

RESILIENCE. **TRANSITION.** **REIMAGINE.**

AUDITED CONSOLIDATED
AND SEPARATE ANNUAL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER
2020

see money differently

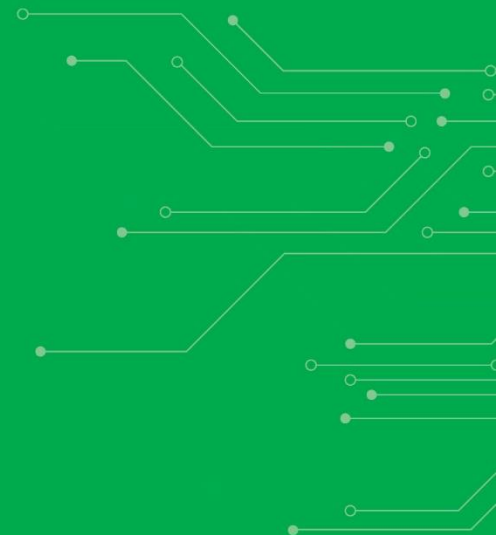


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ABOUT THIS REPORT

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

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

Section A: Accounting policies

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

Section B: Segmental and performance-related information

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

Section C: Core banking assets

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

Section D: Core banking liabilities

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

Section E: Asset management

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

Section F: Investments

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

Section G: Generic assets

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

Section H: Other assets

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

Section I: Financial instruments

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

Section J: Share-based payments

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

Section K: Other liabilities

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

Section L: Risk and balance sheet management

Refer to this section for the group's liquidity gap disclosure and details on the historical value at risk and interest rate risk in the banking book.

Section M: Cashflow information

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

Section N: Additional information

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

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Nedbank Group Limited Reg No 1966/010630/06.

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

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

RESPONSIBILITY OF OUR DIRECTORS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Nedbank Group Limited (comprising the statements of financial position at 31 December 2020, the statements of comprehensive income, the statements of changes in equity and statements of cashflows for the year then ended) and the notes to the financial statements (including a summary of significant accounting policies and other explanatory notes) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRS IC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008 (as amended) and the JSE Listings Requirements. In addition, the directors are responsible for the preparation of the Directors' Report.

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

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

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

APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of Nedbank Group Limited, as identified in the first paragraph, were approved by the Nedbank Group Limited Board of Directors on 16 March 2021 and are signed on its behalf by:



PM Makwana
Acting Chairman



MWT Brown
Chief Executive

Sandown
16 March 2021

CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER INTERNAL FINANCIAL CONTROL RESPONSIBILITY STATEMENT

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

- a) the annual financial statements set out on pages 21 to 268 fairly present, in all material respects, the financial position, financial performance and cashflows of the issuer in terms of IFRS;
- b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



MWT Brown
Chief Executive



MH Davis
Chief Financial Officer

Sandown
16 March 2021

CERTIFICATION FROM OUR COMPANY SECRETARY

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

A handwritten signature in black ink, appearing to read 'J Katzin', with a large, stylized flourish extending downwards.

J Katzin
Company Secretary

Sandown
16 March 2021

REPORT FROM THE GROUP AUDIT COMMITTEE

The Nedbank Group Audit Committee (GAC) is pleased to present its report for the 2020 financial year. This report has been prepared based on the requirements of the South African Companies Act, 71 of 2008, as amended ('Companies Act'), the King Code of Governance for South Africa ('King IV'), the JSE Listings Requirements and other applicable regulatory requirements. The committee carried out its responsibilities, including those relating to the audit and financial reporting obligations of the group, as set out in its board-approved charter.

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

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

Covid-19 pandemic

The impact of Covid-19 and related government-initiated lockdowns was a significant factor during the 2020 financial year. Management, supported by the GAC, responded in a number of ways to ensure that:

- finance teams and employees (and their families) remained safe while continuing to perform their duties and responsibilities in an appropriate manner;
- the adequacy and efficiency of internal controls were maintained;
- an appropriate level of judgement and review was undertaken on key accounting matters; and
- financial information and financial forecasts remained robust and accurate.

On 27 March 2020, following the implementation of a country-wide lockdown, all finance teams transitioned to working from home. As a result of investments in systems, processes and people in prior years, the transition to working from home and the remote functioning of key finance processes and reporting were largely seamless.

In response to the challenges posed by Covid-19, the GAC responded as follows:

- Scheduled three additional ad hoc meetings and one additional formal meeting in connection with the 2020 interim results.
- Engaged the joint external auditors to perform additional procedures on key areas for the 2020 interim results.
- Increased the reporting timeline for the 2020 interim results and 2020 year-end results to allow additional time to consider key accounting judgements and to ensure a robust audit thereof.
- Increased regular one-on-one engagements between the chair of the GAC, the Chief Financial Officer (CFO), the Chief Internal Auditor (CIA), and the joint external auditors.

People update

Raisibe Morathi resigned as the CFO and an executive director of Nedbank Group and Nedbank with effect from 30 September 2020. Raisibe had been CFO since September 2009 and is a highly regarded professional. The boards accepted her resignation with regret but wished her every success in her future career aspirations. In accordance with Nedbank's executive succession

plan and after a process overseen by a panel of non-executive directors, Mike Davis, previously Group Executive: Balance Sheet Management (BSM), and an existing member of the Group Exco, was appointed as CFO. Mike has significant industry experience in finance, asset and liability management and capital management, having worked in financial services for over 20 years.

With effect from December 2020, Prabashni Naidoo resigned as CIA. The GAC wished Prabashni well in the next phase of her career and thanked her for the significant contribution and impact she made while at Nedbank. Anitha Dharmalingum [current member of the Group Internal Audit (GIA) executive team] was appointed Acting CIA while the process to appoint a new CIA is underway.

Composition and governance

Members of the committee satisfy the requirements to serve as members of an audit committee, as provided in section 94 of the Companies Act, and have adequate knowledge and experience to carry out their duties. All members are independent non-executive directors.

The composition of the committee and the attendance of meetings by its members for the 2020 financial year are set out below:

Members	Attendance	
	Formal	Ad hoc
S Subramoney (Chair)	7/7	5/5*
EM Kruger	7/7	3/3
HR Brody	7/7	3/3
NP Dongwana	7/7	3/3

** Only the chair of the GAC is required to attend the Nedbank College of Audit Committee Chairs meeting.*

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

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

Seven formal GAC meetings – including the Prudential Authority (PA) trilateral meeting – were held in respect of the 2020 financial year, aligned with key reporting and regulatory timelines. There were three ad hoc meetings held to address Nedbank's response to the Covid-19 pandemic and two Nedbank College of Audit Committee Chairs meetings, attended by the chairs of the group's various subsidiary audit committees. To comply with the lockdown, all meetings were held virtually.

The key focus areas of the meetings were as follows:

23 April 2020 ad hoc meeting	Discussion and review of the impact of the Covid-19 pandemic and lockdown on finance teams, group internal audit and external audit. Assessment of potential implications on financial forecasts, accounting and tax. Regulatory inputs including the PA's Guidance Note 4 of 2020 (G4/2020).
21 May 2020	Review of the April year-to-date trading results, first quarter trading statement, update on the co-ordinated assurance plan and the group's response to the Covid-19 pandemic.
2 June 2020 ad hoc meeting	Preparation for half-year interim reporting and discussion on the special audit procedures requested by management to be performed by external auditors.
25 June 2020 ad hoc meeting	Review and approval of Nedbank Limited's regulatory (Banks Act returns) audit.
31 July 2020 College of Audit Committee Chairs	Discussion and review of the group's subsidiaries half-year performance, key judgement matters and GIA feedback with respect to the subsidiaries.
5 August 2020	Review of the interim results for the six months to 30 June 2020 and the related SENS announcements. Review and discussion of the group's rolling forecast. Approval of the joint external auditors' strategy for the 2020 financial year.
20 August 2020	Approval of the interim results for the six months to June 2020. Approval of the group's JSE trading statement. Assessment of the key accounting judgements impacting the interim results, including credit impairments and impairment of the group investment in Ecobank Transnational Incorporated (ETI). Review and discussion of the special procedures performed by the joint external auditors. Review and approval of the external audit full-year 2020 scope and fees.
9 September 2020	Annual trilateral meeting with representatives of the PA's Bank Supervision Department for discussion of, among other things, key external audit findings, internal audit matters and regulatory reporting responsibilities.
15 October 2020	Review of the results for the nine months to 30 September 2020 and an update of the external audit plan.
29 January 2021	Review of preliminary results, key accounting judgements and tax matters. Review and approval of the GIA audit plan for the 2021 financial year.
26 Feb 2021 College of Audit Committee Chairs	Discussion and review of subsidiaries' full-year performance and GIA feedback on subsidiaries.
3 March 2021	Discussion and review of year-end reports from GIA, the joint external auditors and feedback from subsidiary audit committees, the Group Credit Committee (GCC), Group Risk and Capital Management Committee (GRCMC), and the Group Information Technology Committee (GITCO). Review and approval of annual financial statements and related SENS announcements. Review and approval of 2021 forecast.

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

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

External auditors

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

During the period the GAC:

- approved the joint external auditors' 2020 annual plan and related scope of work, confirming suitable reliance on GIA and the appropriateness of key audit risks identified;
- approved the proposed audit fees for the year under review;
- continued to monitor reputational risk concerns related to the external auditors and received regular updates from the external auditor firms' senior leadership;
- monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan, with the annual review of the quality of the audit and the performance of the

joint external auditors having been undertaken by means of presentations made by each firm and independent surveys administered by GIA;

- ensured that the appointment and the independence of the external auditors were in compliance with the Companies Act and all other regulatory and legal requirements, which included receiving from the external auditors all decision letters and explanations issued by the Independent Regulatory Board for Auditors or any other regulator, and any summaries relating to monitoring procedures or deficiencies (if applicable) issued by the external auditors to confirm the suitability for appointment of the joint external auditors and designated individual partners;
- confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005;
- considered and recommended to shareholders the appointment of Ernst & Young Inc and Deloitte & Touche for the 2021 financial year;
- considered reports from subsidiary audit committees and from management on the activities of subsidiary entities and formally engaged with the chairs of subsidiary audit committees; and
- reviewed the findings and recommendations of the external auditors and confirmed that there were no unresolved matters.

The GAC has a well-established policy on auditor independence and audit effectiveness. A firm approach was established in respect of the provision of non-audit services to the group by the external auditors, which further enhances their independence.

Group Internal Audit

GIA performs an independent assurance function and forms part of the group's third line of defence. The CIA has a functional reporting line to the GAC chair and an administrative reporting line to the CRO. GIA provides independent, objective assurance to the board of directors of Nedbank Group Limited and Nedbank Limited, through the authority of the GAC, that the governance processes, including professional ethics, management of risk and systems of internal control, are adequate and effective to mitigate, in line with GIA's methodology, the significant control risks, both current and emerging, that threaten the achievement of the group's objectives.

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

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

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

- Received reports from the CIA that highlighted significant issues related to the processes for controlling the activities of the group, including potential improvements to those processes.
- Assessed the effectiveness of the GIA function and reviewed and approved the annual GIA plan.
- Ensured that the CIA had a direct reporting line to the GAC chair and noted the administrative reporting line to the CRO.
- Ensured that the CIA had direct access to the CE, the Group chairman and the board as required.
- Ensured that the CIA had direct access to the Nedbank Africa Regions and Wealth Audit Committee chairs as required.
- Satisfied itself as to the appropriateness of the expertise, experience and resources of the CIA and the internal audit function.
- Monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, coverage, resources, independence, skills, staffing, overall performance and standing within the organisation.
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal-audit findings.
- Ensured that GIA complied with the reporting and independence requirements of its charter.
- Satisfied itself that GIA had conformed with the key principles of the International Institute of Internal Auditors' standards for professional practice of internal auditing. The rating in this regard was the highest attainable in terms of compliance with the standards.
- Reviewed the favourable findings from the external quality assurance results and noted the recommendations made for further improvements.

Significant matters

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

Significant matter	How the GAC addressed the matter
Impairment of loans and advances	As a consequence of Covid-19, the various stages of lockdown and the resulting adverse macro-environment, credit risk and the assessment of impairments was a significant matter. The GAC reviewed and discussed the feedback from the GCC regarding the level and appropriateness of impairments, provisioning methodologies and related key judgements in determining the impairment balances. The GAC considered the key disclosures related to sensitivity and post-model adjustments and considered the feedback from internal and external audit.
Valuation of financial instruments held at fair value	The GAC reviewed reports from the CFO regarding the Investment Committee review of investment valuations and details of critical valuation judgements applied to the valuation of group treasury and trading instruments, including funding valuation adjustments. The GAC considered the accounting implications arising from Covid-19. The GAC considered the key disclosures and considered the feedback from internal and external auditors.
Impairment testing of goodwill	The GAC reviewed management's interim and annual goodwill impairment tests, including management's key assumptions, which were significantly impacted by the Covid-19 pandemic. The GAC considered the key disclosures related to the R345m impairment and considered the feedback from internal and external auditors.
Nedbank Zimbabwe subsidiary	The GAC received regular reports from management regarding the financial performance and accounting implications as a result of hyperinflation and other economic factors in Nedbank Zimbabwe.
Associate investment in ETI (consideration of impairment)	The GAC received regular reports from management in connection with the financial performance of ETI and the accounting considerations for Nedbank, including the treatment of ETI's goodwill impairment within Nedbank's headline earnings. The GAC discussed and challenged management's value-in-use assessment and the resulting R750m additional impairment required. The GAC considered the key disclosures and considered the feedback from internal and external auditors.
Fraud risk in relation to revenue recognition – non-interest revenue	The GAC received regular feedback from the CFO in connection with controls over the financial reporting system and, where applicable, key judgements applied in the recognition of revenue.
Fraud risk in relation to management override of controls and overall control environment	The GAC received regular feedback from the CFO in connection with key judgements applicable to management estimates and from GIA in connection with the overall control environment and the 'tone at the top'.

Financial, legal, compliance and regulatory reporting requirements

- The GAC received regular reports from the CFO regarding the financial performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process. The GAC has evaluated and is satisfied with the appropriateness of the expertise and experience of the CFO according to the JSE Listings Requirements and is satisfied with the resources, expertise, succession and experience of Nedbank's finance function. The GAC reviewed the adequacy of the regulatory reporting processes as required by the Banks Act, which included evaluation of the quality of reporting and the adequacy of systems and processes, and consideration of any findings regarding the financial regulatory reports by the external auditors.
- The GAC reviewed the findings from the JSE Proactive Monitoring Panel.

Annual financial statements and integrated reporting process

- The GAC reviewed all formal announcements relating to Nedbank's financial performance and found the reporting process and controls that led to the compilation of the financial information to be effective and appropriate. The GAC also assessed and confirmed the appropriateness of the

going-concern assumption used in the annual financial statements, considering management budgets and the capital and the liquidity plans.

- The GAC reviewed and discussed the integrated report process, reporting process and governance and financial information proposed to be included in the integrated report after considering recommendations from the Group Transformation, Social and Ethics Committee, Group Remuneration Committee, GRMC and the Group Directors' Affairs Committee.
- The GAC considered the significant matters.
- Despite the group's strong capital and liquidity position at 31 December, having considered the spirit of Guidance Notes 4/2020 and 3/2021 issued by the PA and noting growth opportunities and the group's responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness, the GAC supported the recommendation to not declare a final dividend for 2020.
- The GAC considered the circumstances that have led to the restatements contained in notes A4, A5 of the consolidated annual financial statements and note 1 of the separate annual financial statements and has communicated the restatement notification, which is required in accordance with paragraph 3.1 of the JSE Listing Requirements, to the JSE.
- The GAC recommended to the board that the annual financial statements and the financial information included in the Integrated Report be approved. The board subsequently approved the annual financial statements.

Internal control, risk management and information technology

The Enterprisewide Risk Management Framework (ERMF) operates within a risk philosophy of risk resilience. The group's risk governance and culture ensures that the ERMF is robust, resilient and agile to respond appropriately to the challenging external operating environment. The ERMF continues to be refreshed and fit for purpose and so remains resilient and effective in all material respects, enabling Nedbank's overall positive risk outcome in these extraordinarily risky, demanding and challenging times. The group has been assessing, and continues to assess, the impact of Covid-19 on activities that drive Nedbank's strategy. The overall state of Nedbank's risk management, balance sheet management, internal control environment and risk culture remains sound and robust, and has stood up exceptionally well during this 'black swan' event, and will no-doubt continue to serve Nedbank well through these unprecedented times.

The GAC is responsible for reviewing the effectiveness of systems for internal control, financial reporting and risk management, and for considering the major findings of any internal investigations into control weaknesses, fraud or misconduct, and management's response thereto, and has continued to do so even during the Covid-19 crisis.

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

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

The GAC regularly receives feedback on issues in the group's key issues control log from the CRO.

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

Combined assurance

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

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

To ensure that the group maintained a strong system of internal control during this period, the CA 2020 plans were approved by the GAC and revised due to the Covid-19 pandemic.

The revision enabled greater collaboration across GIA, Group Compliance and Group Risk assurance coverage for the remainder of 2020, taking into consideration the capacity constraints to deliver on assurance commitments, inclusion of the expanded Nedbank top 12 risks and the additional Covid-19 regulatory requirements.

Internal Financial Control Attestation

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

Paragraph 3.84(k) of the JSE Listing Requirements (the CE and FD sign-off) was introduced in December 2019 and is effective for issuers with a year-end on or after 31 December 2020. In terms of the JSE revised amendments, the CE and the CFO must make positive statements under their names and signatures in the annual report that:

- the annual financial statements fairly present in all material respects the financial position, financial performance and cash-flows of the issuer in terms of the International Financial Reporting Standards (IFRS);
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to prepare the financial statements of the issuer effectively; and
- the internal financial controls are adequate and effective and can be relied on in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV. Where the CFO and the CE are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal controls and any fraud that involves directors and have taken the necessary action.

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

Future accounting developments

The International Accounting Standards Board (IASB) issued IFRS 17: Insurance Contracts (IFRS 17) in May 2017. In March 2020, the IASB board decided to defer the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2023, with comparative information required. The IASB amended IFRS 17 in June 2020. The group has established a steering committee to promote, direct and oversee the successful implementation of IFRS 17 in the group. The steering committee is supported by several project workstreams. The impact of implementing IFRS 17 is currently being assessed and status updates on the implementation will be monitored by the GAC throughout 2021.

Key focus areas for 2021

- Continue to ensure that the group's financial systems, processes and controls are operating effectively, are consistent with the group's complexity and are responsive to changes in the environment and industry.
- Ensure, through the Chairman's College of Audit Committee Chairs, that there is meaningful engagement between the GAC chair and the chairs of subsidiary audit committees.

- Monitor accounting implications arising from credit impairments, hyperinflation accounting in the Nedbank Zimbabwe subsidiary, accounting implications from the significant investment in ETI and goodwill impairment assessments.
- Review and consideration of management's plans in respect of future changes to the IFRS and other regulations, most notably IFRS 17, which will replace the current limited guidance contained in IFRS 4: Insurance Contracts.
- Monitor the implementation of the amended JSE Listings Requirements, including the effectiveness of internal financial controls.
- Continue to monitor the requirements arising from mandatory audit firm rotation that will require Deloitte & Touche to rotate after the 2023 financial year-end.
- Continue to monitor audit firm rotation at a subsidiary level.

Conclusion

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

The GAC reviewed the group and the company annual financial statements for the year ended 31 December 2020 and recommended them for approval to the board on 3 March 2021.

On behalf of the GAC



Stanley Subramoney

Group Audit Committee Chair

Sandown
16 March 2021

REPORT FROM OUR DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

Nature of business

Nedbank Group Limited (Nedbank Group, company or group) is a registered bank controlling company that, through its subsidiaries, offers wholesale and retail banking services as well as insurance, asset management and wealth management. Nedbank Group maintains a primary listing under 'Banks' on the JSE, with a secondary listing on the Namibian Stock Exchange.

Annual financial statements

Details of the financial results are set out on pages 21 to 275 of the audited consolidated annual financial statements, which have been prepared under the supervision of Nedbank Group Chief Financial Officer Mike Davis, and prepared in accordance with IFRS as issued by the IASB and IFRS Interpretations Committee (IFRS IC), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, and the JSE Listings Requirements.

Companies Act, No 71 of 2008(as amended)

The Board of Directors confirm that Nedbank Limited has complied with the provisions of the Companies Act, No 71 of 2008 (as amended) specifically relating to its incorporation and has operated in conformity with its Memorandum of Incorporation during the period under review.

Year under review

In a very difficult operating environment, Nedbank Group remained resilient, made good strategic progress and delivered an improved financial performance in the second half of the year.

The year 2020 was unprecedented as the Covid-19 pandemic and subsequent lockdowns led to a rapid slowdown in global economic growth. In SA the pandemic and resultant domestic lockdowns had a severe impact on economic activity as the country's GDP declined by 7,0%, the largest fall in this metric since World War II. Businesses and individuals came under severe pressure and transactional volumes fell significantly in Q2 2020 before recovering somewhat into the second half of the year. In response to the economic crisis the SARB cut interest rates by 300 bps, which proved beneficial to clients' cashflow as instalments on floating-rate loans declined, but this also resulted in lower endowment income for Nedbank. On the back of these economic pressures, job losses increased and many clients' current and future ability to repay debt declined, resulting in higher levels of impairment charges, now determined under more-forward-looking IFRS 9 models. Despite these challenges, the SA banking sector and Nedbank demonstrated strong levels of resilience and was able to support clients while remaining well-capitalised, liquid and profitable, albeit at levels lower than in the prior year.

Nedbank's primary focus has been on the health and safety of our stakeholders, including employees and clients, as well as on helping our clients in good standing to navigate the financial challenges that arose in their business and personal finances. At the peak of the crisis we supported our clients with cashflow relief on more than R120bn of loans. We are pleased that our clients have reduced this level of support to R28bn by the end of the year as economic conditions improved. We pivoted our strategy to focus on resilience and maintaining a well-capitalised and liquid balance sheet. Capital and liquidity ratios remained strong and most finished the year at higher levels than those reported in June – all well above regulatory minima. Overall impairment coverage also increased from 2,26% in 2019 to 3,25% at year-end. We remain on high alert for the risks associated with new rounds of

infections and variants, and continue to monitor the effect that new lockdown restrictions may have on our clients and the economy as a whole.

The year under review is fully covered in the Reflections from our Chairman, Reflections from our Chief Executive, and Reflections from our Chief Financial Officer of the 2020 Nedbank Group Limited Integrated Report, which will be available at nedbankgroup.co.za on 22 April 2021.

Share capital

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

American depository shares

At 31 December 2020 Nedbank Group had 5 347 857 (31 December 2019: 3 810 143) American depository shares in issue through the Bank of New York Mellon as depository and trading on over-the-counter (OTC) markets in the United States. Each American depository share is equal to one ordinary share.

Ownership

The Old Mutual Group (OML) group has retained (in its shareholder funds) a strategic minority shareholding in Nedbank Group of 19,9% to underpin the ongoing commercial relationship between Nedbank Group and OML. Further details of shareholders appear in note 14 to the separate annual financial statements.

Dividends

The following dividends were declared in respect of the year ended 31 December 2020:

- No interim ordinary dividend declared (2019: 720 cents per share).
- No final ordinary dividend declared (2019: 695 cents per share).

Despite the group's strong capital and liquidity position at 31 December, having considered the spirit of Guidance Notes 4/2020 and 3/2021 issued by the Prudential Authority and noting growth opportunities and the group's responsibility to support clients and the economy, alongside the current uncertainty about the progression of the virus, possible future waves, and the vaccine rollout and its effectiveness, the GAC supported the recommendation to not declare a final dividend for 2020.

Solvency and liquidity tests

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

Borrowings

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

Directors

Biographical details of the current directors appear online at nedbankgroup.co.za. Details of directors' and prescribed officers' remuneration and Nedbank Group shares issued to them appear in note N3.

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

Name	Position as director	Date appointed as director	Date resigned/retired as director (where applicable)
Hubert Brody	Independent non-executive director	1 July 2017	
Mike Brown	Chief Executive and executive director	17 June 2004	
Brian Dames	Independent non-executive director	30 June 2014	
Mike Davis	Chief Financial Officer and executive director	1 October 2020	
Neo Dongwana	Independent non-executive director	1 June 2017	
Errol Kruger	Independent non-executive director	1 August 2016	
Rob Leith	Non-executive director	13 October 2016 and 1 January 2019	
Mpho Makwana	Acting Chairman and lead independent director	17 November 2011	
Linda Makalima	Independent non-executive director	1 June 2017	
Tshildzi Marwala	Independent non-executive director	27 May 2019	
Mantsika Matooane	Independent non-executive director	15 May 2014	
Raisibe Morathi	Previous Chief Financial Officer and executive director	1 September 2009	30 September 2020
Peter Moyo	Non-executive director	11 June 2018	19 March 2020
Vassi Naidoo	Independent Chairman	1 May 2015	
Joel Netshitenzhe	Independent non-executive director	5 August 2010	22 May 2020
Mfundo Nkuhlu	Chief Operating Officer and executive director	1 January 2015	
Stanley Subramoney	Independent non-executive director	23 September 2015	
Iain Williamson	Non-executive director	1 June 2020	

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

Iain Williamson and Mike Davis were appointed by the board of directors after the AGM held on 22 May 2020 and, in terms of the memorandum of incorporation, their appointment terminates at the close of the AGM to be held on 28 May 2021. They are available for election.

