning of the year	**2 854**	**221**	**985**	**4 060**
Net income recognised in the statement of comprehensive income	**272**	**23**	**(46)**	**249**
Net remeasurements – debit for the year	**(349)**	**(13)**		**(362)**
Contributions paid by the employer	**35**			**35**
Impact of foreign currency exchange rate changes	**(21)**			**(21)**
Asset ceiling	**15**			**15**
Balance at the end of the year	**2 806**	**231**	**939**	**3 976**
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
Scheme-settled plan administration costs	34			34
Contributions paid by the employer	(15)			(15)
Impact of foreign currency exchange rate changes	(48)			(48)
Balance at the end of the year	2 854	221	985	4 060

%	Pension and provident funds	Medical aid funds
Distribution of plan assets (%)		
2022		
Equity instruments	**24,31**	**23,00**
Debt instruments	**16,01**	**44,00**
Property	**2,79**	**4,00**
Cash	**0,67**	
International	**25,72**	**29,00**
Other	**30,50**	
	100	**100**
2021		
Equity instruments	26,79	45,00
Debt instruments	16,73	19,00
Property	3,27	6,00
Cash	0,45	
International	24,62	30,00
Other	28,14	
	100	100
Actual return on plan assets		
2022	**(62)**	**38**
2021	1 263	151

Principal actuarial assumptions (%)

Principal actuarial assumptions (%)	Pension and provident funds	Medical aid funds
2022		
Discount rates	**4,70–11,10**	**9,90–11,60**
Expected rates of return on plan assets	**4,70–11,10**	**9,90–11,60**
Inflation rate	**2,65–5,80**	**5,70–6,30**
Expected rates of salary increases	**6,80–6,80**	**5,70–6,30**
Pension increase allowance	**0,00–5,80**	
Annual increase to medical aid subsidy		**7.20–8.30**
Average expected retirement age (years)	**60–65**	
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	

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.

2022

Rm	Main result	Discount rate plus 1%	Discount rate minus 1%	Inflation rate plus 1%	Inflation rate minus 1%
Defined-benefit obligation	**3 502**	**2 867**	**3 294**	**3 306**	**2 877**
Change (%)		**(18)**	**(6)**	**(6)**	**(18)**

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)

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 2022.

2022

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	907	968	837	866	934
Change (%)		7	(8)	(5)	3

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

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 (%)

	2022	2021
– Discount rate	9,49	8,28
– Expected return on plan assets	9,49	8,28
– Future salary increases	4,86	4,62
– Future pension increases	5,62	5,48

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,49%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Rm	Pension and provident funds	Medical aid funds	Total
Experience adjustments on present value of defined-benefit obligations for the past five			
2022	(339)	(69)	(408)
2021	153	5	158
2020	(138)	(81)	(219)
2019	(84)	67	(17)
2018	(337)	(139)	(476)
Experience adjustments on fair value of plan assets for the past five years			
2022		(82)	(82)
2021		45	45
2020		(38)	(38)
2019		28	28
2018		(216)	(216)
Estimate of future contributions			
Contributions expected for ensuing year	35		35

Fund surplus/(deficit) for the past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2022	**3 502**	**6 515**	**3 013**
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
Medical aid funds			
2022	**907**	**1 138**	**231**
2021	965	1 186	221
2020	958	1 121	163
2019	1 031	1 140	109
2018	1 441	1 149	(292)

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 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 although the sale has not yet been completed management is committed to a plan to dispose of the asset in the next 12 months.

The property has been measured at its carrying amount and during the year an impairment loss of R3m (2021: R0m) was recognised due to a decrease in the market value.

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 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.

In April 2022 Nedbank Group disposed of its 100% interest in, Nedgroup Trust Limited for R367m when the suspensive conditions on the sale agreement were met. Nedbank Private Wealth Limited disposed of, and Suntera Gloabald acquired, 100% of the issued shares of Nedgroup Trust Limited. A R181m profit was recognised in non-trading and capital items on the sale of Nedgroup trust Limited. The disposal followed a strategic review by Nedbank Group.

Non-current assets held for sale

	2022 Rm	2021 Rm
Properties sold, but not yet transferred and previously included in property and equipment	38	126
Property held for sale and previously included in property and equipment	206	180
Nedgroup Trust Limited previously included in:	–	332
Cash and cash equivalents		37
Other assets		77
Property plant and equipment		47
Intangible assets		171
	244	638

Non-current liabilities held for sale

	2022 Rm	2021 Rm
Nedgroup Trust Limited previously included in:	–	80
Provisions and other liabilities		72
Current taxation		8
	–	80

H3 OTHER ASSETS

	2022 Rm	2021 Rm (Restated)[1]
Sundry debtors and other accounts[1]	**8 646**	9 008
Trading securities and spot positions	**19 413**	21 007
Impairment of other assets	**(7)**	(4)
	28 052	30 011

[1] Refer to note A5: Restatement of the consolidated statement of financial position.

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 are classified as mandatorily at fair value and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when it is being determined 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 a SICR since initial recognition. Indicators of a SICR in the retail portfolio may include any of the following:

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

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

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

Measurement of expected credit losses

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

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together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset.

The assessment of a 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 the carrying amount of the asset being reduced. 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.
- That the review is performed at a facility or client level (or client group).
- That 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.

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- That increased monitoring or scrutiny of the facility, for example additional controls and/or approvals, is put in place until the next review.

(iv) Derecognition other than a modification

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

- the contractual rights to the 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 the following:

- 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.
- 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 or 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) and 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	Mandatorily at fair value Rm	Designated[1] Rm
2022				
Assets				
Cash and cash equivalents	C6	45 618		
Other short-term securities	C4	70 661	41 024	179
Derivative financial instruments	C7	9 101	9 101	
Government and other securities	C3	160 495	79 778	504
Loans and advances	C1.1	882 165	51 150	9 939
Other assets	H3	28 052	19 413	
Current taxation assets		147		
Investment securities	F1	25 465	24 529	
Non-current assets held for sale	H2	244		
Investments in associate companies	F2	2 496		
Deferred taxation assets	B8.3	681		
Investment property		26		
Property and equipment	G1	11 064		
Long-term employee benefit assets	H1.1	4 107		
Intangible assets	G2	12 649		
Total assets		1 252 971	224 995	10 622
Equity and liabilities				
Ordinary share capital	B4.1	487		
Ordinary share premium		19 208		
Reserves		85 233		
Total equity attributable to ordinary shareholders		104 928	–	–
Holders of participating preference shares		51		
Holders of additional tier 1 capital instruments	B5	10 219		
Non-controlling interest attributable to ordinary shareholders		698		
Total equity		115 896	–	–
Derivative financial instruments	C7	9 738	9 738	
Amounts owed to depositors	D1	1 039 622	36 987	
Provisions and other liabilities	K1.1	17 752	175	
Current taxation liabilities		322		
Deferred taxation liabilities	B8.3	499		
Long-term employee benefit liabilities	H1.1	6		
Investment contract liabilities	D3	16 609		16 609
Insurance contract liabilities	D4	624		
Long-term debt instruments	D2	51 903		
Total liabilities		1 137 075	46 900	16 609
Total equity and liabilities		1 252 971	46 900	16 609

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

FVOCI			
Debt instruments Rm	Equity instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		45 618	
25 526		3 932	
		80 213	
42 824		778 252	
		7 176	1 463
			147
95	831		10
			244
			2 496
			681
			26
			11 064
			4 107
			12 649
68 445	831	915 191	32 887
			487
			19 208
			85 233
–	–	–	104 928
			51
			10 219
			698
–	–	–	115 896
		1 002 635	
		5 243	12 334
			322
			499
			6
			624
		51 903	
–	–	1 059 781	13 785
–	–	1 059 781	129 681

	Notes	Total Rm (Restated)[2]	At FVTPL Mandatorily at fair value Rm	At FVTPL Designated[1] Rm
2021				
Assets				
Cash and cash equivalents	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	30 011	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	4 339		
Intangible assets	G2	13 221		
Total assets		1 214 917	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 equity holders		99 513	–	–
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	967 929	34 728	
Provisions and other liabilities	K1.1	23 451	3 436	
Current taxation liabilities		330		
Non-current liabilities held for sale	H2	80		
Deferred taxation liabilities	B8.3	458		
Long-term employee benefit liabilities	H1.1	156		
Investment contract liabilities	D3	17 959		17 959
Insurance contract liabilities	D4	842		
Long-term debt instruments	D2	58 159		
Total liabilities		1 105 406	74 206	17 959
Total equity and liabilities		1 214 917	74 206	17 959

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

[2] *Refer to note A5: Restatement of the statement of financial position.*

FVOCI			
Debt instruments Rm	Equity instruments Rm	Financial instruments at amortised cost Rm (Restated)[2]	Non-financial assets, liabilities and equity Rm (Restated)[2]
		44 586	
22 844		2 185	
100		80 762	
25 454		746 719	
		7 594	1 410
			124
86	886		39
			638
			3 395
			889
			28
			10 739
			4 339
			13 221
48 484	886	881 846	34 822
			486
			18 768
			80 259
–	–	–	99 513
			59
			9 319
			620
–	–	–	109 511
		933 201	
		6 639	13 376
			330
			80
			458
			156
			842
		58 159	
–	–	997 999	15 242
–	–	997 999	124 753

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

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

Therefore, a valuation technique:

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

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

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

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

OBSERVABLE MARKETS

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

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

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

- verifiable;
- readily available;

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

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

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

It is not the intention to imply that all 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 Johannesburg, 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 used.
- 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 collateralised 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 are debt and equity instruments managed on a fair-value basis and these 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 or 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 are 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 of risk positions and apply the bid or asking price to the net open position, as appropriate.

