Be the difference that impacts our world

Provisional audited results

for the year ended 31 December 2021

see money differently

NEDBANK GROUP

Contents

Strong performance enabled by a more supportive environment, ongoing strategic delivery and a good operational performance

The operating environment in 2021 was more supportive for Nedbank and our clients. The South African economy performed better than we expected at the start of the year, resulting in upward revisions of gross domestic product (GDP) growth to 4,9%. Off the low base in 2020, the rebound in economic growth was underpinned by higher commodity prices, lower levels of lockdown restrictions and some positive developments on key reforms in SA. The low-interest-rate environment supported demand for retail credit and transactional activity increased as lockdown levels eased. Demand for corporate credit remained muted, particularly in the first half of the year as excess cash was used to repay debt, and investment activity remained low. Encouragingly, demand for corporate credit saw a recovery in the second half. In the third quarter, the negative impacts of a prolonged third wave of Covid-19 infections, tighter lockdown restrictions, the July civil unrest in parts of the country and frequent power outages weighed heavily on economic activity. Trading conditions improved in the last quarter of 2021, supported by more lenient lockdown restrictions despite the onset of the fourth Covid-19 wave (Omicron variant).

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

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

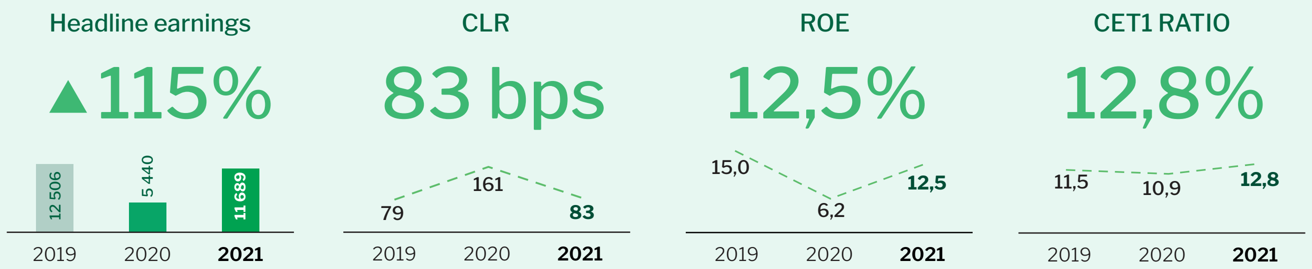
The strong financial performance was supported by ongoing strategic delivery. Our Managed Evolution (ME) technology journey to create a modern, modular and digital IT stack is at 85% completion. The benefits of this are evident in most of our digital metrics showing double-digit growth, as well as target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

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

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

Our Chairperson, Vassi Naidoo passed away during 2021 after a long and brave battle with cancer. He led our board with integrity and passionately loved the Nedbank brand and all that we stand for. We will be forever grateful for his contribution to Nedbank.

Mike Brown
Chief Executive



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

2021 results commentary

Banking and economic environment

Global economic growth rebounded in 2021 following the deep contraction in 2020 caused by strict Covid-19-induced lockdowns. The International Monetary Fund (IMF) currently predicts that global growth will be a robust 5,9% in 2021. The relaxation of lockdowns, higher commodity prices and pent-up demand supported the rebound during the year, but the upside was contained by supply-chain constraints, rising inflation and the ongoing impact of new variants of Covid-19. The rebound in growth was broad-based, however, divergences between regions and countries persisted. Significant fiscal and monetary policy support coupled with widespread vaccinations supported growth in advanced economies. Robust vaccination programmes allowed many advanced economies to ease restrictions substantially, thereby enabling a quicker return to near-normal trading conditions. Despite the strong rebound in advanced economies, the pace of the recovery slowed in the second half of the year. The rapid spread of the Omicron variant towards the end of 2021 triggered renewed lockdowns in some parts of the world, mainly Europe and China. While Omicron proved far more contagious, it nonetheless presented milder symptoms. Supply shortages and transport disruptions persisted, contributing to global price pressures. Inflation is proving more than transitory, triggering a rapid shift towards faster monetary policy normalisation by major central banks throughout the second half of last year.

Most emerging and developing countries entered the Covid-19 pandemic in a vulnerable state, with minimal fiscal policy space. As a result, output, investment, labour and consumption were hard hit over the past two years. The stop-start nature of recoveries throughout 2021 exacerbated the economic impact of the pandemic, partly due to uneven and insufficient vaccination rates. Despite these challenges, economic growth returned in most countries off 2020's low base. Emerging economies in Latin America, Europe and Central Asia benefited from substantial remittances, a recovery in labour markets and a rebound in domestic and external demand. Higher commodity prices also boosted output and exports in almost all developing and emerging economies, particularly in the oil- and commodity-exporting nations of the Middle East, Africa, Latin America and Asia. While strong growth in China supported the recoveries of other developing countries in the first half of 2021, underlying activity slowed significantly over the second half of the year, weighed down by numerous Covid outbreaks, severe lockdowns as well as stricter environmental, property and financial regulations.

In 2021 the South African economy bounced back faster than most forecasters expected from the low base of 2020 caused by the economic impact of strict lockdowns. The local economy benefited from a surge in global commodity prices and stronger global demand. After growing by 7,5% in H1 2021, GDP slowed in H2 2021. Multiple shocks disrupted SA's economic recovery in the third quarter of the year. A prolonged third wave of Covid-19 infections, tighter lockdown restrictions, the July civil unrest in parts of the country and frequent power outages resulted in a sharp contraction in economic activity. Trading conditions improved in the fourth quarter, enabled by government's decision to leave the country at the most lenient lockdown level 1 despite the onset of the fourth Covid wave triggered by the Omicron variant. We forecast South African GDP growth of 4,8% for calendar year 2021. High frequency data from our point-of-sale devices and card-related digital channels reflected strong growth in total turnover into H2 2021. Overall turnover levels are back above pre-Covid levels (March 2020) including in the telecommunication, retail, restaurant, healthcare and entertainment sectors. However, sectors that were most impacted by the various levels of Covid-19-related lockdowns, such as hotels/lodging and airlines, recorded turnover levels that are still below 2019 levels.

Labour market conditions remained highly depressed as the many shocks experienced in Q3 2021 exacerbated job losses, forcing the unemployment rate up to a record high of 34,9%. The league of discouraged workers swelled to an unprecedented 3,8 million people. Towards the end of 2021, household income growth was supported by the gradual normalisation in economic activity following July's unrest shocks, enabled by looser lockdown restrictions throughout the Omicron-led surge in new Covid cases over December. As a result, the fourth Covid wave was less disruptive to economic activity than the previous waves. Most South African households managed their finances relatively well throughout the pandemic, limiting borrowing and maintaining net savings. Household debt moderated to 66,7% of disposable income in the third quarter, while savings rose to 1,2% of disposable income. In the banking industry, credit growth improved in H2 2021. Household credit demand remained positive throughout last year, boosted by low interest rates, the economic recovery and stronger income growth. Higher levels of growth were evident in instalment sales and mortgages, but overdrafts declined further, and personal-loan growth slowed.

Fixed-investment activity has generally remained depressed, undermined by uncertain long-term growth prospects, continued policy uncertainties and frequent power outages. The July riots also weighed heavily on business confidence and fixed investment decisions. Towards the end of 2021, growth in fixed investment started to gradually recover off a low base. The second half of the year saw a recovery in corporate credit demand as companies started to utilise overdraft facilities again, while vehicle finance also accelerated. Encouragingly, general loans to companies, often used to finance capital projects, rose marginally in November after eight months of steep declines.

Inflation drifted higher off a low base in 2021. The main contributors were rising global oil and food prices and higher prices of a wide range of imported goods, primarily caused by global supply shortages and Covid-19-related disruptions to the world's transport networks. Upward pressure also came from a weaker rand and higher electricity tariffs. The rate hiking cycle started in November 2021 when the Monetary Policy Committee (MPC) announced a 25 bps hike in the repo rate in response to the mounting upside risks to the inflation outlook. The upward trend continued in January 2022 when the MPC raised the repo rate by a further 25 bps, in line with consensus forecasts.

After a volatile and difficult year for the South African banking sector in 2020, 2021 saw client transactional activity rebound and market volatility return to more normalised levels, although corporate deal flow across various sectors remained weak. Impairments declined significantly, underpinned by the improving operating environment and due to the normalisation of forward-looking IFRS 9 portfolio impairments. The South African banking sector continues to demonstrate strong levels of resilience, remaining well capitalised, liquid and profitable.

Strategic progress

Our strategy gives us a clear framework on where we want to focus as a purpose-led organisation and what we need to do to meet our medium-term targets of achieving diluted headline earnings per share (DHEPS) greater than the 2019 level (2 565 cents), an ROE greater than the 2019 level (15,0%), a cost-to-income ratio lower than 54% (2019: 56,5%) and the #1 ranking in NPS (2019: 3) by the end of 2023. Through our strategy we seek to create value by growing revenue and increasing levels of productivity, both strongly enabled by technology, while maintaining world-class risk and capital management metrics. We are focusing on growing our share of transactional relationships and related deposits across all our businesses, and ensuring we deliver market-leading client experiences that will help us to attract new clients and a deepened share of wallet among existing clients. To boost our productivity and improve operational efficiency, we are building on and accelerating existing efforts in optimising our operating model in a more digital world, by leveraging the technology platforms we have put in place. Our world-class risk management capabilities ensure that we appropriately balance risk/reward trade-offs.

Our strategy is delivered through five strategic value unlocks that include: delivering innovative market-leading client solutions; engaging in ongoing disruptive market activities (underpinned by digital leadership), focusing on areas that create value (strategic portfolio tilt, known as SPT 2.0), driving efficient execution (including target operating model enhancements, known as TOM 2.0) and creating positive impacts, including delivering on our purpose of using our financial expertise to do good. Underpinning these strategic value unlocks is our Managed Evolution (ME) strategy and technology transformation programme to build a modern, modular and digital IT stack that has reached 85% completion. Most foundational IT programmes are either complete or nearing completion, and the group's intangible software assets are expected to have peaked in 2021 at around R9bn, in line with reducing levels of IT cash flow spend. The rationalisation, standardisation and simplification of our core banking systems that have resulted in a reduction from 250 systems down to 78 (final target of 65 to 75), are enabling reduced infrastructure, support and maintenance costs, less complexity and increased agility in adopting new innovations. The benefits of ME are evident in the digital progress we have made, as well as the realisation of benefits through TOM 1.0 and TOM 2.0. In 2021, the ME programme was benchmarked against a globally recognised peer group of 14 local and international banks across five key dimensions (business case, digital readiness, architecture, governance, people and adoption, and regulation and risk) to give insights into Nedbank's relative positioning to this peer group. The benchmarking exercise confirmed that the ME philosophy and approach of a stepwise technology modernisation was in line with that of successful international peers. The findings were very encouraging and concluded that ME has delivered value on an ongoing basis and that Nedbank is one of a few enterprises in the benchmarking peer group that has achieved revenue uplift from its IT transformation programme. Similarly, the assessment concurs with Nedbank's focus of creating distinctive client experiences in support of digital penetration and sustainable client retention through increased cross-sell. The following progress was made in 2021:

- **Delivering innovative, market-leading client solutions**
  - **Digital client onboarding, sales and servicing (Eclipse for retail clients and Nedbank Business Hub for business clients):** Our simplified digital client onboarding platforms for individual and juristic (business) clients continue to mature and expand, enabling clients to open FICA-compliant accounts remotely through our employee-assisted and self-service digital channels, by providing a seamless omnichannel experience. The processing of product sales to individuals via Eclipse currently includes six of our top retail products, being transactional products, personal loans, card issuing, home loans, investments and overdrafts, as well as more than 170 services. Clients can also join the bank through our self-service kiosks, with a card issued immediately. Foreign exchange, the roll-out of student loans and selective Nedbank Insurance products, including MyCover Funeral and MyCover Life, will be available on the Eclipse platform during 2022. The Eclipse journey for individuals is now materially complete. In 2021, juristic client onboarding in Retail and Business Banking (RBB) and CIB started with the roll-out of the Nedbank Business Hub, leveraging our new digital token-less security and enabling a step change in client experience for businesses. The hub provides a convenient platform for clients from which they have a single view of relevant digital offerings and are able to transact, apply for products (transacting, lending and borrowing) or services to name a few. While migration to this modernised platform remains a key priority, the convergence of the various juristic digital channels has gained momentum, with a first release scheduled for July 2022. From a digital servicing perspective, an additional 100+ juristic services are intended to be digitised by the end of 2023.
  - **Apps:** The Nedbank Money app, which makes banking more convenient for our retail clients, continues to be rated highly on the Apple and Google app stores, with an average client rating of 4,4 (out of five). It is actively used by 1,6 million clients, up by 38% (2020: 1,2 million). Transaction volumes on the Money app increased by 54% and transaction values increased by 72% when compared to full-year 2020. New features introduced during the period include quote and fulfil functionality for funeral cover, life cover, car insurance and homeowners' cover (HOC), as well as claims functionality for HOC and funeral policies. The functionality to make payments to cellphones and new investments has been enhanced and clients are now able to request real-time credit limit increases via the app. Revenue from value-added services increased by 53% across prepaid data, vouchers, electricity purchases, LOTTO and Send-iMali. The Nedbank Private Wealth app, which offers integrated local and international-banking capabilities, has an average rating of 4,6 (out of five) on the Apple and Google app stores. The Nedbank Money App (Africa) has proven to be the channel of choice across our Nedbank Africa Regions (NAR) subsidiaries owing to the convenience, wide functionality base and user experience, and achieved an app store rating of 3,7 (out of 5). The total number of enrolments at the end of December 2021 for the common monetary area (CMA) countries exceeded 63 000 users, with the total number of app users across NAR now more than 90 000. App volumes increased by 35% year on year (yoy), while value-added services (including airtime and electricity) purchases grew by 26%.
  - **New innovations:** During the period, in addition to the various app enhancements, we launched a number of new innovations. These include a new broad range of financial wellness tools, including credit score ratings with helpful tips for clients and enhanced MoneyTracker functionality tools allowing for spend categorisation and management. Retail Relationship Banking clients can now apply for an overdraft, and informal traders can join the bank and obtain a paycode through a simple USSD process. A host of user-friendly features were introduced, including the ability to redeem Greenbacks into a savings or investment account or to donate them to a charity, enhanced statements, and more seamless loan-offering processes. Significant transacting capabilities like the ability to get cash at an ATM by scanning a QR code (a first in SA), the ability for clients to withdraw cash using a digital voucher code at a wide network of retailers including: Pick n Pay, Shoprite and Checkers. RBB and Nedbank Private Wealth launched Apple Pay, which allows clients to make cashless, contactless payments using an Apple device. Since its launch in March 2021, we have seen excellent uptake in client usage and payments continue to grow on a monthly basis. This mobile payment capability follows our scan-to-pay capability as well as Samsung, Garmin and Fitbit Pay solutions launched in prior periods. In addition, we launched Money Message, an innovative invoice-and-payment solution that enables small businesses to create and send invoices, and receive payments easily and securely on WhatsApp, which is the dominant messaging platform in SA. It also complements Nedbank's tap-on-phone solution, a payments solution that enables businesses to accept payments by simply using an Android smartphone for contactless card payments. Enbi, our new artificial intelligence (AI)-driven chatbot, which was launched to meet client expectations for immediate and excellent personal assistance, now answers over 100 000 client enquiries a month. In NAR we continued to release new features, including digital wallets, self-enrolment and value-added services. The implementation of automated credit scoring enhanced our credit decisioning capability and provides integrated insights on managing credit risk and understanding our clients. In Nedbank Insurance, we have extended our insurance quoting, fulfilment and claims functionality on digital channels to 10 Insurance product offerings. As part of building Nedbank Private Wealth in Namibia, we extended our stockbroking services and international wealth offerings to clients.
  - **Digital outcomes:** Our digital initiatives helped us to increase the number of digitally active retail clients in SA by 11% to 2,3 million (December 2020: 2,1 million). This now represents 36% of total active clients (December 2020: 32% and December 2019: 28%) and 64% of main-banked clients (2020: 57% and 2019: 49%). Retail digital transaction volumes in SA increased by 28% and transaction values by 19%. Digitally active clients across the NAR business grew by 7% and represents 54% of the total active client base.
  - Creating great client experiences: The outcome of our digital innovations is evident in higher levels of client satisfaction, as illustrated in Nedbank again being rated the second-best large bank on NPS in 2021. We increased our score to 47% (2020: 41%) and similarly recorded an increase in the client satisfaction SAcsi score to 82% (2020: 81%). Nedbank was ranked the eighth most valuable brand among the top 50 South African companies for the second year in a row. In 2021 we have seen a continuation of high brand sentiment rankings; where Nedbank was consistently ranked as the #2 bank on social media brand sentiment as measured by Salesforce Social Studio. Independent external recognition, as reflected in the number and quality of international awards for business excellence, digital leadership and ESG, increased in the 12 months when compared with prior years. In 2021, relating to digital leadership, Nedbank won the Best Mobile and Internet Banking Awards at the International Business Magazine Awards, Best Digital Bank at the Global Business Outlook Awards and Best Digital Bank and Best Open Banking APIs (SA) at the 2021 Global Banking & Finance Awards.
- **Ongoing disruptive market activities**
  - **Avo super app:** Our market-leading digital ecosystem Avo, which is a one-stop super app enabling clients to buy essential products and services online and have them delivered to their home, with seamless payments and credit enabled by the Avo digital wallet and Nedbank. Since its launch in June 2020, Avo has signed up more than 675 000 consumers (4,7x growth yoy), along with over 20 250 businesses (3x growth yoy) registering and offering their products and services on this e-commerce platform. Product orders continue to grow exponentially, with 3x yoy growth of gross merchandise value (GMV). We continue to enjoy favourable ratings across the Google and Apple app stores with ratings of 3,9 and 4,3 respectively. Avo Auto and the launch of Avo B2B marketplace are expected to strongly support further scaling efforts of the platform.
  - **APIs:** After having been the first bank in Africa to launch an API platform (API_Marketplace) that is aligned with the Open Banking Standard (PSD2), we made good progress in scaling the platform by allowing approved partners to leverage the bank's financial capabilities through integrating into our standard, secure and scalable APIs. The number of third parties active on API_Marketplace has increased to 45 (2020: 17). Third-party interest in API_Marketplace continues to grow. The number of active APIs used increased from eight (December 2020) to nine. An example of a successful implementation is the enablement of personal-loans disbursals, which increased by 360% yoy, supporting our market share increase in this product.
  - **Karri app:** The Karri payments app made a strong recovery as schools reopened in 2021. Notwithstanding the big impact of Covid-19 on traditional event and sport tour collections (the main driver of usage and value of collections pre-Covid-19), we managed to increase active users back to pre-Covid-19 levels by adding new functionality and increasing the value offered to schools, enabling the highest active usage from March to May 2021. Karri now has well over 800 organisations that are using the app. The Karri app is now more relevant than ever, with a database of well over one million potential users and one of the highest app store ratings (currently 4,5). As schools return to normality, we are expecting a return to exponential growth.
- **Focusing on areas that create value (SPT 2.0)**
  - We focus on areas that create value, particularly through strategic portfolio tilt (SPT 2.0) that is a groupwide strategy focused on right-sizing certain advances market shares, growing our transactional banking franchise and cross-selling into transactional deposits through integrated client value propositions.
  - Over the past 12 months we increased market share in key advances categories in line with the South African Reserve Bank (SARB) BA 900 returns, including personal loans (12,2% market share, up 1,0%) and household overdrafts (9,9% market share, up 1,9%). We also increased our share in vehicle finance (36,9% market share, up 0,4%), where we are leveraging our market-leading position and unique business model that is skewed to financing used and lower-value vehicles. These gains were supported by increased levels of client take-up rates, enabled by digital channels, notwithstanding tightening of credit criteria. Our home loans market share of 14,2% declined marginally by 0,2%. In wholesale lending we were selective in granting loans as we continued to manage risk and focus on increasing Net interest margins (NIM), resulting in a decline in market share (commercial mortgages 37,2% market share and wholesale term-loan market share 16,8%, both down 1,3%).
  - Main-banked clients in retail grew by 1% to 3,1 million and cross-sell was 1,9 products (compared with 1,8 in 2020). In the independent 2021 Consulta survey, Nedbank recorded the largest increase in main-banked market share of all large South African banks, increasing by 1,1% to 12,4%. CIB gained 35 new primary clients in the period. In NAR total clients increased by 1% to 338 000, of which 141 000 are main-banked.
  - From a deposit perspective, we have seen an increase in commercial funding and a decrease in wholesale funding, and gained market share in both commercial transactional (16,6% market share, up 1,0%) and non-transactional deposits (17,6%, market share, up 0,8%). Our focus on household deposit market share continues, with ongoing management actions focused on arresting household deposit market share losses, notwithstanding aggressive competition and pricing for retail deposits. Trends in Q4 2021 were pleasing, with an uptick recorded in term-related household deposit market share.
- **Driving efficient execution (TOM 2.0)**
  - **Unlocking benefits through technology:** After realising cumulative TOM 1.0 savings of R2,0bn in 2020 relating to the benefits from a modernised technology platform (ME) and agile innovation methodologies, in 2021 we launched TOM 2.0. TOM 2.0 is aimed at optimising the shape of our infrastructure (branches and corporate real estate), shifting our RBB organisational structure so that it is more client-centred and optimising our shared-services functions across the group as a direct result of the digital benefits from ME. In 2021 we recorded benefits of R967m, on our way to unlocking cumulative revenue uplift and cost savings of R2,5bn by the end of 2023 (of which approximately 90% relates to cost savings). The business case of our technology investments, including ME, evident in the value unlocks through TOM 1.0 and TOM 2.0, remains intact as the group's annual amortisation charge (R1,7bn in 2021) remains below the cumulative benefit of these initiatives. In addition, annual IT cash flow spend has declined, after having peaked in 2017.
  - **Branch optimisation:** The digitisation of services in RBB and changing client behaviour, along with the impact of the Covid-19 lockdowns, has enabled us to reduce branch teller volumes by 21%. To date, as we optimise the shape of our infrastructure through Project Imagine, branch floor space has decreased by around 65 000 m^2 (December 2020: 57 000 m^2) from 2014 levels, while employee points of presence declined by 13 yoy to 538. Over the past 12 months our total group permanent headcount declined by 1 410, largely through natural attrition.