Neo Dongwana, Mpho Makwana, Vassi Naidoo and Mfundo Nkuhlu are also required to seek re-election at the AGM, and make themselves available for reelection. Separate resolutions will be submitted for approval at the AGM.

In terms of Nedbank Group policy non-executive directors of Nedbank Group who have served on the board for longer than nine years are required to retire at the conclusion of the first AGM held after the nine-year term, unless agreed to otherwise by the board.

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

Directors' interests

The directors' and prescribed officers' interests in ordinary shares in Nedbank Group and non-redeemable, non-cumulative preference shares in Nedbank Limited at 31 December 2020 (and any movements therein up to the reporting date) are set out in note N3. The directors had no interest in any third party or company responsible for managing any of the business activities of the group. Banking transactions with directors are entered into in the normal course of business.

Group Audit Committee and Group Transformation, Social and Ethics Committee Reports

The Group Audit Committee Report appears on pages 6 to 11 and the Group Transformation, Social and Ethics Committee Report will be included in the 2020 Nedbank Group Integrated Report, which will be released on 22 April 2021.

Company secretary and registered office

As part of the annual board evaluation process, the board of directors has conducted an assessment of the Company Secretary. The board is satisfied that Jackie Katzin is suitably competent, qualified and experienced, and has adequately and effectively performed the role and duties of a company secretary and provided the board with independent guidance and support. Ms Katzin has direct access to, and ongoing communication with, the Chairman of the board and the Chairman and the Company Secretary meet regularly throughout the year. Jackie Katzin is not a director of the company.

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

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

Property and equipment

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

Political donations

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

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

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

Directors' and prescribed officers' service contracts

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

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

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

Details relating to the service contracts of prescribed officers are incorporated in the full online supplementary 2020 Governance Report.

Subsidiary companies

Details of principal subsidiary companies are reflected in note F3.

Acquisition of shares

No shares in Nedbank Group were acquired by Nedbank Group or by a Nedbank Group subsidiary during the financial year under review in terms of the general authority previously granted by shareholders.

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

Events after the reporting period

The directors are not aware of any material events that have occurred between the reporting date and 16 March 2021, other than those noted in note N2.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEDBANK GROUP LIMITED

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

Opinion

We have audited the consolidated and separate financial statements of Nedbank Group Limited and its subsidiaries (the "group") and company set out on pages 21 to 268 which comprise the consolidated and separate statements of financial position at 31 December 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nedbank Group Limited at 31 December 2020 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for

Auditors' Code of Professional Conduct for Registered Auditors ("IRBA code") and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined that there are no key audit matters to communicate in relation to our audit of the separate financial statements.

Key audit matter**How the matter was addressed in the audit****Valuation of expected credit losses on loans and advances**

Refer to Note C2.2 Impairment charge on loans and advances by classification of the consolidated financial statements for selected disclosures applicable to this matter.

Overview

Loans and advances, which represent 68.6% of total assets, and the associated impairment provisions for expected credit losses are significant in the context of the consolidated financial statements.

The determination of impairment provisions for expected credit losses requires significant management judgement, due to the following:

- The level of subjective judgements applied in determining expected credit losses ("ECL");
- The evaluation of significant increase in credit risk ("SICR");
- Models incorporate forward looking macroeconomic variables and assumptions that change on an annual basis; and
- Management have made significant adjustments to ECL models outputs to address limitations through post model adjustments.

This is further heightened by uncertainty about further spread and mutation of the Covid-19 virus as it impacts the world economy, individuals and businesses.

Credit rating downgrade events in South Africa have resulted in additional key judgements and changes to assumptions being made during the current year. Trading in this environment requires management to consider implementing model changes to ensure they remain responsive to the current economic conditions including emerging customer and government payment relief and forbearance. The ECL provision for loans and advances are significant in the context of the consolidated financial statements due to its magnitude and the significant level of judgement required in the determining the value of the ECL provision. Accordingly, we have identified the valuation of ECL on loans and advances to be a key audit matter.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus and professional scepticism in the Group's application of IFRS 9 Financial Instruments are detailed below:

- Definitions, policy choices, and judgements made in applying accounting policies including SICR and stage migration and collateral valuation;
- Post model adjustments;
- Forward looking information; and
- Disclosures.

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

The Group is required to recognise an allowance for either 12 month or lifetime ECL's in accordance with IFRS 9, depending on whether there has been a significant increase in credit risk ("SICR") since initial recognition.

Indicators of SICR in the retail portfolio may include short-term forbearance, direct debit cancellation, extension to the terms granted and previous arrears within the past months. In addition to this, the emergence of new risks due to significant loss of jobs, closures of business and significant changes in interest rates not initially predicted for in the ECL models,

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

- Through inspection and enquiry, we obtained an understanding of management's process over credit origination, credit monitoring and credit remediation, with a focus on how management have responded to the effects of the global pandemic on individuals and businesses.
- We identified relevant controls that address the ECL risks identified and evaluated the design and implementation, and in some cases the operating effectiveness, of these controls.
- We focused on controls over the quantification of ECL; the governance processes in place to assess the appropriateness of changes to credit models, new data inputs, the credit forums where key judgements are considered, and approval processes over ECL, including staging and post model adjustments.

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

- Supported by our accounting specialists, we evaluated management's application of key definitions in IFRS 9 such as default and SICR and whether these appropriately reflect current economic conditions through reviewing the principles in these policies against accounting guidelines in each portfolio.
- This included assessing the impact of debt relief measures, government relief programmes and the effect of financial support and credit enhancements in the consideration of SICR indicators.
- We evaluated refinements in methodologies made during the year against IFRS and industry practice.

Model risk

Together with the assistance of our modelling specialists, we:

- We tested the design and operating effectiveness of key controls focusing on the completeness and accuracy of external and internal data inputs into the ECL calculation.
- We involved our modelling specialists to review the ECL model development and code to assess whether these appropriately reflected the Group's policies and methodologies.
- Assessed changes to definitions and methodologies (at a parameter and ECL calculation level);
- Re-performed the IFRS 9 model build at a parameter level as well as the assessment of its components, e.g. probability of default, loss given default, exposure at default, SICR; and
- Re-performed the ECL, SICR and stage migration calculations.
- We have assessed the appropriateness of the Group's SICR methodology and calibrations of the ECL models and we have tested the stage allocations including SICR for a sample of individual exposures and portfolios back to source data.
- We also tested a sample of loans and advances in stages 1, 2 and 3 to assess that they were included in the appropriate stage based on the criteria established by the Group by considering factors such as credit risk ratings, the ageing of loans and advances and arrears status.

requires careful reassessment. The current economic climate has resulted in an increase in ECL related to these factors. Indicators of a SICR in the wholesale portfolio may include any of the following: significant increase in the credit spread, significant adverse changes in business, financial and/or economic conditions in which the client operates, actual or expected forbearance or restructuring, significant change in collateral value or early signs of liquidity and cashflow challenges. The current economic climate has further heightened risk in exposures in those sectors that were significantly impacted by the COVID-19 pandemic, not limited to aviation, hospitality, construction as well as state owned entities.

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

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

Post model adjustments

A significant portion of the ECL is calculated on a modelled basis. Post model adjustments are applied to address judgemental risks that are not specifically considered by the ECL models. The impact from the Covid-19 pandemic has led to significant loss of jobs, closures of businesses and significant changes in interest rates that due to the inherent limitations of ECL models, were reconsidered for appropriateness. The basis and calculation of the post model adjustments require significant judgement.

Forward-looking information

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

Disclosure

Financial reporting requires inclusion of disclosures that provide an adequate level of transparency regarding uncertainties inherent in the judgements, assumptions and estimates applied in determining. This particularly important in an environment of heightened risk and uncertainty created by the Covid-19 pandemic.

Collateral valuation

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

Post model adjustments

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

- We tested the design, implementation and where applicable, the operating effectiveness of the revised controls over the governance and approval of post model adjustments.
- We tested supporting documentation and reperformed calculations for post model adjustments and assessed the quantification and rationale for reasonableness of judgemental risks that are not specifically considered by the ECL models.
- We assessed the inherent limitations of the ECL models in this COVID-19 impacted environment within the retail portfolios, including the limitation of past performance, emerging risks which are not yet present in the current data, macro-economic forecast challenges and sectoral stresses.
- We independently re-performed the calculations for the significant overlays including those related to Covid-19 pandemic related and other overlay calculations.
- We tested the industry level adjustments made to risk ratings and staging, as well as the consistency within the Group regarding the outlook of a given industry and its impact on credit risk.
- We evaluated the appropriateness of the sectoral post model adjustments across the portfolios by assessing the risk classification against our independent economists' view and assessed management's

	methodology in arriving to the sector overlay against an acceptable estimate range. - We assessed the completeness of the post model adjustments against our own research and publicly available information including sector, client and portfolio specific risk factors. Forward-looking information - We involved our economics specialists to evaluate the forward-looking model, assess the macroeconomic scenario forecasts generated. - We assessed any changes made to processes and governance approvals over macroeconomic scenario forecasts. - Together with our economic specialists, we tested how previously forecasted scenarios have performed against actual economic factors and how these compare based on our knowledge of the industry and publicly available external data. - We have performed multiple economic scenario analyses on how management's models predict different speeds by which borrowers may resume payments, under heightened uncertainty arising in an economic downturn, to determine reasonableness. Disclosure With the support of our accounting technical specialists, we evaluated management's disclosure of the significant judgements exercised and the key assumptions used to determine its adequacy in terms of IFRS. In addition, we assessed whether the disclosure conveys significant judgements and assumptions made by management in the current economic downturn.
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Valuation of level 3 financial assets carried at fair value

Refer to note 12 Valuation of financial instruments of the consolidated financial statements for the selected disclosure applicable to this matter. Included in financial assets carried at fair value through profit and loss and fair value through other comprehensive income, are financial assets classified as level 3 in the fair value hierarchy as prescribed by IFRS 13 <i>Fair Value Measurement</i>. Financial instruments that are classified as level 3 in the fair value hierarchy will have a significant element of estimation uncertainty inherent in their value, which by their nature are unobservable. The level of estimation uncertainty has increased in the 2020 financial year as a result of the impact of Covid-19 on market conditions, including the lack of liquidity for certain asset classes. These portfolios include investment securities which are difficult to value as a result of applying highly complex or non-standard valuation models or subjective inputs that are not readily available. As the determination of the fair value of level 3 financial instruments is a key source of estimation uncertainty, is subject to significant judgements and represents a material balance which required significant auditor effort, this matter was considered to be a key audit matter in our audit of the consolidated financial statements.	Our response to the key audit matter included performing the following audit procedures, amongst others: - We tested the design, implementation and operating effectiveness of the relevant controls, including amongst others, the governance exercised by various forums over the development of the valuation models and methodologies, assumptions, policies, independent price verification assessments. - We evaluated the appropriateness of the models used, changes made by management to the models and assessed model inputs applied at year-end. - We used our independent valuation tools to re-perform valuations across a range of financial instruments to assess reasonableness. - For a sample of unlisted investments, with the assistance from our valuation specialist, we have: » Independently assessed the appropriateness of the valuation methodology and technique used by management in the valuation of the instruments including the use of market related data, where available. Our assessment included evaluating market updates in the current year as a result of the COVID-19 pandemic and market practice; » Evaluated, for a sample of complex financial instruments the key inputs and assumptions driving the valuation including, amongst others, cash flow forecasts, discount rates and pricing multiples, as well as impacts from market volatility on the reasonableness of the reported exit price against applicable valuation methodologies. - We evaluated the appropriateness of the disclosures made relating to the valuation of financial instruments in relation to the fair value categorisation and hierarchy, to assess consistency with the requirements of the relevant accounting standards, such as IFRS 7 Financial instruments: disclosures, IFRS 9 Financial Instruments and IFRS 13 Fair value measurements.
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Other information

The directors are responsible for the other information. The other information comprises the information included in the 275 page document titled "Nedbank Group Limited audited consolidated and separate annual financial statements for the year ended 31 December 2020" which includes the Certification from the Company Secretary, report from the Group Audit Committee, and the Directors' Report as required by the Companies Act of South Africa, the Chief Executive and Chief Financial Officer internal financial control responsibility statement as well as the "information not covered by the independent auditors report" contained in the audited consolidated and separate financial statements report, which we obtained prior to the date of this report. The other information also comprises the Nedbank Group Integrated Report for the year ended 31 December 2020, which is expected to be made available to us after the date of this report. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Nedbank Group Integrated Report for the year ended 31 December 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

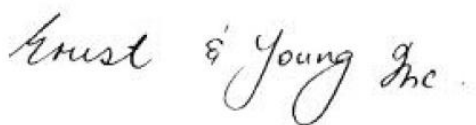
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nedbank Group Limited for 47 years and Ernst Young Inc. has been the auditor of Nedbank Group Limited for 2 years.



Farouk Mohideen

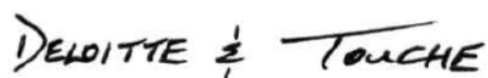
Director

Chartered Accountant (SA)

Registered Auditor

For and on behalf of Ernst & Young Inc.

16 March 2021



Lito Nunes

Partner

Chartered Accountant (SA)

Registered Auditor

For and on behalf of Deloitte

Touche

16 March 2021

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020 Rm	2019 Rm
Interest received on financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income (FVOCI)	B6.1.1	71 305	82 747
Interest received on other financial instruments and similar income	B6.1.1	995	933
Interest and similar income		72 300	83 680
Interest expense and similar charges	B6.1.2	42 219	53 513
Net interest income		30 081	30 167
Impairments charge on financial instruments	C2.1	13 127	6 129
Income from lending activities		16 954	24 038
Non-interest revenue	B6.2	24 140	25 997
Operating income		41 094	50 035
Total operating expenses	B7	31 772	32 179
Zimbabwe hyperinflation	N1	205	296
Indirect taxation	B8.1	1 148	1 096
Profit from operations before non-trading and capital items		7 969	16 464
Non-trading and capital items	B9	(1 562)	(651)
Profit from operations		6 407	15 813
Share of (losses)/gains of associate companies	F2.1	(76)	793
Profit before direct taxation		6 331	16 606
Direct taxation	B8.2.1	1 877	3 796
Profit for the year		4 454	12 810
Other comprehensive income/(losses) (OCI) net of taxation	B8.2.3	891	(1 075)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations including the effect of hyperinflation		672	(159)
Share of OCI of investments accounted for using the equity method		(189)	(1 025)
Debt instruments at FVOCI – net change in fair value		119	(232)
Items that may not subsequently be reclassified to profit or loss			
(Losses)/Gains on property revaluations		(26)	186
Remeasurements on long-term employee benefit assets		(80)	300
Share of OCI of investments accounted for using the equity method		395	(145)
Total comprehensive income for the year		5 345	11 735
Profit attributable to:			
– Ordinary shareholders		3 467	12 001
– Holders of preference shares		251	313
– Holders of participating preference shares		(58)	
– Holders of additional tier 1 capital instruments		739	478
– Non-controlling interest – ordinary shareholders		55	18
Profit for the year		4 454	12 810
Total comprehensive income attributable to:			
– Ordinary shareholders		4 358	11 017
– Holders of preference shares		251	313
– Holders of participating preference shares		(58)	
– Non-controlling interest – ordinary shareholders		55	(73)
Total comprehensive income for the year		5 345	11 735
Basic earnings per share (cents)	B2	717	2 500
Diluted earnings per share (cents)	B2	709	2 462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT

	Notes	31 December 2020 Rm	31 December 2019 Rm	1 January 2019 Rm
			(Restated) ¹	(Restated) ¹
Assets				
Cash and cash equivalents	C6	14 891	14 149	13 162
Other short-term securities	C4	52 605	64 451	79 362
Derivative financial instruments	C7	80 325	35 243	22 692
Government and other securities ¹	C3	132 221	100 557	74 155
Loans and advances ¹	C1.1	843 303	824 786	758 941
Other assets	H3	16 802	15 393	19 836
Current taxation assets		164	281	186
Investment securities	F1	26 425	28 961	22 404
Non-current assets held for sale	H2	69	735	305
Investments in associate companies	F2	3 322	3 917	4 041
Deferred taxation assets	B8.3	657	389	254
Investment property			56	
Property and equipment ²	G1	11 334	11 977	9 371
Long-term employee benefit assets	H1.1	5 777	5 602	4 966
Mandatory reserve deposits with central banks	C6	26 491	23 486	21 629
Intangible assets	G2	13 751	13 366	12 608
Total assets		1 228 137	1 143 349	1 043 912
Equity and liabilities				
Ordinary share capital	B4.1	484	481	477
Ordinary share premium		18 583	18 096	17 315
Reserves		69 925	69 020	65 986
Total equity attributable to ordinary equity holders		88 992	87 597	83 778
Holders of preference shares	B4.2	3 222	3 222	3 222
Holders of participating preference shares		(58)		
Holders of additional tier 1 capital instruments	B5	7 822	6 850	3 397
Non-controlling interest attributable to ordinary shareholders		466	780	874
Total equity		100 444	98 449	91 271
Derivative financial instruments	C7	65 130	27 991	20 003
Amounts owed to depositors	D1	953 715	904 382	825 804
Provisions and other liabilities ³	K1.1	23 704	23 297	25 602
Current taxation liabilities		590	161	363
Non-current liabilities held for sale	H2		598	
Deferred taxation liabilities	B8.3	390	939	669
Long-term employee benefit liabilities	H1.1	2 604	2 533	2 749
Investment contract liabilities	D3	20 868	24 571	20 035
Insurance contract liabilities	D4	922	715	1 829
Long-term debt instruments	D2	59 770	59 713	55 587
Total liabilities		1 127 693	1 044 900	952 641
Total equity and liabilities		1 228 137	1 143 349	1 043 912

¹ Refer to note A4: Reclassification.

² Includes right-of-use assets.

³ Includes lease liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

				Reserves	
	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve ¹	Property revaluation reserve ²
Rm					
Balance at 1 January 2019	477 128 735	477	17 315	(1 389)	1 725
Shares issued in terms of employee incentive schemes	4 170 790	4	825		
Additional tier 1 capital instruments issued					
Shares (acquired)/no longer held by group entities and BEE schemes	(125 146)		(44)		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive income/(losses) for the year				(855)	186
Profit attributable to ordinary equity holders and non-controlling interest					
Exchange differences on translating foreign operations including the effect of hyperinflation				(68)	
Movement in fair-value reserve					
Gains on property revaluations					186
Remeasurements on long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				(787)	
Transfer (from)/to reserves					(72)
Share-based payments reserve movement					
Other movements					
Balance at 31 December 2019	481 174 379	481	18 096	(2 244)	1 839
Shares issued in terms of employee incentive schemes	5 000 960	5	779		
Additional tier 1 capital instruments issued					
Shares (acquired)/no longer held by group entities and BEE schemes	(2 282 572)	(2)	(292)		
Preference share dividend					
Additional tier 1 capital instruments interest paid					
Dividends to shareholders					
Total comprehensive (losses)/income for the year				146	(26)
Profit attributable to ordinary equity holders and non-controlling interest					
Exchange differences on translating foreign operations including the effect of hyperinflation				672	
Movement in fair-value reserve					
Losses on property revaluations					(26)
Remeasurements on long-term employee benefit assets					
Share of OCI of investments accounted for using the equity method				(526)	
Transfer (from)/to reserves					(41)
Share-based payments reserve movement					
Transactions with non-controlling interest				103	(15)
Other movements					
Balance at 31 December 2020	483 892 767	484	18 583	(1 995)	1 757

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

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

Reserves									
Share-based payments reserve ³	Other non-distributable reserves ⁴	FVOCI reserve ⁵	Other distributable reserves ⁶	Total equity attributable to ordinary equity holders	Holders of preference shares	Holders of participating preference shares	Holders of additional tier 1 capital instruments	Non-controlling interest attributable to ordinary share-holders	Total equity
1 507 (632)	(80)	1 064	62 508 (197)	83 127	3 222		3 397	867	90 613
				–			3 500		3 500
				(44)					(44)
				–	(313)				(313)
			(7 112)	(7 112)			(525)		(525)
–	–	(470)	12 156	11 017	313		478	(14) (73)	(7 126) 11 735
			12 001	12 001	313		478	18	12 810
				(68)				(91)	(159)
		(232)		(232)					(232)
			300	300					186
		(238)	(145)	(1 170)					300
46	25		1	–					(1 170)
591			18	591					–
				18					591
1 512 (435)	(55)	594	67 374 (53)	87 597 296	3 222		6 850	780	98 449
				–			972		296
				(294)					972
				–	(251)				(294)
				–			(739)		(251)
			(3 451)	(3 451)				(49)	(739)
–	–	456	3 782	4 358	251	(58)	739	55	(3 500)
									5 345
			3 467	3 467	251	(58)	739	55	4 454
				672					672
		119		119					119
			(80)	(26)					(26)
				(80)					(80)
		337	395	206					206
(337) 292	401	(89)	66	–					–
	(56)		173	292					292
			(11)	205				(320)	(115)
1 032	290	961	67 880	88 992	3 222	(58)	7 822	466	(11) 100 444

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

⁴ Represents other non-distributable revaluation surplus on capital items and non-distributable reserves transferred from other distributable reserves, to comply with various banking regulations, of R290m (2019: R168m). The prior-year balance was offset by the difference between the at-acquisition fair value (net basis) and gross value of the Banco Único put option of R223m.

⁵ This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. When the debt instrument is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. For investments in equity instruments the cumulative gain or loss is not recycled, but may be reclassified within equity on derecognition.

All movements are reflected net of taxation.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2020 Rm	2019 Rm
			(Restated) ¹
Cash generated by operations¹	M1	22 513	26 613
Cash received from clients ¹	M2	92 613	110 240
Cash paid to clients, employees and suppliers ¹	M3	(71 555)	(85 095)
Dividends received on investments	M4	290	221
Recoveries on loans previously written off		1 165	1 247
Change in funds for operating activities		(5 999)	(7 109)
Increase in operating assets ¹	M5	(92 827)	(94 108)
Increase in operating liabilities ¹	M6	86 828	86 999
Net cash from operating activities before taxation		16 514	19 504
Taxation paid	M7	(3 182)	(4 726)
Cashflows from operating activities		13 332	14 778
Cashflows utilised by investing activities		(4 817)	(11 362)
Acquisition of property and equipment, computer software and development costs and investment property		(4 313)	(4 691)
Disposal of property and equipment, computer software and development costs and investment property		56	15
Disposal of investment banking assets		35	22
Disposal/(Acquisition) of associate companies		162	(342)
Acquisition of investment securities		(2 361)	(10 770)
Disposal of investment securities		1 604	4 404
Cashflows utilised by financing activities		(4 787)	(630)
Proceeds from issue of ordinary shares		437	588
Issue of additional tier 1 capital instruments		972	3 500
Issue of long-term debt instruments	D2.1	7 189	12 895
Redemption of long-term debt instruments	D2.1	(7 039)	(8 749)
Capital repayments of lease liabilities		(981)	(947)
Transactions with non-controlling interest		(875)	
Dividends paid to ordinary shareholders		(3 500)	(7 126)
Preference share dividends paid		(251)	(313)
Additional tier 1 capital instruments interest paid		(739)	(478)
Effects of exchange rate changes on opening cash and cash equivalents		19	58
Net increase in cash and cash equivalents		3 747	2 844
Cash and cash equivalents at the beginning of the year ²		37 635	34 791
Cash and cash equivalents at the end of the year²	C6	41 382	37 635

¹ 2019 restated, refer to note A5: Restatement of the consolidated statement of cashflows.

² Including mandatory reserve deposits with central banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A: ACCOUNTING POLICIES

A1 PRINCIPAL ACCOUNTING POLICIES

ACCOUNTING POLICIES

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

BASIS OF PREPARATION

The financial statements have been prepared on a going-concern basis. The financial statements have been prepared on a basis consistent with the prior year. The new accounting standards, interpretations and amendments to existing accounting standards and interpretations effective in the current year that have a material impact on the company have been disclosed. The amendments to standards not yet effective at 31 December 2020 are not expected to have a significant impact on implementation. During the year the group had complied with externally imposed capital requirements.