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS

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

	VALUATION TECHNIQUE	KEY INPUTS
Assets		
Other short-term securities	Discounted-cash-flow Model	Discount rates
Derivative financial instruments	Discounted-cash-flow Model	Discount rates
	Black–Scholes Valuation Model	Risk-free rates and volatilities
	Multiple valuation techniques	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 Model	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cash-flow Model	Discount rates
	Black–Scholes Valuation Model	Risk-free rates and volatilities
	Multiple valuation techniques	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
2022		**1 220 084**	**915 191**	**304 893**	**104 412**	**113 717**	**6 866**
Cash and cash equivalents	C6	45 618	45 618	–			
Other short-term securities	C4	70 661	3 932	66 729	301	40 723	
Derivative financial instruments	C7	9 101		9 101		9 101	
Government and other securities	C3	160 495	80 213	80 282	78 527	1 216	35
Loans and advances	C1.1	882 165	778 252	103 913	273	50 877	
Other assets	H3	26 589	7 176	19 413	19 413		
Investment securities	F1	25 455		25 455	5 898	11 800	6 831

					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	(Restated)[1]	(Restated)[1]		Level 1	Level 2	Level 3
2021		1 180 095	881 846	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	28 601	7 594	21 007	21 007		
Investment securities	F1	25 459		25 459	4 911	13 159	6 417

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

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**
–	**10 622**	**–**	**–**	**68 445**	**–**	**21**	**484**	**326**
	179			**25 526**				
	504							
	9 939			**42 824**				
				95		**21**	**484**	**326**

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

I2.2.1 Financial assets

Summary of fair-value hierarchies

Rm	Total financial assets recognised at fair value 2022	Total financial assets recognised at fair value 2021	Total financial assets classified as level 1 2022	Total financial assets classified as level 1 2021
Other short-term securities	**66 729**	57 852	**301**	
Derivative financial instruments	**9 101**	39 179		1
Government and other securities	**80 282**	69 736	**78 527**	68 135
Loans and advances	**103 913**	85 016	**273**	211
Other assets	**19 413**	21 007	**19 413**	21 007
Investment securities	**25 455**	25 459	**5 919**	4 932
	304 893	298 249	**104 433**	94 286

Reconciliation to categorised statement of financial position

Rm	Mandatorily at fair value 2022	Mandatorily at fair value 2021	Designated as FVTPL 2022	Designated as FVTPL 2021
Level 1	**104 412**	94 249		
Level 2	**113 717**	137 676	**10 622**	10 537
Level 3	**6 866**	6 417		
	224 995	238 342	**10 622**	10 537

Reconciliation to statement of financial position

Rm	Note	2022	2021 (Restated)[1]
Total financial assets	I1	**1 220 084**	1 180 095
Total non-financial assets	I1	**32 887**	34 822
Total assets		**1 252 971**	1 214 917

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

I2.2.2 Financial liabilities

Rm	Note	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
2022		**1 123 290**	**1 059 781**	**63 509**
Derivative financial instruments	**C7**	**9 738**		**9 738**
Amounts owed to depositors	**D1**	**1 039 622**	**1 002 635**	**36 987**
Provisions and other liabilities	**K1.1**	**5 418**	**5 243**	**175**
Investment contract liabilities	**D3/D4**	**16 609**		**16 609**
Long-term debt instruments	**D2**	**51 903**	**51 903**	**–**

Total financial assets classified as level 2		Total financial assets classified as level 3	
2022	2021	**2022**	2021
66 428	57 852		
9 101	39 178		
1 720	1 601	**35**	
103 640	84 805		
12 379	13 763	**7 157**	6 764
193 268	197 199	**7 192**	6 764

FVOCI: Debt instruments		FVOCI: Equity instruments	
2022	2021	**2022**	2021
	16	**21**	21
68 445	48 468	**484**	518
		326	347
68 445	48 484	**831**	886

At FVTPL					
Mandatorily at fair value			Designated		
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
346	**46 554**	**–**	**–**	**16 609**	**–**
172	**9 566**				
	36 987				
174	**1**				
				16 609	

Rm	Note	Total financial liabilities (Restated)[1]	Total financial liabilities recognised at amortised cost (Restated)[1]	Total financial liabilities recognised at fair value
2021		1 090 164	997 999	92 165
Derivative financial instruments	C7	36 042		36 042
Amounts owed to depositors	D1	967 929	933 201	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	–

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

Summary of fair-value hierarchies

Rm	Total financial liabilities recognised at fair value 2022	Total financial liabilities recognised at fair value 2021	Total financial liabilities classified as level 1 2022	Total financial liabilities classified as level 1 2021
Derivative financial instruments	**9 738**	36 042	**172**	155
Amounts owed to depositors	**36 987**	34 728		
Provisions and other liabilities	**174**	3 436	**174**	3 436
Investment contract liabilities	**16 609**	17 959		
	63 508	92 165	**346**	3 591

Reconciliation to categorised statement of financial position

Rm	Mandatorily at fair value 2022	Mandatorily at fair value 2021	Designated as FVTPL 2022	Designated as FVTPL 2021
Level 1	**346**	3 591		
Level 2	**46 554**	70 615	**16 609**	17 959
	46 900	74 206	**16 609**	17 959

Reconciliation to statement of financial position

Rm	Note	2022	2021 (Restated)[1]
Total financial liabilities	I1	**1 123 290**	1 090 164
Total equity and non-financial liabilities	I1	**129 681**	124 753
Total equity and liabilities		**1 252 971**	1 214 917

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

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
3 591	70 615	–	–	17 959	–
155	35 887				
	34 728				
3 436					
				17 959	

Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
2022	2021	**2022**	2021
9 566	35 887		
36 987	34 728		
16 609	17 959		
63 162	88 574	**–**	–

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

In terms of the group's policy, no transfers of financial instruments between levels of the fair-value hierarchy are deemed to have occurred at the end of the reporting period.

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during the 2022 reporting period.

I2.5 LEVEL 3 RECONCILIATION

Rm	Opening balance at 1 January	Gains/ (Losses) in non-interest revenue and income in profit for the year
2022		
At FVTPL – Mandatorily at fair value	**6 417**	**1 303**
Government and other securities		**(10)**
Investment securities	**6 417**	**1 313**
At FVOCI – Equity instruments	**347**	**–**
Investment securities	**347**	
Total financial assets classified as level 3	**6 764**	**1 303**

Rm	Opening balance at 1 January	Gains in non-interest revenue and income in profit for the year
2021		
At FVTPL – Mandatorily 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

There are no financial liabilities classified as level 3 at 31 December 2022.

I2.6 UNREALISED GAINS

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

	2022	2021
Equity revaluation gains	**1 303**	444
	1 303	444

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**
–	**1 584**	**–**	**(775)**	**(1 663)**	**–**	**6 866**
	45					**35**
	1 539		**(775)**	**(1 663)**		**6 831**
(9)	**–**	**–**	**(12)**	**–**	**–**	**326**
(9)			**(12)**			**326**
(9)	**1 584**	**–**	**(787)**	**(1 663)**	**–**	**7 192**

Gains 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
–	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

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 that 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:

2022	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**
Government and other securities	**Discounted cash flows**	**Discount rates**
Total financial assets classified as level 3		

There are no financial liabilities classified as level 3 at 31 December 2022, hence no effect of changes in significant unobservable assumptions has been presented.

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		

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	**7 157**	**1 431**	**(1 145)**
Between (16) and 20	**35**	**7**	**(6)**
	7 192	**1 438**	**(1 151)**

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)

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
2022					
Financial assets	**862 397**	**867 361**	**78 408**	**21 407**	**767 546**
Other short-term securities	**3 932**	**3 932**		**3 932**	
Government and other securities	**80 213**	**79 986**	**78 408**		**1 578**
Loans and advances	**778 252**	**783 443**		**17 475**	**765 968**
Financial liabilities	**51 903**	**53 353**	**21 826**	**31 527**	**–**
Long-term debt instruments	**51 903**	**53 353**	**21 826**	**31 527**	
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	

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.

The group has determined the fair value of the gross exposures for loans and advances measured at amortised cost, which resuled in these assets' fair value being 0,67% higher (2021: 0,85% higher) than the carrying value.

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 performing loans and advances measured at amortised cost. 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 2023 to 2025 (2021: for periods 2022 to 2024) 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 (eg 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 0,33% lower and 1,67% higher (2021: between 0,15% lower and 1,85% 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 South African 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 used to determine the fair value of loans and advances. See note C3 for further details.

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 details.

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

The swaps and front-desk 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	**2022**	2021
Government-guaranteed	**504**	481
Treasury bills	**179**	
Mortgage loans	**4 043**	4 001
Loans and advances (secured and unsecured)	**5 896**	6 055
	10 622	10 537

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

2022

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		
Rm	Fair value	Contractually payable at maturity	Current period	Cumulative	Amount of cumulative gains/(losses) transferred within equity
Investment contract liabilities[1]	16 609				
	16 609	–	–	–	–

2021

			Financial liabilities where change in credit risk is recognised in OCI		
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	–	–	–	–

[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.

I5 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING POLICY

Financial assets and liabilities are offset and the net amount is 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: 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 set-off 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.

2022

	Effects of netting on the statement of financial position			Related amounts not offset in the statement of financial position			
Rm	Gross amounts	Amounts offset 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	66 706	(58 813)	7 893	2 704	10 597	1 208	9 101
Loans and advances	68 099	(50 675)	17 424		17 424	864 741	882 165
Cash and cash equivalents	3 419	(2 689)	730		730	44 888	45 618
Total financial assets	138 224	(112 177)	26 047	2 704	28 751	910 837	936 884
Financial liabilities							
Derivative financial liabilities	(61 364)	53 641	(7 723)	(2 704)	(10 427)	(2 015)	(9 738)
Amounts owed to depositors	(91 257)	58 537	(32 720)		(32 720)	(1 006 902)	(1 039 622)
Total financial liabilities	(152 621)	112 178	(40 443)	(2 704)	(43 147)	(1 008 917)	(1 049 360)

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

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

2021

Rm	Effects of netting on the statement of financial position			Related amounts not offset in the statement of financial position			
	Gross amounts	Amounts offset 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] (Restated)[4]	Total amounts recognised in the statement of financial position (Restated)[4]
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[3]	5 037	(4 797)	240		240	44 346	44 586
Total financial assets	122 437	(68 285)	54 152	(28 504)	25 648	861 348	915 500
Financial liabilities							
Derivative financial liabilities	(59 585)	24 397	(35 188)	28 504	(6 684)	(854)	(36 042)
Amounts owed to depositors[4]	(234 013)	43 888	(190 127)		(190 127)	(777 803)	(967 928)
Total financial liabilities	293 600	68 285	(225 315)	28 504	(196 811)	(778 657)	(1 003 970)

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

[2] *Includes financial instruments that are subject to neither set-off nor to master netting agreements.*

[3] *Restatement of cash and cash equivalents in 2021 to include mandatory reserve deposits with central banks.*

[4] *Refer to note A5: Restatement of the consolidated statement of financial position.*

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 it 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 R14 408m (2021: R16 349m) as collateral for deposits received under repurchase agreements, of which R13 546m (2021: R8 424m) 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 R13 546m (2021: R15 426m), of which Rnil (2021: R7 002m) 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.