- **Real estate optimisation:** Through our strategy of consolidating, standardising and optimising our own buildings to support new ways of working, our number of campus sites (offices) has decreased from 31 to 24 over the past four years, with a longer-term target of 19. Since 2016 we have saved over 116 000 m² and over 47 000 m² in 2021 alone. In the next few years, we will continue to optimise the portfolio by enhancing workstation use by enabling flexible office constructs to support more dynamic ways of work, as well as leveraging successful work-from-home experiences as a result of Covid-19, while creating further value and cost reduction opportunities. Our optimal workplace distribution mix is expected to settle at around 60% at Nedbank premises and 40% as a mix of hybrid and permanent work-from-home models to support an anticipated workforce distribution model of 50% full-time on premises, 30% hybrid and 20% permanent off-site.
- **RBB reorganisation and shared-services optimisation:** In 2020 we started the implementation of Project Phoenix, which aims to shift our RBB organisational structure from being 'product-led, supported by client and channel views' to being 'client-segment-led, supported by product and channel views'. We concluded phase one and two of our journey during 2021, moving from product-focused expert knowledge to centres of excellence with product insights present across the value chain. We also concluded the restructure of the cluster and divisional executive roles, as well as finalising the next tiers in line with the competencies required to deliver on the outcomes of the value chain accountabilities in 2021. The client-centred technology investments we have made enable digital client onboarding and enhanced cross-sell of additional products through simplified processes – these investments have assisted us in consolidating middle- and back offices within the cluster, unlocking efficiencies.
- **Groupwide shared-services optimisation:** We have increased our focus to ensuring efficient and effective central group functions including marketing, risk, human resources (HR), finance and technology. In addition, we are in the process of further optimising smarter supply chain and procurement capabilities.

- **Creating positive impacts**
  - Understanding that banks play a central role in driving the sustainable socioeconomic development of our continent, Nedbank deliberately focuses on using its financial expertise to do good for its stakeholders. This strategic imperative is demonstrated through our market-leading Energy Policy that was released in H1 2021, which seeks to guide the transition away from fossil fuels, while accelerating efforts to finance non-fossil energy solutions needed to support socioeconomic development and build resilience to climate change. The Energy Policy will ensure that Nedbank has zero exposure to fossil-fuel-related activities (thermal coal, upstream oil and gas, and power generation) by 2045, with 100% of lending and investment activity supporting a net-zero carbon economy by 2050, while accelerating funding to key sectors such as renewable and embedded energy. To achieve this requires a significant amount of investment in innovation by the bank and this was evidenced with underwriting R35bn of renewable-energy lending to date and the launch of Africa's first green AT1 instrument in 2021 as we raised a total of R910m, with the equivalent notional amount of funding to be directed to supporting the financing of new green infrastructure projects in SA. In addition, we successfully structured and arranged a R1,1bn Green Residential Development Bond for Nedbank Limited, issued under its domestic medium-term note programme and listed on the Sustainability Segment of the JSE in December 2021.
  - It is pleasing to have our efforts in this regard externally recognised, and we accept these awards of validation as evidence that we are progressing well while acknowledging there is always much more to be done. Recent awards include Nedbank being recognised as Africa's Best Bank for Sustainable Finance 2021 by Euromoney and Best Bank for Sustainable Development South Africa 2021 by *Global Banking & Finance*. In recognition of the significant contributions made in the sustainable finance space, Nedbank won various awards including the Local Currency ESG and Sustainable Finance Deal of the Year and Local Markets ESG and Sustainable Finance Adviser of the Year at the Bonds, Loans and Sukuk Africa Awards in 2021.

Review of results

Nedbank Group delivered a strong financial performance for the year ended 31 December 2021 (the period), reflecting a significant decline in the impairment charge and strong revenue growth when compared to the low base in the year ended 31 December 2020 (the prior period). HE increased by 115% to R11 689m (2020: R5 440m) but remains 7% below our full-year 2019 HE of R12 506m. Preprovisioning operating profit growth increased by 9% (compared to a 2% decline reported at H1 2021).

	Change	HE (Rm)		ROE (%)	
	(%)	2021	2020	2021	2020
CIB	54	5 605	3 636	15,3	9,4
RBB	> 100	4 532	1 595	13,7	5,4
Wealth	45	962	662	21,2	15,3
NAR	> 100	594	12	9,3	0,2
Centre		(4)	(465)		
Group	**115**	**11 689**	5 440	**12,5**	6,2

HEPS and basic EPS increased by 114% to 2 410 cents and by 223% to 2 317 cents, respectively in line with the updated trading statement released on 14 February 2022. In this trading statement we noted that HEPS and basic EPS were expected to increase by between 108% and 118%, and 218% and 228%, respectively. DHEPS increased by 112% to 2 362 cents.

As a result of the group's strong financial performance, ROE for the period increased to 12,5%, well above the prior period of 6,2%, although still below the cost of equity and below the 2019 level of 15%. Return on assets increased from 0,45% to 0,98%, while return on risk-weighted assets (RWA) increased from 0,82% to 1,78%, assisted by an RWA decline of 3%. Net asset value (NAV) per share increased strongly by 11% to 20 493 cents.

During the period, the group's balance sheet strengthened further as we closed out the resilience phase of our strategic response to the Covid-19 pandemic. CET1 and tier 1 capital ratios of 12,8% and 14,3% respectively improved on the prior period and are now well above the pre-Covid 19 levels of 11,5% and 12,8% respectively (December 2019). These ratios are also well above the SARB minimum requirements and the group's board-approved target ranges. The average LCR for the fourth quarter of 128% was well above the regulatory minimum level of 90%, with effect from 1 January 2022, which will be increased to 100% with effect from 1 April 2022, and an NSFR of 116% was well above the 100% regulatory minimum. After not paying dividends in 2020 as a result of Prudential Authority (PA) Guidance Note 4/2020, the group resumed dividend payments in H1 2021, in line with PA Guidance Note 3/2021, with an interim dividend of 433 cents at 2,50 times cover (payout ratio of 40%). A final dividend of 758 cents at 1,75 times cover (payout ratio of 57%) has been declared, at the bottom end of the group's board-approved dividend target range of 1,75 times to 2,25 times.

Cluster financial performance

Nedbank Group's HE increase of 115% to R11 689m was supported by strong growth in HE across all business clusters and group ROE of 12,5% improved from the prior year's 6,2%.

HE in CIB increased by 54% to R5,6bn, and the cluster delivered an ROE of 15,3%, above the group's cost of equity. HE was primarily driven by a 56% decrease in impairments as reflected in the CLR declining to 42 bps (2020: 82 bps). NIM expanded and net interest income (NII) increased by 9%, despite average interest-earning banking assets (AIEBA) decreasing by 13% to R339bn. Actual gross banking advances decreased by 2% to R352bn due to muted corporate demand for new loans, particularly in the property sector, and early settlements as clients used excess liquidity to repay committed facilities, across multiple sectors. Actual trading advances decreased by 29% due to a decline in investments in foreign repo assets. Non-interest revenue (NIR) increased by 9%, benefiting from a normalisation of equity revaluations, partially offset by a lower trading performance given the high base in 2020. Expenses increased by 9%, driven by higher variable incentive costs, resulting in a cost-to-income ratio of 44%.

HE in RBB increased by 184% to R4,5bn and ROE increased to 13,7% and remained below the group's cost of equity. The main drivers for this performance were significantly lower impairment charges, due to relatively lower stress on the consumer driven by a stronger macroeconomic environment, as well as better-than-expected performance of Directive 7/2015 (restructured) loans exiting their monitoring period. The RBB CLR decreased to 134 bps from 240 bps in 2020 and from a H1 2020 peak of 269 bps, and it is now back within the cluster's TTC target range of 130 bps to 180 bps. NII increased by 5%, driven by solid average advances growth, continuing its momentum from 2020, benefiting from both client demand for secured loans as a result of the 300 bps cuts in interest rates in 2020. Increased lending volumes originated through the group's digital channels, notwithstanding lower loan approval rates across some products, also supported the growth. NIR increased by 8% as client-related transactional activity improved, evident in increased levels of spend, cash withdrawals and purchase of value-added services. An increase in expenses of 6% was driven by a higher incentive charge and higher computer processing costs, partially offset by good management of discretionary spend and ongoing optimisation of operations.

HE in Nedbank Wealth increased 45% to R962m, with an ROE of 21,2%, above the group's cost of equity. Insurance results were positively impacted by improved investment returns and the implementation of an enhanced asset and liability matching strategy, but these were partially offset by significantly higher death claims in the life portfolio. Asset Management delivered a robust performance on the back of positive net flows of R7bn, a 13% growth in assets under management (AUM) to R424bn and a strong market rebound. Wealth Management (SA) recorded a substantial growth in earnings off a low base, due to credit impairment releases and an increase in NII. Wealth Management (International) earnings were negatively impacted by record-low USD and GBP interest rates, offset by strong growth in investment business lines and steady client lending activity.

HE in NAR increased to R594m, which is significantly higher than the R12m reported in the prior period, with its ROE improving to 9,3%, but still well below cost of equity. The performance reflects the impact of significantly lower impairments (CLR down to 72 bps from 185 bps) and a strong recovery in associate income from ETI with related HE increasing to R523m (2020: R153m). This was offset by a slight decline in NIR as a result of a high base in 2020, as well as lower transactional activity and general economic slowdown in some Southern African Development Community (SADC) regions in the first half of the year.

The performance in the Centre reflects the benefits of higher levels of capital (endowment) held at the centre on NII and a R250 (pre-tax) decrease in the group central provision to R500m, partially offset by fair-value losses relating to the unwind of prior-period profits from the group's fair-value hedge accounting solution.

Financial performance

Net interest income

NII growth accelerated strongly from 2020, increasing by 8% to R32 500m. AIEBA declined by 3% to R870bn (compared to a 4% decline in H1 2021), negatively impacted by the first half reduction in CIB loans and advances as many clients used excess liquidity to repay committed facilities and demand for new wholesale credit was muted, offset by ongoing growth momentum in higher yielding RBB loans.

NIM increased by 37 bps to 3,73% from 3,36% in 2020, and by 21 bps from the 3,52% reported in 2019. This increase was driven by higher levels of capital (endowment benefit), improved asset pricing and asset mix changes (retail advances grew faster than wholesale advances), improved liability mix, active balance sheet management and basis risk impacts. The increase was partially offset by the run-rate impact of the interest rate cuts in 2020 (endowment), as well as liability pricing pressure in a highly competitive household deposits market. Nedbank is positively positioned for a rise in interest rates, gaining an additional R1,6bn NII (pre-tax) for each 100 bps increase in interest rates over a 12-month period.

Impairment charge on loans and advances

The group's impairment charge decreased by 50% to R6 534m. The key drivers of the decline include the benefits of an improved macroeconomic environment (coming through in IFRS 9 models as South African GDP growth in 2021 improved from the 6,4% decline in 2020), better-than-expected collection outcomes in a low interest rate environment, a reduction in stage 3 loans as clients cured, including the decline in Directive 7/2015 (restructured) loans and a reduction in some of the overlays that were raised during the Covid-19 crisis as risks either did not emerge or are now captured in the new IFRS 9 models. The group's CLR decreased from 161 bps in December 2020 to 83 bps in December 2021, an outcome that is now back within the group's TTC target range of 60 bps to 100 bps.

The support of clients in good standing and impacted by the Covid-19-related events, provided through Directive 3/2020 payment relief, declined from a peak of R121bn in July 2020 to R28bn in December 2020 and to R3,2bn in December 2021. Restructured (Directive 7/2015) loans declined from R13bn at December 2020 to R10bn as clients cured and exited their monitoring period, leading to these loans moving from stage 3 to performing.

CLR (%)	Average banking advances (%)	2021	2020[1]	TTC target ranges
CIB	44	0,42	0,82	0,15–0,45
RBB	49	1,34	2,40	1,30–1,80
Wealth	4	0,09	0,64	0,20–0,40
NAR	3	0,72	1,85	0,75–1,00
Group	**100**	**0,83**	1,61	0,60–1,00

[1] *CLR for 2020 restated due to reclassification of listed corporate bonds into loans and advances.*

In CIB impairments decreased by 56% to R1 418m and its CLR, at 42 bps, is well below the 82 bps reported in 2020 and back within its TTC target range of 15 bps to 45 bps. The reduction in impairments was driven by the improvement in the latest macroeconomic factors in forward-looking macro models against the prior year, a decline in exposures as loans and advances declined and a lower level of stage 3 impairment charge as stage 3 loans declined. The commercial-property portfolio continues to perform ahead of expectations and reported a CLR of 30 bps, improving from 54 bps in 2020. Stage 3 loans in CIB declined by 26% from December 2020 and impairments raised for specific counters remain adequate. In RBB impairments decreased by 41% to R5 172m, reflecting the same key drivers as described above for the group, and its CLR, at 134 bps, is within its TTC target range of 130 bps to 180 bps. When the net benefit in RBB of once-off items of R713m relating to the curing of accounts in line with Directive 7/2015, annual parameter regrounding updates as well as the Covid-19-related overlay releases are normalised, the adjusted CLR at 153 bps falls into the middle of the RBB target range. Nedbank Wealth reported a CLR of 9 bps benefiting from a recovery on a single large client in 2021. NAR reported a decline in impairments of 62% to R168m, and CLR of 72 bps, at the lower end of its TTC target range of 75 bps to 100 bps, driven by improved collections and subdued growth in the loan portfolio.

The group decreased Covid-19- and macro-related judgemental overlays to R1,5bn (December 2020: R3,9bn) as risks were either now accounted for in the refined IFRS 9 models (R1 698m – impairment neutral), released through the income statement (R675m – credit to impairments as these risks did not emerge) or retained (R1 518m – impairment neutral) and remain relevant for elevated risk in specific portfolios or new risks identified. The group's central provision decreased by R250m to R500m as some of these risks have been accounted for in new cluster models and the remainder is held to cater for new risks that may emerge, including inflation and interest rate vulnerability and associated impacts on the credit portfolios.

The group's balance sheet expected credit loss (ECL) increased from R26,1bn (December 2020) to R26,6bn and is also higher than the R18,2bn reported in 2019. This increase was driven by the R6,5bn impairment charge and accounts for post-write-off recoveries increasing to R1,4bn (December 2020: R1,2bn) and higher levels of write-offs at R8,5bn (December 2020: R7,4bn). Overall coverage increased from 3,25% of total loans and advances at December 2020 to 3,32% at December 2021, reflecting prudent credit risk management. The stage 1 coverage ratio increased to 0,69% (June 2020: 0,63%; December 2020: 0,65%). Stage 2 coverage was 6,44% (June 2020: 7,04%; December 2020: 6,61%) reflecting the impact of an improved macroeconomic environment moving clients to stage 1, and a decrease in overlays, including the group's central provision. The stage 3 coverage ratio increased to 38,0% (June 2020: 34,6%; December 2020: 31,5%), as a result of a decrease in Directive 7/2015 loans in both RBB and CIB (so-called performing restructures or technical cures), which attract a lower coverage than non-Directive 7/2015 restructures and the 13% decline in stage 3 loans after successful implementation of restructures and sale of distressed debt.

Non-interest revenue and income

NIR increased by 4% to R25 027m, primarily as a result of a more favourable operating environment in H2 2021. The increase was driven by increased levels of client-related transactional activity, a normalisation of equity revaluations off the 2020 base and higher levels of insurance income. This growth was partially offset by the unwind of a significant proportion of the group's fair-value gains recorded in 2020 and the impact of a high trading revenue base in the prior period. NIR growth, excluding macro fair-value hedge accounting adjustments, was 10%.

- Commission and fee income increased by 4% to R17 754m, driven by improving transactional activity as evident in increased levels of client spend, cash withdrawals and purchase of value-added services, main-banked client gains, as well as improved levels of cross-sell.
- Insurance income increased by 24% to R2 005m, benefiting from the implementation of a more appropriate asset-and-liability matching strategy, increased investment performance and an improved non-life claims experience. This was partially offset by higher funeral and death claims in the life portfolio. Loss-of-income claims declined from a high in September 2020, and while claims were above pre-Covid-19 levels in the first quarter of 2021, they declined to 2019 levels in June 2021.
- Trading income remained robust but decreased by 15% to R4 475m, given the 2020 high base as a result of the benefit of the volatile market conditions in the prior period.
- Equity revaluations of R650m (2020: R1 038m loss) were driven by improved underlying investee company profitability, resulting in increased valuations.
- Fair-value adjustments, including those from the group's fair-value hedge accounting solution, was a loss of R833m (2020: R352m gain). The trend was stable into H2 2021 (H1 2021 loss of R740m) as actions have been taken in models to reduce volatility. The impact of Covid-19 and the resultant impact on financial markets resulted in accounting volatility during 2020 and H1 2021. The accounting volatility in the group's macro fair-value hedge accounting solution remained well within the accounting effectiveness thresholds, but model methodology enhancements were implemented during H2 2021 that are expected to reduce accounting volatility going forward during periods of extreme market movements.

Expenses

The increase in expenses of 6% to R33 639m reflects the impacts of higher variable-pay incentives, off a low 2020 base, and ongoing investment in technology and digital solutions, partially offset by ongoing optimisation benefits. Excluding variable-pay incentive costs, expenses increased by 2%, highlighting diligent cost management.