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

The financial information presented in the consolidated financial statements comprises that of the parent company, Nedbank Group Limited, together with its subsidiaries, including consolidated structured entities and associates, presented as a single entity (the group). The financial information presented in the separate financial statements comprises that of the parent company, Nedbank Group Limited (the company). The accounting policies of the group apply to the company unless otherwise stated.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

ACCOUNTING POLICY ELECTIONS

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

Asset/Liability	Option	ELECTION AND IMPLICATION	Note/Section
Property and equipment	International Accounting Standard (IAS) 16 permits the use of the cost or revaluation model for the subsequent measurement of property and equipment (choice per category).	- Land and buildings are stated at revalued amounts, being fair value less subsequent depreciation and impairment. - Revaluation surpluses are recognised in equity, through OCI. When the property is disposed of, the cumulative revaluation surplus is transferred directly to retained income. - Computer equipment, furniture and other equipment and vehicles are carried at cost less accumulated depreciation and impairment. - Right-of-use assets in accordance with IFRS 16 are carried at cost less accumulated depreciation and impairment.	G1
Investment in venture capital divisions	IAS 28 provides an exemption from applying the equity method of accounting if an investment in an associate is held by, or indirectly through, a venture capital organisation.	The group determines, on initial recognition of an investment, whether the investment will be accounted for using equity accounting or at fair value through profit or loss. This election is made separately for each associate considering the type of investment being made and the appropriate measurement basis to be applied.	F2
Financial instruments	IFRS 9 permits trade date or settlement date accounting for the regular-way purchase or sale of financial assets.	Regular-way purchases or sales of financial assets are recognised and derecognised using trade date accounting.	I
Investments in subsidiaries and associate companies in separate financial statements	In terms of IAS 27, investments in subsidiaries and associate companies can be accounted for in the separate financial statements at cost, or in accordance with IFRS 9 or in terms of IAS 28.	- The group has elected to recognise investments in subsidiary companies at cost in the separate financial statements. - The group has elected to recognise investments in associate companies in the separate financial statements in terms of IAS 28, ie using the equity method of accounting.	Separate financial statements

A2 KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

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

A3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the group. The group's assessment of the impact of the new standards can be found in the following notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

A4 RECLASSIFICATION

During the year, the group reviewed its presentation of listed corporate bonds. As a result of this review, the group's listed corporate bonds previously included in 'Government and other securities' have been reclassified to 'Loans and advances' to reflect better the group's credit risk management practices as listed corporate bonds are originated through the same business process as loans and advances. To provide comparability the prior-year balances have been restated accordingly. The reclassification had no impact on the group's statement of comprehensive income, statement of changes in equity and statement of cashflows. The impact of the reclassification on the group's statement of financial position is detailed below:

Rm	31 December 2019			1 January 2019		
	Restated	Restatement	As previously reported	Restated	Restatement	As previously reported
Assets						
Cash and cash equivalents	14 149		14 149	13 162		13 162
Other short-term securities	64 451		64 451	79 362		79 362
Derivative financial instruments	35 243		35 243	22 692		22 692
Government and other securities	100 557	(27 953)	128 510	74 155	(22 636)	96 791
Loans and advances	824 786	27 953	796 833	758 941	22 636	736 305
Other assets	15 393		15 393	19 836		19 836
Current taxation assets	281		281	186		186
Investment securities	28 961		28 961	22 404		22 404
Non-current assets held for sale	735		735	305		305
Investments in associate companies	3 917		3 917	4 041		4 041
Deferred taxation assets	389		389	254		254
Investment property	56		56			
Property and equipment	11 977		11 977	9 371		9 371
Long-term employee benefit assets	5 602		5 602	4 966		4 966
Mandatory reserve deposits with central banks	23 486		23 486	21 629		21 629
Intangible assets	13 366		13 366	12 608		12 608
Total assets	1 143 349	–	1 143 349	1 043 912	–	1 043 912
Equity and liabilities						
Ordinary share capital	481		481	477		477
Ordinary share premium	18 096		18 096	17 315		17 315
Reserves	69 020		69 020	65 986		65 986
Total equity attributable to ordinary equity holders	87 597	–	87 597	83 778	–	83 778
Holders of preference shares	3 222		3 222	3 222		3 222
Holders of additional tier 1 capital instruments	6 850		6 850	3 397		3 397
Non-controlling interest attributable to ordinary shareholders	780		780	874		874
Total equity	98 449	–	98 449	91 271	–	91 271
Derivative financial instruments	27 991		27 991	20 003		20 003
Amounts owed to depositors	904 382		904 382	825 804		825 804
Provisions and other liabilities	23 297		23 297	25 602		25 602
Current taxation liabilities	161		161	363		363
Non-current liabilities held for sale	598		598			
Deferred taxation liabilities	939		939	669		669
Long-term employee benefit liabilities	2 533		2 533	2 749		2 749
Investment contract liabilities	24 571		24 571	20 035		20 035
Insurance contract liabilities	715		715	1 829		1 829
Long-term debt instruments	59 713		59 713	55 587		55 587
Total liabilities	1 044 900	–	1 044 900	952 641	–	952 641
Total equity and liabilities	1 143 349	–	1 143 349	1 043 912	–	1 043 912

A5 RESTATEMENT OF THE CONSOLIDATED STATEMENT OF CASHFLOWS

During the year, management corrected the group's cashflow from operating activities disclosure to exclude non- cash items (ie accrued interest income, accrued interest expense, accrued operating expenses, unrealised fair-value adjustments, share-based payment expense and accrued employee benefits.) from the presentation of cash received from clients and cash paid to clients, employees and suppliers which were previously erroneously included in the consolidated statement of cashflows. As a result, the comparative information has been restated.

The impact of the restatement on the group's consolidated statement of cashflows is detailed below:

	31 December 2019		
	Restated	Restatement	As previously reported
Cash generated by operations	26 613	(2 744)	29 357
Cash received from clients	110 240	345	109 895
Cash paid to clients, employees and suppliers	(85 095)	(3 089)	(82 006)
Dividends received on investments	221		221
Recoveries on loans previously written off	1 247		1 247
Change in funds for operating activities	(7 109)	2 744	(9 853)
Increase in operating assets	(94 108)	(345)	(93 763)
Increase in operating liabilities	86 999	3 089	83 910
Net cash from operating activities before taxation	19 504	–	19 504
Taxation paid	(4 726)		(4 726)
Cashflows from operating activities	14 778	–	14 778
Cashflows utilised by investing activities	(11 362)	–	(11 362)
Acquisition of property and equipment, computer software and development costs and investment property	(4 691)		(4 691)
Disposal of property and equipment, computer software and development costs and investment property	15		15
Disposal of investment banking assets	22		22
Disposal/(Acquisition) of associate companies	(342)		(342)
Acquisition of investment securities	(10 770)		(10 770)
Disposal of investment securities	4 404		4 404
Cashflows utilised by financing activities	(630)	–	(630)
Proceeds from issue of ordinary shares	588		588
Issue of additional tier 1 capital instruments	3 500		3 500
Issue of long-term debt instruments	12 895		12 895
Redemption of long-term debt instruments	(8 749)		(8 749)
Capital repayments of lease liabilities	(947)		(947)
Dividends paid to ordinary shareholders	(7 126)		(7 126)
Preference share dividends paid	(313)		(313)
Additional tier 1 capital instruments interest paid	(478)		(478)
Effects of exchange rate changes on opening cash and cash equivalents	58		58
Net increase in cash and cash equivalents	2 844	–	2 844
Cash and cash equivalents at the beginning of the year	34 791		34 791
Cash and cash equivalents at the end of the year	37 635	–	37 635

SECTION B: SEGMENTAL AND PERFORMANCE-RELATED INFORMATION

B1 SEGMENTAL REPORTING

ACCOUNTING POLICY

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

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

The segments identified are complemented by the Centre, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to other performance measures is provided. The group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

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

DESCRIPTION OF SEGMENTS

Nedbank Corporate and Investment Banking

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

Nedbank Retail and Business Banking

Nedbank Retail serves the financial needs of all individuals (excluding high-net-worth individuals serviced by Nedbank Wealth) and small businesses with a turnover of up to R30m to whom it offers a full spectrum of banking and assurance products and services. The retail product portfolio includes transactional accounts, home loans, vehicle and asset finance [including the Motor Finance Corporation (MFC)], card (both card-issuing and merchant-acquiring services), personal loans and investments. The business banking portfolio offers the full spectrum of commercial banking products and related services to entities with an annual turnover from R30m up to R750m.

Nedbank Wealth

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

Nedbank Africa Regions

Nedbank Africa Regions is responsible for the group's banking operations and expansion activities on the rest of the African continent and has client-facing subsidiaries (retail and wholesale banking) in Eswatini, Lesotho, Namibia, Mozambique (Banco Único) and Zimbabwe. The cluster also holds the 21,2% investment in ETI, manages the Ecobank–Nedbank alliance and facilitates investment in other countries in Africa. During 2020, the group disposed of its operations in Malawi (refer to note N2 for further details). In addition, the group increased our shareholding in Banco Único to 87,5% from 50% plus one share.

Centre

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

B1 Segmental reporting (continued)

Statement of financial position (Rm)

	Total		Nedbank Corporate and Investment Banking	
	2020	2019	2020	2019
Assets				
Cash and cash equivalents	41 382	37 635	997	1 798
Other short-term securities	52 605	64 451	24 403	30 773
Derivative financial instruments	80 325	35 243	80 264	35 174
Government and other securities	132 221	100 557	54 232	35 317
Loans and advances	843 303	824 786	428 992	423 542
Other assets	78 301	80 677	18 460	17 122
Intergroup assets	–	–	–	–
Total assets	1 228 137	1 143 349	607 348	543 726
Equity and liabilities				
Total equity	100 444	98 449	38 691	34 885
Derivative financial instruments	65 130	27 991	65 079	27 973
Amounts owed to depositors	953 715	904 382	423 046	379 656
Provisions and other liabilities	49 078	52 814	10 095	8 426
Long-term debt instruments	59 770	59 713	543	705
Intergroup liabilities	–	–	69 894	92 081
Total equity and liabilities	1 228 137	1 143 349	607 348	543 726

¹ Includes all group eliminations.

B1 Segmental reporting (continued)

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre ¹	
	2020	2019	2020	2019	2020	2019	2020	2019
	6 468	6 168	1 981	1 746	6 813	6 341	25 123	21 582
			25 105	20 701	3 639	4 083	(542)	8 894
			2	7	33	38	26	24
					827	848	77 162	64 392
	356 272	349 396	31 133	30 741	23 233	21 678	3 673	(571)
	11 917	10 610	22 023	24 238	3 811	4 898	22 090	23 809
	15 941	11 577			2 733	499	(18 674)	(12 076)
	390 598	377 751	80 244	77 433	41 089	38 385	108 858	106 054
	29 573	30 573	4 327	4 204	6 471	5 943	21 382	22 844
			12	6	39	11		1
	354 243	338 901	43 945	40 060	33 294	30 223	99 187	115 542
	5 242	5 829	25 527	29 703	967	1 891	7 247	6 965
	1 540	2 448			318	317	57 369	56 243
			6 433	3 460			(76 327)	(95 541)
	390 598	377 751	80 244	77 433	41 089	38 385	108 858	106 054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

B1 Segmental reporting (continued)

Statement of comprehensive income (Rm)

	Total		Nedbank Corporate and Investment Banking	
	2020	2019	2020	2019
Net interest income	30 081	30 167	7 339	7 390
Impairments charge on financial instruments	13 127	6 129	3 245	917
Income from lending activities	16 954	24 038	4 094	6 473
Non-interest revenue	24 140	25 997	7 229	8 175
Operating income	41 094	50 035	11 323	14 648
Total operating expenses	31 772	32 179	6 432	6 604
Zimbabwe hyperinflation	205	296		
Indirect taxation	1 148	1 096	159	181
Profit/(Loss) from operations²	7 969	16 464	4 732	7 863
Share of gains/(losses) of associate companies	452	793	115	121
Profit before direct taxation²	8 421	17 257	4 847	7 984
Direct taxation ²	1 994	3 942	1 211	1 836
Profit after direct taxation²	6 427	13 315	3 636	6 148
Profit attributable to non-controlling interest:				
– Ordinary shareholders	55	18		(19)
– Preference shareholders	193	313		
– Additional tier 1 capital instrument noteholders	739	478		
Headline earnings/(loss)	5 440	12 506	3 636	6 167
Selected ratios				
Non-interest revenue to total income (%)	44,5	46,3	49,6	52,5
Non-interest revenue to total operating expenses (%)	76,0	80,8	112,4	123,8
Cost-to-income ratio (%)	58,1	56,5	43,8	42,1
Effective taxation rate (%)	23,7	22,8	25,0	23,0
Revenue (Rm) ³	54 221	56 164	14 568	15 565

¹ Includes all group eliminations.

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

³ Revenue is calculated as net interest income plus non-interest revenue.

Depreciation costs of R2 425m (2019: R2 454m) and amortisation costs of R1 471m (2019: R1 232m) for property, equipment, computer software, capitalised development and other intangible assets are charged on an activity-justified transfer pricing methodology by the segment owning the assets to the segment utilising the benefits thereof.

B1 Segmental reporting (continued)

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre ¹	
	2020	2019	2020	2019	2020	2019	2020	2019
	19 692	19 831	897	1 148	1 274	1 547	879	251
	8 746	4 823	208	57	437	233	491	99
	10 946	15 008	689	1 091	837	1 314	388	152
	11 830	13 318	3 303	3 436	1 454	1 220	324	(152)
	22 776	28 326	3 992	4 527	2 291	2 534	712	–
	20 161	20 384	3 061	3 113	2 325	2 427	(207)	(349)
					205	296		
	488	548	91	113	64	58	346	196
	2 127	7 394	840	1 301	(303)	(247)	573	153
					337	672		
	2 127	7 394	840	1 301	34	425	573	153
	590	2 059	178	259	(30)	(64)	45	(148)
	1 537	5 335	662	1 042	64	489	528	301
					52	32	3	5
	(58)	42					251	271
							739	478
	1 595	5 293	662	1 042	12	457	(465)	(453)
	37,5	40,2	78,6	75,0	53,3	44,1		
	58,7	65,3	107,9	110,4	62,5	50,3		
	64,0	61,5	72,9	67,9	75,9	70,6		
	27,7	27,8	21,2	19,9	(88,2)	(15,0)		
	31 522	33 149	4 200	4 584	2 728	2 767	1 203	99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

B2 EARNINGS PER SHARE

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

	Basic		Headline	
	Basic	Diluted	Basic	Diluted
2020				
Profit attributable to ordinary equity holders (Rm)	3 467	3 467	3 467	3 467
Adjusted for:				
– Headline earnings adjustments (note B9)			2 090	2 090
– Taxation on headline earnings adjustments			(117)	(117)
Adjusted profit attributable to ordinary equity holders (Rm)	3 467	3 467	5 440	5 440
Weighted-average number of ordinary shares	483 208 526	483 208 526	483 208 526	483 208 526
Adjusted for:				
– Share schemes that have a dilutive effect		5 529 619		5 529 619
Adjusted weighted-average number of ordinary shares	483 208 526	488 738 145	483 208 526	488 738 145
Earnings per share (cents)	717	709	1 126	1 113
2019				
Profit attributable to ordinary equity holders (Rm)	12 001	12 001	12 001	12 001
Adjusted for:				
– Headline earnings adjustments (note B9)			651	651
– Taxation on headline earnings adjustments			(146)	(146)
Adjusted profit attributable to ordinary equity holders (Rm)	12 001	12 001	12 506	12 506
Weighted-average number of ordinary shares	479 960 027	479 960 027	479 960 027	479 960 027
Adjusted for:				
– Share schemes that have a dilutive effect		7 518 415		7 518 415
Adjusted weighted-average number of ordinary shares	479 960 027	487 478 442	479 960 027	487 478 442
Earnings per share (cents)	2 500	2 462	2 605	2 565

The diluted-earnings-per-share calculations are based on the group's daily average share price of 12 481 cents (2019: 24 954 cents).

B3 DIVIDENDS

B3.1 ORDINARY SHARES

	Last day to trade (cum dividend)	Cents per share	Rm
2020			
Final declared for 2019 – paid 2020	20 April 2020	695	3 451
Non-controlling interest attributable to ordinary shareholders			49
Ordinary dividends paid 2020		695	3 500

No dividends were declared in 2020.

2019			
Final declared for 2018 – paid 2019	2 April 2019	720	3 541
Interim declared for 2019 ²	10 September 2019	720	3 571
Non-controlling interest attributable to ordinary shareholders			14
Ordinary dividends paid 2019		1 440	7 126
Final ordinary dividend declared for 2019²		695	

² Total dividend declared for 2019 was 1 415 cents per share and the dividend cover ratio equalled 1,84 times.

B3.2 NON-CONTROLLING INTEREST – PREFERENCE SHAREHOLDERS

	Number of shares	Cents per share	Amount Rm
Dividends declared			
2021			
Nedbank – Final (dividend no 36) declared for 2020 – payable April 2021	358 277 491	29,45696	105,5
2020			
Nedbank – Final (dividend no 34) declared for 2019 – paid March 2020	358 277 491	42,11186	150,9
Nedbank – Interim (dividend no 35) declared for 2020 – paid September 2020	358 277 491	35,94033	128,8
Total of dividends declared			279,7
Less: Dividends declared in respect of shares held by group entities			(29,1)
			250,6
2019			
Nedbank – Final (dividend no 32) declared for 2018 – paid March 2019	358 277 491	42,23172	151,3
Nedbank – Interim (dividend no 33) declared for 2019 – paid September 2019	358 277 491	42,35729	151,8
Total of dividends declared			303,1
Less: Dividends declared in respect of shares held by group entities			(31,6)
			271,5

B3.3 AMOUNTS ATTRIBUTABLE TO PARTICIPATING PREFERENCE SHAREHOLDERS

	Amount Rm
Profits/losses attributable to participating preference shareholders	
2020	
Nedbank (MFC) – share of economic profit/(loss) ¹	(58,00)
	(58,00)
2019	
Nedbank (MFC) – share of economic profit/(loss) ¹	41,7
	41,7

¹ Share in economic profit/(loss) calculated semi-annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

B4 SHARE CAPITAL

ACCOUNTING POLICY

Share capital

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

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

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

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

Treasury shares

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

B4.1 ORDINARY SHARE CAPITAL

	2020 Rm	2019 Rm
Authorised		
600 000 000 (2019: 600 000 000) ordinary shares of R1 each	600	600
Issued		
502 054 496 (2019: 497 053 536) fully paid ordinary shares of R1 each	502	497
Treasury shares arising from share repurchases by subsidiaries of 18 161 729 (2019: 15 879 157) fully paid ordinary shares of R1 each	(18)	(16)
	484	481

Subject to the restrictions imposed by the Companies Act, 71 of 2008 and by shareholders in terms of the authority previously provided, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

The treasury shares held are used mainly for the purpose of fulfilling the options and share awards outstanding in terms of the share schemes (for both employees and third parties).

B4.2 PREFERENCE SHARE CAPITAL AND PREMIUM

	2020 Rm	2019 Rm
Authorised		
Nedbank Group Limited preference share capital and premium		
1 000 000 (2019: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	10 000	10 000
Nedbank Limited preference share capital and premium		
1 000 000 000 (2019: 1 000 000 000) non-redeemable non-cumulative, non-participating preference shares of R0,001 each	1	1
5 000 class A redeemable non-cumulative preference shares of R0,0001 each	1	1
5 000 class B redeemable non-cumulative preference shares of R0,0001 each	1	1
Issued		
Nedbank Limited preference share capital and premium		
358 277 491 (2019: 358 277 491) non-redeemable non-cumulative, non-participating preference shares of R0,001 each	1	1
100 class A redeemable non-cumulative preference shares of R0,0001 each	1	1
100 class B redeemable non-cumulative preference shares of R0,0001 each	1	1
Preference share premium	3 222	3 222
	3 222	3 222

¹ Represents amounts less than R1m.

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

Each preference share confers on the holder the right to capital of the company in the form of a cash dividend prior to payment of dividends to any other class of shareholder. The rate is limited to 83,33% of the prevailing prime rate on a deemed value of R10 and is never compounded. The dividends, if declared, accrue half-yearly on 30 June and 31 December and are payable within 120 days of these dates respectively.

If a preference dividend is not declared, the dividend will not accumulate and will never become payable by the company, whether in preference to payments to any other class of share or otherwise.

Each preference share confers on the holder the right to a return of capital on the winding-up of the company prior to any payment to any other class of share, but holders are not entitled to any further participation in the profits, assets or any surplus assets of the company in such circumstances.

The holders of this class of share are not entitled to be present or vote (even by proxy) at any meeting of the company, except when a declared dividend or part thereof remains in arrears and unpaid after six months from the due date or a resolution is proposed that directly affects the rights attached to the preference share or the interests of the holder, including resolutions to wind up the company or to reduce its share capital.

At every general meeting where the preference shareholder is entitled to vote, the voting rights are restricted to the holder's nominal value in proportion to the total nominal value of all shares issued by the company.

No shares in the capital of the company, in priority to the preference shares, can be created or issued without prior sanction of the holders of preference shares by way of a resolution passed at a separate class meeting properly constituted in terms of the provisions set out in the memorandum of incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

B5 HOLDERS OF ADDITIONAL TIER 1 CAPITAL INSTRUMENTS

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

Instrument code	Date of issue	Call date	Instrument terms	2020 Rm	2019 Rm
Subordinated callable notes (rand-denominated)					
NEDT1A ¹					
NEDT1B ¹	20 May 2016	21 May 2021	3-month JIBAR + 7,00% per annum	1 500	1 500
NGLT1A	25 November 2016	26 November 2021	3-month JIBAR + 6,25% per annum	500	500
NGLT1B	30 June 2017	1 July 2022	3-month JIBAR + 5,65% per annum	600	600
NGT103	19 October 2018	20 October 2023	3-month JIBAR + 4,64% per annum	750	750
NGT104	22 March 2019	25 March 2024	3-month JIBAR + 4,40% per annum	671	671
NGT105	24 June 2019	15 January 2025	3-month JIBAR + 4,50% per annum	1 829	1 829
NGT106	22 November 2019	22 May 2025	3-month JIBAR + 4,25% per annum	1 000	1 000
NGT107	4 August 2020	5 August 2025	3-month JIBAR + 4,95% per annum	500	
	18 November 2020	19 November 2025	3-month JIBAR + 4,55% per annum	472	
Total				7 822	6 850

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

The AT1 notes represent perpetual, subordinated instruments, with no redemption date. The instruments are redeemable subject to regulatory approval at the sole discretion of the issuer, Nedbank Group Limited or Nedbank Limited, from the applicable call date and following a regulatory event or following a tax event. The payment of interest is at the discretion of the issuer and interest payments are non-cumulative. If certain conditions are reached, the regulator may prohibit Nedbank from making interest payments. Accordingly, the instruments are classified as equity instruments and disclosed as a separate category of equity.

B6 REVENUE

ACCOUNTING POLICY

Interest income and expense

In terms of IFRS 9 interest income and expense are recognised in profit or loss using the effective-interest method, taking into account the expected timing and amount of cashflows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

IFRS 15: Revenue from Contracts with Customers

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

The group has concluded that the loyalty points awarded to clients are considered payable to our clients' clients in terms of IFRS 15. IFRS 15 requires revenue to be decreased by the amount expected to be payable to clients, which is recognised as a liability until payment is effected.

- Revenue

The group assesses the contract and determines whether the fees identified in the contract are in the scope of IFRS 15. If so, the revenue will be recognised only when the group can:

- » identify the contract;
- » identify the performance obligation;
- » determine the transaction price;
- » allocate the transaction price to the performance obligations in the contract; and
- » recognise the revenue as and when the performance obligation is satisfied.

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

ACCOUNTING POLICY

- Commission and fees income

The group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

- » Income earned on the execution of a distinct performance obligation is recognised when the distinct performance obligation has been performed. Revenue is recognised at a point in time.
- » Income earned from the provision of services is recognised over time as the performance obligation is fulfilled.
- » Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in interest income in terms of IFRS 9.
- » Fees charged for servicing a loan are recognised in revenue as the performance obligation is provided, which in most instances occurs monthly when the fees are levied.

- Principal versus agent

When the group acts as a principal, it is deemed to be purchasing and selling financial instruments on its own behalf and therefore reports profits and losses as part of net trading income. When the group acts as an agent, the net commission or markup earned is reported as fee income and costs incurred on behalf of the principal are not reported in the statement of comprehensive income.

Where costs are not directly reimbursed, or not included in the cost basis used for calculating a markup, it may be appropriate to gross up and separately report the costs within 'commission and fees expense'.

- Directly attributable and incremental costs

The types of expenses that are presented as part of non-interest revenue are those incremental costs that are directly attributable to the revenue generated. The group defines incremental expenses as those that would not have been incurred had it not been for the acquisition of a contract that generated the revenue.

- Commitment fees

The group typically earns commitment fees on lending facilities, such as credit facility fees and revolving-credit-facility fees. The fees are typically charged for making the facilities available to the client.