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.

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 R32 215m (2021: R27 645m), of which R12m (2021: R23m) 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 R72m (2021: R86m) related to retail assets and an amount of R113m (2021: R83m) 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 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 is unable to estimate reliably the fair value of services received and 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. 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 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 the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Grants are made twice a year for new appointments and annually for existing employees, on a date determined by the trustees.	*For the 2019 Tranche vested in 2022*, the three years' service and achievement of performance targets is based on average Return on Equity (excl. Goodwill) and a DHEPS growth metric. For Group and Cluster Executives, the grants were also subject to achieving various strategic initiatives set by the Group. *For the 2020 Tranche*, the three years' service and achievement of performance targets is based on average Return on Equity (incl. Goodwill) and DHEPS growth versus CPI+GDP metric. The strategic initiative component was replaced by the cost-to-income ratio in 2020, which is applicable to all employees. *For the 2021 Tranche* the three years' service and achievement of performance targets is based on average Return on Equity (incl. Goodwill) and cumulative 3 year DHEPS growth metric . The cost-to-income ratio was replaced by the business recovery metrics in 2021, to achieve a maximum vesting in 2023. *For the 2022 Tranche*, the three years' service and achievement of performance targets is based on Return on Equity (incl. Goodwill) at 2024 and DHEPS CAGR growth in CPI+GDP. Business recovery metrics was replaced in 2022 by cost-to-income ratio in 2024, which is applicable to all employees. In addition, the grants include a performance against Environmental and Social and Strategic commitments applicable to all employees.	**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. All compulsory bonus scheme participants are obliged to participate. 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. If this performance target is not met, 50% will vest, provided that the three years' service has been reached for employees other than Group Exco and Cluster Exco members. For Group Exco and Cluster Exco Members; where the performance targets are not met and provided that the three years' service has been reached: 0% will vest for Group Exco members and 50% for Cluster Exco members, for 2019 and 2020 tranches. 50% for Group Exco members and Cluster Exco members, for the 2021 tranche. 0% will vest for Group Exco members and 25% Cluster Exco members,for the 2022 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 (CPTs) being met.	**Three years**
Nedbank UK Matched shareScheme	**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 CPTs 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 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 CPTs being met.	**Three years**
Nedbank Wealth Management International Matched-share 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 CPTs 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 CPTs 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 CPTs. 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	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.

J2 EFFECT ON PERFORMANCE AND FINANCIAL POSITION

	Share-based payments expense		Share-based payments reserve/liability	
	2022	2021	**2022**	2021
Traditional employee schemes	**883**	612	**1 695**	1 125
Nedbank Group (2005) Share Option and Restricted-share Scheme	**726**	517	**1 433**	946
Nedbank Group (2005) Matched-share Scheme	**92**	68	**173**	135
Nedbank UK Long-term Incentive Plan[1]	**16**	6	**23**	9
Nedbank UK Matched-share Scheme[1]	**1**		**1**	1
Nedbank Wealth Management International Long-term Incentive Plan[1]	**23**	10	**30**	18
Nedbank Wealth Management International Matched-share Scheme[1]	**2**	1	**2**	2
Nedbank Africa Restricted-share Scheme and Matched-share Scheme[1]	**23**	10	**33**	14
Nedbank Eyethu BEE schemes	**–**	–	**124**	124
Community Scheme			**124**	124
	883	612	**1 819**	1 249

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

J3 MOVEMENTS IN NUMBER OF INSTRUMENTS

	2022		2021	
	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	16 193 982		11 054 244	
Granted	4 568 484		8 519 152	
Forfeited	(772 467)		(689 256)	
Exercised	(3 043 090)		(2 690 158)	
Outstanding at the end of the year	16 946 909		16 193 982	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		223,58		142,90
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	3 296 042		3 302 997	
Granted	998 991		830 149	
Forfeited	(276 578)		(257 658)	
Exercised	(779 806)		(579 446)	
Outstanding at the end of the year	3 238 649		3 296 042	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		236,96		141,23
Nedbank UK Long-term Incentive Plan				
Outstanding at the beginning of the year	167 549		79 739	
Granted	82 156		112 166	
Forfeited	(5 914)		(6 510)	
Exercised	(19 630)		(17 846)	
Outstanding at the end of the year	224 161		167 549	
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	7 765		8 870	
Granted	14 130		2 189	
Exercised	(3 982)		(3 294)	
Outstanding at the end of the year	17 913		7 765	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–

	2022		2021	
	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	**301 292**		186 982	
Granted	**76 741**		165 680	
Forfeited	**(15 102)**		(2 613)	
Exercised	**(88 507)**		(48 757)	
Outstanding at the end of the year	**274 424**		301 292	
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	**34 784**		33 293	
Granted	**4 992**		9 318	
Forfeited	**(780)**		(786)	
Exercised	**(14 048)**		(7 041)	
Outstanding at the end of the year	**24 948**		34 784	
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	**245 356**		128 513	
Granted	**118 482**		177 317	
Forfeited	**(28 080)**		(38 247)	
Exercised	**(32 368)**		(22 227)	
Outstanding at the end of the year	**303 390**		245 356	
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	**15 383**		13 921	
Granted	**9 485**		2 831	
Forfeited	**(2 799)**		(227)	
Exercised	**(3 028)**		(1 142)	
Outstanding at the end of the year	**19 041**		15 383	
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (GBP)		**–**		–

	2022		2021	
	Number of instruments	**Weighted-average exercise price**	Number of instruments	Weighted-average exercise price
Community Scheme				
Outstanding at the beginning of the year	**1 559 448**		1 689 648	
Sold			(130 200)	
Outstanding at the end of the year	**1 559 448**		1 559 448	
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

	2022		2021	
	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	**16 946 909**	**1,2**	16 193 982	1,6
Nedbank Group (2005) Matched-share Scheme	**3 238 649**	**1,1**	3 296 042	1,3
Nedbank UK Long-term Incentive Plan	**224 161**	**1,5**	167 549	1,8
Nedbank UK Matched-share Scheme	**17 913**	**2,0**	7 765	1,0
Nedbank Wealth Management International Long-term Incentive Plan	**274 424**	**1,3**	301 292	1,4
Nedbank Wealth Management International Matched-share Scheme	**24 948**	**1,0**	34 784	1,1
Nedbank Africa Restricted-share Scheme	**303 390**	**1,5**	245 356	1,9
Nedbank Africa Matched-share Scheme	**19 041**	**1,3**	15 383	1,3
Community Scheme	**1 559 448**	**8,0**	1 559 448	9,0

J5 INSTRUMENTS GRANTED DURING THE YEAR

	Nedbank Group (2005) Share Option and Restricted-share Scheme[1]	Nedbank Group (2005) Matched-share Scheme[2]
2022		
Number of instruments granted	**4 568 484**	**998 991**
Weighted-average fair value per instrument granted (R)	**228,63**	**192,88**
Weighted-average share price (R)	**228,63**	**233,07**
Weighted-average life (years)	**3**	**3**
Number of participants	**1 664**	**1 951**
Weighted-average vesting period (years)	**3**	**3**
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

[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 R192,88 (2021: R118,55) less the present value of dividends anticipated over the vesting period. A dividend yield of 6,50% (2021: 5,69%) has been incorporated into the measurement of the fair value.

Nedbank UK Long-term Incentive Plan[1]	Nedbank UK Matched-share Scheme[1]	Nedbank Wealth Management International Long-term Incentive Plan[1]	Nedbank Wealth Management International Matched-share Scheme[1]	Nedbank Africa Restricted-share Scheme[1]	Nedbank Africa Matched-share Scheme[1]
82 156	**14 130**	**76 741**	**4 992**	**118 482**	**9 476**
228,61	**233,07**	**228,70**	**233,07**	**228,73**	**233,07**
228,61	**233,07**	**228,70**	**233,07**	**228,73**	**233,07**
3	**3**	**3**	**3**	**3**	**3**
20	**9**	**18**	**17**	**66**	**81**
3	**3**	**3**	**3**	**3**	**3**
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

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 or 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.

ACCOUNTING POLICY

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.

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 is determined as 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 fewer. Low-value assets comprise computer equipment and small items of office furniture. Leases with values of less than R20 000 are considered 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, partially or fully, results in derecognition of the right-of-use asset and the corresponding lease liability. The group recognises any profit or 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

	2022 Rm	2021 Rm
Creditors and other accounts	**10 228**	13 182
Client loyalty programmes liability	**381**	406
Short-trading securities and spot positions	**175**	3 436
Provision for the impairment of off-balance-sheet items	**337**	396
Bonus accrual (note K1.2)	**2 919**	2 429
Leave pay accrual (note K1.3)	**1 117**	1 119
Lease liabilities (note K1.5)	**2 595**	2 483
	17 752	23 451

K1.2 Bonus accrual

	2022 Rm	2021 Rm
Balance at the beginning of the year	**2 429**	1 452
Recognised in profit or loss	**2 900**	2 427
Used during the year	**(2 405)**	(1 458)
Foreign currency translation and other movements	**(5)**	8
Balance at the end of the year	**2 919**	2 429

K1.3 Leave pay accrual

	2022 Rm	2021 Rm
Balance at the beginning of the year	**1 119**	1 068
Recognised in profit or loss	**376**	361
Used during the year	**(377)**	(314)
Foreign currency translation and other movements	**(1)**	4
Balance at the end of the year	**1 117**	1 119

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.