- Staff-related costs increased by 7% following:
  - an average 2021 annual salary increase of 3,5% and a 5% reduction in permanent employee numbers since 31 December 2020 (8% decline since 2019), largely through natural attrition; and
  - a 67% increase in short-term incentives (STIs) and a 117% increase in long-term incentives (LTIs) (combined variable pay up 75%), driven by the impact of the group's improved financial performance on variable incentives off the low base in 2020.
- Computer-processing costs increased by 9% to R6 329m, reflecting an increase in the amortisation charge of 19%, as well as investment in digital solutions, partially offset by efficiency gains. As our ME technology strategy reaches material completion, the growth rates in computer-processing costs and amortisation are beginning to slow.
- Marketing costs increased by 24% to R1 332m off a low 2020 base and reflects the group's increased focus on increasing Nedbank's share of voice in the market in support of revenue growth.
- Other cost lines reflect the good management of discretionary spend. Savings were recorded on lower levels of occupation and accommodation.

The group's increase in expenses of 6% was lower than the increase in revenue and associate income of 7%, resulting in a positive JAWS ratio of 0,8% and our cost-to-income ratio decreasing to 57,7% (2020: 58,1%).

Hyperinflation accounting in Zimbabwe

Given the further depreciation of the Zimbabwean dollar and slowing inflation, the group reported a net monetary loss of R138m (2020: R205m loss).

Earnings from associates

Associate income of R686m, relating to the group's 21% shareholding in ETI for the period has been recognised (up more than 100% when compared to a loss of R178m in 2020). This includes accounting for our share of ETI's Q4 2020 and 9M 2021 earnings (in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear). The total effect of ETI on the group's HE was a profit of R523m (2020: R153m), including the R245m (R177m post-tax) impact of funding costs.

On 28 January 2022, ETI reported unaudited attributable earnings growth of more than 100% to US$257m and ROE of 18,8% (2020: 0,3%) for the 12 months to 31 December 2021. The performance was supported by solid growth in their West and Central Africa regions and ROEs in these regions were all above 21%. Ecobank Nigeria remains a drag on the overall ETI performance and we continue to work with management and other shareholders to address this. Non-performing loans continued to decline, while market-leading in-country franchises drove strong growth in deposits. The group's capital position strengthened further, reflected in a total capital adequacy ratio (CAR) of 14,5% (ratio published by ETI in February 2022) at 31 December 2021 (2020: 12,3%). On 28 February 2022, the ETI Board recommended the payment of a dividend of USD 0,16 cents per share being a total amount of circa $USD40m, subject to shareholders' approval at the upcoming Annual General Meeting of ETI. Our share of this dividend from ETI is estimated to be just over $USD8m.

Statement of financial position

Banking loans and advances

Gross banking loans and advances increased by 1% to R807bn (improving from the 7% annualised decline reported in H1 2021), driven by ongoing momentum in RBB advances growth and CIB banking loans and advances growing from the June 2021 levels.

Gross banking loans and advances growth by cluster was as follows:

Rm	Change (%)	2021	2020[3]
CIB	(2)	**352 487**	361 280
RBB	7	**400 301**	375 385
Wealth	(3)	**30 729**	31 567
NAR	(8)	**22 325**	24 186
Centre[2]	(75)	**1 112**	4 438
Group	**1**	**806 954**	796 856

[2] Includes macro fair-value hedge-accounted portfolios and disclosure reallocations.
[3] The group reclassified listed corporate bonds of R22bn in December 2020 from 'Government and other securities' to 'Loans and advances' to align with peer disclosure and so that they better reflect the group's management of these assets.

CIB gross banking loans and advances declined by 2% to R352bn as a result of many clients using excess liquidity to repay committed facilities in H1 2021 and muted corporate demand. Current demand for new wholesale loans remains low, with the timing of drawdowns uncertain, although recent developments are encouraging, including the increase in private renewable-energy-generation capacity up to 100 MW.

RBB gross loans and advances increased by 7% to R400bn. Gross loans and advances growth in RBB continued its momentum from 2020, benefiting from both client demand for secured loans as a result of the 300 bps cuts in interest rates in 2020, as well as an increase in unsecured-lending volumes originated through the group's expanded digital channels, notwithstanding lower loan approval rates due to tighter credit criteria. BB loans and advances increased by 7%, driven by strong growth in new-loan payouts achieved through judicious client acquisition and support given to meet clients' funding needs. Residential mortgage loans grew by 8%, broadly in line with the industry. MFC (vehicle finance) loans increased by 6%, ahead of the industry average, as we continue to benefit from our business model that is more geared towards second-hand vehicles. Unsecured lending grew by 10% as a result of the shift to digital, which continues to gain momentum and is driving increased take-up rates of approved loans.

Deposits

Deposits increased by 2% to R972bn, with total funding-related liabilities increasing by 2% to R1,0 trillion, while the loan-to-deposit ratio decreased to 86% (December 2020: 88%).

Within the clusters, CIB grew deposits by 3% and RBB by 6%. Deposits in Wealth declined marginally by 0,2% and NAR increased deposits by 5%.

Current and savings accounts (CASA), along with cash management deposits, increased by 6%, driven by some clients holding cash for short-term operational requirements and potential rate hikes in 2022. Individually, current accounts increased by 8%, cash management accounts increased by 3% and savings accounts increased by 5%. Call and term deposits increased by 8% and fixed deposits decreased by 5% as retail and commercial clients opted to keep their cash short or in notice deposits due to forecast rate hikes into the future. Negotiable certificate of deposits (NCDs) decreased by 18%, as surplus cash was used to pay down expensive marginal deposits. Nedbank's wholesale funding mix contribution has decreased by 4%, while the commercial funding mix pleasingly increased by 4%. Foreign funding, although small in relative terms for Nedbank, decreased by 9%.

Funding and liquidity

The group achieved a quarterly average long-term funding ratio of 26,6%, which is above the industry average of around 22,5% as a result of proactively managing Nedbank's long-term funding profile.

The group's December 2021 average LCR of 128,1% (December 2020: 125,7%) exceeded the minimum regulatory requirement, with the group maintaining appropriate operational buffers designed to absorb seasonal, cyclical and systemic volatility observed in the LCR.

Nedbank Group LCR	2021	2020
HQLA (Rm)	**207 105**	206 943
Net cash outflows (Rm)	**161 678**	164 583
Liquidity coverage ratio (%)[4]	**128,1**	125,7
Regulatory minimum (%)	**80,0**	80,0

[4] Average for the quarter.

More details on the LCR are available in the 'Additional information' section of the condensed consolidated interim financial results.

Nedbank's portfolio of LCR-compliant HQLA increased marginally to a December 2021 quarterly average of R207,1bn, while the lower quarterly arithmetic average net cash outflows were driven by an increased demand for longer-dated deposits. Nedbank's proactive management of its HQLA liquidity buffers, and close monitoring of its net cash outflows, resulted in an increase in the LCR to 128,1%.

The HQLA portfolio, together with Nedbank's portfolio of other sources of quick liquidity, equated to total available sources of quick liquidity of R264,2bn, representing 21,6% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a December 2021 ratio of 116,1% (December 2020: 112,8%). The structural liquidity position of the group has strengthened from December 2020 as a result of the effective management of balance sheet growth.

Capital

The group remains strongly capitalised, with ratios significantly above the minimum regulatory requirements and a CET1 ratio of 12,8% (December 2020: 10,9%) and a tier 1 ratio of 14,3% (December 2020: 12,1%). The improvement in the CET1 ratio was driven by strong organic earnings growth and lower RWA, including the benefits of deliberate optimisation initiatives. This was partly offset by the payment of the interim dividend of R2,2bn in August 2021. From 1 January 2022 the group's CET1 capital adequacy target range has been recalibrated to 11,0% to 12,0% (previously 10% to 12%) as the PA announced its intention to reinstate Pillar 2A in line with Directive 5/2021.

The tier 1 ratio was also impacted positively by the issuance of additional tier 1 instruments amounting to R3,5bn (including an industry-first R910m green AT1 instrument), offset by redemptions of R2bn, the buyback of old-style preference shares that still qualified as capital in 2021 and the further grandfathering of these old-style preference shares (R531m) from January 2021 in line with the Basel III transitional arrangements. The total CAR was further enhanced by the issuance of Basel III qualifying tier 2 instruments of R2,95bn, offset by redemptions of R2bn, in line with group's capital plan.

Basel III capital ratios (%)	2021	2020	Internal target range	Regulatory minimum[5]
CET1	**12,8**	10,9	10,0–12,0	8,0
Tier 1	**14,3**	12,1	> 11,25	9,5
Total CAR	**17,2**	14,9	> 13,0	11,5

(Ratios include unappropriated profits.)

[5] *PA minimum requirements are disclosed with Pillar 2A at 0% in line with Directive 2/2020 (April 2020) and excluding bank-specific Pillar 2b capital requirements. The Pillar 2A capital requirement will be reinstated back to 50 bps at CET 1, 75 bps at tier 1 and 100 bps for the total capital ratio, with effect from 1 January 2022.*

Using our financial expertise to do good

Nedbank continues to play an important role in society and in the economy, and we remain committed to delivering on our purpose of using our financial expertise to do good and to contribute to the well-being and growth of the societies in which we operate by delivering value to our employees, clients, shareholders, regulators and society.

Employees

- We maintained our focus on the physical, mental and financial well-being of our employees through various interventions, including a bankwide virtual campaign on mental well-being, together with a variety of webinars that were attended by more than 22 400 employees during the year. We are saddened by the loss of 55 of our employees who succumbed to Covid-19 in 2021.
- Despite the difficult operating environment, employee engagement levels remained high and our 'Great place to work' NPS improved to 19 (from 17 in 2020 and 7 in 2019).
- We have not retrenched any employees as a result of Covid-19. Our Agility Centre successfully redeployed 242 employees into alternative roles within Nedbank, while 70 employees were regrettably retrenched as a result of changes in operational requirements.
- We have paid our 26 861 employees' salaries and benefits of R18bn. We concluded annual salary increases of 4,0% for our bargaining-unit employees, with non-bargaining-unit employees receiving increases of 3,0% and the blended average employee salaries increasing by 3,5% in 2021.
- In 2021 training spend increased to R1,1bn (2020: R924m). Our Digital Learning platform was launched in February 2021 with more than 18 000 learners completing 982 417 digital learning courses. The total number of learning hours (including compliance training) increased to 49 hours per person (2020: 31 per person) with 24 746 learning beneficiaries (2020: 24 391).
- During 2021, 62% of our employees worked from home (excluding branch employees) as business continuity plans were invoked on the back of Covid-19-related lockdown levels and during the July civil unrest that broke out in parts of Gauteng and KwaZulu-Natal.
- Nedbank has implemented a 'hybrid work model' approach since the onset of the pandemic. A portion of our workforce will continue to work from a Nedbank office or branch, while a blended approach will be followed, with employees working on-site or remotely. We plan to accommodate a split of on-site/off-site employees, which will see approximately 60% of all office employees working at the various Nedbank campus sites on any given day.
- We continued to focus on transformation as a key imperative to ensure that Nedbank remains relevant in a transforming society. ACI (African, Indian, Coloured) representation at board level improved to 61,5% (2020: 60,0%), at executive level it was maintained at 46,2% and among our total employees it was 79,9% (2020: 78,0%). Pleasingly, we have recorded improvements in ACI employee representation at senior and middle management levels. Female representation at board level improved to 23,1% (2020: 20,0%), at executive level it remained at 46,2% and among total employees it was 61,4% (2020: 61,2%).
- We were formally recognised for our efforts towards transformation and diversity and won the Top Empowered Business of the Year Award at the 2021 Oliver Top Empowerment Awards. Nedbank also won the 'Best digital campaign' for the #YoungDifferenceMaker and was as voted as runner-up in the '2021 Employer of Choice: Commercial and Retail Banking' category by the South African Graduate Employers Association (SAGEA).

Clients

- Delivering market-leading client experiences remains a key priority for us. On the back of the 2020 Consulta survey, where we achieved second position among the five largest South African banks on client satisfaction metrics, we maintained this position in 2021 and improved our scores further in both client satisfaction (SAcsi score of 82%, 2020: 81%) and NPS (score of 47%, 2020: 41%).
- Nedbank's brand ranking among South African companies, which increased from 11th in 2019 to eighth in 2020, remained at eighth position in 2021, in Brand Finance's Most Valuable Brands in SA report. Brand Finance estimates Nedbank's brand value at around R15bn. We also consistently ranked the #2 bank on social-media net brand sentiment, measured by Salesforce Social Studio.
- We safeguarded R972bn (2020: R954bn) of deposits at competitive rates.
- We supported clients by advancing R228bn (2020: R210bn) in new loans to enable them to finance their homes, vehicles and education, as well as grow their businesses, and to help them manage through a difficult period in 2021.
- The payment relief (payment holidays) we provided to clients under the PA's Directive 3/2020 has mostly matured after assisting more than 400 000 clients on R121bn of loans since the Covid-19 crisis emerged.
- Our clients' access to banking improved, and as the Covid-19 lockdowns resulted in an accelerated shift of clients to digital channels, digitally active retail users increased by 11% to 2,3 million. Our end-to-end digital onboarding, sales and servicing capabilities, as part of our ME technology journey, supported the increase in digital sales as a percentage of total sales in RBB to 32% (from 28% in 2020 and 12% in 2019).
- In recognition of the value-add to our clients and our leadership position in key industries, segments and products, Nedbank won various awards, including *Global Finance*'s 2021 Best Investment Bank in South Africa, *Global Banking & Finance*'s 2021 Best Corporate Bank in South Africa, *African Banker*'s 2021 Infrastructure Deal of the Year, *Global Business Review Magazine*'s 2021 Best Retail Bank and City of London's 2021 Best Private Bank.

Shareholders

- After declining by 40% in 2020, in 2021 the Nedbank Group share price increased by 35%, outperforming the South African bank index that increased by 29%. This strong performance was underpinned by the group's improved financial results and good strategic and operational progress, supported by enhanced disclosures to address key issues investors raised in 2020, particularly in respect of our commercial-property finance portfolio which has been significantly more resilient than predicted at the onset of the Covid-19 lockdowns. The group's strong capital and liquidity position at 31 December 2021 supported the declaration of a final dividend for 2021 of 758 cents per share.
- We successfully hosted our second virtual annual general meeting (AGM) in May 2021. On the back of a remuneration implementation vote of 65,9%, being below the required 75%, we reached out to engage with shareholders and we have made a number of remuneration-related amendments during 2021. Given the high level of our ongoing shareholder engagements, only one shareholder requested a meeting after the AGM and the meeting was constructive. Nedbank Group continues to value feedback from our shareholders to enhance our disclosures and ESG practices, including those from our annual Board ESG Roadshow. In acknowledgement of Nedbank's leadership and progress made on ESG-related disclosures, Nedbank was announced the winner of Best Sustainability Reporting in Financials (Banking) and the overall winner, as well as Best Climate-related Reporting, in ESG Investing's 2021 ESG Reporting Awards. Our ESG ratings remain on the top tier among local and global peers – MSCI: AA (top 33% of global banks), FTSE Russell: 4,3 (top 6% of global banks), Sustainalytics: 16,5 (top 6% of diversified banks) and ISS: C (top 20% of global banks).
- We ensured transparent, relevant and timeous reporting; enhanced our disclosures to shareholders; and participated in numerous virtual investor engagements throughout 2021, which were accompanied by high levels of investor attendance. Foreign equity shareholding levels increased to 31,4% (December 2020: 24,1%).
- In November 2021 Old Mutual Limited (Old Mutual) concluded the unbundling of 62,1 million Nedbank Group shares (comprising 12,2% of the issued ordinary share capital of Nedbank Group) to Old Mutual shareholders by way of a distribution *in specie*. As expected, the Nedbank share's free-float increased further, resulting in a marked increase in index-related shareholders as well as many of the group's largest 20 shareholders increasing their holdings. At year-end, Old Mutual owned 5,2% of Nedbank Group.
- In December 2021 Nedbank Group repurchased all the non-redeemable, non-cumulative, non-participating, variable rate preference shares of Nedbank Limited by way of a scheme of arrangement, following approval by the requisite majority of shareholders (100% votes of approval).

Regulators

- We continued to work closely with the government, regulators and the Banking Association South Africa (BASA) to ensure the safety and soundness of the South African banking system.
- Key developments included the following:
  - On 31 March 2020, the PA issued Directive 1/2020, which provided for the minimum regulatory LCR requirement to be reduced from 100% to 80%. This requirement remained effective for the 2021 financial year in line with Circular 1/2021. With effect from 1 January 2022, the LCR temporary relief measure was withdrawn in line with Directive 8/2021 issued by the PA. Banks are now directed to comply with the revised minimum regulatory LCR requirements with effect from 1 January 2022 of 90%, and from 1 April 2022 of 100%.
  - Directive 3/2020 dealt with Covid-19-related distressed restructures and remained effective for 2021 in line with Circular 1/2021. However, as the PA has issued Directive 7/2021, D3/2020 will not apply to any restructured credit exposures granted after 1 January 2022, whether new or reapplications. Directive 3/2020 will be withdrawn with effect from 1 April 2022.
  - The PA issued Directive 2/2020, which allows for the temporary removal of the systemic risk buffer, or Pillar 2A capital requirement, which was reduced from 1% in total CAR to zero, and which remained in effect for 2021 in line with Circular 1/2021.
  - The PA issued Directive 5/2021, which directs banks to matters related to the prescribed minimum-required capital ratios as well as the application of various components of the previously mentioned capital requirements, such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer range and the capital conservation buffer range. This in effect seeks to reinstate the Pillar 2A capital requirement back to the pre-Covid-19 levels of 50 bps, 75 bps and 100 bps for CET1, tier 1 and total capital respectively. The Pillar 2A reinstatement has been in effect from 1 January 2022.
  - SARB believes the current money market shortage system (cash deficit system) is proving to be both difficult and costly to implement and it is therefore proposing a replacement of the current monetary policy transmission mechanism to a floor system (also known as a cash surplus system) where the resultant effect is that the banking system will operate on the basis of a surplus liquidity position. We believe that movement from a cash deficit system to cash surplus system should be net positive for the banking sector, with the most significant potential benefit being a reduction in the cost of funding at the short end of the funding curve, while also offering banks an option to diversify their HQLA portfolios and/or extend additional credit and liquidity to the real economy.
- We continued to strengthen our capital position, with a tier 1 capital ratio of 14,3% and CET1 ratio of 12,8%.
- We maintained a strong liquidity position, with an average LCR of 128% in the fourth quarter of 2021 and an NSFR of 116% at 31 December 2021. Both ratios improved on the levels achieved at December 2020.
- We hold investments of over R175bn in government and public sector bonds as part of our HQLA requirements.

- We made cash taxation payments across the group of R11,2bn, up 29% (2020: R8,7bn), relating to direct, indirect and employee taxes, as well as other taxation.

Society

Our long-term sustainability and success are contingent on the degree to which we deliver value to society. Through the considered development and delivery of products and services that satisfy societal needs and through our own operations, we aim to play our part in enabling a thriving society, create long-term value and maintain trust to ensure the ongoing success of our brand. This is particularly important in the current context of SA as well as the broader African continent.

We have adopted the United Nations SDGs as a framework for measuring delivery on our purpose, and this has proven very important during this time. Key highlights include the following:

Quality education (SDG 4)

- Over the past five years we have provided approximately 5 977 students with student loans to the value of R364m, a total of R36m of which was disbursed to support 575 students in 2021. In addition, we have provided R5,1bn in funding for the development of additional student accommodation for over 42 758 student beds since 2015, including R169m and 573 beds in 2021.
- Every year our sponsorship of the Thuthuka Education Upliftment Fund supports 45 students who are pursuing an academic qualification towards becoming chartered accountants in SA, and in 2021 we have funded the qualification of 62 (2020: 56) black chartered accountants.
- Our CSI spend totalled almost R121m (2020: R103m) in 2021 and included over R57m that was allocated to skills development and education.
- Nedbank partnered with an alternative student funding organisation to provide a R10m facility to create approximately 800 new tertiary education loans for the students in the 'missing middle' – those who do not qualify for state funding (the National Student Financial Aid Scheme) but are also unable to obtain a traditional student loan.