The group recognises commitment fees as follows:

- Commitment fees that arise from instruments that are not classified and measured at fair value through profit or loss (FVTPL), ie financial instruments that are classified and measured at amortised cost or FVOCI:
 - » where drawdown is unlikely, ie remote or uncertain, the related commitment fees should be recognised as revenue in terms of IFRS 15 on a time-proportionate basis and over the period that the facility is provided; and
 - » where drawdown is probable, the related commitment fee is recognised as part of the effective interest rate over the life of the facility.
- Commitment fees that relate to a loan commitment that is measured and classified as FVTPL will be included in the cashflows used to determine the fair value of the loan commitment.

- Non-refundable upfront fees

Non-refundable upfront fees normally relate to the issuing or administration of a loan facility. These fees will be recognised as revenue when the performance obligation is satisfied. This is applicable when the non-refundable performance obligation can be satisfied over time or at a point in time.

To apply this principle the group first assesses if the contract is satisfied over time. Should this be the case, the revenue is spread over the period of the contract on a time-proportionate basis. If the performance obligation is not satisfied over time and instead satisfied at a point in time, the revenue is recognised when the service is complete and no further performance obligations are required according to the contract.

The group recognises non-refundable upfront fees that are an integral part of a loan in net interest income through the unwinding of the effective interest rate.

- Net insurance income

Net insurance income comprises premiums written on insurance contracts entered into during the year, with the earned portion of premiums received recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Premiums are disclosed gross of commission payable and reinsurance premiums. Claims incurred consist of claims and claims-handling expenses paid during the financial year for the movement in provision for outstanding claims. Outward reinsurance premiums are accounted for in the same accounting period as premiums for the related direct insurance.

- Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income under non-interest revenue.

- Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with the related interest, expense, costs and dividends. Interest earned while holding trading securities and interest incurred on trading liabilities are reported within non-interest revenue.

- Revenue on investment management contracts

Fees charged for investment management services in conjunction with investment management contracts are recognised as revenue over time when the performance obligation is fulfilled. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided.

- Other

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

ACCOUNTING POLICY

Exchange and securities trading income from investments and net gains on the sale of investment banking assets, is recognised in profit or loss when the amount of revenue from the transaction can be measured reliably. It is probable that the economic benefits of the transaction will flow to the group and the costs associated with the transaction or service can be measured reliably.

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

B6.1 NET INTEREST INCOME

B6.1.1 INTEREST AND SIMILAR INCOME

	2020 Rm	2019 Rm
Home loans (including properties in possession)	12 234	15 073
Commercial mortgages	13 834	16 369
Instalment debtors	12 559	14 277
Credit cards	2 256	2 581
Overdrafts	1 933	2 373
Term and other loans	15 147	18 358
Personal loans	5 330	5 151
Government and other securities	7 535	7 162
Short-term funds and securities	1 472	2 336
	72 300	83 680
Interest and similar income may be analysed as follows:		
– Interest and similar income from financial instruments at amortised cost	69 516	81 396
– Interest and similar income from financial instruments at FVOCI	1 789	1 351
– Interest and similar income from financial instruments at FVTPL	995	933
	72 300	83 680

B6.1.2 INTEREST EXPENSE AND SIMILAR CHARGES

	2020 Rm	2019 Rm
Deposit and loan accounts	22 943	30 628
Current and savings accounts	663	1 074
Negotiable certificates of deposit	7 212	8 283
Other interest-bearing liabilities ¹	9 101	11 626
Long-term debt instruments	4 718	5 338
Interest expense related to fair-value activities	(2 418)	(3 436)
	42 219	53 513
Interest expense and similar charges may be analysed as follows:		
– Interest expense and similar charges from financial instruments at amortised cost	41 200	52 718
– Interest expense and similar charges from financial instruments at FVTPL	1 019	795
	42 219	53 513

¹ Includes interest expense of R238m (2019: R293m) related to lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

B6.2 NON-INTEREST REVENUE

	2020 Rm	2019 Rm
Commission and fees income²	20 653	22 503
Administration fees	1 333	1 255
Card income	5 170	6 101
Cash-handling fees	1 018	1 136
Exchange commission	708	652
Guarantee income	312	267
Insurance commission	610	752
Other commission	4 739	5 137
Other fees	2 463	2 651
Service charges	4 300	4 552
Commission and fees expense	(3 516)	(3 764)
Administration fees	(6)	(3)
Card income	(1 992)	(2 358)
Insurance commission	(203)	(236)
Other commission	(828)	(746)
Other fees	(479)	(412)
Service charges	(8)	(9)
Net insurance income	1 622	1 837
Fair-value adjustments	352	60
Fair-value adjustments	(338)	(49)
Hedged-accounted portfolios	690	109
Net trading income³	5 252	4 524
Foreign exchange	1 415	1 291
Debt securities	3 142	2 708
Equities	642	426
Commodities	53	99
Private-equity income	(1 038)	262
Realised gains, interest and other income	546	678
Unrealised losses	(1 697)	(461)
Dividends received	113	45
Investment income	212	198
Dividends received on investments	177	176
Long-term-asset sales	35	22
Net sundry income	603	377
Rents received	35	53
Rental income from properties in possession	¹	¹
Other sundry income	568	324
	24 140	25 997

¹ Represents amounts less than R1m.

² Commission and fees income includes R1 926m (2019: R1 819m) related to trust and fiduciary fees.

³ Trading income includes R2 418m (2019: R3 436m) of amortised cost funding related to fair-value activities. Refer to note B6.2.1 for further details.

B6.2.1 ANALYSIS OF FAIR-VALUE ADJUSTMENTS

	2020 Rm	2019 Rm
Fair-value adjustments can be analysed as follows:		
– Financial instruments designated as FVTPL	6 029	1 825
– Financial instruments mandatorily at fair value	(5 677)	(1 765)
	352	60

B6.2.2 LONG-TERM AND SHORT-TERM INSURANCE

	2020 Rm	2019 Rm
Insurance contract income	1 612	1 780
Net insurance premium income	3 249	3 246
Gross premiums received	3 421	3 437
Reinsurance premiums	(172)	(191)
Net insurance claims and benefits	(1 235)	(2 327)
Gross claims and benefits paid	(1 303)	(2 395)
Reinsurance recoveries	68	68
Net commission and administration fees paid	(97)	(232)
Investment income	148	140
Changes in insurance contracts	(453)	953
Investment contract income	10	57
Investment income	537	501
Changes in investment contracts	(527)	(444)
	1 622	1 837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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B7 TOTAL OPERATING EXPENSES

	2020 Rm	2019 Rm
Staff costs	16 829	17 322
Remuneration and other staff costs	15 309	15 282
Short-term incentives	1 455	1 980
Long-term employee benefits (note H1.1) ¹	(205)	(510)
Share-based payments expense – employees	270	570
Computer processing	5 830	4 878
Depreciation of computer equipment	760	746
Depreciation of right-of-use assets: computer equipment	88	79
Amortisation of computer software	1 436	1 167
Short-term lease charges for computer equipment	224	217
Development costs	67	377
Other computer processing expenses	3 255	2 292
Communication and travel	717	845
Depreciation of vehicles	7	7
Other communication and travel expenses	710	838
Occupation and accommodation	2 304	2 274
Depreciation of owner-occupied land and buildings	422	451
Depreciation of right-of-use assets: land and buildings	827	813
Other occupation and accommodation expenses	1 055	1 010
Marketing and public relations	1 077	1 455
Fees and assurances	4 096	4 152
Auditors' remuneration	255	171
Statutory and regulatory audit	250	167
Non-audit services	5	4
Other fees and assurance costs	3 841	3 981
Furniture, office equipment and consumables	555	683
Depreciation of furniture and other equipment	352	358
Short-term lease charge for furniture and other equipment	12	13
Other office equipment and consumables	191	312
Other operating expenses	364	570
Amortisation of intangible assets	35	65
Other sundries	329	505
	31 772	32 179

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

ACCOUNTING POLICY

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

Current taxation

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

Deferred taxation

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

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

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

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

B8.1 INDIRECT TAXATION

	2020 Rm	2019 Rm
Value-added taxation ¹	1 056	860
Transaction-based taxes	92	236
	1 148	1 096

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

B8.2 DIRECT TAXATION**B8.2.1 Charge for the year**

	2020 Rm	2019 Rm
SA normal taxation:		
– Current charge	2 340	3 405
– Capital gains taxation – deferred	(129)	2
– Deferred taxation	(384)	406
Foreign taxation	279	358
Current and deferred taxation on income	2 106	4 171
Prior-year overprovision	(112)	(229)
Total taxation on income	1 994	3 942
Taxation on non-trading and capital items	(117)	(146)
	1 877	3 796

B8.2.2 Taxation rate reconciliation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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	2020 %	2019 %
Standard rate of SA normal taxation	28,0	28,0
Non-taxable income	(3,1)	(1,8)
Share of profits of associate companies	(1,5)	(1,3)
Capital items	0,4	(0,1)
Foreign income and section 9D attribution	(1,1)	(1,0)
Additional tier 1 capital instruments	(2,5)	(0,8)
Revenue losses not recognised	1,2	0,2
Net monetary loss (note N1)	0,7	0,3
Non-deductible expenses	2,3	0,5
Prior-year adjustments	(0,7)	(1,2)
Effective taxation rate	23,7	22,8

B8.2.3 Income tax recognised in other comprehensive income

Rm	Gross	Taxation	Net of taxation
2020			
Exchange differences on translating foreign operations including the effect of hyperinflation	672		672
Share of OCI of investments accounted for using the equity method	206		206
Debt instruments at FVOCI – net change in fair value	174	(55)	119
Remeasurements on long-term employee benefit assets	(86)	6	(80)
Losses on property revaluations	(37)	11	(26)
2019			
Exchange differences on translating foreign operations including the effect of hyperinflation	(159)		(159)
Share of OCI of investments accounted for using the equity method	(1 170)		(1 170)
Debt investments at FVOCI – net change in fair value	(321)	89	(232)
Remeasurements on long-term employee benefit assets	417	(117)	300
Gains on property revaluations	255	(69)	186

B8.2.4 Future taxation relief

The group has estimated taxation losses of R846m (2019: R634m), which are available for setoff against future taxable income. Deferred tax assets of R60m (2019: R36m) relating to tax losses carried forward were recognised. The group has actual losses that have not been recognised of R632m (2019: R507m).

B8.3 DEFERRED TAXATION

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

	2020 Rm	2019 Rm
Deferred taxation assets		
– Deferred taxation assets to be recovered after more than 12 months	657	389
	657	389
Deferred taxation liabilities		
– Deferred taxation liabilities to be recovered after more than 12 months	(390)	(939)
	(390)	(939)
Net deferred taxation assets/(liabilities)	267	(550)
The gross movement on the deferred income taxation account, is as follows:		
– Balance at the beginning of the year	(550)	(415)
– Statement of comprehensive income charge	934	(316)
– Tax (credit) relating to components of OCI	(38)	(97)
– Tax (credit)/charge directly to equity	(93)	284
– Reclassification between taxation types and categories	14	(6)
Balance at the end of the year	267	(550)

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

	IFRS 16	Credit impairments	Deferred revenue	Medical aid	Provisions	Taxation losses	Total
Deferred taxation assets							
Balance at 31 December 2018	–	1 534	403	79	1 097	43	3 156
Charged/(Credited) to the statement of comprehensive income	27	474	42	(10)	(268)	(8)	257
Charged to OCI				(101)			(101)
Charged/(Credited) directly to equity	253				59		312
Reclassification between taxation types and categories				32	(6)		26
Balance at 31 December 2019	280	2 008	445	–	882	35	3 650
(Credited)/Charged to the statement of comprehensive income	6	721	(99)		219	25	872
Reclassification between taxation types and categories					14		14
Balance at 31 December 2020	286	2 729	346	–	1 115	60	4 536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

	Accelerated asset allowances	Property revaluations	Deferred acquisition costs
Deferred taxation liabilities			
Balance at 31 December 2018	(954)	(606)	(702)
(Credited)/Charged to the statement of comprehensive income	(470)		(88)
(Credited)/Charged to OCI		(69)	
Charged/(Credited) directly to equity		28	
Reclassification between tax types and categories			
Balance at 31 December 2019	(1 424)	(647)	(790)
(Credited)/Charged to the statement of comprehensive income	(120)		(19)
(Credited)/Charged to OCI		11	
Charged/(Credited) directly to equity		16	
Reclassification between tax types and categories			
Balance at 31 December 2020	(1 544)	(620)	(809)

	Pension fund	Capital investments	Share-based payments	FVOCI	Acquired intangible assets	Total
	(660)	(199)	(84)	(249)	(117)	(3 571)
	(153)	70	30		38	(573)
	(16)			89		4
			(56)			(28)
	(32)					(32)
	(861)	(129)	(110)	(160)	(79)	(4 200)
	(64)	310	(55)		10	62
	6			(55)		(38)
			(109)			(93)
						–
	(919)	181	(274)	(215)	(69)	(4 269)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

B9 HEADLINE EARNINGS

ACCOUNTING POLICY

Non-trading and capital items are disclosed separately on the face of the statement of comprehensive income, being remeasurements excluded from the calculation of headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2019: Headline Earnings, except where the amounts are required by IFRS to be included in other lines on the face of the statement of comprehensive income, which includes our share of ETI's goodwill impairment (R528m) included in share of (losses)/gains of associate companies and taxation on non-trading and capital items (R117m) included in direct taxation. The principal items that will be included under these measures are gains and losses on sale of property and equipment, impairment of property, equipment, right-of-use assets, intangible assets and goodwill and fair-value adjustments of investment properties (other than those arising from the investment properties held by the group's life insurance subsidiaries).

Rm	2020		2019	
	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to ordinary and preference equity holders		3 467		12 001
Non-trading and capital items	1 562	1 445	651	505
IAS 16 loss on disposal of property and equipment	89	72	18	13
IAS 36 impairment of associate: ETI	750	750		
IAS 36 impairment of goodwill	345	345	117	117
IAS 36 impairment of property and equipment			148	107
IAS 36 impairment of intangible assets	207	149	289	198
IAS 40 loss/(profit) on revaluation of investment properties	2	2	(2)	(2)
IFRS 5 impairment of non-current assets held for sale	17	17	48	48
IFRS 16 impairment of right-of-use assets	152	110	33	24
Share of (losses)/gains of associate companies				
IAS 36 share of associate (ETI) impairment of goodwill	528	528		
Headline earnings		5 440		12 506

SECTION C: CORE BANKING ASSETS

ACCOUNTING POLICY

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

C1 LOANS AND ADVANCES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

C1.1 CATEGORIES OF LOANS AND ADVANCES

	2020 Rm	2019 Rm
		(Restated) ¹
Mortgage loans	359 483	342 039
Home loans	168 900	162 238
Commercial mortgages	190 583	179 801
Instalment debtors	135 269	130 067
Credit cards	16 721	17 089
Other loans and advances	356 634	353 132
Properties in possession	149	150
Overdrafts	23 593	26 747
Personal loans	26 916	24 829
Term and other loans	186 101	206 900
Covid-19 Loan Guarantee Scheme	1 355	
Listed Corporate Bonds ¹	21 910	27 960
Overnight loans	10 175	14 945
Foreign-client lending	16 449	13 162
Preference shares and debentures	12 274	12 766
Factoring accounts	5 130	6 563
Deposits placed under reverse repurchase agreements	48 415	18 164
Trade, other bills and bankers' acceptances	4	5
Fair-value hedge-accounted portfolios	4 163	941
Gross loans and advances	868 107	842 327
Impairment of loans and advances (note C2)	24 804	17 541
	843 303	824 786
Gross loans and advances comprise:		
– Loans and advances to clients	827 269	820 078
– Loans and advances to banks	40 838	22 249
	868 107	842 327

¹ 2019 restated, refer to note A4: Reclassification.

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

C1.2 SECTORAL ANALYSIS

	2020 Rm	2019 Rm
Individuals	312 313	298 464
Financial services, insurance and real estate ¹	256 195	232 897
Banks	40 838	22 249
Manufacturing ¹	64 450	77 460
Building and property development	11 485	8 934
Transport, storage and communication ¹	29 500	35 573
Retailers, catering and accommodation	6 401	9 551
Wholesale and trade ¹	31 686	32 658
Mining and quarrying ¹	23 607	32 258
Agriculture, forestry and fishing	16 196	17 509
Government and public sector ¹	20 619	24 085
Other services	54 817	50 689
	868 107	842 327

¹ 2019 restated, refer to note A4: Reclassification.

C1.3 GEOGRAPHICAL ANALYSIS

	2020 Rm	2019 Rm
SA ¹	753 488	740 293
Rest of Africa	43 049	48 429
Europe	58 475	36 438
Asia	5 938	8 248
United States of America	3 087	1 014
Rest of world	4 070	7 905
	868 107	842 327

¹ 2019 restated, refer to note A4: Reclassification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

C1.4 CLASSIFICATION OF LOANS AND ADVANCES

	Total	
	2020	2019
Rm		
Mortgage loans ⁵	353 367	337 577
Instalment debtors	135 269	130 067
Credit cards	16 720	17 089
Overdrafts	23 592	26 746
Preference shares and debentures	12 106	12 579
Fair-value hedge-accounted portfolios ⁵	4 164	941
Term loans ^{1,5}	152 698	174 087
Other loans ^{2,5}	68 530	79 657
Specialised and other loans to clients ¹	31 162	30 033
Properties in possession	149	150
Listed corporate bonds ³	21 910	27 960
Overnight loans	10 175	14 946
Factoring accounts	5 130	6 563
Trade, other bills and bankers' acceptances	4	5
Loans and advances at amortised cost	766 446	778 743
Loans and advances at FVTPL ⁵	82 850	46 001
Loans and advances at FVOCI ^{4,5}	18 811	17 583
Gross loans and advances (note C1.1)	868 107	842 327

¹ Term loans and other loans were previously presented in one product line namely 'Personal, term and other loans'. In the current financial year 'Personal, term and other loans' has been split into 'Term loans' and 'Specialised and other loans to clients' due to the different nature of these loans.

² An 'Other loans' subtotal line has been added into the current year presentation table to group certain products based on similar nature and size.

³ 2019 restated, refer to note A4: Reclassification for further details.

⁴ Loans and advances at FVOCI were previously included in the 'Loans and advances at amortised cost' presentation table. The 2019 balances have been restated to separately disclose FVOCI loans and advances.

⁵ Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments for further details.

	Subject to 12-month expected credit losses (stage 1)		Subject to lifetime expected credit losses (stage 2) – not credit-impaired		Subject to lifetime expected credit losses (stage 3) – credit-impaired	
	2020	2019	2020	2019	2020	2019
	301 699	294 356	34 359	32 898	17 309	10 323
	108 290	105 416	16 511	18 043	10 468	6 608
	12 850	14 555	1 577	737	2 293	1 797
	15 537	20 939	6 022	4 485	2 033	1 322
	11 050	12 307	855	75	201	197
	4 164	941	–	–	–	–
	115 254	157 077	26 597	10 230	10 847	6 780
	53 928	73 470	12 510	5 620	2 092	567
	26 372	27 795	4 267	1 944	523	293
	86	95	–	–	63	55
	15 578	27 961	5 331	–	1 001	–
	8 175	11 499	1 708	3 276	292	171
	3 713	6 115	1 204	400	213	48
	4	5	–	–	–	–
	622 772	679 061	98 431	72 088	45 243	27 594
	12 502	16 558	4 599	577	1 711	448
	635 274	695 619	103 030	72 665	46 954	28 042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

C1.5 CREDIT QUALITY OF LOANS AND ADVANCES

Rm	Total		NGR 1-12	
	2020	2019	2020	2019
Subject to 12-month expected credit losses (stage 1)	622 779	679 063	238 983	281 915
Mortgage loans ⁴	301 702	294 356	118 056	110 960
Instalment debtors	108 290	105 417	3 419	4 350
Credit cards	12 850	14 556	943	1 155
Properties in possession	86	95	–	–
Overdrafts	15 529	20 939	3 680	4 531
Personal, term and other loans ⁴	141 637	184 874	83 382	116 163
Listed corporate bonds ¹	15 578	27 960	15 578	25 951
Overnight loans	8 175	11 498	6 477	9 873
Preference shares and debentures	11 051	12 307	7 052	8 799
Factoring accounts	3 713	6 115	396	133
Trade, other bills and bankers' acceptances	4	5	–	–
Fair-value hedge-accounted portfolios ⁴	4 164	941	–	–
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	98 430	72 089	21 692	5 745
Mortgage loans ⁴	34 359	32 898	2 941	2 284
Instalment debtors	16 512	18 043	736	19
Credit cards	1 577	736	3	1
Properties in possession	–	–	–	–
Overdrafts	6 021	4 485	840	266
Personal, term and other loans ⁴	30 864	12 175	10 499	2 508
Listed corporate bonds ¹	5 331	–	5 078	–
Overnight loans	1 708	3 277	1 014	667
Preference shares and debentures	854	75	571	–
Factoring accounts	1 204	400	10	–
Subject to lifetime expected credit losses (stage 3) – credit-impaired	45 237	27 591	–	–
Mortgage loans	17 306	10 323	–	–
Instalment debtors	10 467	6 607	–	–
Credit cards	2 293	1 797	–	–
Properties in possession	63	55	–	–
Overdrafts	2 042	1 322	–	–
Personal, term and other loans	11 359	7 071	–	–
Listed corporate bonds ¹	1 001	–	–	–
Overnight loans	292	171	–	–
Preference shares and debentures	201	197	–	–
Factoring accounts	213	48	–	–
Total loans and advances	766 446	778 743	260 675	287 660
Loans and advances at FVOCI²	18 811	17 583	9 528	11 566
Provision for impairment of off-balance-sheet items ³	665	271	64	36
Subject to 12-month expected credit losses (stage 1)	158	118	41	21
Subject to lifetime expected credit losses (stage 2) – not credit-impaired	195	67	23	15
Subject to lifetime expected credit losses (stage 3) – credit-impaired	312	86	–	–
Total credit quality	785 922	796 597	270 267	299 262

¹ 2019 restated, refer to note A4: Reclassification.

² Loans and advances at FVOCI were previously included in the loans and advances at amortised cost presentation table. In the current year loans and advances at FVOCI have been stripped out of loans and advances at amortised cost and presented separately.

³ Provision for impairment of off-balance-sheet items includes the expected credit loss (ECL) allowance recognised with respect to financial guarantees and loan commitments of R529m (2019: R220m), credit balances and zero balances of the various loans and advances products.

⁴ Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised cost in 2019. The measurement basis of these instruments has however not changed. Refer to note 11: Consolidated statement of financial position – categories of financial instruments.

NGR 13-20		NGR 21-25		NP 1-3		Unrated	
2020	2019	2020	2019	2020	2019	2020	2019
332 853	354 617	30 846	22 750	–	–	20 097	19 780
167 311	168 404	8 812	7 454	–	–	7 523	7 538
91 031	98 215	12 428	992	–	–	1 412	1 860
9 031	9 802	2 770	3 484	–	–	106	115
–	–	–	–	–	–	86	95
10 577	14 021	192	645	–	–	1 080	1 742
45 895	51 033	6 532	10 159	–	–	5 828	7 518
–	2 009	–	–	–	–	–	–
1 597	1 625	101	–	–	–	–	–
3 999	3 508	–	–	–	–	–	–
3 306	5 966	11	16	–	–	–	–
4	–	–	–	–	–	–	5
102	34	–	–	–	–	4 062	907
44 185	37 930	31 862	27 808	–	–	691	606
12 134	10 352	19 094	19 946	–	–	190	316
9 094	17 198	6 646	755	–	–	36	71
424	104	1 148	628	–	–	2	3
–	–	–	–	–	–	–	–
3 965	3 046	1 081	1 124	–	–	135	49
16 676	6 243	3 361	3 257	–	–	328	167
253	–	–	–	–	–	–	–
432	690	262	1 920	–	–	–	–
283	75	–	–	–	–	–	–
924	222	270	178	–	–	–	–
–	–	–	–	43 709	26 326	1 528	1 265
–	–	–	–	16 477	9 786	829	537
–	–	–	–	10 343	6 518	124	89
–	–	–	–	2 278	1 786	15	11
–	–	–	–	63	55	–	–
–	–	–	–	1 845	1 189	197	133
–	–	–	–	10 996	6 576	363	495
–	–	–	–	1 001	–	–	–
–	–	–	–	292	171	–	–
–	–	–	–	201	197	–	–
–	–	–	–	213	48	–	–
377 038	392 547	62 708	50 559	43 709	26 326	22 316	21 651
7 116	4 226	198	1 343	1 969	448	–	–
220	97	50	35	312	86	19	17
95	67	3	13	–	–	19	17
125	30	47	22	–	–	–	–
–	–	–	–	312	86	–	–
384 374	396 870	62 956	51 937	45 990	26 860	22 335	21 668

The group uses a master rating scale for the measurement of credit risk, which is the risk of the borrower defaulting excluding the effect of collateral or any loss mitigation [ie probability of default (PD) only]. The Nedbank Group Rating (NGR) master scale is a comprehensive PD rating scale, mapped to default probabilities and external rating agency scales. This enables the group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

NGR 1–12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category typically includes the group's large corporate clients, including financial institutions, parastatals and other government-related institutions.