	2022 Rm	2021 Rm
Balance at the beginning of the year	**286**	361
Subsequent recognition	**(203)**	(75)
Balance at the end of the year	**83**	286

K1.5 Lease liabilities

Lease liabilities reconciliation

	2022 Rm	2021 Rm
Balance at the beginning of the year	**2 483**	3 048
Interest expense	**190**	217
Additions	**239**	113
Lease modifications	**817**	257
Lease payments	**(1 102)**	(1 169)
Derecognition	**(16)**	(22)
Effect of movements in foreign exchange rates and other movements	**(16)**	39
Balance at the end of the year	**2 595**	2 483

Current and non-current lease liabilities

	2022 Rm	2021 Rm
Current lease liabilities	**954**	957
Non-current lease liabilities	**1 641**	1 526
Total lease liabilities	**2 595**	2 483

K2 CONTINGENT LIABILITIES, UNDRAWN FACILITIES AND COMMITMENTS

K2.1 Contingent liabilities and undrawn facilities

	2022 Rm	2021 Rm
Financial guarantees on behalf of clients	**34 462**	33 425
Letters of credit and discounting transactions	**9 038**	7 610
Irrevocable unutilised facilities and other	**156 187**	157 687
	199 687	198 722

The Group, in the ordinary course of business, enters into transactions that expose it to taxation, legal and business risks. The Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on the group's consolidated financial position. 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. The Group has not disclosed the contingent liabilities associated with these matters either because the possibility of an outflow of resources embodying economic benefits is remote or the impact cannot be reasonably estimated.

K2.2 Commitments

K2.2.1 Capital expenditure approved by directors

	2022 Rm	2021 Rm
Contracted but not provided for	**392**	789

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.

The 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 Strategic Capital Management function is part of the Balance Sheet Management Division in 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. The board and executive management are assisted in the execution of their responsibilities by the board's Group Risk and Capital Management Committee, Group ALCO and Executive Risk Committee respectively.

Capital, reserves, and long-term debt instruments

The group's Capital Management Framework, policies and processes include 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 referenced in 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 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 the 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
2022							
Cash and cash equivalents	44 989	296	140	193			45 618
Other short-term securities	31 966	14 387	17 153	6 680	475		70 661
Derivative financial instruments	2 183	1 170	2 038	1 884	1 826		9 101
Government and other securities	21 361	530	1 515	39 825	97 264		160 495
Loans and advances	171 525	34 883	70 653	374 607	208 733	21 764	882 165
Other assets	1 332					26 720	28 052
Investment securities	50					25 415	25 465
Non-financial assets	16	41	84			31 273	31 414
	273 422	51 307	91 583	423 189	308 298	105 172	1 252 971
Total equity						115 896	115 896
Derivative financial instruments	2 227	1 122	2 190	2 549	1 650		9 738
Amounts owed to depositors	746 976	80 672	115 014	88 987	7 973		1 039 622
Provisions and other liabilities	3 923	249	450	1 749	125	11 256	17 752
Investment contract liabilities	16 609						16 609
Long-term debt instruments	4 236	955	2 884	27 416	16 412		51 903
Non-financial liabilities	59	11	234	18		1 129	1 451
	774 030	83 009	120 772	120 719	26 160	128 281	1 252 971
Net liquidity gap	(500 608)	(31 702)	(29 189)	302 470	282 138	(23 109)	–

Rm	<3 months (Restated)[1]	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non-determined (Restated)[1]	Total (Restated)[1]
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	27 507	30 011
Investment securities						25 498	25 498
Non-financial assets						33 373	33 373
	257 861	50 107	81 699	429 188	294 931	101 131	1 214 917
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	715 208	66 791	91 909	84 400	9 621		967 929
Investment contract liabilities	17 959						17 959
Provisions and other liabilities	5 190	329	892	1 569	773	14 698	23 451
Long-term debt instruments	3 320	1 711	2 880	31 647	18 601		58 159
Non-financial liabilities						1 866	1 866
	747 925	72 125	99 035	127 601	42 156	126 075	1 214 917
Net liquidity gap	(490 064)	(22 018)	(17 336)	301 587	252 775	(24 944)	–

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

This note has been prepared on a contractual-maturity basis. Refer to note D5 for the undiscounted contractual maturity analysis for financial liabilities.

L4 INTEREST RATE RISK IN THE BANKING BOOK

	2022 Rm	2021 Rm
Net interest income sensitivity		
One percent instantaneous decline in interest rates[1,2]	**(1 579)**	(1 565)

[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, the 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 579m before tax (2021: R1 565m), 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 MARKET RISK IN THE TRADING BOOK

Trading market risk is the risk of loss as a result of unfavourable changes in the market value of the trading book because of changes in market risk factors, such as foreign exchange rates, interest rates, equity prices, commodity prices, credit spreads and implied volatilities. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance-sheet instruments, that are held with trading intent or used to hedge other elements of the trading book.

MANAGEMENT OF TRADING MARKET RISK

Trading market risk is governed by board-approved policies that cover management, identification, measurement and monitoring.

Market risk limits, including value at risk (VaR) and stress trigger limits, are approved at board level and reviewed periodically, but at least annually. These limits are then allocated to the trading units using a tiered-limit approach by the Trading Risk Committee. Market risk reports are available at a variety of levels and in various degrees of detail, ranging from individual trader level to a group level view of market risk. Market risk exposures are measured and reported to management and bank executives daily.

In addition to applying business judgement, management uses a number of quantitative measures to manage the exposure to trading market risk. These measures include the following:

- Risk limits based on a portfolio measure of market risk exposures referred to as VaR, including extreme tail loss (ETL).
- Scenario analysis, stress testing and other analytical tools that measure the potential effects on trading revenue in the event of various unexpected market events.

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 shows, 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 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 validated independently 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.

	2022				2021			
Rm	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	4,8	1,8	17,1	7,3	6,1	1,3	19,1	6,1
Interest rate	52,4	34,2	82,1	57,4	54,0	26,9	117,7	42,9
Equity	10,9	4,1	37,7	13,2	11,9	3,3	27,1	5,6
Credit	4,2	3,2	7,0	4,0	7,7	3,2	16,9	4,1
Commodity	0,2		2,2	0,1	0,1		1,7	0,1
Diversification	(25,2)			(33,1)	(35,1)			(18,4)
Total VaR exposure	**47,3**	**31,2**	**70,8**	**48,9**	44,7	29,4	84,8	40,4

SECTION M: CASH FLOW INFORMATION

M1 NON-CASH ITEMS

	2022 Rm	2021 Rm
Depreciation and amortisation (note B7)	**4 088**	4 010
Net monetary loss (note N1)	**419**	138
Movement in impairments on financial instruments	**8 968**	7 959
Long-term asset sales		(160)
Unrealised (gains)/losses (note B6.2)	**(431)**	77
Fair-value adjustments (note B6.2)	**(187)**	833
Foreign exchange gains	**(434)**	
Short-term incentives and long-term employee benefits	**490**	977
Share-based payments expense – employees (note B7)	**883**	612
Impairments charge on non-financial instruments and sundry gains or losses (note B9)	**(245)**	499
Indirect taxation (note B8.1)	**1 152**	1 073
Share of gains of associate companies (note F2.1)	**(879)**	(786)
	13 824	15 232

M2 (INCREASE)/DECREASE IN OPERATING ASSETS

	2022 Rm	2021 Rm (Restated)[1]
Other short-term securities	**(10 624)**	(7 432)
Government and other securities	**(9 997)**	(18 277)
Loans and advances	**(59 211)**	2 776
Derivative financial instruments and other operating assets[1]	**33 068**	25 948
Movement in interest accruals	**1 955**	754
	(44 809)	3 769

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

M3 INCREASE/(DECREASE) IN OPERATING LIABILITIES

	2022 Rm	2021 Rm (Restated)[1]
Current and savings accounts	**(409)**	9 975
Other deposits, loan accounts and foreign currency liabilities	**38 969**	24 254
Negotiable certificates of deposit	**36 463**	(17 976)
Deposits received under repurchase agreements	**(1 880)**	3 159
Derivative financial instruments and other operating liabilities[1]	**(36 087)**	(36 351)
Movement in interest accruals	**(4 262)**	1 001
	32 794	(15 938)

[1] *Refer to note A5: Restatement of the consolidated statement of financial position.*

M4 TAXATION PAID

	2022 Rm	2021 Rm
Amounts payable at the beginning of the year	**(206)**	(426)
Statement of comprehensive income charge (excluding deferred taxation)	**(3 829)**	(4 410)
Current taxation recognised in equity	**74**	104
Amounts payable at the end of the year	**175**	206
	(3 786)	(4 526)
Indirect taxation paid	**(1 220)**	(1 073)
Taxation paid	**(5 006)**	(5 599)

SECTION N: ADDITIONAL INFORMATION

N1 FOREIGN CURRENCY CONVERSION

ACCOUNTING POLICY

Foreign currency transactions

Individual entities within the group may use a functional currency different from 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 non-interest revenue and income, 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 to 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 in non-interest revenue and income in the period in which they arise.

Zimbabwe hyperinflation accounting

During the second half of 2019, the group classified Zimbabwe as a hyperinflationary economy, with effect from 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 2022, Zimbabwe's inflation rate increased by 244% (2021: 60%), this is a higher hyperinflationary trend than 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 3,4 (2021: 1,6) based on the CPI index for December 2021 of 3 977,46 (2021: 2 474,5) and the CPI index for December 2022 of 13 672,91(2021: 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 in which IAS 29 is applied, 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 or 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 are 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.

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 having 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.