Clean water and sanitation (SDG 6)

- During 2021 Nedbank was awarded five public sector infrastructure finance tenders to the value of R363m. The Mpumalanga Municipality will leverage the funds for wastewater treatment and replacement of old water networks and the Western Cape Municipality will upgrade and replace ageing sewer infrastructure.
- During the 2021 financial year funding transactions were completed to the value of R437m. Many of these transactions were concluded in the agricultural sector, where recipients used the money to replace ageing and inefficient irrigation systems with improved technology. There has also been a notable increase in interest in the funding solutions from commercial and industrial businesses that are becoming increasingly aware of the risks of water scarcity to their sustainability, and the importance of water recycling, purifying and rainwater harvesting.
- We decreased our own total water consumption by a further 18% (2020 to 2021) and by 39% when compared to the 2019 base year. This decline was driven by floorspace consolidations and reduced levels of occupancy in our campus sites due to the lockdowns.

Affordable and clean energy (SDG 7)

- We have achieved many firsts in this space. Our pioneering green AT1 R910m issuance highlights the scope and breadth of opportunity that the sustainability agenda holds for Africa. To date we have raised a total of R6,8bn on green bonds, with R2,1bn raised during 2021.
- In the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) we have arranged 42 transactions in renewable-energy projects to date, underwriting a total of R35bn and current exposures of R29bn.
- The lifting of the licensing floor for energy projects in the private sector (embedded generation) from 1 MW to 100 MW is a positive development that will enable many of our clients to reduce their carbon footprint, while ensuring energy certainty. Deal flow in 2021 saw our Investment Banking division complete three material transactions totalling over R420m and our Business Banking division complete 40 transactions totalling R191m, with a healthy pipeline of future deals in place.

Decent work and economic growth (SDG 8)

- Nedbank's Small Business Services continued to promote our newly launched Startup Bundle for new small businesses, offering zero monthly maintenance fees for the first six months, access to a dedicated banker and beyond-banking support. New merchant features were landed to support cashless trading on smartphones (tap on phone) and on WhatsApp (Money Message).
- A total of 662 new Nedbank Stokvel Accounts were opened in 2021, with an average of just over 32 000 active lives insured through its innovative burial cover solution. With 55% new Stokvel Accounts converted from the USSD channel following the restrictions on movement and gatherings, the pandemic has prompted stokvel members to adopt digital payment methods.
- In 2021 we reactivated our commitment to the Youth Employment Service (YES), through which corporate SA aims to provide internship opportunities for more than one million South Africans. From our 2019 participation we have onboarded 239 YES participants into permanent Nedbank jobs and another 1 390 at Nedbank's partners. We have placed more than 1 900 previously unemployed youth internally and through sponsored placements, and we continue to encourage other South African corporates to follow our example.

Reduced inequalities (SDG 10)

- We partnered with the 67CEOs Foundation, Gift of the Givers and UNICEF, providing both rand value support and on-the-ground assistance to rebuild small and micro businesses, as well as to expedite humanitarian relief.
- We provided R6,4m to support initiatives, helping to clean up and repair damage caused to communities and infrastructure due to civil unrest, and, in addition, made a R7,5m donation to the Humanitarian Crisis Relief Fund under the Solidarity Fund. We supported employees, their families and communities in KwaZulu-Natal with 106 tons and 5 000 food parcels and supplies during the July 2021 civil unrest. In addition, we contributed R1m assistance to informal traders, helping them to rebuild their businesses and unlock economic activities, while investing into the township economy to support micro entrepreneurs with R2m additional funding.
- We maintained our level 1 BBBEE status and were acknowledged at the Oliver Top Empowerment Awards as 2021's Top Empowered Business of the Year. The award is given to the organisation that best demonstrates excellence in all spheres of the general criteria and the seven pillars of empowerment.
- In our own operations, 76% of our procurement spend was used to support South African businesses. In an effort to support the cash flow needs of small businesses as part of our commitment to the #PayIn30 Campaign, 91% of the total amount paid to 1 606 qualifying small and medium enterprises (SMEs) was paid within 30 days of our receiving their invoices.

Sustainable cities and communities (SDG 11)

- We disbursed R640m towards the development of affordable housing for lower-income households in 2021, bringing the total invested in the sector to over R5bn over the past five years.
- To date, we have provided funding of R25bn for buildings that are linked to green-certified properties and those that contain sustainable features.
- We successfully structured and arranged a R1,1bn Green Residential Development Bond for Nedbank Limited, issued under its domestic medium-term note programme and listed on the Sustainability Segment of the JSE on 10 December 2021.

Economic outlook

The world economic outlook has become murkier in recent weeks. Initial expectations were for another year of relatively robust global growth, with the IMF forecasting 4,4% growth for 2022. However, downside risks have increased significantly. Russia's invasion of Ukraine adds another layer of uncertainty to the outlook. The conflict is likely to push global oil prices higher for longer, adding further fuel to the global inflationary fire already raging on the back of persistent supply shortages, disruptions to global logistics and transport networks, and the lingering impact of the pandemic. Surging global oil prices amid already high and rising inflation will erode households' purchasing power, companies' profits and investors' returns, weighing on confidence and slowing global growth in the process. This situation also complicates monetary policy decisions, possibly forcing the US and other major central banks to tighten monetary policies more aggressively. Fiscal policies in the US and other advanced countries are also shifting towards rebuilding and expanding infrastructure while accelerating the transition to clean energy to mitigate climate change. The focus on infrastructure could boost the demand for commodities in the years ahead, supporting growth in commodity-exporting countries. However, these benefits are only likely to materialise from 2023 onwards. The IMF projected slower growth of 3,8% for advanced countries in 2022 from an estimated 5,2% in 2021. In emerging and developing economies, economic growth was expected to slow to 4,8% in 2022, down significantly from approximately 6,5% in 2021. Growth is expected to remain fragile throughout 2022 as countries deal with geopolitical tensions, new Covid-19 variants, slow vaccination progress, weak policy support, sharply higher global oil prices, higher general inflationary pressures, and tighter global financial conditions. Expectations of slower Chinese economic growth will weigh on the outlook for other emerging and developing economies, given its significance as an export destination for most countries in this group. The recovery in Sub-Saharan Africa is likely to continue, slightly slower than the 4,0% in 2021. The region's economy is projected to expand by 3,7% in 2022. However, downside risks have increased. The Russia-Ukraine war is likely to benefit oil-exporting nations, but prices of non-energy commodities are expected to ease off last year's peak and stabilise at lower levels. Given the region's low vaccination rates, resurgent Covid infections and associated lockdowns continue to pose downside risks.

SA's economic recovery is expected to moderate off 2021's higher base in the year ahead. Encouragingly, consumer spending is likely to increase steadily, underpinned by firmer income growth and relatively favourable interest rates. Fragile consumer confidence, hurt by a weak job market, will still limit the upside. Fixed-investment spending is forecast to rise off a low base but faces ongoing headwinds. A sustainable rise in private sector capital outlays will only occur once government accelerates structural reforms and eradicates electricity shortages. The restocking of depleted inventories should support domestic demand. In contrast, government spending will likely remain weak. At the same time, softer global demand and commodity prices will weigh on exports. Real GDP growth is forecast to grow by 1,7% in 2022. Accelerated structural reforms and energy security remain key to unlocking faster economic growth and job creation over the medium-to-longer term.

Inflation is forecast to remain close to the upper 6% limit of SARB's target range throughout Q1 2022. The upside risks to the inflation outlook are unlikely to recede quickly as bottlenecks and shortages in the global supply chain are expected to ease only during Q2 2022. The rand remains a major source of uncertainty for the year ahead. Headline inflation is forecast to average 4,8% in 2022. Price-sensitive domestic demand is expected to keep inflation in check over the next three years. We expect another four interest rate hikes of 25 bps each this year, followed by more hikes of a cumulative 100 bps spread over the following two years, taking the repo rate up to 6,00% by the end of 2024.

Conditions in the South African banking industry continue to improve. Growth in loans to households and companies is forecast to increase further in 2022, supported by the anticipated normalisation in economic activity. However, the rise in household demand could be dampened by a hesitancy to borrow given rising interest rates and fragile confidence on concerns about job losses. Corporate credit demand should hold up relatively well, underpinned by improving profits and firmer fixed investment.

Prospects

Our guidance on financial performance for the financial year 2022, in a global and domestic macroeconomic environment with high forecast risk and uncertainty, and based on our current economic forecasts, is currently as follows:

- **NII** growth to be around high-single digits. Loan growth is expected to be faster than the 1% reported in 2021 and the group's NIM is expected to increase from the 2021 level of 3,73%.
- **CLR** to be within the top half of our TTC target range of 60 bps to 100 bps, being 80 bps to 100 bps.
- **NIR** growth to be around high single digits as transactional activity continues to recover, as strategic initiatives including main-banked client gains, cross-sell and new revenue streams contribute to growth and as the volatility relating to the group's fair-value hedge accounting solution is not expected to recur.
- **Expense** growth to be above mid-single digits, reflecting the impact of ongoing investment in our technology platform and digital solutions, the return of some discretionary spend such as sponsorships, and new regulatory costs such as deposit insurance and Twin Peaks, partially offset by TOM 2.0 savings.
- **Liquidity** metrics, including LCR and NSFR, to remain well above PA minimum requirements.
- **CET1 capital** ratio to remain above the top end of the board-approved target range of 11% to 12%.
- **Dividend** payments, within the group's board-approved dividend policy and target range of between 1,75 times to 2,25 times.
- **DHEPS** growth greater than nominal South African GDP (GDP + CPI) +5%.

As part of 2020 year-end reporting we set new medium-term targets that we believe are appropriate to drive value creation in the current and expected economic environment. These, together with our 2022 guidance for these, as well as long-term targets, are as follows:

Metric	2021 performance[6]	Full-year 2022 outlook	Medium-term target	Long-term target
ROE	**12,5%**	Improve on 2021	Greater than 2019 levels (15%) by 2023.	> 18% (COE + 3% to 4%)
Growth in DHEPS	**112%**	Solid positive growth	Greater than 2019 levels (2 565 cents) by 2022, a year earlier than initially planned.	≥ consumer price index + GDP growth + 5%
CLR	**83 bps**	Between 80 bps and 100 bps	Between 60 bps and 100 bps of average banking advances	
Cost-to-income ratio (including associate income)	**57,7%**	Improve on 2021	Below 54% by 2023	≤ 50%
CET1 capital adequacy ratio	**12,8%**	Above the top end of target range	11,0–12,0%[7]	
Dividend cover	**2,02 times**	Within our target range of 1,75–2,25 times	1,75–2,25 times	

[6] *The COE is currently forecast to be around 14,5% to 15,0% in 2022 to 2024.*
[7] *The group's CET1 capital adequacy ratio target range has been refined by the board to 11,0% to 12,0%, previously 10,0% to 12,0%.*

Shareholders are advised that all guidance is based on organic earnings and our latest macroeconomic outlook and has not been reviewed or reported on by the group's joint auditors.

Board and leadership changes during the period

Iain Williamson stepped down as a non-executive director of Nedbank Limited and Nedbank Group Limited (companies) with effect from the close of the companies' AGMs on 26 May and 28 May 2021 respectively. Iain's appointment was in terms of the relationship agreement previously concluded between Old Mutual Limited (OML) and Nedbank Group, which provided for OML to nominate one director to the boards of Nedbank Group and Nedbank Limited for as long as OML's shareholding was equal to or greater than 15% in Nedbank Group. Following OML's unbundling of the majority of its shareholding in Nedbank Group to OML shareholders, this provision no longer applies.

The companies' previous Chairperson, Vassi Naidoo, was granted medical leave of absence in January 2021 and Mpho Makwana stepped in as Acting Chairperson. On 28 September 2021 a SENS was released advising shareholders of the sad passing of Vassi Naidoo. Mpho Makwana (the former Lead Independent Director and Acting Chairperson) was appointed as Non-executive Chairperson and Hubert Brody was appointed as Lead Independent Director of the companies' boards on 2 December 2021.

Anna Isaac, Group Chief Compliance Officer, has resigned with effect from 30 April 2022 to join a bank in the United Arab Emirates. The appointment of a successor for Anna will be announced once Nedbank Group's succession process has been completed and regulatory approvals have been received.

Forward-looking statements

This announcement is the responsibility of the directors and contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include global, national and regional health conditions; political and economic conditions; sovereign credit ratings; levels of securities markets; interest rates; credit or other risks of lending and investment activities; as well as competitive, regulatory and legal factors. By consequence, the financial information on which all forward-looking statements is based has not been reviewed or reported on by the group's joint auditors.

Final dividend declaration

Notice is hereby given that a final dividend of 758 cents per ordinary share has been declared, payable to shareholders for the year ended 31 December 2021. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA) or 151,6 cents per ordinary share, resulting in a net dividend of 606,4 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 508 870 678.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade (cum dividend)	Tuesday, 05 April 2022
Shares commence trading (ex dividend)	Wednesday, 06 April 2022
Record date (date shareholders recorded in books)	Friday, 08 April 2022
Payment date	Monday, 11 April 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 06 April 2022, and Friday, 08 April 2022, both days inclusive.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. The acceptance/collection of cheques has ceased, effective from 31 December 2020. In the absence of specific mandates, the dividend will be withheld until such time that shareholders provide their banking information. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 11 April 2022.

The above dates are subject to change. Any changes will be published on SENS and in the press.

For and on behalf of the board

Mpho Makwana
Chairperson

Mike Brown
Chief Executive

9 March 2022

Directors

PM Makwana (Chairperson), MWT Brown** (Chief Executive), HR Brody*, BA Dames, MH Davis** (Chief Financial Officer), NP Dongwana, EM Kruger, RAG Leith, L Makalima, Prof T Marwala, Dr MA Matooane, MC Nkuhlu** (Chief Operating Officer), S Subramoney.

** Lead Independent Director ** Executive*

Basis of preparation#

Nedbank Group Limited is a company domiciled in SA. The summary consolidated financial statements of the group at and for the year ended 31 December 2021 comprise the financial information of the company and its subsidiaries (the group) and the group's interests in associates and joint arrangements.

The summary consolidated financial statements comprise the summary consolidated statement of financial position at 31 December 2021, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year ended 31 December 2021 and selected explanatory notes, which are indicated by the symbol #. The summary consolidated financial statements and the full set of consolidated financial statements have been prepared under the supervision of Mike Davis CA(SA), AMP (Insead), the Group Chief Financial Officer.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. In terms of the Listings Requirements, provisional reports have to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, and Financial Pronouncements, as issued by the Financial Reporting Standards Council, and, as a minimum, have to contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those used for the previous annual financial statements. The new accounting standards, interpretations and amendments to existing accounting standards and interpretations effective in the current year do not have a material impact on the financial statements. The amendments to standards not yet effective at 31 December 2021 are not expected to have a significant impact on implementation.

Audited summary consolidated financial statements – independent auditors' opinion

The summary consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young Inc and Deloitte & Touche, which expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived. The audit report issued also includes communication of key audit matters.

Copies of the auditors' report on the summary consolidated financial statements and of the auditors' report on the consolidated financial statements are available for inspection at the company's registered office, together with the consolidated financial statements identified in the respective auditors' reports.

The auditors' report does not necessarily report on all of the information contained in this results announcement. Shareholders are therefore advised that, to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report, together with the accompanying consolidated financial statements, from Nedbank Group's registered office.

Events after the reporting period#

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

The directors are not aware of any further material events that have occurred between the reporting date and 8 March 2022, the date of approval of the consolidated annual financial statements and the summary consolidated financial statements.

Financial highlights

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		Yoy % change	31 December 2021	31 December 2020
Statistics				
Number of shares listed	m	1	508,9	502,1
Number of shares in issue, excluding shares held by group entities	m		485,6	483,9
Weighted-average number of shares	m		485,1	483,2
Diluted weighted-average number of shares	m	1	494,8	488,7
Headline earnings	Rm	>100	11 689	5 440
Profit attributable to ordinary shareholders	Rm	>100	11 238	3 467
Total comprehensive income	Rm	>100	13 171	5 345
Preprovisioning operating profit	Rm	9	22 327	20 561
Economic loss	Rm	74	(1 735)	(6 580)
Headline earnings per share[1]	cents	>100	2 410	1 126
Diluted headline earnings per share[1]	cents	>100	2 362	1 113
Basic earnings per share[1]	cents	>100	2 317	717
Diluted basic earnings per share[1]	cents	>100	2 271	709
Ordinary dividends declared per share	cents		1 191	–
Interim	cents		433	
Final	cents		758	
Ordinary dividends paid per share	cents	(38)	433	695
Dividend cover	times		2,02	N/A
Total assets administered by the group	Rm	3	1 645 383	1 602 683
Total assets	Rm	(1)	1 221 054	1 228 137
Assets under management	Rm	13	424 329	374 546
Life insurance embedded value	Rm	12	4 039	3 606
Life insurance value of new business	Rm	14	322	283
Net asset value per share	cents	11	20 493	18 391
Tangible net asset value per share	cents	14	17 770	15 549
Closing share price	cents	35	17 502	12 948
Price/earnings ratio	historical		7,3	11,5
Price-to-book ratio	historical	29	0,9	0,7
Market capitalisation	Rbn	37	89,1	65,0
Number of employees (permanent staff)		(5)	26 861	28 271
Number of employees (permanent and temporary staff)		(4)	27 303	28 324

		Yoy % change	31 December 2021	31 December 2020
Key ratios (%)				
ROE			12,5	6,2
Return on tangible equity			14,8	7,4
ROA			0,98	0,45
Return on average RWA			1,78	0,82
NII to average interest-earning banking assets			3,73	3,36
Non-interest revenue and income to total income			43,5	44,5
Non-interest revenue and income to total operating expenses			74,4	76,0
CLR – banking advances			0,83	1,61
Cost-to-income ratio			57,7	58,1
Total income growth rate less expense growth rate (JAWS ratio)			0,8	(2,7)
Effective taxation rate[2]			24,6	29,6
Group capital adequacy ratios (including unappropriated profits):				
– CET 1			12,8	10,9
– Tier 1			14,3	12,1
– Total			17,2	14,9

[1] *These metrics have been audited by the group's auditors.*

[2] *The tax related to the impairments charge on non-financial instruments and other gains and losses has been incorporated into the group's effective taxation rate, whereas previously this line was excluded. The effective taxation rate for 2020, previously disclosed as 23,7%, was restated accordingly.*

Audited summary consolidated financial statements for the year ended 31 December 2021

Nedbank Group Limited Reg No 1966/010630/06.
Prepared under the supervision of the Nedbank Group CFO, Mike Davis BCom (Hons), DipAcc, CA(SA), AMP (Insead).

A copy of the Nedbank Group Limited audited consolidated annual financial statements can be obtained by contacting Nedbank Group Investor Relations at NedGroupIR@nedbank.co.za. They are also available at https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results.html.