NGR 13–20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category typically includes small and medium-sized businesses, medium-sized corporate clients and individuals.

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

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

Unrated: Represents borrowers who do not have a NGR rating and are not in default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

C1.6 SEGMENTAL ANALYSIS

Rm	Total		Nedbank Corporate and Investment Banking	
	2020	2019	2020	2019
Mortgage loans	359 483	342 039	155 049	145 612
Home loans	168 900	162 238	33	10
Commercial mortgages	190 583	179 801	155 016	145 602
Instalment debtors	135 269	130 067	2 877	2 795
Credit cards	16 721	17 089		
Other loans and advances	285 383	320 454	203 354	244 681
Properties in possession	149	150		
Overdrafts	23 593	26 747	4 008	5 557
Personal loans	26 916	24 829		
Term and other loans	175 489	199 040	153 534	180 446
Overnight loans	10 175	14 945	8 681	13 078
Foreign client lending	5 580	6 508	3 146	5 166
Preference shares and debentures	12 274	12 766	11 973	12 440
Factoring accounts	5 130	6 563		
Listed corporate bonds ¹	21 910	27 960	21 910	27 960
Trade, other bills and bankers' acceptances	4	5		
Fair-value hedge-accounted portfolios	4 163	941	102	34
Loans and advances before impairments	796 856	809 649	361 280	393 088
Impairment of advances	24 804	17 541	3 539	2 224
Total banking loans and advances after impairments²	772 052	792 108	357 741	390 864
Comprises:				
– Loans and advances to clients	731 214	769 859	323 233	372 319
– Loans and advances to banks	40 838	22 249	34 508	18 545
Total loans and advances after impairments	772 052	792 108	357 741	390 864
Trading loans and advances²	71 251	32 678	71 251	32 678
Total loans and advances after impairments	843 303	824 786	428 992	423 542

¹ 2019 restated, refer to note A4: Reclassification.

² Total banking loans and advances after impairments exclude trading loans and advances.

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
	2020	2019	2020	2019	2020	2019	2020	2019
	169 391	162 479	26 149	25 802	8 770	8 662	124	(516)
	144 512	138 811	17 135	16 988	7 220	6 941	–	(512)
	24 879	23 668	9 014	8 814	1 550	1 721	124	(4)
	130 423	125 285	46	62	1 914	2 364	9	(439)
	16 584	16 958			137	131		
	58 987	58 749	5 372	5 106	13 365	11 270	4 305	648
	50	44	13	11	86	95		
	16 089	17 871	188	171	3 308	3 148		
	24 954	22 663			1 962	2 166		
	11 562	10 028	5 003	4 738	5 146	4 087	244	(259)
	909	1 270			585	597		
	206	170			2 228	1 172		
	133	140	168	186				
	5 084	6 563			46			
					4	5		
							4 061	907
	375 385	363 471	31 567	30 970	24 186	22 427	4 438	(307)
	19 113	14 075	434	229	953	749	765	264
	356 272	349 396	31 133	30 741	23 233	21 678	3 673	(571)
	356 269	349 394	28 027	28 393	20 012	20 324	3 673	(571)
	3	2	3 106	2 348	3 221	1 354		
	356 272	349 396	31 133	30 741	23 233	21 678	3 673	(571)
	356 272	349 396	31 133	30 741	23 233	21 678	3 673	(571)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

C2 IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

CREDIT RISK

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

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

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

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

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

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

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

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Allowances for loan impairment and other credit risk provisions

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

- Defining what is considered to be a significant increase in credit risk – refer to C2.5 for further information;
- Selecting and calibrating PD, LGD and EAD models and linking these input parameters to macroeconomic drivers - refer to C2.5 and C2.7 for further information;
- Estimating macroeconomic parameters based on forecast macroeconomic scenarios – refer to C2.7 for further information;
- Making post model adjustments to account for emerging or developing events, model and data limitations and deficiencies, and the application of expert credit judgement – refer to C2.8 for further information.

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

Within the Nedbank Retail and Business Banking and Nedbank Wealth portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit-scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on the portfolio, based on historical recovery rates and assumed emergence periods. These statistical analyses use, as primary inputs, the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line-of-business or client category. Judgement and knowledge utilised in selecting the statistical methods to be used when the models are developed or revised. Post model adjustments (discussed further in C2.8) may be applied to model outputs to cater for emerging or developing events, model and data limitations and deficiencies, and the application of expert credit judgement. The impairment allowance reflected in the financial statements for these portfolios is considered to be reasonable and supportable judgements.

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

- A financial instrument that is not credit-impaired on initial recognition is classified as stage 1.
- Where a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to stage 2, but not yet deemed to be credit-impaired. In considering whether there has been an increase in credit risk, the group considers guarantees (and other credit enhancements) to the extent that it affects the likelihood of the borrower defaulting on the instrument, eg where the guarantee creates an economic incentive for the guarantor to continue to fund the borrower. Note C2.5 describes how the group determines when a significant increase in credit risk has occurred.
- Where the financial instrument is credit-impaired, the financial instrument is moved to stage 3. Note C2.6 describes how the group defines 'credit-impaired' and 'default'.
- Financial instruments in stage 1 have their ECLs measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments classified as stages 2 and 3 have their ECLs measured based on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that forward-looking information should be considered. Note C2.7 includes an explanation of how the group has incorporated forward-looking information into our ECL models.

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECLs are measured on a lifetime basis.
- Off-balance-sheet items are also subject to the IFRS 9 impairment model and include financial guarantees and undrawn loan commitments.

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

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

The Covid-19 pandemic is evolving and the economic environment in which the group operates could be subject to sustained volatility, which could continue to impact our financial results negatively. The key judgements are the duration of the pandemic and the speed and shape of the economic recovery. The current environment requires complex judgements and estimates regarding the effectiveness of Covid-19 containment measures and related lockdowns, and global and domestic policy responses and the outcome thereof, which represent a high degree of estimation uncertainty.

i. Assessment of significant increase in credit risk

To support our clients, we have established relief programmes to help retail and wholesale banking clients manage the challenges of Covid-19 through payment deferrals, covenant waivers, and refinancing or credit restructuring. The utilisation of a payment deferral programme does not trigger a significant increase in credit risk automatically. This complies with SARB Directive 3 (D3/2020) of 2020, which relates to the treatment of retail and wholesale restructured credit exposures due to Covid-19. Our assessment of SICR continues to be based on quantitative lifetime PD thresholds and for our wholesale portfolios, changes in the borrower's risk rating. Additional qualitative reviews and a 30-day-past-due backstop are also applied (refer to C2.5 for further information). Risk ratings and the broader macroeconomic impacts of the pandemic are largely reflected in an instrument's lifetime PD. To the extent the impacts of Covid-19 are not already reflected within the lifetime PD model, they are reflected through the qualitative review performed to assess the staging results and adjustments are made, as necessary, including through the use of post model adjustments – refer to C2.8.

ii. Use of forward-looking information

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

C2.1 MOVEMENT IN IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

	2020 Rm	2019 Rm
Movement in impairments charge on financial instruments		
Balance at the beginning of the year	17 812	15 704
Stage 1 ECL allowance	3 362	2 854
Stage 2 ECL allowance	3 893	3 488
Stage 3 ECL allowance	10 557	9 362
Statement of comprehensive income charge net of recoveries	13 127	6 129
Stage 1 ECL allowance	913	505
Stage 2 ECL allowance	2 553	541
Stage 3 ECL allowance	8 981	4 805
Off-balance-sheet allowance	389	56
Non-loans and advances	(2)	4
FVOCI loan impairment charge	293	218
Adjusted for:	(5 471)	(4 021)
Recoveries ¹	1 165	1 247
Interest in suspense ¹	1 059	723
Amounts written off ¹	(7 419)	(5 491)
Foreign exchange and other transfers ¹	15	(278)
Non-loans and advances	2	(4)
FVOCI loan impairment charge	(293)	(218)
Balance at the end of the year	25 468	17 812
Stage 1 ECL allowance	4 183	3 362
Stage 2 ECL allowance	6 701	3 893
Stage 3 ECL allowance	14 584	10 557
Split by measurement category ¹	25 468	17 812
Loans and advances	24 804	17 541
Off-balance-sheet allowance	664	271

¹ Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs is R5 180m (2019: R3 799m) - refer to C2.2. Foreign exchange movements included in this amount is a R111m gain (2019: R185m loss).

² Loans and advances at FVOCI and non-loans and advances were previously included in the stage 1, stage 2 and stage 3 ECL allowance. In the current year loans and advances at FVOCI and non-loans and advances have been presented as separate lines in the above.

C2.2 IMPAIRMENT CHARGE ON LOANS AND ADVANCES BY CLASSIFICATION

	Balance at the beginning of the year Rm	Impairment charge/(release), net of recoveries Rm	Amounts written off against the impairment, adjusted for recoveries and interest in suspense Rm	Balance at the end of the year Rm
Total impairment – 2020				
Home loans	2 398	1 113	(42)	3 469
Commercial mortgages	1 060	1 059	(50)	2 069
Credit cards	2 290	1 482	(786)	2 986
Overdrafts	1 008	504	(94)	1 418
Instalment debtors	4 828	3 290	(1 458)	6 660
Preference shares and debentures	99	60		159
Term loans ¹	5 077	4 254	(2 551)	6 780
Financial guarantees and loan commitments	220	318	(9)	529
Other loans ²	832	756	(190)	1 398
Properties in possession	8	(1)	2	9
Specialised and other loans to clients ¹	656	746	(195)	1 207
Overnight loans	137	(81)	3	59
Factoring accounts	31	92		123
Trade, other bills and banker's acceptances				
Impairment on loans and advances at amortised cost	17 812	12 836	(5 180)	25 468
Impairment on loans and advances at FVOCI ³	340	293	(24)	609
Total impairment	18 152	13 129	(5 204)	26 077
Total impairment – 2019				
Home loans	2 283	264	(149)	2 398
Commercial mortgages	973	110	(23)	1 060
Credit cards	2 404	930	(1 044)	2 290
Overdrafts	949	268	(209)	1 008
Instalment debtors	4 298	1 998	(1 468)	4 828
Preference shares and debentures	131	(33)	1	99
Term loans ¹	3 991	1 923	(837)	5 077
Financial guarantees and loan commitments	169	45	6	220
Other loans ²	506	402	(76)	832
Properties in possession	18	(7)	(3)	8
Specialised and other loans to clients ^{1,4}	426	296	(66)	656
Overnight loans	39	96	2	137
Factoring accounts	22	17	(8)	31
Trade, other bills and banker's acceptances	1		(1)	
Impairment on loans and advances at amortised cost	15 704	5 907	(3 799)	17 812
Impairment on loans and advances at FVOCI ³	122	218		340
Total impairment	15 826	6 125	(3 799)	18 152

¹ 1 Term loans and other loans were previously presented in one product line namely 'Personal, term and other loans'. In the current financial year 'Personal, term and other loans' has been split into 'Term loans' and 'Specialised and other loans to clients' due to the different nature of these loans.

² An 'Other loans' subtotal line has been added into the current year presentation table in order to group certain products based on similar nature and size.

³ Loans and advances at FVOCI were previously included in the loans and advances at amortised cost presentation table. In the current year loans and advances at FVOCI have been presented separately.

⁴ 2019 restated, refer to note A4: Reclassification for further details.

The balance at the end of the year includes off-balance-sheet items of R664m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

C2.3 SECTORAL ANALYSIS

	Total impairment		Stage 1: 12-month ECL allowance		Stage 2: Lifetime ECL allowance (not credit-impaired)		Stage 3: Lifetime ECL allowance (credit-impaired)	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Individuals	16 997	12 900	2 757	2 347	3 815	2 614	10 425	7 939
Financial services, insurance and real estate ¹	2 500	1 526	459	279	1 483	681	558	566
Manufacturing ¹	1 599	817	224	177	465	233	910	407
Building and property development	594	232	30	30	74	59	490	143
Transport, storage and communication ¹	697	275	45	44	131	23	521	208
Retailers, catering and accommodation ¹	152	59	30	24	62	15	60	20
Wholesale and trade ¹	625	593	111	94	205	83	309	416
Mining and quarrying ¹	251	155	163	89	11	39	77	27
Agriculture, forestry and fishing	332	362	66	63	57	25	209	274
Government and public sector ¹	407	132	51	34	143	32	213	66
Other services	1 314	761	247	165	255	90	812	506
	25 468	17 812	4 183	3 346	6 701	3 894	14 584	10 572

C2.4 GEOGRAPHICAL ANALYSIS

	Total impairment		Stage 1: 12-month ECL allowance		Stage 2: Lifetime ECL allowance (not credit-impaired)		Stage 3: Lifetime ECL allowance (credit-impaired)	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
SA ¹	23 778	16 500	3 778	2 960	6 434	3 794	13 566	9 746
Other African countries ¹	1 214	719	363	257	215	88	636	374
Europe	285	396	25	28	41	1	219	367
Asia	176	4	3	4	10	–	163	–
United States of America	3	–	2	–	1	–	–	–
Other	12	193	12	97	–	11	–	85
	25 468	17 812	4 183	3 346	6 701	3 894	14 584	10 572

¹ 2019 restated, refer to note A4: Reclassification. Loans and advances at FVOCI was previously included in the loans and advances at amortised cost presentation table. In the current year loans and advances at FVOCI has been stripped out of loans and advances at amortised cost and presented separately.

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

Stage 2 is comprised of all performing financial instruments that have experienced an SICR since initial recognition. The group recognises lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, the financial instrument returns to stage 1 and 12-month ECL are recognised. Alternatively, if the credit risk of the financial instrument deteriorates and the stage 3 criteria are met, lifetime ECL is recognised. At each reporting date, the group assesses whether there has been an SICR for financial instruments since initial recognition by:

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

The group has not used the low-credit-risk exemption for any financial instruments in the year ended 31 December 2020.

The group adopted the PA Directive 3 of 2020 (D3/2020). The use of a payment holiday itself has not been judged to indicate an SICR, where applicable, with the underlying long-term credit risk deemed to be driven by economic factors and captured using a combination of forward-looking models and temporary post model adjustments. The group considers these to continue to perform adequately under the current economic environment, which was impacted by the Covid-19 pandemic as well as payment holidays. These models and post model adjustments capture the anticipated increased credit risk and future defaults and are therefore an appropriate assessment of staging and ECL.

By the end of 2020, the majority of these loans had either reverted to performing (stage 1 or stage 2) or were classified as stage 3 (refer to C2.6 for further details related to D3/2020 loans which have subsequently been accounted for as a distressed restructure), with R28bn remaining in the 'D3 restructures' portfolio from a peak of R121bn in July 2020. Nedbank has ceased to grant D3/2020 renewals on a business-as-usual basis with renewals granted on an exceptional basis only.

The R28bn mainly relates to R25bn of loans restructures in CIB which mature in the first half of 2021, with the remaining R3bn spread across RBB, Wealth and NAR. At 31 December 2020, 97% of RBB's payment holidays have matured. The 'D3 restructures' portfolio continues to be monitored separately by the respective credit governance structures.

There have been no changes made to the quantitative or qualitative triggers used as at 31 December 2020, except for minor enhancements in certain retail portfolios and the treatment of D3/2020 restructures as follows:

- Where retail clients requested an extension to their D3/2020 restructure beyond the initial period of the payment holiday/restructure, these exposures were classified as stage 2, ie the request for an extension was considered a SICR trigger.
- Wholesale clients were assessed on an individual exposure basis, to determine the appropriate stage allocation for D3/2020 relief extensions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

C2.6 DEFINITION OF 'DEFAULT'

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

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

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

Quantitative criteria

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

Qualitative criteria

- The group considers that the client is unlikely to meet its credit obligations to the group in full without the group having recourse to actions such as realising security (if held).
- The group has consented to a distressed restructuring of the credit obligation, in accordance with PA Directive 7 of 2015 (D7/2015), that is likely to result in a reduced financial obligation.
- The group has applied for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation.
- The client is placed under business rescue in terms of the Companies Act, 71 of 2008, and when the client requests a restructure of its facilities due to financial distress.

Impact of Covid-19

The Covid-19 pandemic had a significant impact on the macroeconomic environment, therefore, the ability of borrowers to meet their obligations. The PA supported Covid-19 related relief initiatives, such as payment holidays offered by banks, to support the local economy. Consequently, the PA issued D3/2020 to enable banks to continue to extend credit to the real economy during the period of financial stress without the need for inappropriate higher capital requirements. The intention of PA is to reinstate the requirements of D7/2015 in full after the impact of Covid-19 has subsided.

The group adopted a strict interpretation of D3/2020. For any loan restructured after 29 February 2020 where the below conditions were met, the loan was classified as a 'Covid-19 loan restructure' or 'D3/2020 restructure'. The D3/2020 restructures remained in their respective stage classification (stage 1 or stage 2), instead of being identified as a distressed restructure, in accordance with D7/2015, and consequently classified as credit-impaired (in default). The following conditions were applied:

- the loan was up-to-date (with zero arrears) at 29 February 2020;
- the restructure was due to Covid-19 related factors, based on all reasonable and verifiable information available at the date of restructuring the loan; and
- the loan is expected to remain in an up-to-date status subsequent to the relief period, all other factors remaining constant. If an account was unlikely to stay up-to-date once the restructure period ended, the account was not considered a D3/2020 restructure and treated as a distressed restructure, ie classified as credit-impaired (in default).

If there were adverse changes in the actual or expected circumstances during or after the relief period and the changes were not expected to be temporary in nature over and above the relief provided, such circumstances were deemed to be indicators of distress, the D3/2020 loan would be reclassified as a distressed restructured loan, ie credit-impaired (in default).

C2.7 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 forecasted 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 forecasted ranges for macroeconomic variables are shown below by using the annual average forecast over the three-year period per scenario.

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

Scenario	2019					
	Probability weighting (%)	Total ECL allowance	Economic measures	Economic forecast (%)		
				2020	2021	2022
Base case	50	18 073	GDP Prime HPI	1,09 10,00 1,69	1,32 10,00 5,00	1,49 10,00 5,56
Mild stress	21	18 657	GDP Prime HPI	0,59 10,46 0,34	0,66 10,42 1,69	1,23 10,25 5,00
Positive outcome	21	17 352	GDP Prime HPI	1,69 9,58 7,93	1,97 9,50 9,38	2,14 9,50 10,00
High stress	8	19 362	GDP Prime HPI	0,02 10,83 0,00	(0,06) 11,00 1,74	1,07 10,83 4,27
Weighted scenarios	100	18 152				

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

Post the explicit forecast period, 2021 to 2023 (2109: 2020 to 2022), the group returns all forecast variables to a long-term average for modelling purposes. The long-term average used for modelling purposes are: GDP of 2% (2019: 2%), prime of 10,25% (2019: 10,25%) and house price index (HPI) of 5% (2019: 5%).

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FOR THE YEAR ENDED 31 DECEMBER

Base case scenario – a slow climb back to 2019 level

Covid-19 and lockdown:

- Transmission rates remain relatively steady into 2021, before falling at a faster pace to low levels throughout 2022. The virus is effectively contained but not completely defeated in 2021. Regional flare-ups persist. However, treatments become more effective and mortality rates decline significantly. Medical advances produce increasingly effective treatments throughout 2021 and a vaccine is eventually rolled out towards end-2021 and the years that follow.
- Lockdown restrictions are eased further during 2021. The country moves to level 0 around mid-2021, but preventive health protocols are kept in place. The country adjusts to a new normal. International travel restrictions to and from most countries are lifted around mid-2021, but a fear of contagion contains growth in both business travel and tourist numbers to modest levels. More significant improvements in the overall business environment only materialises in 2022.
- The economic impact of Covid-19 lessens as time passes, partly because business adapts to a new way of working and government refrains from level 5 lockdowns. Important lessons were learned and the fear of the virus gradually subsides as treatments become more effective.

Global economic assumptions

- The world economy shrinks between 3% and 5% in 2020. The recovery gathers a moderate pace in 2021, posting growth of between 4% and 5% in 2021. Most major advanced countries return to pre-Covid-19 levels by mid- 2022, but emerging markets lag behind, held back by country-specific political and social turmoil, geopolitical conflict and structural impediments.
- World trade contracts by around 10% to 15% in 2020, followed by a similar bounce in 2021. Activity reverts to trend from Q1 2022 onwards.
- Global risk appetites improve in Q4 2020, but underlying sentiment remains fragile and market volatility remains elevated. Over the forecast period, risk appetites remain fluid, switching between risk-off and risk-on. Emerging markets are subjected to spells of large capital outflows, followed by speculative inflows driven the search for yields.
- Commodity prices are mixed. Non-fuel commodity prices manage to end 2020 marginally higher, before registering moderate growth of around 5% in 2021. The pace of recovery slows in 2021 and 2022 as global growth gradually returns to trend. Non-fuel commodity prices rise at an annual average rate of around 2% over 2022 to 2023. Fuel prices recover during the course of 2021, but at a slow pace, registering only modest gains over the three years from 2021 to 2023.

Global policy responses

- Monetary policies: Remain highly accommodative throughout the period, marked by low to falling interest rates, large quantitative easing programmes and other targeted liquidity injections.
- Fiscal policies: Ramped up dramatically. Initially aimed at health care and support for vulnerable companies and households, but later extended to infrastructure and other economic initiatives to kick-start and stimulate global growth.

Domestic policy landscape

- Monetary policy: The MPC signals tighter policy in 2021, but CPI and GDP fall short of SARB's expectations. Consequently, rates are kept on hold in 2021. A temporary rise moves CPI higher in early 2022 and the MPC responds by hiking rates by a cumulative 50 bps. However, inflation recedes rapidly towards end-2022 and throughout 2023, averaging only 4% per annum over 2021 to 2023, resulting in a pause in the tightening cycle in 2023.
- Fiscal policy: There is a sharp increase in health expenditure, social grants and support for small business in 2020 and early 2021, followed by deep cuts in spending. The budget deficit is gradually reduced to around 10% of GDP in 2023, while the public debt burden continues to rise, peaking at close to a 100% of GDP. Deeper cuts into junk status from all three major ratings agencies are assumed, but an outright sovereign debt crisis is avoided.
- Structural constraints: Change occurs slowly driven by budget pressures. There are some gains on low-hanging fruit, such as the release of spectrum, changes to mining legislation and the deregulation of the energy sector occurring throughout 2021 and 2022. Politically sensitive changes around labour and land reforms, IP rights and others are left unchanged. Electricity constraint remains but deregulation slowly occurs. Some SOEs do not survive and are broken up and sold off.

Domestic economic consequences

- GDP
 - » The economy shrinks by 8,1%, recovers slowly, expanding to 3,04%, 2,22% and 1,52% in 2021, 2022 and 2023 respectively.
 - » Fixed investment declines sharply as companies rush to reduce costs, followed by a recovery off a low base in 2021. Around 5% of productive capacity is permanently lost.
 - » Company failures and growing pressure on earnings trigger job losses and pay cuts. Household income shrinks and debt levels increase. Consumer spending declines by almost 8% in 2020, followed by a moderate recovery at an annual average rate of just over 2%.
- Credit
 - » Household credit: Loans to households turn the corner before end-2020. Most credit categories post modest recoveries off low bases throughout 2021. Credit quality deteriorates and there is a much higher risk of bad debts expected particularly in 2021. The ratio of household debt to disposable income (PDI) moderates as household incomes gradually recover to an average of around 75% over 2021 to 2023.
 - » Corporate credit: All categories of corporate credit slows sharply, hitting a trough in H1 2021, before slowly recovering off a low base. Risks differ from industry to industry. Risks of default extremely high.
- Asset prices
 - » Equities: Stock markets recover throughout 2021, supported by a gradual recovery in earnings, but still constrained by policy uncertainty and subdued underlying growth prospects. As a result, equity price movements are characterised by short spells of improvement followed by almost equal periods of corrections as investors start to discount the reality of structurally lower growth in earnings and sharply higher risk premiums.

- » House prices: House price growth remains steady but unimpressive at around 2% in nominal terms, but declines in real terms up to end 2022. A modest acceleration starts in 2023, but policy and legislative uncertainty cap the upside.

High-stress scenario – long-term stagnation

Covid-19 and lockdown

- Transmission rates are stabilised at a relatively high level. Regional flare-ups occur regularly, but are managed relatively effectively. This situation persists throughout 2021. Treatments also become more effective, freeing up hospital capacity and resulting in lower mortality rates. Given the stubbornly high prevalence of the virus, strict health protocols are maintained deep into 2022. Thereafter medical advances gradually support a return to normality.
- Lockdown restrictions are eased as transmission rates decline. The country moves to level 0 in late 2021, but strict health protocols are kept in place. Regional flare ups are dealt with through localised restrictions rather than national lockdown. While key lessons were learnt in the first wave, the government's tendency to over-regulate persists. Restrictions on international travel are intermittently reimposed as various countries across the globe battle new waves of infections. Regulations around travel and tourism remain confusing and onerous.
- Covid-19 continues to disrupt business operations, reduces productivity and raises production costs. International trade and tourism are undermined by staggered lockdowns both locally and globally as a result of either flare-ups or new waves of infections in different countries. Some semblance of normality emerges towards the end of 2022 and throughout 2023. The economic impact of Covid-19 lessens as time passes, partly because business adapts to a new way of working and government refrains from level 5 lockdowns. Important lessons were learned and the fear of the virus gradually subsides, as treatments become more effective.