On 5 January 2023, the Reserve Bank of Zimbabwe (RBZ) issued a notice stating that the official exchange rate applicable for use in Zimbabwe for accounting purposes is the Willing Buyer Willing Seller (WBWS) exchange rate. As at 31 December 2022, this does not align with the exchange rate that the group has been using. An assessment was performed to evaluate the difference between the WBWS and the auction-mid rate and the difference was considered immaterial. As a result, the group continues to apply the auction mid-rate in its 2022 financial statements. 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 the 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 impact detailed below is pre-non-controlling-interest:

Financial statement item	2022 Rm	2021 Rm	Description
Statement of comprehensive income			
Net monetary loss (Zimbabwe)	**(419)**	(138)	The impact of applying IAS 29 in the current year resulted in a net monetary loss of R419m (R251m from the indexation of income statement items and R168m from the restatement of statement of financial position items).
Forex gains on nostro net cash balances	**745**	107	Nedbank Zimbabwe has foreign denominated nostro net cash balances, which are translated to ZWL at 31 December 2022. These nostro net cash balances are not indexed at the end of the reporting date as they are measured at their current value.
Key business indicators			
Headline earnings (after tax)	**244**	89	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 at 31 December 2022. The combined effects of the net monetary loss of R419m and the accompanying IAS 29 income statement indexation gain of R251m altered Nedbank Zimbabwe's initial unindexed profit after tax (pre-IAS 29) of R497m to an indexed after-tax (post-IAS 29) of R329m (R244m after minorities' impact).

Exchange rates

	Average		Closing	
	2022	2021	**2022**	2021
UK pound to rand	**20,17**	20,32	**20,43**	21,48
US dollar to rand	**16,36**	14,78	**16,98**	15,90
US dollar to naira	**426,47**	408,99	**460,82**	424,83
Rand to naira	**26,02**	27,11	**27,14**	25,86
US dollar to Zimbabwean dollar[1]			**669,25**	108,41
Zimbabwean dollar to rand[1]			**0,03**	0,15
Mozambican metical to rand	**0,26**	0,23	**0,26**	0,25

[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

The directors are not aware of any material events that have occurred between the reporting date and 6 March 2023, which is the date of approval of the consolidated and separate annual financial statements.

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	**2022**	2021	**2022**	2021
Cash portion of package	**8 204**	7 922	**5 484**	5 357
Other benefits	**269**	244	**294**	206
Defined-contribution retirement fund	**1 183**	1 140	**807**	776
Guaranteed remuneration	**9 656**	9 306	**6 585**	6 339
Cash performance incentive	**9 000**	7 250	**6 250**	5 125
Cash performance incentive (delivered in shares)[1]	**8 000**	6 250	**5 250**	4 125
Total short-term incentive (STI)	**17 000**	13 500	**11 500**	9 250
Total remuneration[2]	**26 656**	22 806	**18 085**	15 589
Value of share-based awards (face value at award)[3]	**17 000**	16 500	**12 000**	12 500
Total direct remuneration	**43 656**	39 306	**30 085**	28 089

	Iolanda Ruggiero		Ciko Thomas	
R'000	**2022**	2021	**2022**	2021
Cash portion of package	**3 818**	3 624	**4 949**	4 701
Other benefits	**87**	122	**160**	156
Defined-contribution retirement fund	**545**	523	**808**	768
Guaranteed remuneration	**4 450**	4 269	**5 917**	5 625
Cash performance incentive	**4 625**	3 750	**6 250**	5 375
Cash performance incentive (delivered in shares)[1]	**3 625**	2 750	**5 250**	4 375
Total short-term incentive (STI)	**8 250**	6 500	**11 500**	9 750
Total remuneration[2]	**12 700**	10 769	**17 417**	15 375
Value of share-based awards (face value at award)[3]	**8 000**	7 500	**11 000**	10 000
Total direct remuneration	**20 700**	18 269	**28 417**	25 375

[1] In terms of the rules of the Matched-share Scheme (MSS), the total STI has the potential to increase (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.

Michael Davis	
2022	2021
4 756	4 404
226	200
883	816
5 865	5 420
6 125	4 875
5 125	3 875
11 250	8 750
17 115	14 170
11 000	10 000
28 115	24 170

Anél Bosman		Terence Sibiya	
2022	2021	**2022**	2021
4 493	4 393	**3 817**	3 556
204	129	**218**	190
354	340	**370**	344
5 051	4 862	**4 405**	4 090
9 250	8 000	**4 625**	3 625
8 250	7 000	**3 625**	2 625
17 500	15 000	**8 250**	6 250
22 551	19 862	**12 655**	10 340
9 000	9 500	**8 000**	8 000
31 551	29 362	**20 655**	18 340

N3.2 NON-EXECUTIVE DIRECTORS' REMUNERATION

Name	Note	Nedbank and Nedbank Group board fees (R000)	Committee fees (R000)	2022 (R000)	2021 (R000)
HR Brody		786	1 068	1 854	1 457
BA Dames		561	1 012	1 573	1 399
NP Dongwana		561	781	1 342	1 297
EM Kruger	1	561	1 703	3 377	3 307
P Langeni	2, 3	439	250	689	
RAG Leith		561	849	1 410	1 192
L Makalima		561	1 088	1 649	1 284
PM Makwana	4	6 348		6 412	3 174
T Marwala		561	405	966	885
MA Matooane		561	481	1 042	1 006
V Naidoo				–	4 600
M Nyati	5	143	39	182	
S Subramoney		561	1 540	2 101	2 061
IG Williamson				–	217
Total		12 204	9 216	22 597	21 879

[1] *Errol Kruger's total fee is inclusive of the Nedbank Private Wealth (Isle of Man) chairperson fees of £55 120 (R1 113 018).*

[2] *Phumzile Langeni appointed as a member of the Group Audit Committee with effect from 27 May 2022.*

[3] *Phumzile Langeni appointed as a member of the Group Transformation, Social and Ethics Committee, as well as the Group Climate Resilience Committee, with effect from 28 October 2022.*

[4] *Mpho Makwana's fee includes taxable reimbursements and fringe benefit tax.*

[5] *Mteto Nyati appointed as a member of the Group IT Committee with effect from 1 October 2022.*

Where applicable, board fees include travel reimbursements for business mileage.

Number of shares	Beneficial direct 2022	Beneficial direct 2021	Beneficial indirect 2022	Beneficial indirect 2021
Directors				
Hubert Brody	**2 737**	2 737		
Mike Brown	**515 837**	488 530	**435 871**	423 210
Brian Dames	**64**	64		
Michael Davis	**52 058**	43 498	**244 816**	219 448
Mantsika Matooane	**2 261**	2 261		
Vassi Naidoo				50 124
Mfundo Nkuhlu	**24 023**	30 967	**297 680**	277 757
Stanley Subramoney			**2 300**	2 300
Iain Williamson		7 154		
Prescribed officers				
Ciko Thomas	**11 064**	24 167	**239 183**	220 313
Iolanda Ruggiero	**80 866**	80 866	**180 835**	170 990
Anél Bosman	**73 640**	48 218	**244 792**	211 218
Terence Sibiya	**37 478**	28 279	**158 706**	131 838
Total ordinary shares	**800 028**	756 741	**1 804 183**	1 707 198

No change in the above interests occurred between 31 December 2022 and 6 March 2023.

N3.3 SHARE-BASED PAYMENTS TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

	Opening balance at 1 January 2022							
Executive directors	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)	
MWT Brown								
Nedbank restricted shares	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				
					75 632	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]	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				
					14 394	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]	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				
					1 151	31 March 2022	238,81	1 April 2025
Total value of dividends								
Total	422 285				91 177			

Awards vesting/lapsing during 2022					Dividends	Closing balance at 31 December 2022		
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)			
11 064	50 058	219,37	2 427 110	(10 981 223)				
						91 824	31 December 2022	20 March 2023
						158 090	31 December 2023	26 March 2024
						39 523	31 December 2023	27 March 2024
						75 632	31 December 2024	18 March 2025
16 307		224,82	3 666 140					
						34 638	31 December 2022	1 April 2023
						14 347	31 December 2023	1 April 2024
						14 394	31 December 2024	1 April 2025
1 087		224,82	244 379					
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
						1 151	31 December 2024	1 April 2025
					6 809 856			
28 458	50 058		6 337 629	(10 981 223)	6 809 856	434 946		

Executive directors	Opening balance at 1 January 2022 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	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				
					57 297	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]								
	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				
					9 500	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]								
	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				
					1 151	31 March 2022	238,81	1 April 2025
Total value of dividends								
Total	277 757				67 948			

Awards vesting/lapsing during 2022					Dividends	Closing balance at 31 December 2022		
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)			
6 873	31 096	219,37	1 507 730	(6 821 530)				
						60 722	31 December 2022	20 March 2023
						109 447	31 December 2023	26 March 2024
						27 362	31 December 2023	27 March 2024
						57 297	31 December 2024	18 March 2025
8 969		224,82	2 016 411					
						18 144	31 December 2022	1 April 2023
						8 710	31 December 2023	1 April 2024
						9 500	31 December 2024	1 April 2025
1 087		224,82	244 379					
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
						1 151	31 December 2024	1 April 2025
					4 607 197			
16 929	31 096		3 768 520	(6 821 530)	4 607 197	297 680		

	Opening balance at 1 January 2022							
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
MH Davis								
Nedbank restricted shares	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				
					45 837	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]	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				
					8 924	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
					1 151	31 March 2022	238,81	1 April 2025
Total value of dividends								
Total	219 448				55 912			

Awards vesting/lapsing during 2022					Dividends	Closing balance at 31 December 2022		
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)			
4 191	18 961	219,37	919 380	(4 159 475)				
						35 545	31 December 2022	20 March 2023
						101 086	31 December 2023	26 March 2024
						25 272	31 December 2023	27 March 2024
						45 837	31 December 2024	18 March 2025
6 305		224,82	1 417 490					
						15 505	31 December 2022	1 April 2023
						8 198	31 December 2023	1 April 2024
						8 924	31 December 2024	1 April 2025
1 087		224,82	244 379					
						3 298	31 December 2022	1 April 2023
						1 151	31 December 2024	1 April 2025
					3 783 615			
11 583	18 961		2 581 249	(4 159 475)	3 783 615	244 816		