Summary consolidated statement of comprehensive income

for the year ended

	Yoy % change	31 December 2021 (audited) Rm	31 December 2020 (restated)[1] (audited) Rm
Interest and similar income	(9)	65 772	72 300
Interest expense and similar charges	(21)	33 272	42 219
Net interest income	8	32 500	30 081
Non-interest revenue and income	4	25 027	24 140
Net commission and fees income		17 754	17 137
Commission and fees revenue		22 085	20 653
Commission and fees expense		(4 331)	(3 516)
Net insurance income		2 005	1 622
Fair-value adjustments		(833)	352
Net trading income		4 475	5 252
Equity revaluation gains/(losses)		650	(1 038)
Investment income		263	212
Net sundry income		713	603
Share of gains/(losses) of associate companies	>100	786	(76)
Total income	8	58 313	54 145
Impairments charge on financial instruments	(50)	6 534	13 127
Net income	26	51 779	41 018
Total operating expenses	6	33 639	31 772
Zimbabwe hyperinflation	(33)	138	205
Indirect taxation	(7)	1 073	1 148
Impairments charge on non-financial instruments and other gains and losses	(68)	499	1 562
Profit before direct taxation	>100	16 430	6 331
Total direct taxation	>100	4 043	1 877
Direct taxation		4 104	1 994
Taxation on impairments charge on non-financial instruments and sundry gains or losses		(61)	(117)

	Yoy % change	31 December 2021 (audited) Rm	31 December 2020 (restated)[1] (audited) Rm
Profit for the year	>100	12 387	4 454
Other comprehensive income (OCI) net of taxation	(12)	784	891
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		1 029	672
Share of OCI of investments accounted for using the equity method		(722)	(189)
Debt investments at fair value through OCI (FVOCI) – net change in fair value		(5)	119
Items that may not subsequently be reclassified to profit or loss			
Property revaluations		36	(26)
Remeasurements on long-term employee benefit assets		389	(80)
Share of OCI of investments accounted for using the equity method		(21)	395
Equity instruments at FVOCI – net change in fair value		78	
Total comprehensive income for the year	>100	13 171	5 345
Profit attributable to:			
– Ordinary shareholders	>100	11 238	3 467
– Non-controlling interest – holders of preference shares	(25)	188	251
– Non-controlling interest – holders of participating preference shares	>100	125	(58)
– Non-controlling interest – holders of additional tier 1 capital instruments		737	739
– Non-controlling interest – ordinary shareholders	80	99	55
Profit for the year	>100	12 387	4 454
Total comprehensive income attributable to:			
– Ordinary shareholders	>100	11 941	4 358
– Non-controlling interest – holders of preference shares	(25)	188	251
– Non-controlling interest – holders of participating preference shares	>100	125	(58)
– Non-controlling interest – holders of additional tier 1 capital instruments		737	739
– Non-controlling interest – ordinary shareholders	>100	180	55
Total comprehensive income for the year	>100	13 171	5 345
Basic earnings per share (cents)	>100	2 317	717
Diluted earnings per share (cents)	>100	2 271	709

[1] *During the year, the group reviewed its statement of comprehensive income presentation. As a result of the review, the following reclassifications were made: Renaming of "Non-interest revenue" to 'Non-interest revenue and income'; disclosing the main contributors to non-interest revenue and income on the face of the statement of comprehensive income; renaming of certain line descriptions; adding and removing certain subtotals; and changing the location of certain line items. The prior-year balances have been restated for comparability. The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's financial performance.*

Summary consolidated statement of financial position

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	Yoy % change	31 December 2021 (audited) Rm	31 December 2020 (restated)[1] (audited) Rm	31 December 2019 (restated)[1] (audited) Rm
Assets				
Cash and cash equivalents[1]	**8**	**44 586**	41 382	37 635
Other short-term securities	**14**	**60 037**	52 605	64 451
Derivative financial instruments	**(51)**	**39 179**	80 325	35 243
Government and other securities	**14**	**150 498**	132 221	100 557
Loans and advances	**(1)**	**831 735**	843 303	824 786
Other assets	**>100**	**33 877**	16 802	15 393
Current taxation assets	**(24)**	**124**	164	281
Investment securities	**(4)**	**25 498**	26 425	28 961
Non-current assets held for sale	**>100**	**638**	69	735
Investments in associate companies and joint arrangements	**2**	**3 395**	3 322	3 917
Deferred taxation assets	**35**	**889**	657	389
Investment property		**28**		56
Property and equipment	**(5)**	**10 739**	11 334	11 977
Long-term employee benefit assets	**14**	**6 610**	5 777	5 602
Intangible assets	**(4)**	**13 221**	13 751	13 366
Total assets	**(1)**	**1 221 054**	1 228 137	1 143 349
Equity and liabilities				
Ordinary share capital		**486**	484	481
Ordinary share premium	**1**	**18 768**	18 583	18 096
Reserves	**15**	**80 259**	69 925	69 020
Total equity attributable to ordinary shareholders	**12**	**99 513**	88 992	87 597
Holders of preference shares	**(100)**		3 222	3 222
Holders of participating preference shares	**>100**	**59**	(58)	
Holders of additional tier 1 capital instruments	**19**	**9 319**	7 822	6 850
Non-controlling interest attributable to ordinary shareholders	**33**	**620**	466	780
Total equity	**9**	**109 511**	100 444	98 449
Derivative financial instruments	**(45)**	**36 042**	65 130	27 991
Amounts owed to depositors	**2**	**971 795**	953 715	904 382
Provisions and other liabilities	**(1)**	**23 451**	23 704	23 297
Current taxation liabilities	**(44)**	**330**	590	161
Non-current liabilities held for sale		**80**		598
Deferred taxation liabilities	**17**	**458**	390	939
Long-term employee benefit liabilities	**(7)**	**2 427**	2 604	2 533
Investment contract liabilities	**(14)**	**17 959**	20 868	24 571
Insurance contract liabilities	**(9)**	**842**	922	715
Long-term debt instruments	**(3)**	**58 159**	59 770	59 713
Total liabilities	**(1)**	**1 111 543**	1 127 693	1 044 900
Total equity and liabilities	**(1)**	**1 221 054**	1 228 137	1 143 349

[1] *During the year, the group reviewed the presentation of the statement of financial position. As a result of this review, the mandatory reserve deposits with central banks have now been reclassified by aggregating them within the cash and cash equivalents balance, as the nature of the mandatory reserve deposits represent cash and cash equivalents. This is in line with the disclosure in the statement of cash flows. The prior-year balances have been restated (2020: R26 491m; 2019: R23 486m) for comparability. The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's cash and cash equivalents.*

Summary consolidated statement of changes in equity

Rm	Number of ordinary shares (restated)	Ordinary share capital (restated)	Ordinary share premium (restated)	Foreign currency translation reserve	Property revaluation reserve	Share-based payments reserve	Other non-distributable reserves	FVOCI reserve	Other distributable reserves	Total equity attributable to ordinary equity holders (restated)	Holders of preference shares	Holders of participating preference shares	Holders of additional tier 1 capital instruments	Non-controlling interest attributable to ordinary shareholders	Total equity (restated)
Audited balance at 1 January 2020	481 174 379	481	18 096	(2 244)	1 839	1 512	(55)	594	67 374	87 597	3 222		6 850	780	98 449
Additional tier 1 capital instruments issued										–			972		972
Share movements in terms of long term incentive and BEE schemes[1]	2 718 388	3	487			(435)			(53)	2					2
Preference share dividend										–	(251)				(251)
Additional tier 1 capital instruments interest paid										–			(739)		(739)
Dividends to shareholders									(3 451)	(3 451)				(49)	(3 500)
Total comprehensive income/(losses) for the year				146	(26)	–	–	456	3 782	4 358	251	(58)	739	55	5 345
Profit attributable to ordinary equity holders and non-controlling interest									3 467	3 467	251	(58)	739	55	4 454
Exchange differences on translating foreign operations including the effect of hyperinflation				672						672					672
Movement in fair-value reserve								119		119					119
Property revaluations					(26)					(26)					(26)
Remeasurements on long-term employee benefit assets									(80)	(80)					(80)
Share of OCI of investments accounted for using the equity method				(526)				337	395	206					206
Transfer (from)/to reserves					(41)	(337)	401	(89)	66	–					–
Value of employee services (net of deferred tax)[2]						292				292					292
Transactions with non-controlling interests				103	(15)		(56)		173	205				(320)	(115)
Other movements									(11)	(11)					(11)
Audited balance at 31 December 2020	**483 892 767**	**484**	**18 583**	**(1 995)**	**1 757**	**1 032**	**290**	**961**	**67 880**	**88 992**	**3 222**	**(58)**	**7 822**	**466**	**100 444**
Additional tier 1 capital instruments issued										**–**			**3 497**		**3 497**
Additional tier 1 capital instruments redeemed										**–**			**(2 000)**		**(2 000)**
Share movements in terms of long term incentive and BEE schemes[1]	**1 708 780**	**2**	**185**			**(132)**			**(36)**	**19**					**19**
Preference share redeemed							**78**			**78**	**(3 222)**				**(3 144)**
Preference share dividend										**–**	**(188)**	**(8)**			**(196)**
Additional tier 1 capital instruments interest paid										**–**			**(737)**		**(737)**
Dividends to shareholders									**(2 178)**	**(2 178)**					**(2 178)**
Total comprehensive (losses)/income for the year				**499**	**28**	**–**	**–**	**(192)**	**11 606**	**11 941**	**188**	**125**	**737**	**180**	**13 171**
Profit attributable to ordinary equity holders and non-controlling interest									**11 238**	**11 238**	**188**	**125**	**737**	**99**	**12 387**
Exchange differences on translating foreign operations including the effect of hyperinflation				**956**						**956**				**73**	**1 029**
Movement in fair-value reserve								**73**		**73**					**73**
Property revaluations					**28**					**28**				**8**	**36**
Remeasurements on long-term employee benefit assets									**389**	**389**					**389**
Share of OCI of investments accounted for using the equity method				**(457)**				**(265)**	**(21)**	**(743)**					**(743)**
Transfer (from)/to reserves					**(24)**	**(332)**	**(95)**		**451**	**–**					**–**
Value of employee services (net of deferred tax)[2]						**637**				**637**					**637**
Transactions with non-controlling interests				**(12)**	**3**				**35**	**26**				**(26)**	**–**
Other movements									**(2)**	**(2)**					**(2)**
Audited balance at 31 December 2021	**485 601 547**	**486**	**18 768**	**(1 508)**	**1 764**	**1 205**	**273**	**769**	**77 756**	**99 513**	**–**	**59**	**9 319**	**620**	**109 511**

[1] *During the year, the group reviewed its presentation of the statement of changes in equity. As a result of this review, the 'Shares issued in terms of employee incentive schemes' and 'Shares (acquired)/no longer held by group entities and BEE schemes' line items, which were previously presented in separate lines, have been reclassified by aggregating them into one line item, 'Share movements in terms of long-term incentives and BEE schemes". The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's changes in equity.*

[2] *During the year, the group reviewed its presentation of the statement of changes in equity presentation. As a result of this review, the 'Share-based payment movements' line item was renamed 'Value of employee services (net of deferred taxation)' to better reflect the nature of the line item. The group is of the view that the updated disclosure provides more relevant information for users to better understand the group's changes in equity.*

Summary consolidated statement of cash flows

for the year ended

	31 December 2021 (audited) Rm	31 December 2020 (restated)[1] (audited) Rm
Profit before direct taxation	**16 430**	6 331
Adjusted for:	**(17 528)**	(7 066)
Non-cash items	**15 232**	23 305
Dividends received	**(260)**	(290)
Interest and similar income	**(65 772)**	(72 300)
Interest expense and similar charges	**33 272**	42 219
Interest received	**65 018**	73 880
Interest paid	**(34 273)**	(45 213)
Dividends received on investments	**260**	290
Change in funds for operating activities	**(12 169)**	(11 708)
Decrease/(Increase) in operating assets	**1 022**	(99 254)
(Decrease)/Increase in operating liabilities	**(13 191)**	87 546
Net cash from operating activities before taxation	**17 738**	16 514
Taxation paid	**(5 599)**	(3 182)
Cash flows from operating activities	**12 139**	13 332
Cash flows utilised by investing activities	**(2 050)**	(4 817)
Acquisition of property, equipment, computer software and development costs and investment property	**(3 455)**	(4 313)
Disposal of property, equipment, computer software and development costs	**29**	56
Disposal of investment banking assets	**161**	35
(Acquisition)/Disposal of associate companies	**(43)**	162
Acquisition of investment securities	**(2 443)**	(2 361)
Disposal of investment securities	**3 701**	1 604
Cash flows utilised by financing activities	**(7 412)**	(4 787)
Proceeds from issue of ordinary shares		437
Issue of additional tier 1 capital instruments	**3 497**	972
Issue of long-term debt instruments	**6 579**	7 189
Redemption of preference shares	**(3 144)**	
Redemption of additional tier 1 capital instruments	**(2 000)**	
Redemption of long-term debt instruments	**(8 244)**	(7 039)
Capital repayments of lease liabilities	**(989)**	(981)
Transactions with non-controlling interest		(875)
Dividends paid to ordinary shareholders	**(2 178)**	(3 500)
Preference share dividends paid	**(196)**	(251)
Additional tier 1 capital instruments interest paid	**(737)**	(739)
Effects of exchange rate changes on cash and cash equivalents	**527**	19
Net increase in cash and cash equivalents	**3 204**	3 747
Cash and cash equivalents at the beginning of the year	**41 382**	37 635
Cash and cash equivalents at the end of the year	**44 586**	41 382

[1] *During the year, the group identified that non-cash amounts relating to accrued interest income and accrued interest expense were disclosed in the consolidated statement of cash flow for the year ended 31 December 2020. The error resulted in the following changes: 'Interest received' increasing (31 December 2020: R6 427m); 'Increase in operating assets' increasing (31 December 2020: R6 427m); 'Interest paid' decreasing (31 December 2020: R537m) and 'Increase in operating liabilities' decreasing (31 December 2020: R537m). The error had no impact on the group's cash flows from operating activities and cash and cash equivalents at the end of the year. In addition, management elected to change the presentation of the statement of cash flows from the direct method to the indirect method and to present a full statement of cash flows rather than a condensed statement of cash flows. As a result, 31 December 2020 comparative information has been restated to reflect these changes.*

Notes to the audited summary consolidated financial statements

for the year ended 31 December 2021[#]

Revenue

for the year ended

	31 December 2021 (audited) Rm	31 December 2020 (audited) Rm
Interest and similar income	**65 772**	72 300
Listed corporate bonds[1]	**1 287**	1 912
Home loans (including properties in possession)	**11 314**	12 234
Commercial mortgages	**12 516**	13 834
Instalment debtors	**12 199**	12 559
Credit cards	**2 138**	2 256
Overdrafts	**1 576**	1 933
Term and other loans	**11 357**	15 147
Personal loans	**5 528**	5 330
Government and other securities	**6 837**	5 623
Short-term funds and securities	**1 020**	1 472
Interest expense and similar charges	**33 272**	42 219
Deposit and loan accounts	**18 957**	22 943
Current and savings accounts	**523**	663
Negotiable certificates of deposit	**4 378**	7 212
Other interest-bearing liabilities	**6 316**	9 101
Long-term debt instruments	**3 949**	4 718
Interest expense related to fair-value activities	**(851)**	(2 418)
Net interest income	**32 500**	30 081
Non-interest revenue and income	**25 027**	24 140
Net commission and fees income	**17 754**	17 137
Net insurance income	**2 005**	1 622
Fair-value adjustments	**(833)**	352
Net trading income	**4 475**	5 252
Equity revaluation gains/(losses)	**650**	(1 038)
Investment income	**263**	212
Net sundry income	**713**	603
Revenue	**57 527**	54 221

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

Summary consolidated segmental reporting

for the year ended

Statement of financial position (Rm)

	Total		Nedbank Corporate and Investment Banking		Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
	31 Dec 2021 (audited)	31 Dec 2020 (audited)	31 Dec 2021 (audited)	31 Dec 2020 (audited)	31 Dec 2021 (audited)	31 Dec 2020 (audited)	31 Dec 2021 (audited)	31 Dec 2020 (audited)	31 Dec 2021 (audited)	31 Dec 2020 (audited)	31 Dec 2021 (audited)	31 Dec 2020 (audited)
Assets												
Cash and cash equivalents	**44 586**	41 382	**2 122**	997	**5 137**	6 468	**2 526**	1 981	**8 075**	6 813	**26 726**	25 123
Other short-term securities	**60 037**	52 605	**30 058**	24 403			**25 477**	25 105	**5 050**	3 639	**(548)**	(542)
Derivative financial instruments	**39 179**	80 325	**39 151**	80 264			**9**	2	**1**	33	**18**	26
Government and other securities	**150 498**	132 221	**68 887**	54 232			**268**		**1 773**	827	**79 570**	77 162
Loans and advances	**831 735**	843 303	**398 622**	428 992	**380 985**	356 272	**30 273**	31 133	**21 243**	23 233	**612**	3 673
Other assets	**95 019**	78 301	**33 504**	18 460	**11 858**	11 917	**22 433**	22 023	**4 285**	3 811	**22 939**	22 090
Intergroup assets	**–**	–			**17 040**	15 941			**2 420**	2 733	**(19 460)**	(18 674)
Total assets	**1 221 054**	1 228 137	**572 344**	607 348	**415 020**	390 598	**80 986**	80 244	**42 847**	41 089	**109 857**	108 858
Equity and liabilities												
Total equity	**109 511**	100 444	**36 536**	38 691	**33 060**	29 573	**4 528**	4 327	**6 385**	6 471	**29 002**	21 382
Derivative financial instruments	**36 042**	65 130	**35 998**	65 079			**34**	12	**10**	39		
Amounts owed to depositors	**971 795**	953 715	**437 651**	423 046	**374 972**	354 243	**43 840**	43 945	**35 054**	33 294	**80 278**	99 187
Provisions and other liabilities	**45 547**	49 078	**7 305**	10 095	**5 447**	5 242	**23 678**	25 527	**971**	967	**8 146**	7 247
Long-term debt instruments	**58 159**	59 770	**316**	543	**1 541**	1 540			**427**	318	**55 875**	57 369
Intergroup liabilities	**–**	–	**54 538**	69 894			**8 906**	6 433			**(63 444)**	(76 327)
Total equity and liabilities	**1 221 054**	1 228 137	**572 344**	607 348	**415 020**	390 598	**80 986**	80 244	**42 847**	41 089	**109 857**	108 858

[1] *Includes all group eliminations.*

Statement of comprehensive income (Rm)

	Total		Nedbank Corporate and Investment Banking		Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre[1]	
	31 Dec 2021 (audited)	31 Dec 2020 (restated)[2] (audited)	31 Dec 2021 (audited)	31 Dec 2020 (restated)[2] (audited)	31 Dec 2021 (audited)	31 Dec 2020 (restated)[2] (audited)	31 Dec 2021 (audited)	31 Dec 2020 (restated)[2] (audited)	31 Dec 2021 (audited)	31 Dec 2020 (restated)[2] (audited)	31 Dec 2021 (audited)	31 Dec 2020 (restated)[2] (audited)
Net interest income	**32 500**	30 081	**7 966**	7 339	**20 745**	19 692	**866**	897	**1 448**	1 274	**1 475**	879
Non-interest revenue and income	**25 027**	24 140	**7 881**	7 229	**12 783**	11 830	**3 788**	3 303	**1 431**	1 454	**(856)**	324
Share of gains of associate companies	**799**	452	**100**	115					**699**	337		
Total income	**58 326**	54 673	**15 947**	14 683	**33 528**	31 522	**4 654**	4 200	**3 578**	3 065	**619**	1 203
Impairments charge on financial instruments	**6 534**	13 127	**1 418**	3 245	**5 172**	8 746	**28**	208	**168**	437	**(252)**	491
Net income	**51 792**	41 546	**14 529**	11 438	**28 356**	22 776	**4 626**	3 992	**3 410**	2 628	**871**	712
Total operating expenses	**33 639**	31 772	**7 011**	6 432	**21 442**	20 161	**3 280**	3 061	**2 535**	2 325	**(629)**	(207)
Zimbabwe hyperinflation	**138**	205							**138**	205		
Indirect taxation	**1 073**	1 148	**202**	159	**529**	488	**99**	91	**72**	64	**171**	346
Profit before direct taxation[3]	**16 942**	8 421	**7 316**	4 847	**6 385**	2 127	**1 247**	840	**665**	34	**1 329**	573
Direct taxation[3]	**4 104**	1 994	**1 711**	1 211	**1 728**	590	**285**	178	**(26)**	(30)	**406**	45
Profit after direct taxation[3]	**12 838**	6 427	**5 605**	3 636	**4 657**	1 537	**962**	662	**691**	64	**923**	528
Profit attributable to non-controlling interest:												
– Ordinary shareholders	**99**	55							**97**	52	**2**	3
– Preference shareholders	**313**	193			**125**	(58)					**188**	251
– Additional tier 1 capital instrument noteholders	**737**	739									**737**	739
Headline earnings/(loss)	**11 689**	5 440	**5 605**	3 636	**4 532**	1 595	**962**	662	**594**	12	**(4)**	(465)
Selected ratios												
Non-interest revenue and income to total income (%)[4]	**43,5**	44,5	**49,7**	49,6	**38,1**	37,5	**81,4**	78,6	**49,7**	53,3		
Non-interest revenue and income to total operating expenses (%)	**74,4**	76,0	**112,4**	112,4	**59,6**	58,7	**115,5**	107,9	**56,4**	62,5		
Cost-to-income ratio (%)[5]	**57,7**	58,1	**44,0**	43,8	**64,0**	64,0	**70,5**	72,9	**70,8**	75,9		
Effective taxation rate (%)	**24,2**	23,7	**23,4**	25,0	**27,1**	27,7	**22,9**	21,2	**(3,9)**	(88,2)		
Revenue (Rm)[6]	**57 527**	54 221	**15 847**	14 568	**33 528**	31 522	**4 654**	4 200	**2 879**	2 728	**619**	1 203