Global economic assumptions

- A U- or W-shaped world recession is assumed. However, the trough is deeper and the climb longer and harder than under the expected scenario. World GDP contracts by over 5%. The hit to global demand and supply is carried over into 2021 and 2022.
- World trade contracts around 20% in 2020. Recovery starts in the second half of 2021. Activity reverts to trend from mid-2022 onwards.
- Global 'risk-off' sentiment returns in 2021 due to repeated Covid-19 flare ups and the slower than expected rollout of effective vaccines. Risk appetites return in 2022. This supports some improvements in capital flows to emerging markets, but investors remain selective, shunning emerging markets with large structural imbalances and other associated problems. Expectations of higher interest rates in advanced countries towards the end of the forecast period result in sharp capital outflows from emerging markets in 2023.
- Commodity prices rise over the short to medium term. Non-fuel commodity and fuel prices are volatile but ends 2021 marginally higher as supply chain disruptions result in underlying upward pressure on prices as global demand gradually recovers from the disruptions of H1 2020. In the outer years non-fuel commodity prices start to enter a downturn due to a relapse in global demand, while the recovery in fuel prices continue albeit as a slower pace, brought about by co-ordinated supply cuts and loss of productive capacity among some major producers.

Global policy responses

- Remain highly accommodative throughout the period. The stimulatory policies, coupled with rising food and fuel prices due to changes in supply chains eventually push inflation higher in 2022. This ushers in a period of monetary policy normalisation in key advanced countries. Central banks start to reduce bloated balance sheets but interest rates in advanced countries remain anchored near or below zero throughout the forecast period.
- Fiscal policies: Public debt burdens rise sharply as governments accelerate both consumption and capital expenditure to revive struggling economies in 2022. These efforts slowly start to move the world economy forward, but efforts are not synchronised, and progress is slow.

Domestic policy landscape

- Monetary policy: Rates are reduced by a cumulative 300bps as CPI recedes, ending 2020 around 3% on shrinking demand and low global oil prices. CPI returns quickly in 2021, driven by a weaker rand, rising to over 5% by end 2023. Rates move higher in 2021, up by 100 bps, followed by two hikes of 25 bps each in early 2022. Prime rises to 8,50% by end-2023 to counter persistent pressure on the currency and deal with rising inflationary pressures.
- Fiscal policy: Public spending rises sharply in 2020 and settles at a higher base, while tax revenue persistently fall short of targets. Budget deficits average around 12% of GDP and the debt burden peaks at over 100% of GDP. Deeper cuts into junk status from all three major ratings agencies are assumed and the country teeters at the brink of a fiscal crisis throughout the forecast period.
- Structural constraints: Politics and ideology undermine structural reforms. Vested interest slows progress in rolling out renewable energy, restructuring SOEs and deregulation in other key industries. Energy constraints become less of a concern as the economy operates throughout the forecast period at well below capacity. High debt burdens and limited financing option eventually bring about some progress on structural reforms in 2021 through to 2023.

Domestic economic consequences

- GDP
 - » GDP shrinks by 11% in 2021 and recovery falls short of expectations. GDP grows to 2,14%, 1,68% and 0,92% in 2021, 2022 and 2023.
 - » Fixed investment contracts by 19% and 2,5% in 2020 and 2021. The recovery that follows is modest, constrained by energy shortages, a deeply ingrained loss of confidence and other domestic constraints. Covid-19 deals a permanent blow to SA. Companies fold and productive capacity is lost.
 - » Unemployment surges and settles at higher levels. Disposable income declines, hurt first by job losses in 2020 and then by rising inflation and higher taxes from 2021 onwards. Consumer spending contracts by over 8% in 2020. Growth improves slowly in 2021 and 2022, but struggles to gain meaningful momentum.
- Credit
 - » Household credit: Advances slow to around 2,7% in early 2021. A moderate recovery starts in mid-2021, eventually taking credit growth up to a modest 4,9% in nominal terms by end-2023. Household indebtedness remains high, averaging 88% of disposable income over the three-year period.

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FOR THE YEAR ENDED 31 DECEMBER

- » Corporate credit: The collapse in fixed investment dominates, resulting in sharp declines in all credit categories. The weakness in loans to companies intensifies, shrinking by 9% by mid-2021. Loan growth returns in H2 2021. A risk of default is exceptionally high.
- Asset prices
 - » Equities: Prices recover over the forecast period but fails to return to pre-Covid-19 levels, with the upside limited by rising interest rates, disappointing economic growth and the country's worsening fiscal position.
 - » House prices: House price growth slows to around 1,5% by 2022 and then drifts up a peak of 2,5% by end-2023. In real or inflation-adjusted terms house prices decline throughout the period. A worsening policy and legislative environment, with growing doubts about private-property rights prevent a meaningful or sustainable recovery.

Positive outcome scenario – V-shaped recession

Covid-19 and lockdown:

- Transmission rates decline rapidly towards year-end, reaching low levels by Q1 2021. In 2021 the virus is largely defeated. Where and when new infections are imported, transmission is kept in check through early detection, rapid contact tracing and testing facilitated through the use of new technology and the use of widely available vaccines. Health authorities remain alert and society largely compliant, supporting the return to relative normality in 2021.
- The country moves to level 0 in early 2021. Health and safety protocols are also eased but sensible preventive measures are kept in place. In 2021 the situation is monitored closely and importation risks are mitigated and managed effectively.
- The economic impact of Covid-19 restrictions lessens significantly throughout 2021. The economy still operates at sub-optimal levels throughout 2021 mainly due to the persistence of the virus in the rest of the world, which continues to weigh on global trade and tourism. The adverse impact declines systematically throughout 2021. By early 2022 restrictions to global trade, travel and tourism are lifted and the business environment normalise.

Global economic assumptions

- World recession is sharp but short. World GDP contracts by around 3% in 2020, before regaining lost ground from 2021 onwards.
- World trade declines by around 10% in 2020, before rebounds from 2021 onwards.
- Global risk appetites return, fuelled by convincing signs of global recovery and the search of yield.
- Commodity prices trend stronger. The unexpectedly quick lift in global activity supports a moderate recovery in commodity prices. Longer-term structural changes to global supply chains also contribute to rise in global commodity prices.

Global policy responses

- Monetary policies: Initially highly accommodative, but interventions prove effective, restoring confidence and lifting asset prices. By late 2023 the process of monetary policy normalisation gradually starts, led by the US Fed.
- Fiscal policies: Global coordination helps the world economy out of a tight spot. Fiscal stimulus quickly shifts from disaster relief to economic stimulation. Infrastructure spending picks up, giving commodities and the world economy a strong boost. Although public debt doubles, the return of growth largely calms concerns and enables governments to manage debt to lower levels in an organised manner. Poorer countries are supported through effective debt-repayment holidays and even in some cases debt relief.

Domestic policy landscape

- Monetary policy: Interest rates are reduced to a cumulative 300 bps in 2020 and are then left unchanged throughout the forecast period. Inflation is contained at between 3% and 4% throughout the period, supported by modest costcompetitive gains brought about by the gradual implementation of effective structural change.
- Fiscal policy: Public spending rises sharply in 2020, but good policies and structural reforms slowly lift growth, improve tax revenues and enable the reprioritising of spending towards capital rather than consumption expenditure. Junk status is not lifted over the three-year forecast period, but the ratings outlook gradually improves to neutral and ultimately positive.
- Structural constraints: Energy constraints persist in 2021, but rapid rollout of alternative forms of energy and the effective maintenance at Eskom enable the country to cope with these constraints. Covid-19 and ratings downgrades to junk status serve as a wake-up call to politicians. Economic policies, regulation and legislation are reviewed, streamlined and tweaked to remove disincentive to business and investment. The middle make the most of the crisis and emerges stronger thereafter. There is greater political and social cohesion.

Domestic economic consequences

- GDP
 - » GDP shrinks by 7,5% in 2020, but bounces back to 3,85% in 2021, 2,44% in 2022 and 1,57% in 2023.
 - » Fixed investment contracts in 2020, but gradually recovers from 2021 onwards, supported by improved investor sentiment on positive policy and other interventions.
 - » Unemployment climbs and income declines in 2020, but pick-up in economic activity and progress in structural reforms support confidence and growth from 2021 onwards. Job opportunities gradually improve. Income growth also recovers throughout 2021. Confidence buoys consumer spending throughout
- Credit
 - » Household credit: credit demand also recovers towards end-2020 and gathers momentum as the economy recovers in 2021, accelerating to a peak of over 8% by end-2023. The ratio of household debt to disposable income averages 73% over the whole period.
 - » Corporate credit: Credit demand improves in 2021 as fixed investment activity slowly picks up, the policy environment improves and global growth accelerates.

- Asset prices
 - » Equities: Prices decline sharply in 2020, but rebound strongly over the next three years, supported by encouraging signs of transition towards a more business-friendly political and policy environment.
 - » House prices: The recovery starts in late 2020 and gains moderate momentum from 2021 onwards, driven by improved confidence, secured property rights and lower interest rates.

Mild scenario – a milder version of high-stress scenario

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

- increases in the prime rate are lower, reflecting a 75 bps increase in 2021 and 25 bps in 2022;
- the pace and rate of recovery remain slow, reflected in GDP growth peaking at 2,84% in 2021, reverting to less than 2% in 2022 and 2023; and
- the HPI recovery reflects a slow recovery similar to GDP growth.

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C2.8 POST-MODEL ADJUSTMENTS

Post-model adjustments are raised to cater for known model and data deficiencies and to account for emerging or developing information for which there is insufficient data and/or time to update models accordingly.

The scale of the economic shock induced by the Covid-19 pandemic, the heterogeneous impacts on various sectors, challenges in accurately reflecting the risk of clients under payment holidays, uncertainty around the economic recovery including impacts of further waves of the virus, timing of the vaccine rollouts and the difficulty in gauging the impact of relief measures have all meant that there is significant challenge in reliably estimating ECL under the current environment. In addition, some historical relationships between credit risk parameters and macroeconomic factors (eg the positive correlation between prime interest rates and default rates) do not hold true in 2020.

Nedbank developed a comprehensive Covid-19 credit programme in response, which sought to address these challenges and associated uncertainty. The programme focused on updating credit policies, data and models that may have a material impact on the estimation of the ECL impairment allowance and the associated income statement charge, with additional emphasis on judgement-based post-model adjustments to ensure emerging short-term and long-term risks are accounted for adequately. As such, there has been a significantly higher level of post-model adjustments applied in establishing the group's year end 2020 ECL position. Approximately 30% of the 2020 income statement impairment charge is driven by key judgemental overlays and forward-looking macroeconomic adjustments that address the following:

- Known model deficiencies or insufficient outcome data.
- Shorter-term impacts of Covid-19 on the portfolio, for clients who remain under D3/2020 payment holiday periods at 31 December 2020.
- In the wholesale portfolios (including business banking's wholesale portfolios) to account for industry-specific impacts of Covid-19 that are not fully captured by the portfolio level models.
- The potential impact of Covid-19 on valuations in the secured lending portfolios, ageing of the defaulted portfolio and possible change in the default resolution mix of cure, restructure and liquidation probabilities.
- Macroeconomic scenarios and the longer-term impact of Covid-19 on the portfolio.
- Expert credit judgement related to significant single obligors.
- To account for emerging or developing events, including the additional restrictions announced on 28 December 2020.

Considering the greater reliance on judgement-based post-model adjustments, existing governance processes and controls were strengthened in a manner that is well-coordinated, effective and efficient.

- **First line of defence:** Post-model adjustment processes/quantification methodologies were developed by the business units.
- **Second line of defence:** Group Credit Risk (GCR) provided assurance by challenging existing overlays and identifying emerging risks and recommending overlays to ensure completeness and adequacy of impairments. Second-line-of-defence committee oversight is provided through avenues such as RBB Monthly Impairments Meetings, Cluster Credit Committees (CCCs), Executive Credit Committee (ECC), and Credit Rating Approval Meetings (CRAMs). GCR provided further oversight in ensuring alignment and consistency in the ECL approaches across the various portfolios. The Credit Models Validation Unit (CMVU) within GCR performed independent validation of the material post-model adjustments. GCR also performed a final assessment of the adequacy of impairments and considered emerging risks that needed to be accounted for as part of the group's forward-looking macro adjustments.
- **Third/Fourth line of defence:** Group internal audit provides third-line-of-defence assurance, while external audit provides extensive oversight through their year-end audits.

Continued close monitoring of the portfolio and further model enhancements and redevelopments remain a focus area for 2021. The post-model adjustments will be reassessed periodically in line with the emergence of risk in the data and/or the updating of models to adequately capture the prevailing economic environment.

Overlays	Dec-20	Dec-19
Model-driven ECL	21 460	17 405
Post-model adjustments	4 617	747
– Non-Covid-19-related adjustments	726	497
– Covid-19 key judgement overlays	1 986	
– Forward-looking macro-adjustments	1 905	250
	26 077	18 152

The impairment charge on financial instruments includes impairment on loans and advances at amortised cost, impairment on loans and advances at FVOCI and off-balance-sheet allowance.

Post model adjustments are recognised in the following stages: R877m in stage 1, R3 032m in stage 2 and R708m in stage 3 (2019: R497m in stage 1 and 2 and R250m in stage 2). Post model adjustments of R1 228m (2019: R163m) relate to CIB, R2 447m (2019: R379m) to RBB, R122m to Wealth, R70m to NAR and R750m held in the Centre (2019: R205m).

MODEL DRIVEN ECL

This is the impairment allowance that is quantitatively driven by IFRS 9 models across the group. This includes, modelled ECL estimates for retail clients in stage 3 and expert judgement driven ECL estimates for wholesale clients in stage 3.

POST MODEL ADJUSTMENTS

Non-Covid-19 related adjustments

Includes business-as-usual overlays, largely related to loss given default adjustments and industry stress scenarios (non Covid-19 related stress) due to known model and data limitations and deficiencies, not yet incorporated into the group's credit models.

Covid-19 key judgmental overlays

Shorter-term impacts of Covid-19 on the portfolio for clients who were granted D3/2020 payment relief. The key overlays relate to:

- Elevated credit risk on clients who were granted D3/2020 relief extensions and its impact on lifetime (stage 2) ECL estimates.
- Residual risk for the lack of sufficient behavioural history with respect to the D3/2020 population's ability to repay post the payment holiday.
- Adjusted recovery rates on D3/2020 loans where these clients were in default (stage 3) at year end.
- High risk industries where the underlying models were unable to sufficiently identify the risk of default due to Covid-19 restrictions.
- Expert credit judgement related to significant single obligors.

Forward-looking macro adjustments

The forward-looking macro adjustments adjusts the forecast longer-term impact of Covid-19 on the portfolio. The key overlays relate to:

- The ECL impact of the uncertainty around the economic recovery including impacts of further waves of the virus, timing of the vaccine rollouts and the difficulty in gauging the impact of relief measures.
- Loss given default rates given anticipated collateral value deterioration and resolution mix changes in cure, restructure and liquidation probabilities.
- Emerging risks not yet reflected in the underlying data, models or macroeconomic forecasts.
- The unprecedented drop in GDP countered by monetary interventions to reduce interest rates, resulted in a breakdown in the relationship between macroeconomic factors (prime interest rates) and default experience. Therefore, an overlay based on employment forecasts was incorporated, based on the correlation between job losses and the ability of clients to repay their debt obligations. This is the main driver of the Retail post-model adjustment.

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C2.9 SCENARIO ANALYSIS

Macroeconomic variable (%)

Scenario	2020				2019			
	Probability weighting (%)	Total ECL allowance	Difference to weighted scenario	Percentage difference to weighted scenario	Probability weighting (%)	Total ECL allowance	Difference to weighted scenario	Percentage difference to weighted scenario
Base case	50	25 949	(128)	(0,49)	50	18 073	(79)	(0,44)
Mild stress	21	26 466	389	1,49	21	18 657	505	2,78
Positive outcome	21	25 613	(464)	(1,78)	21	17 352	(800)	(4,41)
High stress	8	27 034	957	3,67	8	19 362	1 210	6,67
Weighted scenarios	100	26 077			100	18 152		

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

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

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

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

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

C2.10 SEGMENTAL ANALYSIS OF IMPAIRMENTS CHARGE ON FINANCIAL INSTRUMENTS

2020

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

¹ Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs is R5 180m-refer to C2.2. Foreign exchange movements included in this amount is a R111m gain.

² Loans and advances at FVOCI and non-loans and advances were previously included in the stage 1, stage 2 and stage 3 ECL allowance. In the current year loans and advances at FVOCI and non-loans and advances have been presented as separate lines in the above.

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2019

Rm	Total	Nedbank Corporate and Investment Banking	Nedbank Retail and Business Banking	Nedbank Wealth	Nedbank Africa Regions	Centre
ECL allowance at the beginning of the year	15 704	1 743	12 795	187	814	165
Stage 1	2 854	567	2 042	25	219	1
Stage 2	3 488	451	2 791	22	76	148
Stage 3	9 362	725	7 962	140	519	16
Statement of comprehensive income charge net of recoveries	6 129	916	4 823	57	233	100
Stage 1	505	(41)	476	(1)	71	–
Stage 2	541	312	102	4	23	100
Stage 3	4 805	381	4 241	54	129	–
Off-balance-sheet allowance	56	46	4	–	6	–
Non-loans and advances	4	–	–	–	4	–
FVOCI loan impairment charge	218	218	–	–	–	–
Adjusted for:	(4 021)	(255)	(3 474)	(15)	(276)	(1)
Recoveries ¹	1 247	20	1 196	–	31	–
Interest in suspense ¹	723	83	640	–	–	–
Amounts written off against the impairment ¹	(5 491)	(117)	(5 275)	(15)	(84)	–
Foreign exchange and other transfers ¹	(278)	(23)	(35)	–	(219)	(1)
Non-loans and advances	(4)	–	–	–	(4)	–
FVOCI loan impairment charge	(218)	(218)	–	–	–	–
ECL allowance at the end of the year	17 812	2 404	14 144	229	771	264
Stage 1	3 362	591	2 507	24	240	–
Stage 2	3 893	729	2 819	25	72	248
Stage 3	10 557	1 084	8 818	180	459	16
Split by measurement category ²	17 812	2 404	14 144	229	771	264
Loans and advances	17 541	2 223	14 075	229	749	265
Off-balance-sheet allowance	271	181	69	–	22	(1)

¹ Amounts written off against the impairment, adjusted for recoveries, interest in suspense, foreign exchange and other recovery costs is R3 799m - refer to C2.2. Foreign exchange movements included in this amount is a R185m loss.

² Loans and advances at FVOCI and non-loans and advances were previously included in the stage 1, stage 2 and stage 3 ECL allowance. In the current year loans and advances at FVOCI and non-loans and advances have been presented as separate lines in the above.

C2.11 CREDIT RISK EXPOSURE

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

Rm	Maximum exposure to credit risk ¹	
	2020	2019
Other short-term securities ²	28 245	33 913
Derivative financial instruments	80 325	35 243
Government and other securities ²	54 631	35 766
Loans and advances ²	82 850	46 001
Other assets	5 201	3 632
Investment securities	26 297	28 809
Total	277 549	183 364

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

² Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised cost in 2019. The measurement basis of these instruments has however not changed. Refer to note 11: Consolidated statement of financial position – categories of financial instruments.

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

2020

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

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

¹ Term loans and other loans previously were presented in one product line namely 'Personal, term and other loans'. In the current financial year 'Personal, term and other loans' have been split into 'Term loans' and 'Specialised and other loans to clients' due to the different nature and size of these accounts.

² Included in the total loans and advances at amortised cost and FVOCI is a gross carrying amount of R1 711m (2020); R448m (2019) relating to term loans at FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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2019

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

Rm	Gross exposure ²	Impairment allowance	Carrying amount	Fair value of collateral held
Home loans	7 835	1 570	6 265	7 832
Commercial mortgages	2 488	504	1 984	2 360
Properties in possession	55	8	47	19
Credit cards and overdrafts	3 119	1 912	1 207	4 170
Term loans ¹	7 228	3 672	3 556	4 272
Overnight loans	171	10	161	720
Specialised and other loans to clients ¹	293	271	22	352
Instalment debtors	6 608	2 706	3 902	6 665
Preference shares and debentures	197	34	163	237
Factoring accounts	48	15	33	51
Loans and advances at amortised cost and FVOCI	28 042	10 702	17 340	26 678

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

Loans and advances

2020

LTV distributions

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

Rm	Gross carrying amount of credit-impaired financial assets			
Rm	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts
Lower than 50%	1 112	352	–	392
50% to 75%	1 633	215	–	14
75% to 100%	2 991	976	20	163
Higher than 100%	2 099	945	35	2 550
Loans and advances at amortised cost and FVOCI	7 835	2 488	55	3 119

¹ Term loans and other loans previously were presented in one product line namely 'Personal, term and other loans'. In the current financial year 'Personal, term and other loans' have been split into 'Term loans' and 'Specialised and other loans to clients' due to the different nature and size of these accounts.

² Included in the total loans and advances at amortised cost and FVOCI is a gross carrying amount of R1 711m (2020); R448m (2019) relating to term loans at FVOCI.

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

Gross carrying amount of credit-impaired financial assets						
	Term loans 1	Overnight loans	Specialised and other loans to clients 1	Instalment debtors	Preference shares and debentures	Factoring accounts
	621	–	38	204	9	5
	82	–	22	370	–	11
	392	–	60	1 129	–	7
	6 133	171	173	4 905	188	25
	7 228	171	293	6 608	197	48

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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C2.12 LOSS ALLOWANCE

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

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

2020

Loans and advances

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	671 267	3 362	667 905
New financial assets originated or purchased	209 531	2 234	207 297
Financial assets written off	—	—	—
Repayments net of readvances, capitalised interest, fees and ECL remeasurements ¹	(64 418)	5 507	(69 925)
Final repayments	(123 748)	(815)	(122 933)
Transfers to 12-month ECL	38 912	840	38 072
Transfers to lifetime ECL (not credit-impaired)	(103 931)	(2 749)	(101 182)
Transfers to lifetime ECL (credit-impaired)	(20 520)	(4 294)	(16 226)
Foreign exchange movements	3 996	98	3 898
Net balances (refer note C2.2)	611 089	4 183	606 906
Total credit and zero balances ²	7 519	(49)	7 568
Balance at the end of the year	618 608	4 134	614 474
Loans and advances at FVTPL			
Loans and advances at FVOCI ³			
Off-balance sheet impairment allowance			
Fair-value hedge-accounted portfolios			
ECL credit and other balances			

Loans and advances

¹ Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in model inputs and assumptions and changes due to drawdowns of undrawn commitments.

² Total credit and zero balances throughout this note refer to the loss allowance on balances that became liabilities to the group during the financial year. The group, however, still has credit risk exposure on these facilities.