Prescribed officers	Opening balance at 1 January 2022							
	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)	
C Thomas								
Nedbank restricted shares	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				
					45 837	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]	7 149	31 March 2020	83,36	1 April 2023				
					10 076	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]	5 192	31 March 2021	134,17	1 April 2024				
Total value of dividends								
Total	220 313				55 913			

Awards vesting/lapsing during 2022					Dividends	Closing balance at 31 December 2022		
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)			
6 705	30 338	219,37	1 470 876	(6 655 247)				
						60 722	31 December 2022	20 March 2023
						88 166	31 December 2023	26 March 2024
						22 041	31 December 2023	27 March 2024
						45 837	31 December 2024	18 March 2025
						7 149	31 December 2022	1 April 2023
						10 076	31 December 2024	1 April 2025
						5 192	31 December 2023	1 April 2024
					3 736 634			
6 705	30 338		1 470 876	(6 655 247)	3 736 634	239 183		

Prescribed officers	Opening balance at 1 January 2022							
	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	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				
					34 378	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]	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				
					6 333	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]	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				
					1 151	31 March 2022	238,81	1 April 2025
Total value of dividends								
Total	170 990				41 862			

Awards vesting/lapsing during 2022					Dividends	Closing balance at 31 December 2022		
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)			
4 694	21 236	219,37	1 029 723	(4 658 541)				
						39 988	31 December 2022	20 March 2023
						62 324	31 December 2023	26 March 2024
						15 581	31 December 2023	27 March 2024
						34 378	31 December 2024	18 March 2025
5 000		224,82	1 124 100					
						9 072	31 December 2022	1 April 2023
						6 661	31 December 2023	1 April 2024
						6 333	31 December 2024	1 April 2025
1 087		224,82	244 379					
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
						1 151	31 December 2024	1 April 2025
					2 760 014			
10 781	21 236		2 398 202	(4 658 541)	2 760 014	180 835		

Prescribed officers	Opening balance at 1 January 2022							
	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	9 335	14 March 2019	269,95	15 March 2022				
	6 223	15 March 2019	269,95	16 March 2022				
	47 155	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				
					43 546	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]	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				
					16 121	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]	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				
					1 151	31 March 2022	238,81	1 April 2025
Total value of dividends								
Total	211 218				60 818			

Awards vesting/lapsing during 2022					Dividends	Closing balance at 31 December 2022		
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)			
2 820	6 515	219,37	618 623	(1 429 196)				
6 223		224,45	1 396 752					
						47 155	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
						43 546	31 December 2024	18 March 2025
10 599		224,82	2 382 867					
5 300		236,96	1 255 888					
						22 267	31 December 2022	1 April 2023
						15 884	31 December 2023	1 April 2024
						16 121	31 December 2024	1 April 2025
1 087		224,82	244 379					
						3 298	31 December 2022	1 April 2023
						2 049	31 December 2023	1 April 2024
						1 151	31 December 2024	1 April 2025
					3 861 171			
26 029	6 515		5 898 510	(1 429 196)	3 861 171	244 792		

Prescribed officers	Opening balance at 1 January 2022							
	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	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				
					36 670	17 March 2022	218,16	18 March 2025
Compulsory Bonus Share Scheme[1]	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				
					6 045	31 March 2022	238,81	1 April 2025
Voluntary Bonus Share Scheme[4]	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				
					1 046	31 March 2022	238,81	1 April 2025
Total value of dividends								
Total	131 838				43 761			

[1] *Matching on the Compulsory Bonus Share Scheme occurs only with 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, 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 2022					Dividends	Closing balance at 31 December 2022		
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)			
2 350	5 429	219,37	515 520	(1 190 960)				
5 186		224,45	1 163 998					
						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
						36 670	31 December 2024	18 March 2025
3 533		224,82	794 289					
1 767		236,96	418 708					
						7 422	31 December 2022	1 April 2023
						2 562	31 December 2023	1 April 2024
						6 045	31 December 2024	1 April 2025
395		224,82	88 804					
						1 199	31 December 2022	1 April 2023
						1 490	31 December 2023	1 April 2024
						1 046	31 December 2024	1 April 2025
					2 485 400			
13 231	5 429		2 981 318	(1 190 960)	2 485 400	158 706		

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 Rm	2021 Rm
Dividends from subsidiary companies		**8 504**	2 645
Interest and similar income[1]		**1 163**	1 125
Interest expense and similar charges[2]		**(1 347)**	(1 119)
Other income		**14**	33
Share of gains from associate company		**779**	686
Total income		**9 113**	3 370
Impairment of subsidiaries			43
Net income		**9 113**	3 413
Total operating expenses	1	**(34)**	(20)
Profit before direct taxation		**9 079**	3 393
Direct taxation	2	**(11)**	(2)
Profit for the year		**9 068**	3 391
Other comprehensive loss net of taxation		**(1 632)**	(594)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		**190**	148
Share of other comprehensive losses of investments accounted for using the equity method		**(1 821)**	(721)
Items that may not subsequently be reclassified to profit or loss			
Share of other comprehensive losses of investments accounted for using the equity method		**(1)**	(21)
Total comprehensive income for the year		**7 436**	2 797

[1] *Includes notional discounting of interest-free loans of R0 (2021: R2m).*

[2] *Includes notional discounting of interest-free loans of R211m (2021: R4m).*

SEPARATE STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Note	2022 Rm	2021 Rm
Assets			
Cash and cash equivalents		**268**	217
Government and other securities	3	**13 594**	14 620
Investment securities		**25**	20
Investments in associate companies	4	**1 286**	2 272
Investments in subsidiary companies		**40 702**	40 083
Investment in ordinary shares		**27 682**	27 588
Investment in additional tier 1 capital instruments		**10 219**	9 319
Investment in intragroup tier 2 instruments		**2 018**	2 013
Amounts due from subsidiaries		**783**	1 163
Total assets		**55 875**	57 212
Equity and liabilities			
Ordinary share capital	5.1	**512**	509
Ordinary share premium		**24 222**	23 646
Holders of additional tier 1 capital instruments		**10 219**	9 319
Reserves		**319**	1 639
Equity attributable to ordinary shareholders		**35 272**	35 113
Amounts owing to subsidiaries		**4 985**	5 450
Other liabilities		**6**	16
Long-term debt instruments	6	**15 612**	16 633
Total liabilities		**20 603**	22 099
Total equity and liabilities		**55 875**	57 212

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 2021	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**
Shares issued in terms of employee incentive schemes	**2 630 112**	**3**	**577**	
Additional tier 1 capital instruments issued				**900**
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				
Other movements				
Balance at 31 December 2022	**511 500 790**	**512**	**24 222**	**10 219**

[1] This represents the cumulative foreign exchange differences that arise on the translation of an entity with a different functional currency when 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 or 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. 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.

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
(3 646)	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**
					580
					900
(1 211)	**–**	**–**	**(420)**	**9 067**	**7 436**
				9 068	**9 068**
190					**190**
(1 401)			**(420)**	**(1)**	**(1 822)**
				(7 881)	**(7 881)**
				(873)	**(873)**
				(2)	**(2)**
(5 166)	**125**	**67**	**(251)**	**5 544**	**35 272**

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	2022 Rm	2021 Rm
Profit before direct taxation		**9 079**	3 393
Adjusted for:		**(9 115)**	(3 413)
Non-cash items	7.1	**(795)**	(740)
Interest and similar income		**(1 163)**	(1 125)
Interest expense and similar charges		**1 347**	1 119
Dividends from subsidiary companies		**(8 504)**	(2 667)
Dividends received from subsidiary companies		**8 319**	2 559
Interest received		**1 163**	1 113
Interest paid		**(1 136)**	(1 103)
Change in funds for operating activities		**(119)**	(502)
Decrease/(increase) in operating assets		**381**	(202)
Decrease in operating liabilities		**(500)**	(300)
Net cash from operating activities before taxation		**8 191**	2 047
Taxation paid	7.2	**(11)**	(2)
Cash flows from operating activities		**8 180**	2 045
Cash flows from/(used) by investing activities		**221**	(4 887)
Disposal/(investment) in additional tier 1 capital and long-term debt instruments		**176**	(4 447)
Disposal/(Acquisition) of investments in subsidiaries and associate companies		**45**	(440)
Cash flows (to)/from financing activities		**(8 350)**	2 532
Proceeds from issue of ordinary shares		**580**	899
Issued additional tier 1 capital instruments		**900**	3 497
(Redeemed)/issued long-term debt instruments		**(1 076)**	950
Dividends paid to ordinary shareholders		**(7 881)**	(2 203)
Additional tier 1 capital instruments interest paid		**(873)**	(611)
Net increase/(decrease) in cash and cash equivalents for the year		**51**	(310)
Cash and cash equivalents at the beginning of year		**217**	527
Cash and cash equivalents at the end of the year		**268**	217

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1 TOTAL OPERATING EXPENSES

	2022 Rm	2021 Rm
Audit fees	**9**	9
Directors' fees	**2**	2
Listing and admin fees	**23**	9
	34	20

2 DIRECT TAXATION

2.1 Charge for the year

	2022 Rm	2021 Rm
Foreign dividend withholding tax	**11**	2
	11	2

2.2 Taxation rate reconciliation

	2022 %	2021 %
Standard rate of South African normal taxation	**28**	28
Non-taxable income	**(28)**	(28)
Effective taxation rate	**–**	–

3 GOVERNMENT AND OTHER SECURITIES

3.1 Analysis

	2022 Rm	2021 Rm
Government and other securities	**13 594**	14 620
	13 594	14 620

3.2 Sectoral analysis

	2022 Rm	2021 Rm
Banks	**13 594**	14 620
	13 594	14 620

4 INVESTMENT IN ASSOCIATE COMPANIES

4.1 Movement in carrying amount

	2022 Rm	2021 Rm
Carrying amount at the beginning of the year	**2 272**	2 180
Dividends received from equity-accounted associate company	**(133)**	
Share of associate companies' profit after taxation for the year	**779**	686
Share of associate companies' OCI for the year	**(1 822)**	(742)
Foreign currency translation and other movements	**190**	148
Carrying amount at the end of the year	**1 286**	2 272

4.2 Analysis of carrying amount

	2022 Rm	2021 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	**2 711**	1 932
Share of OCI since acquisition	**(6 601)**	(4 779)
Dividends received from equity-accounted associate company	**(292)**	(159)
Impairment provision for investments in associate company	**(1 750)**	(1 750)
Foreign currency translation and other movements	**1 733**	1 543
	1 286	2 272

5 SHARE CAPITAL

5.1 Ordinary share capital

	2022 Rm	2021 Rm
Authorised		
600 000 000 (2021: 600 000 000) ordinary shares of R1 each	**600**	600
Issued ordinary share capital		
511 500 790 (2021: 508 870 678) fully paid ordinary shares of R1 each	**512**	509

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 AGM.