[1] *Includes all group eliminations.*
[2] *During the year, the group reviewed its statement of comprehensive income presentation. As a result of the review, certain line descriptions have been updated and subtotals have been removed. It is the group's view that these changes provide more relevant disclosures on the group's financial performance. To provide comparability, the prior-year balances have been restated accordingly. The reclassification had no impact on the group's statement of financial position.*
[3] *These items are presented on a headline earnings basis and therefore exclude the impact of impairments charge on non-financial instruments and sundry gains or 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.*

Headline earnings reconciliation

for the year ended

	Yoy % change	31 December 2021 (Audited) Rm Gross	31 December 2021 (Audited) Rm Net of taxation	31 December 2020 (Audited) Rm Gross	31 December 2020 (Audited) Rm Net of taxation
Profit attributable to ordinary shareholders	>100		11 238		3 467
Impairments charge on non-financial instruments and other gains and losses	(70)	499	438	1 562	1 445
IAS 16 – loss on disposal of property and equipment		41	26	89	72
IAS 36 – impairment of associates: ETI				750	750
IAS 36 – impairment of goodwill		306	306	345	345
IAS 36 – impairment of property and equipment					
IAS 36 – impairment of intangible assets		153	110	207	149
IAS 40 – loss on revaluation of investment properties				2	2
IFRS 5 – impairment of non-current assets held for sale				17	17
IFRS 10 – profit on sale of subsidiaries/associates		(11)	(11)		
IFRS 16 – impairment of right-of-use assets		10	7	152	110
Share of gains/(losses) of associate companies					
IAS 36 share of associate (ETI) impairment of goodwill		13	13	528	528
Headline earnings	>100		11 689		5 440

Investments in associate companies

at

	31 December 2021 (Audited) Rm	31 December 2020 (Audited) Rm
Listed equity-accounted associates[1]	2 272	2 180
Unlisted equity-accounted associates	1 123	1 142
	3 395	3 322

[1] *The group's investment in ETI is recorded under listed associates.*

Listed associates: ETI		
Carrying value	2 272	2 180
Fair value of investment[1]	1 709	1 167

[1] *Based on the Nafex exchange rate.*

Historical value at risk

(99%, one-day) by risk type

Value at risk (VaR) is the potential loss in pre-tax profit due to adverse market movements over a defined holding period with a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. It facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The 99%, one-day VaR number used by the group reflects, at a 99% confidence level, that the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days.

The group uses one year of historical data to estimate VaR. Some of the considerations that are taken into account when reviewing the VaR numbers are the following:

- The assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99% confidence level does not indicate the potential loss beyond this interval.
- If a product or listing is new in the market, limited historical data would be available. In such cases, a proxy is chosen to act as an estimate for the historical rates of the relevant risk factor. Depending on the amount of (limited) historical rates available, regression analysis is used on the chosen proxy to refine the link between the proxy and the actual rates.

Additional risk measures are used to monitor the individual trading desks, including performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints.

All market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework. A formal review of all existing valuation models is conducted at least annually. Should the review process indicate that models need to be updated, a formal independent review will take place. All new risk models developed are independently validated prior to implementation.

The group's current trading activities are focused on liquid markets, which are in line with the current regulatory liquidity horizon assumption of a 10-day holding period (Basel III).

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

	31 December 2021 (Audited) Rm				31 December 2020 (Audited) Rm			
Rm	**Average**	**Minimum**	**Maximum**	**Year-end**	Average	Minimum	Maximum	Year-end
Foreign exchange	6,1	1,3	19,1	6,1	6,8	1,4	18,6	9,2
Interest rate	54,0	26,9	117,7	42,9	69,5	32,0	128,2	90,2
Equity	11,9	3,3	27,1	5,6	8,3	3,3	27,2	10,7
Credit	7,7	3,2	16,9	4,1	16,0	4,7	42,3	16,6
Commodity	0,1		1,7	0,1	0,2		3,6	0,1
Diversification	(35,1)			(18,4)	(44,7)			(87,1)
Total VaR exposure	44,7	29,4	84,8	40,4	56,1	29,4	128,3	39,7

Related parties

Relationship with significant investors

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

Loss allowance

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

Loans and advances	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	671 267	3 362	667 905	72 071	3 893	68 178	27 605	10 557	17 048	770 943	17 812	753 131
New financial assets originated or purchased	209 531	2 234	207 297							209 531	2 234	207 297
Financial assets written off							(7 419)	(7 419)		(7 419)	(7 419)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(64 418)	5 507	(69 925)	(10 368)	4 050	(14 418)	(3 258)	4 623	(7 881)	(78 044)	14 180	(92 224)
Final repayments	(123 748)	(815)	(122 933)	(19 422)	(295)	(19 127)	(1 811)	(552)	(1 259)	(144 981)	(1 662)	(143 319)
Transfers to 12-month ECL	38 912	840	38 072	(36 211)	(690)	(35 521)	(2 701)	(150)	(2 551)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(103 931)	(2 749)	(101 182)	106 033	2 782	103 251	(2 102)	(33)	(2 069)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(20 520)	(4 294)	(16 226)	(14 179)	(3 115)	(11 064)	34 699	7 409	27 290	–	–	–
Foreign exchange movements	3 996	98	3 898	485	76	409	172	149	23	4 653	323	4 330
Audited balance at 31 December 2020	611 089	4 183	606 906	98 409	6 701	91 708	45 185	14 584	30 601	754 683	25 468	729 215
New financial assets originated or purchased	**229 678**	**2 932**	**226 746**							**229 678**	**2 932**	**226 746**
Financial assets written off							**(8 139)**	**(8 139)**		**(8 139)**	**(8 139)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(35 901)**	**4 972**	**(40 873)**	**(15 405)**	**(1 057)**	**(14 348)**	**(6 991)**	**3 895**	**(10 886)**	**(58 297)**	**7 810**	**(66 107)**
Final repayments	**(138 637)**	**(1 299)**	**(137 338)**	**(17 113)**	**(322)**	**(16 791)**	**(2 972)**	**(688)**	**(2 284)**	**(158 722)**	**(2 309)**	**(156 413)**
Transfers to 12-month ECL	**31 581**	**1 208**	**30 373**	**(26 595)**	**(713)**	**(25 882)**	**(4 986)**	**(495)**	**(4 491)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(62 010)**	**(3 694)**	**(58 316)**	**66 795**	**4 221**	**62 574**	**(4 785)**	**(527)**	**(4 258)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(13 375)**	**(3 902)**	**(9 473)**	**(7 880)**	**(2 391)**	**(5 489)**	**21 255**	**6 293**	**14 962**	**–**	**–**	**–**
Foreign exchange movements	**2 791**	**113**	**2 678**	**551**	**56**	**495**	**732**	**115**	**617**	**4 074**	**284**	**3 790**
Net balances	**625 216**	**4 513**	**620 703**	**98 762**	**6 495**	**92 267**	**39 299**	**15 038**	**24 261**	**763 277**	**26 046**	**737 231**
Total credit and zero balances[2]	**8 292**	**(45)**	**8 337**	**14**	**(11)**	**25**	**36**		**36**	**8 342**	**(56)**	**8 398**
Audited net balance at 31 December 2021	**633 508**	**4 468**	**629 040**	**98 776**	**6 484**	**92 292**	**39 335**	**15 038**	**24 297**	**771 619**	**25 990**	**745 629**
Loans and advances at FVTPL												**59 562**
Loans at FVOCI												**25 454**
Off-balance sheet impairment allowance												**396**
Fair-value hedge-accounted portfolios												**750**
ECL credit and other balances												**(56)**
Audited loans and advances at 31 December 2021	**633 508**	**4 468**	**629 040**	**98 776**	**6 484**	**92 292**	**39 335**	**15 038**	**24 297**	**771 619**	**25 990**	**831 735**

[1] *Includes credit risk changes as a result of SICR, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments. The most significant changes to the ECL model inputs and assumptions relate to the redevelopment and refinement of macroeconomic models where necessary and the incorporation of recent data into the ECL models which includes the period impacted by Covid-19. The model updates were performed to ensure that the models still predict historical pre-Covid-19 loss and default rates adequately, are responsive to but do not overfit the Covid-19 period and produce appropriate estimates of forward-looking default risk and losses.*

[2] *Total credit and zero balances throughout this note refer to the balances that are liabilities payable at 31 December 2021 and the related loss allowance arising from credit risk exposure on these facilities.*

Home loans	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	139 397	288	139 109	14 181	539	13 642	7 826	1 571	6 255	161 404	2 398	159 006
New financial assets originated or purchased	10 171	39	10 132							10 171	39	10 132
Financial assets written off							(228)	(228)		(228)	(228)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	5 998	526	5 472	(20)	552	(572)	(471)	171	(642)	5 507	1 249	4 258
Final repayments	(8 373)	(2)	(8 371)	(601)	(19)	(582)	(476)	(83)	(393)	(9 450)	(104)	(9 346)
Transfers to 12-month ECL	5 321	23	5 298	(4 765)	(17)	(4 748)	(556)	(6)	(550)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(9 733)	(215)	(9 518)	10 725	272	10 453	(992)	(57)	(935)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(2 979)	(346)	(2 633)	(3 539)	(537)	(3 002)	6 518	883	5 635	–	–	–
Foreign exchange movements	447	37	410	7	11	(4)	35	67	(32)	489	115	374
Audited net balance at 31 December 2020	140 249	350	139 899	15 988	801	15 187	11 656	2 318	9 338	167 893	3 469	164 424
New financial assets originated or purchased	**13 718**	**67**	**13 651**							**13 718**	**67**	**13 651**
Financial assets written off							**(319)**	**(319)**		**(319)**	**(319)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**8 132**	**310**	**7 822**	**319**	**(252)**	**571**	**(1 001)**	**3**	**(1 004)**	**7 450**	**61**	**7 389**
Final repayments	**(10 060)**	**(22)**	**(10 038)**	**(885)**	**(24)**	**(861)**	**(853)**	**(144)**	**(709)**	**(11 798)**	**(190)**	**(11 608)**
Transfers to 12-month ECL	**6 207**	**34**	**6 173**	**(4 684)**	**(24)**	**(4 660)**	**(1 523)**	**(10)**	**(1 513)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(5 093)**	**(205)**	**(4 888)**	**7 316**	**310**	**7 006**	**(2 223)**	**(105)**	**(2 118)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(2 306)**	**(286)**	**(2 020)**	**(1 812)**	**(291)**	**(1 521)**	**4 118**	**577**	**3 541**	**–**	**–**	**–**
Foreign exchange movements	**380**	**39**	**341**	**18**	**10**	**8**	**32**	**20**	**12**	**430**	**69**	**361**
Net balances	**151 227**	**287**	**150 940**	**16 260**	**530**	**15 730**	**9 887**	**2 340**	**7 547**	**177 374**	**3 157**	**174 217**
Total credit and zero balances	**204**	**(1)**	**205**	**4**	**(1)**	**5**	**11**		**11**	**219**	**(2)**	**221**
Audited balance at 31 December 2021	**151 431**	**286**	**151 145**	**16 264**	**529**	**15 735**	**9 898**	**2 340**	**7 558**	**177 593**	**3 155**	**174 438**

Commercial mortgages	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	154 801	218	154 583	18 713	338	18 375	2 488	504	1 984	176 002	1 060	174 942
New financial assets originated or purchased	49 148	156	48 992							49 148	156	48 992
Financial assets written off							(33)	(33)		(33)	(33)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(7 386)	62	(7 448)	(1 402)	678	(2 080)	(339)	315	(654)	(9 127)	1 055	(10 182)
Final repayments	(28 917)	(55)	(28 862)	(1 769)	(76)	(1 693)	(155)	(51)	(104)	(30 841)	(182)	(30 659)
Transfers to 12-month ECL	8 005	117	7 888	(7 801)	(103)	(7 698)	(204)	(14)	(190)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(13 229)	(72)	(13 157)	13 277	80	13 197	(48)	(8)	(40)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 253)	(51)	(1 202)	(2 680)	(226)	(2 454)	3 933	277	3 656	–	–	–
Foreign exchange movements	118	1	117	29	3	26	2	9	(7)	149	13	136
Audited net balance at 31 December 2020	161 287	376	160 911	18 367	694	17 673	5 644	999	4 645	185 298	2 069	183 229
New financial assets originated or purchased	**52 242**	**237**	**52 005**							**52 242**	**237**	**52 005**
Financial assets written off							**(189)**	**(189)**		**(189)**	**(189)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(4 216)**	**(237)**	**(3 979)**	**(138)**	**262**	**(400)**	**(1 216)**	**264**	**(1 480)**	**(5 570)**	**289**	**(5 859)**
Final repayments	**(44 010)**	**(89)**	**(43 921)**	**(974)**	**(6)**	**(968)**	**(309)**	**(42)**	**(267)**	**(45 293)**	**(137)**	**(45 156)**
Transfers to 12-month ECL	**5 552**	**103**	**5 449**	**(5 173)**	**(57)**	**(5 116)**	**(379)**	**(46)**	**(333)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(8 338)**	**(79)**	**(8 259)**	**8 538**	**90**	**8 448**	**(200)**	**(11)**	**(189)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(1 093)**	**(101)**	**(992)**	**(286)**	**(7)**	**(279)**	**1 379**	**108**	**1 271**	**–**	**–**	**–**
Foreign exchange movements	**212**	**7**	**205**	**26**	**3**	**23**	**95**	**36**	**59**	**333**	**46**	**287**
Audited balance at 31 December 2021	**161 636**	**217**	**161 419**	**20 360**	**979**	**19 381**	**4 825**	**1 119**	**3 706**	**186 821**	**2 315**	**184 506**

Credit cards and overdrafts

	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balances at 1 January 2020	29 216	861	28 355	5 209	524	4 685	3 081	1 913	1 168	37 506	3 298	34 208
New financial assets originated or purchased	8 562	262	8 300							8 562	262	8 300
Financial assets written off							(1 431)	(1 431)		(1 431)	(1 431)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	7 591	1 310	6 281	1 823	230	1 593	(234)	896	(1 130)	9 180	2 436	6 744
Final repayments	(16 595)	(100)	(16 495)	(4 795)	(46)	(4 749)	(244)	(92)	(152)	(21 634)	(238)	(21 396)
Transfers to 12-month ECL	3 422	105	3 317	(2 902)	(82)	(2 820)	(520)	(23)	(497)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(8 972)	(704)	(8 268)	9 023	725	8 298	(51)	(21)	(30)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(2 572)	(924)	(1 648)	(1 102)	(302)	(800)	3 674	1 226	2 448	–	–	–
Foreign exchange movements	379	24	355	325	45	280	2	8	(6)	706	77	629
Audited net balance at 31 December 2020	21 031	834	20 197	7 581	1 094	6 487	4 277	2 476	1 801	32 889	4 404	28 485
New financial assets originated or purchased	**7 109**	**195**	**6 914**							**7 109**	**195**	**6 914**
Financial assets written off							**(2 049)**	**(2 049)**		**(2 049)**	**(2 049)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**19 330**	**951**	**18 379**	**1 735**	**7**	**1 728**	**28**	**927**	**(899)**	**21 093**	**1 885**	**19 208**
Final repayments	**(24 531)**	**(124)**	**(24 407)**	**(3 210)**	**(89)**	**(3 121)**	**(430)**	**(109)**	**(321)**	**(28 171)**	**(322)**	**(27 849)**
Transfers to 12-month ECL	**4 599**	**190**	**4 409**	**(4 279)**	**(152)**	**(4 127)**	**(320)**	**(38)**	**(282)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(3 911)**	**(434)**	**(3 477)**	**4 243**	**527**	**3 716**	**(332)**	**(93)**	**(239)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(1 582)**	**(818)**	**(764)**	**(1 192)**	**(520)**	**(672)**	**2 774**	**1 338**	**1 436**	**–**	**–**	**–**
Foreign exchange movements	**(155)**	**21**	**(176)**	**482**	**17**	**465**	**16**	**8**	**8**	**343**	**46**	**297**
Net balances	**21 890**	**815**	**21 075**	**5 360**	**884**	**4 476**	**3 964**	**2 460**	**1 504**	**31 214**	**4 159**	**27 055**
Total credit and zero balances	**8 088**	**(44)**	**8 132**	**10**	**(10)**	**20**	**25**		**25**	**8 123**	**(54)**	**8 177**
Audited balance at 31 December 2021	**29 978**	**771**	**29 207**	**5 370**	**874**	**4 496**	**3 989**	**2 460**	**1 529**	**39 337**	**4 105**	**35 232**

Term loans	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	157 079	941	156 138	10 230	699	9 531	6 780	3 437	3 343	174 089	5 077	169 012
New financial assets originated or purchased	43 930	1 001	42 929							43 930	1 001	42 929
Financial assets written off							(3 555)	(3 555)		(3 555)	(3 555)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(40 299)	2 220	(42 519)	(25)	886	(911)	150	1 475	(1 325)	(40 174)	4 581	(44 755)
Final repayments	(19 982)	(311)	(19 671)	(4 423)	(43)	(4 380)	(471)	(222)	(249)	(24 876)	(576)	(24 300)
Transfers to 12-month ECL	5 814	111	5 703	(5 796)	(110)	(5 686)	(18)	(1)	(17)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(27 637)	(937)	(26 700)	28 153	830	27 323	(516)	107	(623)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(6 532)	(1 920)	(4 612)	(1 789)	(978)	(811)	8 321	2 898	5 423	–	–	–
Foreign exchange movements	2 881	31	2 850	247	29	218	156	192	(36)	3 284	252	3 032
Audited net balance at 31 December 2020	115 254	1 136	114 118	26 597	1 313	25 284	10 847	4 331	6 516	152 698	6 780	145 918
New financial assets originated or purchased	**63 480**	**1 509**	**61 971**							**63 480**	**1 509**	**61 971**
Financial assets written off							**(3 052)**	**(3 052)**		**(3 052)**	**(3 052)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(34 023)**	**2 383**	**(36 406)**	**(11 855)**	**(372)**	**(11 483)**	**(779)**	**1 452**	**(2 231)**	**(46 657)**	**3 463**	**(50 120)**
Final repayments	**(27 217)**	**(471)**	**(26 746)**	**(4 054)**	**(101)**	**(3 953)**	**(561)**	**(182)**	**(379)**	**(31 832)**	**(754)**	**(31 078)**
Transfers to 12-month ECL	**2 376**	**93**	**2 283**	**(2 325)**	**(79)**	**(2 246)**	**(51)**	**(14)**	**(37)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(14 815)**	**(1 524)**	**(13 291)**	**15 309**	**1 595**	**13 714**	**(494)**	**(71)**	**(423)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(3 211)**	**(1 747)**	**(1 464)**	**(1 910)**	**(999)**	**(911)**	**5 121**	**2 746**	**2 375**	**–**	**–**	**–**
Foreign exchange movements	**1 844**	**16**	**1 828**	**330**	**19**	**311**	**130**	**50**	**80**	**2 304**	**85**	**2 219**
Audited balance at 31 December 2021	**103 688**	**1 395**	**102 293**	**22 092**	**1 376**	**20 716**	**11 161**	**5 260**	**5 901**	**136 941**	**8 031**	**128 910**