³ Loans and advances at FVOCI was previously included in the loans and advances at amortised cost presentation table. The 2019 balances have been restated to separately disclose FVOCI loans and advances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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Home loans

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

Commercial mortgages

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

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

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

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Properties in possession

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

Credit card and overdrafts

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

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	-	-	-	113	8	105	208	8	200
	-	-	-	-	-	-	3	-	3
	-	-	-	2	2	-	2	2	-
	-	-	-	3	(1)	4	3	(1)	4
	-	-	-	3	-	3	3	-	3
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	(58)	-	(58)	(70)	-	(70)
	-	-	-	63	9	54	149	9	140
	-	-	-	-	-	-	-	-	-
	-	-	-	63	9	54	149	9	140

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

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Term loans

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

Specialised and other loans to clients

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

Instalment debtors

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Preference shares and debentures

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

Overnight loans

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

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	75	4	71	197	34	163	12 579	99	12 480
	–	–	–	–	–	–	4 387	23	4 364
	–	–	–	–	–	–	–	–	–
	(10)	(2)	(8)	4	33	(29)	(4 789)	37	(4 826)
	–	–	–	–	–	–	(71)	–	(71)
	(75)	(2)	(73)	–	–	–	–	–	–
	865	14	851	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	855	14	841	201	67	134	12 106	159	11 947
	–	–	–	–	–	–	–	–	–
	855	14	841	201	67	134	12 106	159	11 947

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	3 276	114	3 162	171	10	161	14 946	137	14 809
	–	–	–	–	–	–	12 712	4	12 708
	–	–	–	–	–	–	–	–	–
	(4 200)	56	(4 256)	(22)	37	(59)	(6 757)	40	(6 797)
	(637)	(37)	(600)	–	(34)	34	(10 207)	(100)	(10 107)
	(3 911)	(92)	(3 819)	(191)	–	(191)	–	–	–
	7 661	17	7 644	–	–	–	–	–	–
	(294)	(11)	(283)	334	11	323	–	–	–
	(187)	(21)	(166)	–	(2)	2	(519)	(22)	(497)
	1 708	26	1 682	292	22	270	10 175	59	10 116
	–	–	–	–	–	–	–	–	–
	1 708	26	1 682	292	22	270	10 175	59	10 116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Factoring accounts

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

Trade, other bills and banker's acceptances

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

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

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
			-			-	5	-	5
	-	-	-	-	-	-	3	-	3
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	(4)	-	(4)
			-			-	4	-	4
			-			-	-	-	-
	-	-	-	-	-	-	4	-	4

Financial guarantees and loan commitments

Rm	Not credit-impaired		Credit-impaired	Total
	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (excluding purchased/originated)	
	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
Balance at the beginning of the year	65	67	88	220
New financial assets originated or purchased	40	–	–	40
Financial assets written off	–	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL 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
Net balances	103	189	237	529
Total credit and zero balances	–	–	–	–
Balance at the end of the year	103	189	237	529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

2019

Loans and advances

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount ^{1, 2}	Allowance for ECL ¹	Amortised cost
Balance at the beginning of the year	626 726	2 854	623 872
New financial assets originated or purchased	232 798	2 505	230 293
Financial assets written off	—	—	—
Repayments net of readvances, capitalised interest, fees and ECL remeasurements ³	(64 219)	3 524	(67 743)
Final repayments	(90 436)	(554)	(89 882)
Transfers to 12-month ECL	23 244	747	22 497
Transfers to lifetime ECL (not credit-impaired)	(45 644)	(2 309)	(43 335)
Transfers to lifetime ECL (credit-impaired)	(11 992)	(3 399)	(8 593)
Foreign exchange movements	790	(6)	796
Net balances	671 267	3 362	667 905
Total credit and zero balances ⁴	6 853	(43)	6 896
Balance at the end of the year	678 120	3 319	674 801
Loans and advances at FVTPL ²			
Loans and advances at FVOCI ^{2,5}			
Off-balance-sheet impairment allowance			
Fair-value hedge-accounted portfolios ²			
ECL credit and other balances			
Loans and advances			

¹ 2019 restated, refer to note A4: Reclassification for further details.

² Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments for further details.

³ Includes credit risk changes as a result of significant increases in credit risk, changes in credit risk that did not result in a transfer between stages, changes in

model inputs and assumptions and changes due to drawdowns of undrawn commitments.

⁴ Total credit and zero balances throughout this note refer to the loss allowance on balances that became liabilities to the group during the financial year. The group, however, still has credit risk exposure on these facilities.

⁵ Loans and advances at FVOCI was previously included in the loans and advances at amortised cost presentation table. The 2019 balances have been restated to separately disclose FVOCI loans and advances.

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount ²	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	69 109	3 488	65 621	25 182	9 362	15 820	721 017	15 704	705 313
	–	–	–	–	–	–	232 798	2 505	230 293
	–	–	–	(5 452)	(3 183)	(2 269)	(5 452)	(3 183)	(2 269)
	(4 882)	1 069	(5 951)	(4 262)	(557)	(3 705)	(73 363)	4 036	(77 399)
	(12 109)	(183)	(11 926)	(1 935)	(496)	(1 439)	(104 480)	(1 233)	(103 247)
	(21 235)	(587)	(20 648)	(2 009)	(160)	(1 849)	–	–	–
	49 858	2 612	47 246	(4 214)	(303)	(3 911)	–	–	–
	(8 285)	(2 507)	(5 778)	20 277	5 906	14 371	–	–	–
	(385)	1	(386)	18	(12)	30	423	(17)	440
	72 071	3 893	68 178	27 605	10 557	17 048	770 943	17 812	753 131
	17	(4)	21	(11)	(2)	(9)	6 859	(49)	6 908
	72 088	3 889	68 199	27 594	10 555	17 039	777 802	17 763	760 039
									46 001
									17 583
									271
									941
									(49)
									824 786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Home loans

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	133 061	235	132 826
New financial assets originated or purchased	11 709	62	11 647
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	4 683	483	4 200
Final repayments	(8 756)	(15)	(8 741)
Transfers to 12-month ECL	5 614	6	5 608
Transfers to lifetime ECL (not credit-impaired)	(5 473)	(205)	(5 268)
Transfers to lifetime ECL (credit-impaired)	(1 828)	(293)	(1 535)
Foreign exchange movements	387	15	372
Net balances	139 397	288	139 109
Total credit and zero balances	158	(1)	159
Balance at the end of the year	139 555	287	139 268

Commercial mortgages

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount ¹	Allowance for ECL	Amortised cost
Balance at the beginning of the year	141 215	299	140 916
New financial assets originated or purchased	46 282	174	46 108
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(1 466)	(63)	(1 403)
Final repayments	(28 923)	(58)	(28 865)
Transfers to 12-month ECL	7 582	59	7 523
Transfers to lifetime ECL (not credit-impaired)	(7 535)	(37)	(7 498)
Transfers to lifetime ECL (credit-impaired)	(1 456)	(140)	(1 316)
Foreign exchange movements	(898)	(16)	(882)
Net balances	154 801	218	154 583
Total credit and zero balances	–	–	–
Balance at the end of the year	154 801	218	154 583

¹ Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised in 2019. The measurement basis of these instruments has however not changed. Refer to note 11: Consolidated statement of financial position – categories of financial instruments for further details.

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	15 574	616	14 958	6 965	1 432	5 533	155 600	2 283	153 317
	–	–	–	–	–	–	11 709	62	11 647
	–	–	–	(243)	(179)	(64)	(243)	(179)	(64)
	(55)	(21)	(34)	(587)	(110)	(477)	4 041	352	3 689
	(936)	(30)	(906)	(398)	(94)	(304)	(10 090)	(139)	(9 951)
	(5 085)	(16)	(5 069)	(529)	10	(539)	–	–	–
	6 675	274	6 401	(1 202)	(69)	(1 133)	–	–	–
	(1 992)	(288)	(1 704)	3 820	581	3 239	–	–	–
	–	4	(4)	–	–	–	387	19	368
	14 181	539	13 642	7 826	1 571	6 255	161 404	2 398	159 006
	4	–	4	9	(1)	10	171	(2)	173
	14 185	539	13 646	7 835	1 570	6 265	161 575	2 396	159 179

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount ¹	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	19 856	238	19 618	2 957	436	2 521	164 028	973	163 055
	–	–	–	–	–	–	46 282	174	46 108
	–	–	–	(13)	(12)	(1)	(13)	(12)	(1)
	2 993	84	2 909	234	92	142	1 761	113	1 648
	(6 160)	(31)	(6 129)	(578)	(80)	(498)	(35 661)	(169)	(35 492)
	(6 991)	(54)	(6 937)	(591)	(5)	(586)	–	–	–
	9 248	152	9 096	(1 713)	(115)	(1 598)	–	–	–
	(734)	(48)	(686)	2 190	188	2 002	–	–	–
	501	(3)	504	2	–	2	(395)	(19)	(376)
	18 713	338	18 375	2 488	504	1 984	176 002	1 060	174 942
	–	–	–	–	–	–	–	–	–
	18 713	338	18 375	2 488	504	1 984	176 002	1 060	174 942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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Properties in possession

	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Rm			
Balance at the beginning of the year	–	–	–
New financial assets originated or purchased	38	–	38
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	59	–	59
Final repayments	–	–	–
Transfers to 12-month ECL	–	–	–
Transfers to lifetime ECL (not credit-impaired)	–	–	–
Transfers to lifetime ECL (credit-impaired)	–	–	–
Foreign exchange movements	(2)	–	(2)
Net balances	95	–	95
Total credit and zero balances	–	–	–
Balance at the end of the year	95	–	95

Credit cards and overdrafts

	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Rm			
Balance at the beginning of the year	25 380	616	24 764
New financial assets originated or purchased	7 746	303	7 443
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	9 404	1 070	8 334
Final repayments	(8 726)	(129)	(8 597)
Transfers to 12-month ECL	2 187	120	2 067
Transfers to lifetime ECL (not credit-impaired)	(5 294)	(336)	(4 958)
Transfers to lifetime ECL (credit-impaired)	(1 459)	(785)	(674)
Foreign exchange movements	(22)	2	(24)
Net balances	29 216	861	28 355
Total credit and zero balances	6 278	(42)	6 320
Balance at the end of the year	35 494	819	34 675

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	–	–	–	152	18	134	152	18	134
	–	–	–	–	–	–	38	–	38
	–	–	–	(4)	(4)	–	(4)	(4)	–
	–	–	–	(33)	(6)	(27)	26	(6)	32
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	(2)	–	(2)	(4)	–	(4)
	–	–	–	113	8	105	208	8	200
	–	–	–	(58)	–	(58)	(58)	–	(58)
	–	–	–	55	8	47	150	8	142

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	4 874	686	4 188	3 027	2 051	976	33 281	3 353	29 928
	—	—	—	—	—	—	7 746	303	7 443
	—	—	—	(1 632)	(918)	(714)	(1 632)	(918)	(714)
	1 034	56	978	(44)	(229)	185	10 394	897	9 497
	(3 019)	(47)	(2 972)	(434)	(161)	(273)	(12 179)	(337)	(11 842)
	(2 085)	(97)	(1 988)	(102)	(23)	(79)	—	—	—
	5 331	347	4 984	(37)	(11)	(26)	—	—	—
	(855)	(423)	(432)	2 314	1 208	1 106	—	—	—
	(71)	2	(73)	(11)	(4)	(7)	(104)	—	(104)
	5 209	524	4 685	3 081	1 913	1 168	37 506	3 298	34 208
	13	(4)	17	38	(1)	39	6 329	(47)	6 376
	5 222	520	4 702	3 119	1 912	1 207	43 835	3 251	40 584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Term loans

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount ¹	Allowance for ECL	Amortised cost
Balance at the beginning of the year	144 736	777	143 959
New financial assets originated or purchased	83 621	965	82 656
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(42 471)	1 410	(43 881)
Final repayments	(20 416)	(292)	(20 124)
Transfers to 12-month ECL	2 426	53	2 373
Transfers to lifetime ECL (not credit-impaired)	(8 367)	(633)	(7 734)
Transfers to lifetime ECL (credit-impaired)	(2 555)	(1 338)	(1 217)
Foreign exchange movements	105	(1)	106
Net balances	157 079	941	156 138
Total credit and zero balances	(2)	–	(2)
Balance at the end of the year	157 077	941	156 136

¹ Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments for further details.

Specialised and other loans to clients

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount ^{1, 2}	Allowance for ECL ¹	Amortised cost
Balance at the beginning of the year	48 694	112	48 582
New financial assets originated or purchased	27 203	47	27 156
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	5 132	46	5 086
Final repayments	(23 616)	(60)	(23 556)
Transfers to 12-month ECL	295	12	283
Transfers to lifetime ECL (not credit-impaired)	(2 708)	(22)	(2 686)
Transfers to lifetime ECL (credit-impaired)	(155)	(33)	(122)
Foreign exchange movements	492	–	492
Net balances	55 337	102	55 235
Total credit and zero balances	419	–	419
Balance at the end of the year	55 756	102	55 654

¹ 2019 restated, refer to note A4: Reclassification for further details.

² Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments for further details.

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount ¹	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	10 692	577	10 115	6 534	2 637	3 897	161 962	3 991	157 971
	–	–	–	–	–	–	83 621	965	82 656
	–	–	–	(1 625)	(1 218)	(407)	(1 625)	(1 218)	(407)
	(4 580)	510	(5 090)	(1 176)	(88)	(1 088)	(48 227)	1 832	(50 059)
	(768)	(60)	(708)	(279)	(131)	(148)	(21 463)	(483)	(20 980)
	(2 006)	(9)	(1 997)	(420)	(44)	(376)	–	–	–
	8 675	673	8 002	(308)	(40)	(268)	–	–	–
	(1 541)	(992)	(549)	4 096	2 330	1 766	–	–	–
	(242)	–	(242)	(42)	(9)	(33)	(179)	(10)	(169)
	10 230	699	9 531	6 780	3 437	3 343	174 089	5 077	169 012
	–	–	–	–	–	–	(2)	–	(2)
	10 230	699	9 531	6 780	3 437	3 343	174 087	5 077	169 010

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	523	191	332	176	123	53	49 393	426	48 967
	–	–	–	–	–	–	27 203	47	27 156
	–	–	–	(12)	(9)	(3)	(12)	(9)	(3)
	(23)	92	(115)	274	165	109	5 378	303	5 075
	(1 226)	(15)	(1 211)	(246)	(30)	(216)	(25 094)	(105)	(24 989)
	(293)	(2)	(291)	(2)	(10)	8	–	–	–
	2 869	33	2 836	(161)	(11)	(150)	–	–	–
	(41)	(13)	(28)	196	46	150	–	–	–
	135	(3)	138	68	(3)	71	695	(6)	701
	1 944	283	1 661	293	271	22	57 574	656	56 918
	–	–	–	–	–	–	419	–	419
	1 944	283	1 661	293	271	22	57 993	656	57 337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Instalment debtors

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	99 599	654	98 945
New financial assets originated or purchased	51 707	586	51 121
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(34 299)	1 092	(35 391)
Final repayments	–	–	–
Transfers to 12-month ECL	2 992	50	2 942
Transfers to lifetime ECL (not credit-impaired)	(10 566)	(833)	(9 733)
Transfers to lifetime ECL (credit-impaired)	(4 007)	(748)	(3 259)
Foreign exchange movements	(10)	–	(10)
Net balances	105 416	801	104 615
Total credit and zero balances			–
Balance at the end of the year	105 416	801	104 615

Preference shares and debentures

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	14 658	67	14 591
New financial assets originated or purchased	2 373	17	2 356
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(4 578)	(14)	(4 564)
Final repayments	–	–	–
Transfers to 12-month ECL	71	–	71
Transfers to lifetime ECL (not credit-impaired)	(217)	(9)	(208)
Transfers to lifetime ECL (credit-impaired)	–	–	–
Foreign exchange movements	–	–	–
Net balances	12 307	61	12 246
Total credit and zero balances			–
Balance at the end of the year	12 307	61	12 246

Overnight loans

Rm	Not credit-impaired		
	Subject to 12-month ECL		
	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	13 759	23	13 736
New financial assets originated or purchased	1 486	182	1 304
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(862)	(345)	(517)
Final repayments	–	–	–
Transfers to 12-month ECL	2 035	339	1 696
Transfers to lifetime ECL (not credit-impaired)	(5 146)	(166)	(4 980)
Transfers to lifetime ECL (credit-impaired)	(512)	(17)	(495)
Foreign exchange movements	739	(3)	742
Net balances	11 499	13	11 486
Total credit and zero balances			–
Balance at the end of the year	11 499	13	11 486

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	16 437	1 110	15 327	4 967	2 534	2 433	121 003	4 298	116 705
	–	–	–	–	–	–	51 707	586	51 121
	–	–	–	(1 917)	(839)	(1 078)	(1 917)	(839)	(1 078)
	(3 865)	105	(3 970)	(2 551)	(414)	(2 137)	(40 715)	783	(41 498)
	–	–	–	–	–	–	–	–	–
	(2 772)	(45)	(2 727)	(220)	(5)	(215)	–	–	–
	11 365	892	10 473	(799)	(59)	(740)	–	–	–
	(3 122)	(741)	(2 381)	7 129	1 489	5 640	–	–	–
	–	–	–	(1)	–	(1)	(11)	–	(11)
	18 043	1 321	16 722	6 608	2 706	3 902	130 067	4 828	125 239
	–	–	–	–	–	–	–	–	–
	18 043	1 321	16 722	6 608	2 706	3 902	130 067	4 828	125 239

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	142	2	140	354	62	292	15 154	131	15 023
	–	–	–	–	–	–	2 373	17	2 356
	–	–	–	–	–	–	–	–	–
	(205)	(2)	(203)	(165)	(33)	(132)	(4 948)	(49)	(4 899)
	–	–	–	–	–	–	–	–	–
	(71)	–	(71)	–	–	–	–	–	–
	209	4	205	8	5	3	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	75	4	71	197	34	163	12 579	99	12 480
	–	–	–	–	–	–	–	–	–
	75	4	71	197	34	163	12 579	99	12 480

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	857	16	841	–	–	–	14 616	39	14 577
	–	–	–	–	–	–	1 486	182	1 304
	–	–	–	–	–	–	–	–	–
	(125)	238	(363)	(204)	24	(228)	(1 191)	(83)	(1 108)
	–	–	–	–	–	–	–	–	–
	(1 896)	(305)	(1 591)	(139)	(34)	(105)	–	–	–
	5 148	166	4 982	(2)	–	(2)	–	–	–
	–	–	–	512	17	495	–	–	–
	(708)	(1)	(707)	4	3	1	35	(1)	36
	3 276	114	3 162	171	10	161	14 946	137	14 809
	–	–	–	–	–	–	–	–	–
	3 276	114	3 162	171	10	161	14 946	137	14 809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Factoring accounts

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	5 611	10	5 601
New financial assets originated or purchased	633	2	631
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	186	10	176
Final repayments	1	–	1
Transfers to 12-month ECL	42	–	42
Transfers to lifetime ECL (not credit-impaired)	(338)	(5)	(333)
Transfers to lifetime ECL (credit-impaired)	(20)	(5)	(15)
Foreign exchange movements	–	–	–
Net balances	6 115	12	6 103
Total credit and zero balances			–
Balance at the end of the year	6 115	12	6 103

Trade, other bills and banker's acceptances

	Not credit-impaired		
	Subject to 12-month ECL		
Rm	Gross carrying amount	Allowance for ECL	Amortised cost
Balance at the beginning of the year	13	1	12
New financial assets originated or purchased	–	–	–
Financial assets written off	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(7)	–	(7)
Final repayments	–	–	–
Transfers to 12-month ECL	–	–	–
Transfers to lifetime ECL (not credit-impaired)	–	–	–
Transfers to lifetime ECL (credit-impaired)	–	–	–
Foreign exchange movements	(1)	(1)	–
Net balances	5	–	5
Total credit and zero balances			–
Balance at the end of the year	5	–	5

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	154	4	150	50	8	42	5 815	22	5 793
	–	–	–	–	–	–	633	2	631
	–	–	–	(6)	(4)	(2)	(6)	(4)	(2)
	(56)	(5)	(51)	(10)	6	(16)	120	11	109
	–	–	–	–	–	–	1	–	1
	(36)	–	(36)	(6)	–	(6)	–	–	–
	338	5	333	–	–	–	–	–	–
	–	–	–	20	5	15	–	–	–
	–	–	–	–	–	–	–	–	–
	400	4	396	48	15	33	6 563	31	6 532
			–			–	–	–	–
	400	4	396	48	15	33	6 563	31	6 532

	Not credit-impaired			Credit-impaired			Total		
	Subject to lifetime ECL			Subject to lifetime ECL (excluding purchased/originated)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
	–	–	–	–	–	–	13	1	12
	–	–	–	–	–	–			
	–	–	–	–	–	–	(7)	–	(7)
	–	–	–	–	–	–			
	–	–	–	–	–	–			
	–	–	–	–	–	–			
	–	–	–	–	–	–	(1)	(1)	–
	–	–	–	–	–	–	5	–	5
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	5	–	5

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)	
	Allowance for ECL	Allowance for ECL	Allowance for ECL	Allowance for ECL
Rm				
Balance at the beginning of the year	60	48	61	169
New financial assets originated or purchased	167	–	–	167
Financial assets written off	–	–	–	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(165)	12	36	(117)
Final repayments	–	–	–	–
Transfers to 12-month ECL	108	(59)	(49)	–
Transfers to lifetime ECL (not credit-impaired)	(63)	66	(3)	–
Transfers to lifetime ECL (credit-impaired)	(40)	(2)	42	–
Foreign exchange movements	(2)	2	1	1
Net balances	65	67	88	220
Total credit and zero balances	–	–	–	–
Balance at the end of the year	65	67	88	220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

C2.13 FINANCIAL ASSETS WRITTEN OFF

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Writeoff and postwriteoff recoveries

Loans and advances are written off when the group has no reasonable expectations of recovering the asset partially or in its entirety. This assessment is judgemental and includes both qualitative and quantitative information, including trends based on historical recoveries. Card will write off after a client has had four months with no payment at legal stage, which translates into approximately 12 months in default; Personal Loans will write off after a client has missed the last 12 payments, and MFC will write off after approximately 11 months in default.

Other products are generally considered for writeoff only once the underlying security has been realised fully. The group writes off financial assets, in whole or in part, when practical recovery efforts have been exhausted and the group has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

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

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

The write-off periods for the following key products are as follows:

- Card will write-off after a client has had two months with no payment at legal stage, which translates into approximately 12 months in default;
- Personal Loans will write off after a client has missed the last 12 payments; and
- MFC will write off after approximately 11 months in default.

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

Rm	2020	2019
Contractual amount outstanding	5 758	5 149

C2.14 MODIFICATION OF FINANCIAL ASSETS

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

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

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

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

Rm	2020	2019
Modification during the year for which the loss allowance reflects lifetime ECL		
Amortised cost before modification	2 135	2 306
Net modification loss	330	389
Modification since initial recognition of the financial asset for which the loss allowance has changed during the year to reflect 12-month ECL		
Gross carrying amount at the end of the year	593	122
Impact of modification on the ECL allowances associated with these assets	12	1

C3 GOVERNMENT AND OTHER SECURITIES

C3.1 ANALYSIS

	2020 Rm	2019 Rm
		(Restated) ¹
Government and government-guaranteed securities ¹	124 412	95 652
Other dated securities ²	1 753	3 263
Fair-value hedge-accounted portfolios	6 069	1 645
Impairment of government and other securities	(13)	(3)
	132 221	100 557

¹ 2019 restated, refer to note A4: Reclassification.

² Includes securitised assets. See note F5.

C3.2 SECTORAL ANALYSIS

	2020 Rm	2019 Rm
		(Restated) ¹
Financial services, insurance and real estate	237	742
Banks	121	987
Manufacturing, wholesale and trade		11
Transport, storage and communication	437	567
Government and public sector ¹	131 427	98 250
Other sectors	(1)	
	132 221	100 557

¹ 2019 restated, refer to note A4: Reclassification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

C4 OTHER SHORT-TERM SECURITIES

C4.1 ANALYSIS

	2020 Rm	2019 Rm
Negotiable certificates of deposit	17 274	18 709
Treasury bills and other bonds	35 333	45 749
Impairment of other short-term securities	(2)	(7)
	52 605	64 451

C4.2 SECTORAL ANALYSIS

	2020 Rm	2019 Rm
Banks	14 292	16 767
Government and public sector	35 543	45 295
Other sectors	2 770	2 389
	52 605	64 451

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

CREDIT RATINGS

	Investment grade		Subinvestment grade		Not rated		Total	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Other short-term securities	48 897	60 009	1 838	1 892	1 870	2 550	52 605	64 451
Negotiable certificates of deposit	16 938	18 373	336	336			17 274	18 709
Treasury bills and other bonds	31 959	41 636	1 502	1 556	1 872	2 557	35 333	45 749
Impairment of other short-term securities					(2)	(7)	(2)	(7)
Government and other securities	130 909	98 821	914	1 591	398	145	132 221	100 557
Government and government-guaranteed securities ¹	123 918	95 290	168	292	326	70	124 412	95 652
Other dated securities ²	924	1 888	746	1 299	83	76	1 753	3 263
Fair-value hedge-accounted portfolios	6 069	1 645					6 069	1 645
Impairment of government and other securities	(2)	(2)			(11)	(1)	(13)	(3)
	179 806	158 830	2 752	3 483	2 268	2 695	184 826	165 008

¹ 2019 restated, refer to note A4: Reclassification.

²Debt securities that are purchased by the group are rated using an internal rating system, being the Nedbank Group Rating (NGR) scale. The group requires that investments be rated on the NGR scale to ensure that credit risk is measured consistently and accurately across the group. This ensures compliance with the group's policy on the rating of investments. The NGR scale has been mapped to the credit-rating scales of external credit-rating agencies. According to the NGR scale, investment grade can be equated to a Standard & Poor's and Fitch rating of at least BB+ and a Moody's rating of at least Ba1. The group's investment grade includes credit ratings from NGR01 to NGR12 and subinvestment grade includes credit ratings from NGR13 to NGR25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
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C6 CASH AND CASH EQUIVALENTS

	2020 Rm	2019 Rm
Coins and banknotes	7 195	6 651
Money at call and short notice	6 588	6 948
Balances with central banks – other than mandatory reserve deposits	1 108	550
Cash and cash equivalents excluding mandatory reserve deposits with central banks	14 891	14 149
Mandatory reserve deposits with central banks	26 491	23 486
	41 382	37 635

Money at call and short notice constitute amounts withdrawable in 32 days or fewer.

ACCOUNTING POLICY

Derivative financial instruments and hedge accounting

Derivatives are classified as financial assets when their fair value is positive, or as financial liabilities when their fair value is negative, subject to the offsetting principles as described under 'Offsetting financial assets and financial liabilities'. The method of recognising fair-value gains and losses depends on whether derivatives are designated as hedging instruments and the nature of the risks being hedged.