5.2 Preference share capital and premium

	2022 Rm	2021 Rm
Authorised		
1 000 000 (2021: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	**10 000**	10 000

6 LONG-TERM DEBT INSTRUMENTS

Instrument type	Maturity date	Interest rate	2022 Rm	2021 Rm
Subordinated debt				
Callable notes (rand-denominated – floating)	15 March 2027	JIBAR + 3,80%		2 007
Callable notes (rand-denominated – floating)	26 May 2027	JIBAR + 3,75%		504
Callable notes (rand-denominated – floating)	20 March 2028	JIBAR + 3,05%	**2 006**	2 004
Callable notes (rand-denominated – floating)	26 July 2028	JIBAR + 2,58%	**1 532**	1 524
Callable notes (rand-denominated – floating)	1 December 2028	JIBAR + 2,45%	**1 008**	1 005
Callable notes (rand-denominated – floating)	9 April 2029	JIBAR + 2,4%	**2 550**	2 534
Callable notes (rand-denominated – floating)	30 June 2030	JIBAR + 2,80%	**2 018**	2 013
Callable notes (rand-denominated – floating)	2 July 2030	JIBAR + 3,85%	**2 101**	2 087
Callable notes (rand-denominated – floating)	19 June 2031	JIBAR + 2,35%	**2 508**	2 505
Callable notes (rand-denominated – floating)	27 December 2031	JIBAR + 2,0%	**450**	450
Callable notes (rand-denominated – floating)	19 November 2032	JIBAR + 2,10%	**1 439**	
			15 612	16 633

The net movement for the year relates to two notes that were redeemed of R2 500m (2021:R2 000m) and one note issued in 2022 for R1 424m (2021: R2 950m) and interest accrued of R55m (2021: R6m).

7 NOTES TO THE SEPARATE STATEMENT OF CASH FLOWS

7.1 Non-cash items

	2022 Rm	2021 Rm
Interest accruals	**(3)**	(1)
Reversal of impairments		(43)
Share of gains of associate companies	**(779)**	(686)
Fair-value gains	**(6)**	(5)
Foreign exchange gains	**(7)**	(5)
	(795)	(740)

During the year, the company reviewed its presentation of non-cash items. As a result of this review, non-cash items have been disaggregated to provide our users with additional information. To provide comparability, the prior-year balances have been restated accordingly.

7.2 Taxation paid

	2022 Rm	2021 Rm
Statement of comprehensive income charge – foreign dividend withholding tax	**11**	2
	11	2

8 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 Client and Community Schemes, 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.

8.1 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, thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 8 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.

8.2 Effect on profit and financial position

	Share-based payments reserve	
	2022	2021
Community scheme[1]	**125**	125
	125	125

8.3 Movements in number of instruments

	2022		2021	
	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	**1 559 448**	**9**	1 689 648	10
Sold			(130 200)	
Outstanding at the end of the year	**1 559 448**	**8**	1 559 448	9
Exercisable at the end of the year	**–**	**–**	–	–
Weighted-average share price for share instruments exercised (R)		**–**		–

[1] *This reserve will start to reduce once the Community scheme distributes the shares to the beneficiaries. This reserve currently has 851 111 shares to be distributed.*

9. RELATED PARTIES

9.1 Key management employees 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)			
2022			
Directors' fees	**23**		**23**
Remuneration – paid by subsidiaries	**75**	**160**	**234**
Short-term employee benefits	**62**	**130**	**192**
Gain on exercise of share instruments	**13**	**30**	**42**
	98	**160**	**257**
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

	Directors	Key management employees	Total
2022			
Outstanding at the beginning of the year	**919 490**	**1 575 552**	**2 495 042**
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	**1 289 992**	**2 104 306**	**3 394 298**
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

9.2 Related-party transactions

The following significant transactions were entered into between Nedbank Group Limited and the following related parties. All these transactions were entered into in the normal course of business.

Outstanding balances (Rm)

Outstanding balances (Rm)	Due from/(Owing to) 2022	2021
Subsidiaries		
Loan owing to Nedbank Nominees Proprietary Limited – interest-free	**(5)**	(5)
Advance to Ned Settle Services Proprietary Limited – interest-free	**69**	71
Advance to NPE Holdco Proprietary Limited – interest-free	**443**	443
Advance to Nedbank Group Insurance Holdings Limited	**257**	260
Interest-free loan account Nedbank Limited CIB	**11**	12
Bank account with Nedbank Limited	**268**	217
Nedbank Limited investment in tier 2 instruments	**2 018**	2 013
Loan from Nedbank Limited – interest-free	**(4 980)**	(5 445)
Tier 2 long-term debt – Nedbank Limited	**13 594**	14 620
Advance to Nedbank Moçambique, SA – interest-free		16
Accounts receivable from Nedgroup Securities Proprietary Limited		366
Accounts receivable from Nedbank Limited	**3**	
Investment in additional tier 1 capital instruments	**10 219**	9 319
Key management employees		
– Community Trust – share-based payments reserve	**(125)**	(125)

Transactions (Rm)

Transactions (Rm)	Income/(Expense) 2022	2021
Interest income from subsidiaries		
Nedbank Limited – interest received	**1 163**	1 125
Nedbank Limited – interest paid	**(1 347)**	(1 119)
Dividends from subsidiaries		
Nedbank Limited	**6 950**	1 711
Nedbank Limited preference dividend		22
Nedeurope Limited	**362**	235
ERF 7 Sandown Proprietary Limited		146
NedNamibia Holdings Proprietary Limited	**77**	48
Nedbank Group Insurance Holdings Limited	**850**	350
Nedgroup Investments Proprietary Limited	**165**	155
Nedbank Eswatini Limited	**68**	
The Board of Executors (1838)	**15**	
Nedbank Group 2005 Employee Share Trust	**17**	
Dividends declared by subsidiaries	**8 504**	2 667

10 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

The amounts owed to subsidiaries relate mainly to amounts due to Nedbank Limited (a subsidiary of the company) that are contractually repayable within the next 12 months.

Financial assets subject to credit risk are mainly cash and cash equivalents, government and other securities, and intergroup investments in tier 2 instruments that are receivable from Nedbank Limited (a subsidiary of the company), which has an external credit rating of zaAA as issued by Standard & Poor's and Aa1 as issued by Moody's Investors Service.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the company. Financial assets subject to credit risk are cash and cash equivalents, government and other securities, investment in intergroup asset tier 2 instruments, and amounts from and deposits with subsidiaries. The maximum exposure to credit risk is equal to the carrying amount. These amounts are monitored, and provision is made, where necessary, for any irrecoverable amounts. At the end of the reporting period the company does not consider there to be any significant concentration of credit risk that had not been adequately provided for.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The company's risk to liquidity results from long-term debt instruments and amounts owing to subsidiaries. Through the group's Liquidity Risk Management Framework, the company manages the funding and market liquidity risk to ensure that 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.

Maturity analysis (undiscounted contractual amounts)

Amounts owing to subsidiaries (Rm)	2022	2021
Less than one year	**5 131**	5 631
	5 131	5 631

Long-term debt instruments (Rm)	2022	2021
Less than one year	**6 985**	3 506
More than five years	**19 386**	21 317
	26 371	24 823

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The company's market risk results from interest rate changes on long-term debt instruments, amounts owing to subsidiaries, and amounts from and deposits with subsidiaries. Amounts owing to subsidiaries and amounts from and deposits with subsidiaries are unsecured, have no fixed terms of repayment and are non-interest-bearing. The company's level of borrowing and consequently the debt-servicing costs are closely monitored and controlled, with the prevailing and projected interest rates and the company's capacity to service such debt from future earnings taken into account.

Interest rate sensitivity analysis

The company is exposed to interest rate fluctuations of the three-month JIBAR on long-term debt instruments.The following sensitivity analysis has been prepared using a sensitivity rate that is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant.

Cash flow sensitivity analysis linked to interest rate risk

A change of 1% (2021: 1%) in JIBAR-based interest rates at the end of the reporting period would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that the other variables remain constant and is based on closing balances, compounded annually.

Cash flow sensitivity analysis (Rm)	2022	2021
Impact on profit or loss for the reporting period	**1 148**	1 115
	1 148	1 115

11 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. The calculation of the fair value of these financial instruments incorporates the group's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The group's estimate of what fair value is does not necessarily represent what it would be able to sell the asset for or transfer the respective financial liability for in an involuntary liquidation or distressed sale

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

	Carrying Value	Fair value	Level 1	Level 2	Level 3
2022					
Financial assets (Rm)	**15 612**	**16 117**	**7 141**	**8 976**	**–**
Government and other securities	**13 594**	**13 946**	**7 141**	**6 805**	
Investments in subsidiaries	**2 018**	**2 171**		**2 171**	
Financial liabilities (Rm)	**15 612**	**16 117**	**7 141**	**8 976**	**–**
Long-term debt instruments	**15 612**	**16 117**	**7 141**	**8 976**	
2021					
Financial assets (Rm)	16 633	17 661	2 493	15 168	–
Government and other securities	14 620	15 461	2 493	12 968	
Investments in subsidiaries	2 013	2 200		2 200	
Financial liabilities (Rm)	16 633	17 661	2 493	15 168	–
Long-term debt instruments	16 633	17 661	2 493	15 168	

Long-term debt instruments

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

Cash and cash equivalents, amounts due from subsidiaries and other liabilities

The carrying values of cash and cash equivalents, amounts due from subsidiaries 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.