Instalment debtors	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	105 416	801	104 615	18 043	1 321	16 722	6 608	2 706	3 902	130 067	4 828	125 239
New financial assets originated or purchased	45 026	525	44 501							45 026	525	44 501
Financial assets written off							(2 152)	(2 152)		(2 152)	(2 152)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(15 638)	1 347	(16 985)	(2 802)	847	(3 649)	(2 366)	1 429	(3 795)	(20 806)	3 623	(24 429)
Final repayments	(15 434)	(100)	(15 334)	(1 218)	(57)	(1 161)	(225)	(24)	(201)	(16 877)	(181)	(16 696)
Transfers to 12-month ECL	8 806	151	8 655	(7 617)	(119)	(7 498)	(1 189)	(32)	(1 157)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(14 219)	(603)	(13 616)	14 709	655	14 054	(490)	(52)	(438)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(5 646)	(973)	(4 673)	(4 609)	(1 028)	(3 581)	10 255	2 001	8 254	–	–	–
Foreign exchange movements	(21)	11	(32)	5	6	(1)	27		27	11	17	(6)
Audited net balance at 31 December 2020	108 290	1 159	107 131	16 511	1 625	14 886	10 468	3 876	6 592	135 269	6 660	128 609
New financial assets originated or purchased	**55 326**	**708**	**54 618**							**55 326**	**708**	**54 618**
Financial assets written off							**(2 493)**	**(2 493)**		**(2 493)**	**(2 493)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(20 964)**	**1 649**	**(22 613)**	**(1 994)**	**(587)**	**(1 407)**	**(3 703)**	**689**	**(4 392)**	**(26 661)**	**1 751**	**(28 412)**
Final repayments	**(17 146)**	**(133)**	**(17 013)**	**(1 276)**	**(54)**	**(1 222)**	**(487)**	**(117)**	**(370)**	**(18 909)**	**(304)**	**(18 605)**
Transfers to 12-month ECL	**8 041**	**204**	**7 837**	**(5 906)**	**(123)**	**(5 783)**	**(2 135)**	**(81)**	**(2 054)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(11 547)**	**(1 331)**	**(10 216)**	**12 962**	**1 529**	**11 433**	**(1 415)**	**(198)**	**(1 217)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(4 859)**	**(875)**	**(3 984)**	**(2 175)**	**(550)**	**(1 625)**	**7 034**	**1 425**	**5 609**	**–**	**–**	**–**
Foreign exchange movements	**17**	**11**	**6**	**3**	**1**	**2**	**6**	**5**	**1**	**26**	**17**	**9**
Audited balance at 31 December 2021	**117 158**	**1 392**	**115 766**	**18 125**	**1 841**	**16 284**	**7 275**	**3 106**	**4 169**	**142 558**	**6 339**	**136 219**

Preference shares and debentures	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	12 307	61	12 246	75	4	71	197	34	163	12 579	99	12 480
New financial assets originated or purchased	4 387	23	4 364							4 387	23	4 364
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(4 783)	6	(4 789)	(10)	(2)	(8)	4	33	(29)	(4 789)	37	(4 826)
Final repayments	(71)		(71)							(71)	–	(71)
Transfers to 12-month ECL	75	2	73	(75)	(2)	(73)				–	–	–
Transfers to lifetime ECL (not credit-impaired)	(865)	(14)	(851)	865	14	851				–	–	–
Audited net balance at 31 December 2020	11 050	78	10 972	855	14	841	201	67	134	12 106	159	11 947
New financial assets originated or purchased	**2 923**	**44**	**2 879**							**2 923**	**44**	**2 879**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(2 833)**		**(2 833)**	**(14)**	**10**	**(24)**	**12**	**83**	**(71)**	**(2 835)**	**93**	**(2 928)**
Final repayments							**(201)**	**(67)**	**(134)**	**(201)**	**(67)**	**(134)**
Transfers to 12-month ECL										**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(525)**	**(26)**	**(499)**	**525**	**26**	**499**				**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)				**(286)**	**(1)**	**(285)**	**286**	**1**	**285**	**–**	**–**	**–**
Audited balance at 31 December 2021	**10 615**	**96**	**10 519**	**1 080**	**49**	**1 031**	**298**	**84**	**214**	**11 993**	**229**	**11 764**

Financial guarantees and loan commitments	Not credit-impaired		Credit-impaired	Total
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (excluding purchased/ originated)	
Rm	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
Audited net balance at 1 January 2020	65	67	88	220
New financial assets originated or purchased	40			40
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	40	236	214	490
Final repayments	(182)	(12)	(28)	(222)
Transfers to 12-month ECL	215	(150)	(65)	–
Transfers to lifetime ECL (not credit-impaired)	(73)	73		–
Transfers to lifetime ECL (credit-impaired)	(1)	(27)	28	–
Foreign exchange movements	(1)	2		1
Audited net balance at 31 December 2020	103	189	237	529
New financial assets originated or purchased	**102**			**102**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(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**
Audited balance at 31 December 2021	**114**	**125**	**102**	**341**

Specialised and other loans to clients[1]	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	73 051	127	72 924	5 620	401	5 219	625	304	321	79 296	832	78 464
New financial assets originated or purchased	48 307	188	48 119							48 307	188	48 119
Financial assets written off							(20)	(20)		(20)	(20)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(9 901)	(4)	(9 897)	(7 932)	623	(8 555)	(2)	90	(92)	(17 835)	709	(18 544)
Final repayments	(34 376)	(65)	(34 311)	(6 616)	(42)	(6 574)	(240)	(52)	(188)	(41 232)	(159)	(41 073)
Transfers to 12-month ECL	7 469	116	7 353	(7 255)	(107)	(7 148)	(214)	(9)	(205)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(29 276)	(131)	(29 145)	29 281	133	29 148	(5)	(2)	(3)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 538)	(79)	(1 459)	(460)	(17)	(443)	1 998	96	1 902	–	–	–
Foreign exchange movements	192	(5)	197	(128)	(20)	(108)	(50)	(127)	77	14	(152)	166
Audited net balance at 31 December 2020	53 928	147	53 781	12 510	971	11 539	2 092	280	1 812	68 530	1 398	67 132
New financial assets originated or purchased	**34 880**	**70**	**34 810**							**34 880**	**70**	**34 810**
Financial assets written off							**(37)**	**(37)**		**(37)**	**(37)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(1 327)**	**(38)**	**(1 289)**	**(3 458)**	**(186)**	**(3 272)**	**(332)**	**338**	**(670)**	**(5 117)**	**114**	**(5 231)**
Final repayments	**(15 673)**	**(63)**	**(15 610)**	**(6 714)**	**(16)**	**(6 698)**	**(131)**	**(5)**	**(126)**	**(22 518)**	**(84)**	**(22 434)**
Transfers to 12-month ECL	**4 806**	**145**	**4 661**	**(4 228)**	**(92)**	**(4 136)**	**(578)**	**(53)**	**(525)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(17 781)**	**(24)**	**(17 757)**	**17 902**	**47**	**17 855**	**(121)**	**(23)**	**(98)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(324)**	**(55)**	**(269)**	**(219)**	**(15)**	**(204)**	**543**	**70**	**473**	**–**	**–**	**–**
Foreign exchange movements	**493**	**15**	**478**	**(308)**	**2**	**(310)**	**453**	**(3)**	**456**	**638**	**14**	**624**
Audited balance at 31 December 2021	**59 002**	**197**	**58 805**	**15 485**	**711**	**14 774**	**1 889**	**567**	**1 322**	**76 376**	**1 475**	**74 901**

[1] *Specialised and other loans to clients include properties in possession, overnight loans, factoring accounts, trade, other bills and bankers' acceptances, deposits placed under reverse repurchase agreements and other loans.*

Economic scenarios

Forward-looking information incorporated in the ECL models

To account for forward-looking information (FLI) the ECL input parameters [PD, loss-given default (LGD) and exposure at default (EAD)] are typically linked to macroeconomic drivers such as the prime rate, gross domestic product (GDP) growth, household debt-to-income, consumer price inflation and credit growth. Overlays are raised 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 include approval by a board subcommittee.

The ECL under each macroeconomic scenario is the sum of the discounted products of the PD, LGD and EAD for that specific scenario. The ECL is calculated to reflect an unbiased and probability-weighted amount, with the scenario weights estimated based on the likelihood of occurrence. The ECL is discounted from the point of default using the most applicable interest rate, or a reasonable estimate thereof, to arrive at the ECL at reporting date.

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

	31 December 2021 (Audited)							
						Economic forecast[1] (%)		
Scenario	Probability weighting (%)	Total ECL allowance Rm	Difference to weighted scenarios Rm	Percentage difference to weighted scenarios (%)	Economic measures	2022	2023	2024
Base case	50	26 491	(90)	(0,34)	GDP	1,75	1,74	0,97
					Prime	8,25	8,75	9,25
					HPI	4,04	3,96	4,15
Mild stress	21	26 857	276	1,04	GDP	(0,09)	0,66	0,61
					Prime	8,50	9,75	10,75
					HPI	3,54	3,39	3,50
Positive outcome	21	26 262	(319)	(1,20)	GDP	3,08	2,86	1,92
					Prime	7,50	7,50	7,75
					HPI	4,90	4,89	5,00
High stress	8	27 259	678	2,55	GDP	(1,41)	(0,23)	0,30
					Prime	8,75	10,00	11,00
					HPI	3,04	2,82	2,85
Weighted scenarios		26 581						

[1] *Forecast at 31 December 2021.*

	31 December 2020 (Audited)							
						Economic forecast (%)		
Scenario	Probability weighting (%)	Total ECL allowance Rm	Difference to weighted scenarios Rm	Percentage difference to weighted scenarios (%)	Economic measures	2021	2022	2023
Base case	50	25 949	(128)	(0,49)	GDP	3,04	2,22	1,52
					Prime	7,00	7,38	7,50
					HPI	2,10	2,30	3,50
Mild stress	21	26 466	389	1,49	GDP	2,84	1,65	1,15
					Prime	7,25	8,00	8,00
					HPI	1,81	2,12	3,08
Positive outcome	21	25 613	(464)	(1,78)	GDP	3,85	2,44	1,57
					Prime	7,00	7,00	7,00
					HPI	3,60	4,10	4,80
High stress	8	27 034	957	3,67	GDP	2,14	1,68	0,92
					Prime	7,42	8,46	8,50
					HPI	1,51	1,94	2,66
Weighted scenarios	100	26 077						

Credit risk exposure

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

Loans and advances

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts	Term loans	Overnight loans	Specialised and other loans to clients	Leases and instalment debtors	Preference shares and debentures	Factoring accounts
31 December 2021 (audited)										
Lower than 50%	**1 508**	**515**	**3**	**342**	**763**	**221**	**83**	**152**		**(1)**
50% to 75%	**2 025**	**346**			**1**		**64**	**297**		
75% to 100%	**4 067**	**1 715**	**19**	**585**	**2 786**		**195**	**1 040**		**89**
Higher than 100%	**2 299**	**2 248**	**59**	**3 062**	**9 092**		**1 157**	**5 786**	**298**	**1**
Total	**9 899**	**4 824**	**81**	**3 989**	**12 642**	**221**	**1 499**	**7 275**	**298**	**89**

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts	Term loans	Overnight loans	Specialised and other loans to clients	Leases and instalment debtors	Preference shares and debentures	Factoring accounts
31 December 2020 (audited)										
Lower than 50%	1 934	637		590	1 416		214	332		
50% to 75%	2 410	338			3		2	609	201	
75% to 100%	4 184	2 417	23	323	2 058		108	1 647		164
Higher than 100%	3 137	2 252	40	3 413	9 081	292	1 200	7 880		49
Total	11 665	5 644	63	4 326	12 558	292	1 524	10 468	201	213

Fair-value hierarchy

Financial instruments carried at fair value

The fair value of a financial instrument is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is an assumption 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.

The existence of published price quotations in an active market is the most reliable evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volumes and frequencies 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.

Where a quoted price does not represent fair value at the measurement date or where the market for a financial instrument is not active, the group establishes fair value by using valuation techniques. These valuation techniques include reference to the current fair value of another instrument that is substantially the same in nature, to the value of the assets of underlying business, to earnings multiples, to a discounted-cash-flow analysis and to various option pricing models. Valuation techniques applied by the group would generally be classified as level 2 or level 3 in terms of the fair-value hierarchy. 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. Inputs typically used in valuation techniques include discount rates, appropriate swap rates, volatility, servicing costs, equity prices, commodity prices, counterparty credit risk and the group's own credit on financial liabilities.

The group has an established control framework for the measurement of fair value, which includes formalised review protocols for the independent review and validation of fair values separate from those of the business unit entering into the transaction. The valuation methodologies, techniques and inputs applied to the fair-value measurement of the financial instruments have been applied in a manner consistent with that of the previous financial year.

Fair-value hierarchy

The financial instruments recognised at fair value have been categorised into the three input levels of the IFRS fair-value hierarchy 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 based (directly or indirectly) on market-observable inputs. Various factors influence the availability of observable inputs. These factors may vary from product to product and change over time. Factors include 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 whether the transaction is bespoke or generic.

Level 3: Valuation techniques based on significant inputs that are not observable. 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, depending on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

All fair values disclosed below are recurring in nature.

Financial assets

				At FVTPL			At FVTPL			At FVOCI					
				Mandatorily at fair value			Designated			Debt instruments			Equity instruments		
Rm	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
31 December 2021 (audited)	**1 183 962**	**885 712**	**298 250**	**94 249**	**137 677**	**6 417**	**–**	**10 537**	**–**	**16**	**48 468**	**–**	**21**	**518**	**347**
Cash and cash equivalents	**44 586**	**44 586**	**–**												
Other short-term securities	**60 037**	**2 185**	**57 852**		**35 008**						**22 844**				
Derivative financial instruments	**39 179**		**39 179**	**1**	**39 178**										
Government and other securities	**150 498**	**80 762**	**69 736**	**68 119**	**1 036**			**481**		**16**	**84**				
Loans and advances	**831 735**	**746 719**	**85 016**	**211**	**49 295**			**10 056**			**25 454**				
Other assets	**32 467**	**11 460**	**21 007**	**21 007**											
Investment securities	**25 460**		**25 460**	**4 911**	**13 160**	**6 417**					**86**		**21**	**518**	**347**

				At FVTPL			At FVTPL			At FVOCI					
				Mandatorily at fair value			Designated			Debt instruments			Equity instruments		
Rm	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
31 December 2020 (audited)	1 191 701	872 219	319 482	56 553	200 268	7 296	–	12 665	–	15	41 918	–	18	377	372
Cash and cash equivalents	41 382	41 382	–												
Other short-term securities	52 605	1 377	51 228		28 245						22 983				
Derivative financial instruments	80 325		80 325	19	80 306										
Government and other securities	132 221	77 546	54 675	46 926	7 305			400		15	29				
Loans and advances	843 303	741 642	101 661	168	70 417			12 265			18 811				
Other assets	15 473	10 272	5 201	5 201											
Investment securities[1]	26 392		26 392	4 239	13 995	7 296					95		18	377	372

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

Reconciliation to statement of financial position

	31 Dec 2021 (Audited) Rm	31 Dec 2020 (Audited) Rm
Total financial assets	**1 183 962**	1 191 701
Total non-financial assets	**37 093**	36 436
Total assets	**1 221 055**	1 228 137

Financial liabilities

				At FVTPL					
				Mandatory at fair value			Designated		
Rm	**Total financial liabilities**	**Total financial liabilities recognised at amortised cost**	**Total financial liabilities recognised at fair value**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
31 December 2021 (Audited)	**1 094 030**	**1 001 865**	**92 165**	**3 591**	**70 615**	**–**	**–**	**17 959**	**–**
Derivative financial instruments	**36 042**		**36 042**	**155**	**35 887**				
Amounts owed to depositors	**971 795**	**937 067**	**34 728**		**34 728**				
Provisions and other liabilities	**10 075**	**6 639**	**3 436**	**3 436**					
Investment contract liabilities	**17 959**		**17 959**					**17 959**	
Long-term debt instruments	**58 159**	**58 159**	**–**						

				At FVTPL					
				Mandatory at fair value			Designated		
Rm	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
31 December 2020 (Audited)	1 108 563	983 576	124 987	6 392	97 727	–	–	20 868	–
Derivative financial instruments	65 130		65 130	64	65 066				
Amounts owed to depositors	953 715	921 054	32 661		32 661				
Provisions and other liabilities	9 080	2 752	6 328	6 328					
Investment contract liabilities	20 868		20 868					20 868	
Long-term debt instruments	59 770	59 770	–						

Reconciliation to statement of financial position

	31 Dec 2021 (audited) Rm	31 Dec 2020 (audited) Rm
Total financial liabilities	**1 094 030**	1 108 563
Total equity and non-financial liabilities	**127 024**	119 574
Total equity and liabilities	**1 221 054**	1 228 137

Level 3 reconciliation

31 December 2021 (audited)	Opening balance at 1 January Rm	Gains/(Losses) in non-interest revenue and income in profit for the year Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases Rm	Issues Rm	Sales Rm	Settlements Rm	Transfers to level 1 Rm	Closing balance at 31 December Rm
At FVTPL – Mandatorily at fair value	7 296	442	–	1 049	422	(883)	(1 909)	–	6 417
Investment securities	7 296	442		1 049	422	(883)	(1 909)		6 417
At FVOCI – Equity instruments	372	2	7	–	–	(34)	–	–	347
Investment securities	372	2	7			(34)			347
Total financial assets classified as level 3	**7 668**	**444**	**7**	**1 049**	**422**	**(917)**	**(1 909)**	**–**	**6 764**

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

31 December 2020 (audited)	Opening balance at 1 January Rm	Losses in non-interest revenue and income in profit for the year Rm	Losses relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases Rm	Issues Rm	Sales Rm	Settlements Rm	Transfers to level 1 Rm	Closing balance at 31 December Rm
At FVTPL – Mandatorily at fair value	7 554	(1 263)	–	2 046	–	(811)	(113)	(117)	7 296
Investment securities	7 554	(1 263)		2 046		(811)	(113)	(117)	7 296
At FVOCI – Equity instruments	475	(5)	(98)	–	–	–	–	–	372
Investment securities	475	(5)	(98)						372
Total financial assets classified as level 3	8 029	(1 268)	(98)	2 046	–	(811)	(113)	(117)	7 668

Effect of changes in significant unobservable assumptions

The fair value of financial instruments is, in certain circumstances, measured using valuation techniques that include assumptions that are not market-observable. Where these scenarios apply, the group performs stress testing on the fair value of the relevant instruments. When performing the stress testing, appropriate levels for the unobservable-input parameters are chosen so that they are consistent with prevailing market evidence and in line with the group's approach to valuation control. The following information is intended to illustrate the potential impact of the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable-input parameters and which are classified as level 3 in the fair-value hierarchy. However, the disclosure is neither predictive nor indicative of future movements in fair value.

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

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

31 December 2021 (audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Investment securities	**Discounted cash flows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields**	**Valuation multiples, correlations volatilities and credit spreads**	**Between (16) and 20**	**6 764**	**1 326**	**(1 087)**
Total financial assets classified as level 3				**6 764**	**1 326**	**(1 087)**

31 December 2020 (audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Investment securities	Discounted cash flows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (17) and 21	7 668	1 467	(1 189)
Total financial assets classified as level 3				7 668	1 467	(1 189)

Unrealised gains/(losses)

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

	31 December 2021 (Audited) Rm	31 December 2020 (Audited) Rm
Equity revaluation gains/(losses)	**444**	(1 268)

Summary of principal valuation techniques — level 2 instruments (audited)

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

Assets	Valuation technique	
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

Transfers between levels of the fair-value hierarchy (audited)

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during 2021.