12 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets and liabilities consist primarily of non-financial assets and liabilities. These are not subject to offsetting disclosures as envisaged in IFRS 7: Financial Instruments – Disclosures.

13 DIRECTORS' EMOLUMENTS

Details of directors' emoluments have been included in N3.

14 EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period.

15 SHAREHOLDER ANALYSIS

Register date: 30 December 2022

Authorised share capital: 600 000 000 shares

Issued share capital: 511 500 790 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1–1 000 shares	394 054	98,62	9 369 144	1,83
1 001–10 000 shares	4 000	1,00	10 986 217	2,15
10 001–100 000 shares	1 090	0,27	37 231 025	7,28
100 001–1 000 000 shares	368	0,09	110 311 303	21,57
1 000 001 shares and over	71	0,02	343 603 101	67,17
Total	399 583	100,00	511 500 790	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	374	0,10	164 893 865	32,24
Close corporations	1 013	0,26	241 267	0,05
Empowerment	24	0,01	6 960 543	1,36
Endowment funds	172	0,05	2 739 991	0,54
Government	13		284 415	0,06
Individuals	385 329	96,43	19 933 340	3,90
Insurance companies	100	0,03	19 956 823	3,90
Investment companies	12		883 297	0,17
Medical aid schemes	45	0,01	1 848 819	0,36
Mutual funds	658	0,16	130 464 497	25,51
Other corporations	489	0,12	292 589	0,06
Private companies	1 916	0,48	2 548 036	0,50
Public companies	88	0,02	786 032	0,15
Retirement funds	714	0,18	128 753 354	25,17
Share trusts[1]	5		20 941 928	4,09
Sovereign wealth funds	12		5 798 831	1,13
Trusts	8 490	2,12	3 804 447	0,74
UK nominee accounts	129	0,03	368 716	0,07
Total	399 583	100,00	511 500 790	100,00

[1] *Excludes shares held by directors and prescribed officers in share trusts and Eyethu schemes.*

Public/Non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	77	0,01	98 400 868	19,23
Directors and associates of the company[1]	7		1 577 647	0,31
Prescribed officers of the company[1]	4		1 026 564	0,20
Strategic holdings (more than 10%)	1		67 000 930	13,10
Treasury stock	1		24 249 075	4,74
Nedbank/Nedbank Group pension funds	1		60 192	0,01
Nedbank Group Limited and associates (share trusts and foundation)[2]	11		1 526 438	0,30
Nedbank Group and associates (foundation)	1		2 055	
Nedbank Group Limited and associates (mutual funds and banks)	16		2 607 419	0,51
Nedbank Group BEE trusts – SA[2]	5		174 803	0,03
Nedbank Group BEE trusts – Namibia	30	0,01	175 745	0,03
Public shareholders	399 506	99,99	413 099 922	80,77
Total	399 583	100,00	511 500 790	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	2022 % holding	2021 % holding
Nedbank Group treasury shares	24 249 075	4,74	4,58
BEE trusts:	6 587 031	1,29	1,28
– Eyethu scheme – Nedbank SA	6 454 677	1,26	1,25
– Omufima scheme – Nedbank Namibia	132 354	0,03	0,03
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Schemes	17 614 532	3,44	3,29
Nedbank Namibia Limited	47 512	0,01	0,01
Public Investment Corporation (SA)	69 311 364	13,55	13,69
Allan Gray Investment Council (SA)	50 093 634	9,79	10,63
Coronation Fund Managers (SA)	23 578 426	4,61	7,00
Old Mutual Life Assurance Company (SA) Limited and associates	13 174 952	2,58	5,17
BlackRock Incorporated (international)	20 503 951	4,01	4,55
Lazard Asset Management (international)	14 868 780	2,91	3,23
The Vanguard Group Incorporated (international)	16 774 314	3,28	3,09
Sanlam Investment Management Proprietary Limited (SA)	12 425 793	2,43	3,08
GIC Asset Management Proprietary Limited (international)	28 678 455	5,61	2,97
Ninety One (SA)	20 020 940	3,91	2,91

Beneficial shareholders holding of 5% or more	Number of shares	2022 % holding	2021 % holding
Government Employees Pension Fund (SA)	75 162 022	14,69	15,00
Allan Gray Balanced Fund (ZA)	35 658 073	6,97	7,48
GIC Private Limited	28 798 333	5,63	2,89
	139 618 428	27,29	25,37

Geographical distribution of shareholders	Number of shares	2022 % holding	2021 % holding
Domestic	341 881 741	66,84	68,64
SA	305 574 913	59,74	62,61
Namibia	9 708 873	1,90	2,59
Unclassified	26 597 955	5,20	3,44
Foreign	169 619 049	33,16	31,36
United States of America	73 550 269	14,38	15,56
Asia	41 708 381	8,15	5,51
Europe	24 532 727	4,80	4,21
United Kingdom and Ireland	16 730 834	3,27	2,93
Other countries	13 096 838	2,56	3,15
	511 500 790	100,00	100,00

INFORMATION NOT COVERED BY THE INDEPENDENT AUDITORS' REPORT

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
A4	Restatement of the consolidated statement of comprehensive income	IAS 1, IAS 8
A5	Restatement of the consolidated statement of financial position	IAS 1, 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 and IFRS 13
B6.2	Non-interest revenue and income	IAS 32, IFRS 8, IFRS 9, IFRS 13, IFRS 15 and IFRS 17
B7	Total operating expenses	IAS 1, IAS 16, IAS 19, IFRS 2 and IFRS 16
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, IAS 36, IFRS 10 and IFRS 16
C1	Loans and advances	IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C2	Impairments charge on financial instruments	IAS 1, IFRS 7, IFRS 8 and IFRS 9
C3	Government and other securities	IAS 1,IAS 32, IFRS 7, IFRS 9 and IFRS 13
C4	Other short-term securities	IAS 1, IAS 32, IFRS 7, 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 32, IAS 7 and IFRS 7
C7	Derivative financial instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
D1	Amounts owed to depositors	IAS 1, IAS 32, 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 13 and IFRS 17
D4	Insurance contract liabilities	IAS 1 and IFRS 17
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 24, IAS 28, IFRS 9, IFRS 11, IFRS 12 and IFRS 13
F3	Investments in subsidiary companies and related disclosure	IAS 24, 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, IAS 36 and IFRS 13
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 and IFRS 7
L1	Financial risk management	IAS 1 and IFRS 7
L2	Capital management	IAS 1 and IFRS 7
L3	Liquidity gap	IFRS 7
L4	Interest rate risk in the banking book	IFRS 7
L5	Market risk in the trading book	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 2022 are:

	% change	2022 Rm	2021 Rm
Adjusted net worth		**2 356**	2 145
Required capital		**959**	1 187
Free surplus		**1 397**	958
Value of in-force business		**2 105**	1 894
Present value of future profits		**2 310**	2 065
Frictional cost of capital		**(94)**	(70)
Cost of non-hedgeable risk		**(111)**	(101)
Total EV	10,4	**4 461**	4 039
Present value of future profits		**625**	336
Frictional cost of capital		**(12)**	(7)
Cost of non-hedgeable risk		**(18)**	(7)
Total value of new business	84,8	**595**	322
New-business sales (APE[1])	10,5	**1 193**	1 080
APE[1] margin		**49,9%**	29,8%
PVNBP[2]	20,7	**2 451**	2 030
PVNBP[2] margin		**24,2%**	15,9%
Analysis of EV earnings:			
EV at the beginning of the year		**4 039**	3 606
Total EV earnings		**1 272**	783
Operating EV earnings		**1 159**	635
Value of new business		**594**	322
Expected return		**112**	73
Experience variances and modelling changes		**80**	365
Non-economic assumption changes		**373**	(125)
Economic variances and assumption changes		**60**	59
Return on adjusted net worth		**53**	89
Adjustment: dividends paid		**(850)**	(350)
EV at the end of the year	10,4	**4 461**	4 039
Operating earnings return on opening EV (annualised %)		**28,7%**	17,6%

[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 was 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

Assumptions allowing for higher claims experience due to Covid-19 are no longer captured under non-economic basis for 2022. There were a number of basis changes as at 31 December 2022 which have impacted the PVFP and PVNBP.

ASSUMPTIONS

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, morbidity, persistency, retrenchment rates and expenses. These best-estimate assumptions are determined using past, current and expected future experience.

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	2022	2021
Term (years)		
1	7,7%	4,7%
5	8,3%	6,5%
10	9,5%	7,8%

Expense inflation	2022	2021
Term (years)		
1	7,1%	6,6%
5	7,1%	6,6%
10	7,1%	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.

2022

Rm	PVFP	EV	VNB
Central assumptions	2 106	4 461	594
Economic assumptions increase by 1%	2 066	4 459	582
Economic assumptions decrease by 1%	2 145	4 463	608
Equity and property market value decrease by 10%	2 104	4 409	594
Voluntary discontinuance rates decrease by 10%	2 240	4 574	651
Mortality and morbidity rates decrease by 5%	2 164	4 538	614
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	2 142	4 529	612
Acquisition expenses decrease by 10%	2 106	4 461	606

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 increase by 10%	1 894	4 039	335

Review by independent actuaries

Independent consulting actuaries have reviewed, up to date, the results, methodology and assumptions underlying the calculation of the EV and the VNB at a high level as at 31 December 2022 and 31 December 2021. Based on the information supplied to them by Nedgroup Life, they are satisfied from a high-level perspective that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles. They further 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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