In terms of the group's policy, transfers of financial instruments between levels of the fair-value hierarchy are deemed to have occurred at the end of the year.

Assets and liabilities not measured at fair value for which fair value is disclosed

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

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

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2021 (audited)					
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**	

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
31 December 2020 (audited)					
Financial assets	820 565	821 691	74 207	22 254	725 230
Other short-term securities	1 377	1 377		1 377	
Government and other securities	77 546	74 605	74 207		398
Loans and advances	741 642	745 709		20 877	724 832
Financial liabilities	59 770	63 808	36 040	27 768	–
Long-term debt instruments	59 770	63 808	36 040	27 768	

There have been no significant changes in the methodology used to estimate the fair value of the above instruments during the year.

Loans and advances

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

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

For specifically impaired loans and advances the carrying value, as determined after consideration of the group's IFRS 9 expected credit losses, is considered the best estimate of fair value.

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost, resulting in these assets' fair value being 0,85% higher (2020: 0,55% higher) than the carrying value. This model incorporates the use of average interest rates and projected monthly cash flows per product type. Future cash flows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's PDs and LGDs for the periods 2022 to 2024 (2020: for periods 2021 to 2023) are based on the latest available internal data and are applied to the projected cash flows of the first three years. Thereafter, PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cash flows. Inputs into the model include various assumptions used in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions (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 0,15% lower and 1,85% higher (2020: between 0,50% lower and 1,60% higher) than the carrying value.

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

Government and other securities

The fair value of high-quality South African government bonds listed in an active market is based on available market prices (level 1) or 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.

Other short-term securities

The fair value of other short-term securities is determined using a discounted-cash-flow analysis (level 2).

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, fair value 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 are repriced to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or 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 repriced to current market rates at frequent intervals.

Additional information

Liquidity coverage ratio

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
Total high-quality liquid assets		**207 105**
Cash outflows		
Retail deposits and deposits from small-business clients	235 666	23 350
Less-stable deposits	235 666	23 350
Unsecured wholesale funding	329 522	153 527
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	178 013	44 518
Non-operational deposits (all counterparties)	151 345	108 849
Unsecured debt	164	160
Secured wholesale funding	16 085	
Additional requirements	164 186	23 067
Outflows related to derivative exposures and other collateral requirements	4 016	4 019
Credit and liquidity facilities	160 170	19 048
Other contingent funding obligations	151 621	7 210
Total cash outflows	**897 080**	**207 154**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	1 351	1 322
Inflows from fully performing exposures	62 690	51 719
Other cash inflows	5 201	5 196
Total cash inflows	**69 242**	**58 237**

	Total adjusted value
Total HQLA	207 105
Total net cash outflows[3]	161 678
Liquidity coverage ratio (%)	**128,1%**

[1] *Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).*
[2] *Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).*
[3] *Note that total cash outflows less total cash inflows may not be equal to total net cash outflows to the extent that regulatory caps have been applied to cash inflows as specified by the regulations.*

The figures above reflect a simple average of daily observations over the quarter ending December 2021 for Nedbank Limited and the simple average of the month-end values at 31 October 2021, 30 November 2021 and 31 December 2021 for all non-South African banking entities, based on regulatory submissions to SARB PA. This section on the liquidity coverage ratio has not been audited or reviewed by the group's auditors.

Net stable funding ratio

Rm	Unweighted value by residual maturity				
	No maturity	Six months or less	Between six months and one year	More than one year	Total weighted value
Available stable funding (ASF)					
Capital	113 456	–	–	–	113 456
Regulatory capital	110 881				110 881
Other capital instruments	2 575				2 575
Retail deposits and deposits from small-business clients	81 501	186 672	11 732	16 690	268 817
Stable deposits		4 264			4 051
Less-stable deposits	81 501	182 408	11 732	16 690	264 766
Wholesale funding	133 759	402 198	79 078	119 840	382 181
Operational deposits	129 835	80 932			105 384
Other wholesale funding	3 924	321 266	79 078	119 840	276 797
Other liabilities	14 520	1 990	512	14 592	2 694
Net stable funding ratio (NSFR) derivative liabilities				12 154	
All other liabilities and equity not included in the above categories	14 520	1 990	512	2 438	2 694
Total ASF					**767 148**
Required stable funding (RSF)					
Total NSFR high-quality liquid assets (HQLA)					17 302
Performing loans and securities	–	199 261	71 123	593 524	577 993
Performing loans to financial institutions secured by level 1 HQLA		22 404			2 240
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		68 462	5 683	20 562	33 673
Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks and public sector enterprises, of which		98 477	59 557	407 209	422 577
with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk				12 837	8 344
Performing residential mortgages, of which		3 591	3 744	158 789	109 350
with a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		3 591	3 744	146 442	98 855
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		6 327	2 139	6 964	10 153
Other assets	24 437	373	–	52 520	53 993
Physcial traded commodities, including gold	14				12
Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		156			133
NSFR derivative assets				15 960	3 805
NSFR derivative liabilities before deduction of variation margin posted				12 155	1 215
All other assets not included in the above categories	24 423	217		24 405	48 828
Off-balance-sheet items				306 705	11 671
Total RSF					**660 959**
Net stable funding ratio (%)					**116,1%**

The figures above reflect the quarter ending December 2021, based on regulatory submissions to SARB PA, where applicable. This section on the NSFR has not been audited or reviewed by the group's auditors.

Definitions

12-month expected credit loss (ECL) This expected credit loss represents an ECL that results from default events on financial instruments occurring within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months), weighted by the probability of the defaults occurring.

Assets under administration (AUA) (Rm) Market value of assets held in custody on behalf of clients.

Assets under management (AUM) (Rm) Market value of assets managed on behalf of clients.

Basic earnings per share (cents) Attributable income divided by the weighted-average number of ordinary shares.

Central counterparty (CCP) A clearing house that interposes itself between counterparties for contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer, thereby ensuring the future performance of open contracts.

Common-equity tier 1 (CET1) capital adequacy ratio (%) CET1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Cost-to-income ratio (%) Total operating expenses as a percentage of total income, being net interest income, non-interest revenue and income, and share of profits or losses from associates and joint arrangements.

Coverage (%) On-balance-sheet ECLs divided by on-balance-sheet gross banking loans and advances. Coverage excludes ECLs on off-balance-sheet amounts, ECL and gross banking loans and advances on the fair value through other comprehensive income (FVOCI) portfolio, and loans and advances measured at fair value through profit or loss (FVTPL).

Credit loss ratio (CLR) – (% or bps) Income statement impairment charge on banking loans and advances as a percentage of daily average gross banking loans and advances. Includes the ECL recognised in respect of the off-balance-sheet portion of loans and advances.

Default In line with the Basel III definition, default occurs in respect of a client in the following instances:

- When the bank considers that the client is unlikely to pay their credit obligations to the bank in full without the bank having recourse to actions such as realising security (if held).
- When the client is past due for more than 90 days on any material credit obligation to the bank. Overdrafts will be considered as being past due if the client has breached an advised limit or has been advised of a limit smaller than the current outstanding amount.
- In terms of Nedbank's Group Credit Policy, when the client is placed under business rescue in accordance with the Companies Act, 71 of 2008, and when the client requests a restructure of their facilities as a result of financial distress, except where debtor substitution is allowable in terms of the regulations.

At a minimum a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A stage 3 impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

For retail portfolios this is product-centred, and a default would therefore be for a specific advance. For all other portfolios, except specialised lending, it is client- or borrower-centred, meaning that should any transaction with a legal-entity borrower default, all transactions with that legal-entity borrower would be treated as having defaulted.

To avoid short-term volatility, Nedbank employs a six-month curing definition where subsequent defaults will be an extension of the initial default.

Diluted headline earnings per share (DHEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares, adjusted for potential dilutive ordinary shares.

Directive 1/2020 A directive from the Prudential Authority (PA) that provides temporary measures to aid compliance with the liquidity coverage ratio during the Covid-19 pandemic stress period. The PA deemed it appropriate to amend the minimum liquidity coverage ratio (LCR) requirement temporarily to 80%, effective from 1 April 2020.

Directive 2/2020 A directive from the PA that provides temporary capital relief to alleviate risks posed by the Covid-19 pandemic. The PA has implemented measures to reduce the specified minimum requirement of capital and reserve funds to be maintained by banks, to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole, and to individual banks. These measures are intended to provide relief to banks in response to the Covid-19 pandemic, thereby enabling banks to continue providing credit to the real economy during this period of financial stress.

Directive 3/2020 A directive from the PA that implements measures to ensure that various types of relief to qualifying borrowers that were up to date at 29 February 2020, such as payment holidays, do not result in unintended consequences such as inappropriate higher capital requirements. The PA has provided temporary relief for qualifying loans from portions of Directive 7/2015 dealing with distressed restructures. Importantly, this relief covers retail, small and medium enterprises (SMEs) and corporate loans, including all specialist asset classes such as commercial property.

Directive 7/2015 A directive from the PA that provides clarity on how banks should identify restructured credit exposures and how these exposures should be treated for purposes of the definition of default.

Dividend cover (times) Headline earnings per share divided by dividend per share.

Economic profit (EP) (Rm) Headline earnings less the cost of equity (total equity attributable to equity holders of the parent, less goodwill, multiplied by the group's cost-of-equity percentage).

Effective taxation rate (%) Direct taxation as a percentage of profit before direct taxation, excluding impairments charged on non-financial instruments and sundry gains or losses.

Earnings per share (EPS) (cents) Earnings attributable to ordinary shareholders, divided by the weighted-average number of ordinary shares in issue.

Forward-looking economic expectations The impact of forecast macroeconomic conditions in determining a significant increase in credit risk (SICR) and ECL.

Guidance Note 4/2020 A guidance note from the South African Reserve Bank that recommends banks no longer make dividend distributions on ordinary shares to conserve capital, in light of the negative economic impact of the Covid-19 pandemic and the temporary regulatory-capital relief provided.

Guidance Note 3/2021 A guidance note from the South African Reserve Bank that recommends banks be prudent and consider the adequacy of their current and forecast capital and profitability levels, internal capital targets and risk appetite, as well as current and potential future risks posed by the ongoing pandemic, when making distributions of dividends on ordinary shares and the payment of cash bonuses to executive officers and material risk-takers. Guidance Note 3/2021 replaces Guidance Note 4/2020.

Headline earnings (Rm) The profit attributable to equity holders of the parent, excluding specific separately identifiable remeasurements, net of related tax and non-controlling interests.

Headline earnings per share (HEPS) (cents) Headline earnings divided by the weighted-average number of ordinary shares in issue.

Lifetime ECL The ECL of default events between the reporting date and the end of the lifetime of the financial asset, weighted by the probability of the defaults occurring.

Life insurance embedded value (Rm) The embedded value (EV) of the covered business is the discounted value of the projected future after-tax shareholder earnings arising from covered business in force at the valuation date, plus the adjusted net worth.

Life insurance value of new business (Rm) A measure of the value added to a company as a result of writing new business. Value of new business (VNB) is calculated as the discounted value, at the valuation date, of projected after-tax shareholder profit from covered new business that commenced during the reporting period, net of frictional costs and the cost of non-hedgeable risk associated with writing new business, using economic assumptions at the start of the reporting period.

Net asset value (NAV) (Rm) Total equity attributable to equity holders of the parent.

Net asset value (NAV) per share (cents) NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Net interest income (NII) to average interest-earning banking assets (AIEBA) (%) NII as a percentage of daily average total assets, excluding trading assets. Also called net interest margin (NIM).

Net monetary gain/(loss) (Rm) Represents the gain or loss in purchasing power of the net monetary position (monetary assets less monetary liabilities) of an entity operating in a hyperinflation environment.

Non-interest revenue and income (NIR) to total income (%) Non-interest revenue and income as a percentage of total income, excluding the impairments charge on loans and advances and share of gains/losses of associate companies.

Number of shares listed (number) Number of ordinary shares in issue, as listed on the JSE.

Off-balance-sheet exposure Undrawn loan commitments, guarantees and similar arrangements that expose the group to credit risk.

Ordinary dividends declared per share (cents) Total dividends to ordinary shareholders declared in respect of the current period.

Performing stage 3 loans and advances (Rm) Loans that are up to date (not in default) but are classified as defaulted due to regulatory requirements, ie Directive 7/2015 or the curing definition.

Preprovisioning operating profit (PPOP) (Rm) Headline earnings plus direct taxation plus impairment charge on loans and advances.

Price/earnings ratio (historical) Closing share price divided by the headline earnings multiplied by total days in the year divided by total days in the period.

Price-to-book ratio (historical) Closing share price divided by the net asset value per share.

Profit attributable to equity holders of the parent (Rm) Profit for the period less non-controlling interests pertaining to ordinary shareholders, preference shareholders and additional tier 1 capital instrument noteholders.

Profit for the period (Rm) Income statement profit attributable to ordinary shareholders of the parent before non-controlling interests.

Return on assets (ROA) (%) Net contribution (headline earnings) divided by the average daily assets multiplied by the total days in the year divided by the total days in the period.

Return on equity (ROE) (%) Headline earnings as a percentage of daily average ordinary shareholders' equity.

Return on cost of ETI investment (%) Headline earnings from the group's ETI investment pre-funding costs divided by the group's original cost of investment (R6 265m).

Return on tangible equity (%) Headline earnings as a percentage of daily average ordinary shareholders' equity, less intangible assets.

Return on risk-weighted assets (RWA) (%) Headline earnings as a percentage of monthly average risk-weighted assets.

Risk-weighted assets (RWA) (Rm) On-balance-sheet and off-balance-sheet exposures after applying prescribed risk weightings according to the relative risk of the counterparty.

SME loan guarantee scheme An initiative by National Treasury and the South African Reserve Bank, in partnership with participating commercial banks, aimed at giving financial support to SMEs affected by the lockdown.

Stage 1 Financial assets for which the credit risk (risk of default) at the reporting date has not significantly increased since initial recognition.

Stage 2 Financial assets for which the credit risk (risk of default) at the reporting date has significantly increased since initial recognition.

Stage 3 Any advance or group of loans and advances that has triggered the Basel III-definition of default criteria, in line with South African banking regulations. At a minimum, a default is deemed to have occurred where a material obligation is past due for more than 90 days or a client has exceeded an advised limit for more than 90 days. A stage 3 impairment is raised against such a credit exposure due to a significant perceived decline in the credit quality.

Stage 3 ECL (Rm) ECL for banking loans and advances that have been classified as stage 3 advances.

Tangible net asset value (Rm) Equity attributable to equity holders of the parent, excluding intangible assets.

Tangible net asset value per share (cents) Tangible NAV divided by the number of shares in issue, excluding shares held by group entities at the end of the period.

Tier 1 capital adequacy ratio (CAR) (%) Tier 1 regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Total capital adequacy ratio (CAR) (%) Total regulatory capital, including unappropriated profit, as a percentage of total risk-weighted assets.

Total income growth rate less expenses growth rate (JAWS ratio) (%) Measure of the extent to which the total income growth rate exceeds the total operating expenses growth rate.

Value in use (VIU) (Rm) The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Weighted-average number of shares (number) The weighted-average number of ordinary shares in issue during the period listed on the JSE.

Year-to-date annualised or ytd annualised The growth rate for the six-month period to 30 June annualised by 366 days, divided by 182 days.

Abbreviations and acronyms

ACI African, Coloured and Indian
AFR available financial resources
AGM annual general meeting
AI artificial intelligence
AIEBA average interest-earning banking assets
AIRB advanced internal ratings-based
AMA advanced measurement approach
AML anti-money-laundering
API application programming interface
AUA assets under administration
AUM assets under management
BBBEE broad-based black economic empowerment
BEE black economic empowerment
bn billion
bps basis point(s)
CAGR compound annual growth rate
CAR capital adequacy ratio
CCP central counterparty
CET1 common-equity tier 1
CIB Corporate and Investment Banking
CIPC Companies and Intellectual Property Commission
CLR credit loss ratio
COE cost of equity
CPI consumer price index
CPF commercial-property finance
CSI corporate social investment
CVP client value proposition
DHEPS diluted headline earnings per share
D-SIB domestic systemically important bank
ECL expected credit loss
EE employment equity
ELB entry-level banking
EP economic profit
EPS earnings per share
ESG environmental, social and governance
EV embedded value
ETI Ecobank Transnational Incorporated
FCTR foreign currency translation reserve
FSC Financial Sector Code
FSCA Financial Sector Conduct Authority
FVOCI fair value through other comprehensive income
FVTPL fair value through profit or loss
GDP gross domestic product
GFC great financial crisis
GLAA gross loans and advances
GLC great lockdown crisis
GOI gross operating income
HE headline earnings
HEPS headline earnings per share
HQLA high-quality liquid asset(s)
IAS International Accounting Standard(s)
ICAAP Internal Capital Adequacy Assessment Process
IFRS International Financial Reporting Standard(s)
ILAAP Internal Liquidity Adequacy Assessment Process
IMF International Monetary Fund
JIBAR Johannesburg Interbank Agreed Rate
JSE JSE Limited
LAA loans and advances
LAP liquid-asset portfolio
LCR liquidity coverage ratio
LIBOR London Interbank Offered Rate
LTI long-term incentive
m million
M&A mergers and acquisitions
MFC Motor Finance Corporation (vehicle finance lending division of Nedbank)
MRC minimum required capital
MZN Mozambican metical
N/A not applicable
Nafex The Nigerian Autonomous Foreign Exchange Rate Fixing Methodology
NAR Nedbank Africa Regions
NCA National Credit Act, 34 of 2005
NCD negotiable certificate of deposit
NCOF net cash outflows
NGN Nigerian naira
NII net interest income
NIR non-interest revenue and income
NIM net interest margin
NPL non-performing loan(s)
NPS Net Promoter Score
NSFR net stable funding ratio
nWoW New Ways of Work
OCI other comprehensive income
OM Old Mutual
PA Prudential Authority
PAT profit after tax
PAYU Pay-as-you-use account
Plc Public limited company
PPOP preprovisioning operating profit
PRMA postretirement medical aid
R rand
RBB Retail and Business Banking
Rbn South African rand expressed in billions
REITs real estate investment trusts
Rm South African rand expressed in millions
ROA return on assets
ROE return on equity
RORWA return on risk-weighted assets
RPA robotic process automation
RRB Retail Relationship Banking
RTGS real-time gross settlement
RWA risk-weighted assets
SA South Africa
SAcsi The South African Customer Satisfaction Index
SADC Southern African Development Community
SAICA South African Institute of Chartered Accountants
SARB South African Reserve Bank
SDGs Sustainable Development Goals
SICR Significant increase in credit risk
SME small to medium enterprise
STI short-term incentive
TSA The standardised approach
TTC through the cycle
UK United Kingdom
USA United States of America
USD United States dollar (currency code)
USSD unstructured supplementary service data
VAF vehicle and asset finance
VaR value at risk
VIU value in use
VNB value of new business
YES Youth Employment Service
yoy year on year
ytd year to date
ZAR South African rand (currency code)

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Instrument codes

Nedbank Group ordinary shares

JSE share code:	NED
NSX share code:	NBK
ISIN:	ZAE000004875
JSE alpha code:	NEDI
ADR code:	NDBKY
ADR CUSIP:	63975K104

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This announcement is available on the group's website at nedbankgroup.co.za, together with the following additional information:

- Financial results presentation.
- Link to a webcast of the presentation to investors.

For further information please contact Nedbank Group Investor Relations at NedGroupIR@nedbank.co.za.

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Sponsors in SA: Merrill Lynch SA Proprietary Limited
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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Old Mutual Investment Services (Namibia) Proprietary Limited

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No assurance can be given that forward-looking statements will be correct and undue reliance should not be placed on such statements.

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