- **Derivatives that qualify for hedge accounting**

The group applies hedge accounting when transactions meet the criteria set out in IAS 39. The group's hedging strategy makes use of fair-value hedges, which are hedges of the change in fair value of recognised assets or liabilities or firm commitments. The group manages its interest rate risk exposure by entering into interest rate swaps. The interest rate risk exposure is frequently updated due to new loans being originated, contractual repayments, and early prepayments made by clients in each period. As a result, the group adopted a macro fair-value hedge strategy to hedge the designated risk profile by designating new swap agreements into the macro fair-value hedge-accounting solution at the beginning of every month. The group uses the macro fair-value hedge to recognise fair value changes related to the interest rate risk to reduce the profit or loss volatility that would otherwise arise from changes in fair value of the interest swaps alone.

- **Fair-value hedges**

Where a hedging relationship is designated as a fair-value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Fair-value gains and losses arising on the measurement of both the hedging instrument and the hedged item are recognised in profit and loss, for so long as the hedging relationship is effective at each testing date. Any hedge ineffectiveness is recognised in profit or loss. The main sources of hedge ineffectiveness in these hedging relationships are the cashflow mismatches between the hedged items and the hedging instruments and the movement in the benchmark overnight index swap curves relative to the designated risk curve.

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

- **Derivatives that do not qualify for hedge accounting**

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

Embedded derivatives

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

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

The host contract is accounted for:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

Principal types of derivatives

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

Collateral

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

C7.1 TOTAL CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Rm	2019 Rm
Gross carrying amount of assets	80 325	35 243
Gross carrying amount of liabilities	(65 130)	(27 991)
Net carrying amount	15 195	7 252

A detailed breakdown of the carrying amount (fair value) and notional principal of the various types of derivative financial instruments held by the group is presented in the following tables in notes C7.2 and C7.3.

C7.2 NOTIONAL PRINCIPAL OF DERIVATIVE FINANCIAL INSTRUMENTS

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

Rm	2020			2019		
	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
Equity derivatives	26 504	15 030	11 474	45 984	21 139	24 845
Options written	9 614		9 614	11 217		11 217
Options purchased	9 415	9 415		12 382	12 382	
Futures ²	7 475	5 615	1 860	22 385	8 757	13 628
Commodity derivatives	5 004	2 962	2 042	4 283	1 750	2 533
Options written	269		269	2 533		2 533
Options purchased	2 733	2 733		1 503	1 503	
Swaps	38	19	19	¹	¹	¹
Futures	1 964	210	1 754	247	247	
Exchange rate derivatives	747 248	398 747	348 501	565 617	268 080	297 537
Forwards	397 980	222 552	175 428	396 758	210 268	186 490
Spot	73		73			
Futures	8 336	2 516	5 820	2 278	1 218	1 060
Currency swaps	214 022	106 627	107 395	81 769	14 440	67 329
Options purchased	67 052	67 052		42 154	42 154	
Options written	59 785		59 785	42 658		42 658
Interest rate derivatives	6 638 734	3 368 673	3 270 061	5 081 477	3 496 773	1 584 704
Interest rate swaps	4 805 911	2 447 772	2 358 139	2 806 066	2 331 904	474 162
Forward rate agreements	1 783 393	903 164	880 229	2 244 600	1 149 600	1 095 000
Futures	2 326		2 326	284	210	74
Caps	16 189	6 576	9 613	11 560	4 905	6 655
Floors	5 208	1 422	3 786	5 194	2 872	2 322
Credit default swaps	14 525	6 629	7 896	3 581	3 246	335
Total return swaps	11 182	3 110	8 072	10 192	4 036	6 156
Total notional principal	7 417 490	3 785 412	3 632 078	5 697 361	3 787 742	1 909 619

¹ Represents amounts less than R1m.

² Includes contracts for difference with positive notional of R899m (2019: R880m) and negative notional of R0m (2019: R247m). The equity forward agreement has positive notional of R4 716m (2019: R7 877m) and negative notional of R1 860m (2019: R13 381m).

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C7.3 CARRYING AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS

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

Rm	2020			2019		
	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities	Net carrying amount	Carrying amount of assets	Carrying amount of liabilities
Equity derivatives	1 385	3 909	2 524	(128)	1 060	1 188
Options written	(2 374)		2 374	(974)		974
Options purchased	3 685	3 685		791	791	
Futures ²	74	224	150	55	269	214
Commodity derivatives	158	586	428	423	713	290
Options written	(322)		322	(135)		135
Options purchased	492	492		172	172	
Swaps	31	94	63	52	109	57
Futures	(43)		43	334	432	98
Exchange rate derivatives	7 220	29 550	22 330	3 869	17 552	13 683
Forwards	4 705	18 169	13 464	2 360	10 512	8 152
Spot ¹						
Futures	106	661	555	(44)	29	73
Currency swaps	2 408	7 623	5 215	1 331	5 848	4 517
Options purchased	3 097	3 097		1 163	1 163	
Options written	(3 096)		3 096	(941)		941
Interest rate derivatives	6 432	46 280	39 848	3 088	15 918	12 830
Interest rate swaps	5 479	42 499	37 020	2 650	14 428	11 778
Forward rate agreements	623	2 700	2 077	216	848	632
Futures	(16)		16	28	28	
Caps	(22)	24	46	(24)	26	50
Floors	21	79	58	15	32	17
Credit default swaps	(18)	170	188	24	145	121
Total return swaps	365	808	443	179	411	232
Total carrying amount	15 195	80 325	65 130	7 252	35 243	27 991

¹ Represents amounts less than R1m

² Includes contracts for difference and an equity forward agreement. The fair value of the contracts for difference is zero as the variation margin is settled at the end of every day.

C7.4 ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS

Rm	Equity derivatives	Commodity derivatives	Exchange rate derivatives	Interest rate derivatives	Total
Derivative assets					
2020					
Maturity analysis					
Under one year	3 182	556	23 627	5 109	32 474
One to five years	727	30	3 759	14 329	18 845
Over five years			2 164	26 842	29 006
	3 909	586	29 550	46 280	80 325
2019					
Maturity analysis					
Under one year	728	695	12 139	1 393	14 955
One to five years	332	18	2 980	3 817	7 147
Over five years			2 433	10 708	13 141
	1 060	713	17 552	15 918	35 243
Derivative liabilities					
2020					
Maturity analysis					
Under one year	1 993	397	18 784	4 564	25 738
One to five years	531	31	2 185	12 019	14 766
Over five years			1 361	23 265	24 626
	2 524	428	22 330	39 848	65 130
2019					
Maturity analysis					
Under one year	951	283	9 867	1 040	12 141
One to five years	232	7	2 424	2 976	5 639
Over five years	5		1 392	8 814	10 211
	1 188	290	13 683	12 830	27 991
Notional principal of derivatives					
2020					
Maturity analysis					
Under one year	19 263	4 987	598 445	4 323 669	4 946 364
One to five years	7 241	17	100 885	1 565 538	1 673 681
Over five years			47 918	749 527	797 445
	26 504	5 004	747 248	6 638 734	7 417 490
2019					
Maturity analysis					
Under one year	38 711	4 283	494 653	2 998 223	3 535 870
One to five years	6 067		54 118	1 500 801	1 560 986
Over five years	1 206		16 846	582 453	600 505
	45 984	4 283	565 617	5 081 477	5 697 361

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

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

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

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

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

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

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

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

Given the respective methodologies applied to perform retrospective and prospective hedge effectiveness testing, the number of data points considered for linear regression will not be consistent between retrospective and prospective testing and will not remain constant for all retrospective tests performed. This is in line with the requirements of IAS39 as it proves hedge effectiveness retrospectively throughout the reporting periods for which the hedge was designated (IAS39 paragraphs 89 to 102) and prospectively up to the next possible rebalancing date as documented as part of the risk management strategy for this particular hedging relationship (IAS39 paragraphs 89 to 102). The hedged risk is designated on the first day of the month for prospective testing purposes and designated for the remainder of the month and with the retrospective run at month-end. The hedged risk is redesignated monthly to reflect the changes in the underlying risk as a result of new or matured deals, early settlements and early withdrawals since the previous risk designation.

Nedbank is exposed to the global interbank offered rate (IBOR) reform of major currency benchmark reference rates and is currently in the process of ensuring the bank's readiness and ability to handle the spectrum of current proposed replacement rates as well as a range of conventions of calculation. A detailed IBOR reform programme has been developed in the bank's key impact areas for this regulatory reform, with a focus on ensuring system, legal, pricing, valuation and interest calculations are all successfully migrated.

During 2019 SARB established the Market Practitioners Group (MPG). This is a joint public and private sector body whose primary purpose is to facilitate decisions on the choice of interest rate benchmarks to be used as reference interest rates for financial and derivative contracts, as well as to provide input to SARB and the Financial Sector Conduct Authority (FSCA) on the operationalisation of the benchmark proposals. Five workstreams were established in this regard, which are as follows:

- An unsecured reference interest rate.
- A risk-free reference interest rate.
- Data collection and infrastructure.
- Transition.
- Governance.

SARB, after extensive consultation with the MPG and its various workstreams, released a draft statement of methodology and the policies governing the SARB – administered interest rate benchmarks in June 2020. This technical specification paper (TSP) detailed five interest rate benchmarks, which are as follows:

- South African Rand Interbank Overnight Rate (ZARIBOR).
- South African Secured Overnight Financing Rate (ZASFR).
- South African Rand Overnight Index Average (ZARONIA).
- Term Wholesale Financial Corporate Fixed Deposit Benchmark Rate.
- Term Wholesale Non-financial Corporate Fixed Deposit Benchmark Rate.

Four of these benchmarks are new, with ZARONIA serving as a replacement for the current South African Benchmark Overnight Rate (SABOR).

SARB has articulated that the number of proposed interest rate benchmarks is not definitive and the ultimate outcome of reform will likely feature the coexistence of several interest rate benchmarks to fulfil different market and policy purposes. The Johannesburg Interbank Average Rate (JIBAR) is unaffected by the TSP. SARB has provided guidance that efforts to strengthen JIBAR and add to its credibility are underway. JIBAR, with its enhancements, will remain the interim solution until an alternative reference rate is fully operational.

The results of the SARB public consultation process regarding the TSP and JIBAR reform are expected in due course. Nedbank continues to stay abreast of the changes and will assess impacts once the changes have been finalised.

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

Rm	Notional amount of hedged items		Accumulated amount of fair-value adjustments on the hedged item	
	Assets	Liabilities	Assets	Liabilities
2020				
Loans and advances	82 479		4 163	
Government and other securities	50 200		6 069	
Amounts owed to depositors		114 218		(1 415)
Total	132 679	114 218	10 232	(1 415)
2019				
Loans and advances ¹	77 340		941	
Government and other securities ¹	40 270		1 644	
Amounts owed to depositors ¹		138 430		(326)
Total	117 610	138 430	2 585	(326)

¹ 2019 restated, refer to note A4: Reclassification. In addition, the presentation has been provided based on the same classes of financial instruments used on the statement of financial position.

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

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

Rm	2019											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Change in the fair value of hedged items	678	(125)	83	(83)	588	743	(349)	906	(418)	(530)	(112)	714
Change in the fair value of the hedging instruments	(601)	112	(81)	80	(589)	(722)	334	(881)	401	515	113	(692)
Net fair-value change	77	(13)	2	(3)	(1)	21	(15)	25	(17)	(15)	1	22

The following table contains the impact on profit or loss:

Rm	2020	2019
Profit on hedged items	6 558	2 095
Profit on hedging instruments	(6 056)	(2 011)
Movement in fair-value that was recognised in profit or loss¹	502	84

¹ Included in non-interest revenue.

SECTION D: CORE BANKING LIABILITIES

D1 AMOUNTS OWED TO DEPOSITORS

ACCOUNTING POLICY

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

D1.1 CLASSIFICATIONS

	2020 Rm	2019 Rm
Current accounts	98 886	86 199
Savings deposits	44 233	32 586
Other deposits and loan accounts	675 363	614 909
Call and term deposits	337 197	325 730
Fixed deposits	63 429	66 735
Cash management deposits	111 832	75 748
Other deposits and loan accounts	162 905	146 696
Foreign currency liabilities	21 146	25 734
Negotiable certificates of deposit	100 405	118 984
Deposits received under repurchase agreements ¹	12 267	25 644
Macro fair-value hedge-accounted portfolios	1 415	326
	953 715	904 382
Comprises:		
– Amounts owed to depositors	905 081	846 625
– Amounts owed to banks	48 634	57 757
	953 715	904 382

¹The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R12 953m (2019: R27 001m) as collateral for deposits received under repurchase agreements, of which R7 233m (2019: 12 611m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9. The associated liabilities of R12 267m (2019: R25 644m), of which R5 034m (2019: R12 734m) relates to sell-/buybacks, are disclosed in note D1.

Deposit products include current accounts, savings accounts, call and notice deposits, fixed deposits and negotiable certificates of deposit. Term deposits vary from six months to five years in both the wholesale and retail markets.

Foreign currency liabilities are either matched by advances to clients or hedged against exchange rate fluctuations.

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

D1.2 SECTORAL ANALYSIS

	2020 Rm	2019 Rm
Banks	48 634	57 757
Government and public sector	74 482	80 714
Individuals	265 713	250 592
Business sector	564 886	515 319
	953 715	904 382

D1.3 GEOGRAPHICAL ANALYSIS

	2020 Rm	2019 Rm
SA	856 602	779 577
Rest of Africa	39 912	37 845
Europe	47 570	52 176
Asia	6 132	8 433
United States of America	1 346	1 946
Rest of World ¹	2 153	24 405
	953 715	904 382

¹ During the year, the group reviewed the amounts owed to depositors geographical analysis. As a result of this review, the analysis has been enhanced by providing the Rest of world category. To provide comparability, the prior-year balances have been restated (R24bn moved from SA to Rest of world category). Management is of the view that this enhancement provides more relevant information to users.

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D1.4 SEGMENTAL ANALYSIS

Rm	Total		Nedbank Corporate and Investment Banking	
	2020	2019	2020	2019
Current accounts	98 886	86 199	8 105	6 628
Savings deposits	44 233	32 586		1
Other deposits and loan accounts	675 363	614 909	389 077	328 434
Call and term deposits	337 197	325 730	123 311	114 658
Fixed deposits	63 429	66 735	16 404	13 680
Cash management deposits	111 832	75 748	97 678	61 782
Other deposits and loan accounts	162 905	146 696	151 684	138 314
Foreign currency liabilities	21 146	25 734	13 597	19 244
Negotiable certificates of deposit	100 405	118 984		
Macro fair-value hedge-accounted portfolios	1 415	326		
Deposits received under repurchase agreements	12 267	25 644	12 267	25 349
	953 715	904 382	423 046	379 656
Comprises:				
– Amounts owed to clients	905 081	846 625	378 581	324 888
– Amounts owed to banks	48 634	57 757	44 465	54 768
	953 715	904 382	423 046	379 656

	Nedbank Retail and Business Banking		Nedbank Wealth		Nedbank Africa Regions		Centre	
	2020	2019	2020	2019	2020	2019	2020	2019
	79 768	69 996	1 874	1 838	9 052	7 645	87	92
	12 300	10 661	31 083	21 130	850	794		
	255 150	252 231	10 957	17 070	18 947	17 335	1 232	(161)
	192 121	187 061	9 311	12 964	12 451	11 044	3	3
	43 562	49 079	614	677	2 857	3 299	(8)	
	11 748	10 979	424	1 384	1 893	1 524	89	79
	7 719	5 112	608	2 045	1 746	1 468	1 148	(243)
	7 025	6 013	31	22	493	455		
					3 952	3 699	96 453	115 285
						295	1 415	326
	354 243	338 901	43 945	40 060	33 294	30 223	99 187	115 542
	353 315	339 359	43 945	40 054	32 240	28 827	97 000	113 497
	928	(458)		6	1 054	1 396	2 187	2 045
	354 243	338 901	43 945	40 060	33 294	30 223	99 187	115 542

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D2 LONG-TERM DEBT INSTRUMENTS

Instrument type	Maturity dates	Interest rates	2020 Rm	2019 Rm
Subordinated debt¹				
Callable notes (rand-denominated – floating)	16 January 2020 to 1 July 2020	JIBAR plus 2,75% to 3,50%		1 895
Callable notes (rand-denominated – fixed)	1 July 2020	11,29%		430
Long-term debenture	1 August 2022 to 15 September 2030	Zero coupon, JIBAR plus 6,08% to 10,82%	317	317
Basel III subordinated debt²				
Callable notes (rand-denominated – floating)	22 September 2026 to 2 July 2030	JIBAR plus 2,40 % to 4,00%	13 665	11 587
Callable notes green bonds	30 June 2030	JIBAR plus 2,80 %	2 012	
Securitised liabilities³				
Callable notes (rand-denominated – floating)	25 November 2029 to 25 November 2053	JIBAR plus 1,24% to 10,00%	2 084	3 152
Senior unsecured debt⁴				
Senior unsecured notes – fixed	1 June 2020 to 19 November 2027	8,79% to 11,15%	15 271	17 512
Senior unsecured notes – floating	12 February 2020 to 1 August 2029	JIBAR plus 1,10% to 2,25%	23 750	22 139
Senior unsecured green bonds	29 April 2022 to 30 April 2026	JIBAR plus 1,10% to 1,41%	2 628	2 644
Unsecured debentures	30 November 2029	Zero coupon	43	37
Total long-term debt instruments in issue			59 770	59 713

¹ During 2020, three subordinated debt instruments were repaid.

² During 2020 two Basel III subordinated debt instruments were issued. R2,05bn and R2,0bn was issued at JIBAR plus 3,85% and JIBAR plus 2,80% and are redeemable on 2 July and 1 July 2025 respectively.

³ During 2020 one securitised liability was issued and six were repaid.

⁴ During 2020 six senior unsecured debt instruments were repaid and three senior unsecured debt instruments were issued. A sum of R3,1bn was issued at variable interest rates ranging between JIBAR plus 1,11% and JIBAR plus 1,33%, repayable between 24 February 2023 and 24 February 2027.

D2.1 MOVEMENT IN CARRYING AMOUNT

	2020 Rm	2019 Rm
Balance at the beginning of the year	59 713	55 587
Changes arising from cash movements	(4 715)	(1 157)
Issue of long-term debt instruments	7 189	12 895
Redemption of long-term debt instruments	(7 039)	(8 749)
Interest paid	(4 865)	(5 303)
Acquisition/(Disposal) of own long-term debt	54	(63)
Changes arising from non-cash movements	4 718	5 346
Accrued interest and unwinding of premiums/discount	4 718	5 346
Balance at the end of the year	59 770	59 713

D3 INVESTMENT CONTRACT LIABILITIES

Contracts under which the group accepts insurance risk from another party by agreeing to compensate such party or other beneficiaries if a specified uncertain future event adversely affects the party, or other beneficiaries are classified as insurance contract liabilities. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

ACCOUNTING POLICY

Linked products

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

	2020 Rm	2019 Rm
Balance at the beginning of the year	24 571	20 035
Premium income	6 000	6 739
Investment income	1 162	1 587
Annuities	(288)	(319)
Death and disability benefits	(460)	(477)
Withdrawals/Surrenders	(10 582)	(3 361)
Other movements	465	367
Balance at the end of the year	20 868	24 571

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

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D4 INSURANCE CONTRACT LIABILITIES

ACCOUNTING POLICY

Policy liabilities

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

Risk management objectives and policies for mitigating insurance risk

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

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 17: Insurance contracts

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

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

D4.1 RECONCILIATION OF INSURANCE CONTRACT LIABILITIES

	2020 Rm	2019 Rm
Balance at the beginning of the year	715	1 829
Net premiums	2 158	2 069
Individual – recurring premiums	2 258	2 172
Net reinsurance premiums	(100)	(103)
Investment income	754	725
Dividends	24	14
Interest	379	539
Realised and unrealised gains/losses on investments	351	172
Policyholders' benefits paid	(1 041)	(1 758)
Annuities	(2)	(27)
Death and disability benefits	(999)	(601)
Maturities		(1 093)
Gross surrenders and withdrawals	(40)	(37)
Total expenses	(505)	(566)
Administration expenses	(324)	(369)
Commission	(138)	(144)
Indirect taxation	(43)	(53)
Transfer to operating profit	(1 159)	(1 584)
Balance at the end of the year	922	715

D4.2 SENSITIVITY ANALYSIS

	Impact on profit or loss	
	2020 Rm	2019 Rm
Economic assumptions decrease by 1%	(55)	(102)
Economic assumptions increase by 1%	46	96
Voluntary discontinuance rates decreasing by 10%	(55)	(31)
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	50	41
Expense inflation increases by 1%	(36)	(11)
Mortality and morbidity rates decrease by 5%	29	24
Equity and property market value decrease by 10%	(31)	(19)

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D5 CONTRACTUAL MATURITY ANALYSIS FOR FINANCIAL LIABILITIES

	Statement of financial position amount	<3 months	>3 months <6 months	>6 months <1 year
Rm 2020				
Long-term debt instruments	59 770	3 279	3 823	4 922
Investment contract liabilities	20 868	20 868		
Insurance contract liabilities	922			
Amounts owed to depositors	953 715	692 064	83 452	83 911
Current accounts	98 887	98 888		
Savings deposits	44 233	44 182		52
Other deposits and loan accounts	675 362	502 123	54 149	58 654
Foreign currency liabilities	21 146	18 643	149	1 471
Negotiable certificates of deposit	100 405	16 030	29 129	23 677
Deposits received under repurchase agreements	12 267	12 198	25	58
Macro fair-value hedge-accounted portfolios	1 415			
Derivative financial instruments – liabilities	65 130	11 103	7 308	7 326
Lease liabilities	3 048	262	244	487
Provisions and other liabilities	24 240	1 876	26	461
	1 127 693	729 452	94 853	97 108
Contingent liabilities, undrawn facilities and commitments				
Guarantees on behalf of clients		29 770		
Letters of credit and discounting transactions		8 024		
Irrevocable unutilised facilities and other		152 308		
	–	190 102	–	–
2019				
Long-term debt instruments	59 713	1 839	1 614	6 840
Investment contract liabilities	24 571	24 571		
Insurance contract liabilities	715			
Amounts owed to depositors	904 382	618 817	82 565	117 036
Current accounts	86 199	86 250		
Savings deposits	32 586	32 242	290	1
Other deposits and loan accounts	614 909	440 193	51 210	63 678
Foreign currency liabilities	25 734	16 999	3 388	4 293
Negotiable certificates of deposit	118 984	17 459	27 677	49 064
Deposits received under repurchase agreements	25 644	25 674		
Macro fair-value hedge-accounted portfolios	326			
Derivative financial instruments – liabilities	27 991	6 983	2 121	3 037
Lease liabilities	3 379	310	282	513
Provisions and other liabilities	24 149	12		161
	1 044 900	652 532	86 582	127 587
Contingent liabilities, undrawn facilities and commitments				
Financial guarantees on behalf of clients		25 018		
Letters of credit and discounting transactions		7 148		
Irrevocable unutilised facilities and other		148 099		
	–	180 265	–	–

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

	>1 year < 5years	>5 years	Non- determinabl e maturity	Total
	43 990	22 535		78 549
			922	20 868
	95 008	12 874	–	922
				967 309
				98 888
				44 234
	56 940	11 338		683 204
	883			21 146
	35 770	1 536		106 142
				12 281
	1 415			1 415
	14 767	24 626		65 130
	1 696	1 085		3 774
	24	16 962	4 892	24 241
	155 485	78 082	5 814	1 160 794
				29 770
				8 024
				152 308
	–	–	–	190 102
	43 816	26 816		80 925
				24 571
			715	715
	96 519	10 786	–	925 723
				86 250
	47			32 580
	60 470	10 786		626 337
	1 265			25 945
	34 411			128 611
				25 674
	326			326
	5 639	10 211		27 991
	2 128	1 168		4 401
		19 101	4 875	24 149
	148 102	68 082	5 590	1 088 475
				25 018
				7 148
				148 099
	–	–	–	180 265

SECTION E: ASSET MANAGEMENT

E1 MANAGED FUNDS

ACCOUNTING POLICY

The group, through a number of subsidiaries, operates unit trusts, holds and invests funds on behalf of clients and acts as a trustee in a number of fiduciary capacities. In addition, companies in the group operate securities and custodial services on behalf of clients. Commissions and fees earned in respect of trust and management activities performed are included in the consolidated statement of comprehensive income as non-interest revenue. The funds under management described below are not included in the group's consolidated statement of financial position.

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

	2020 Rm	2019 Rm
Fair value of funds under management – by type		
Unit trusts	314 539	273 243
Third party	957	946
Private clients	59 050	56 947
	374 546	331 136

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

	2020 Rm	2019 Rm
SA	296 971	264 448
Rest of world	77 575	66 688
	374 546	331 136

E1.3 RECONCILIATION OF MOVEMENT IN FUNDS UNDER MANAGEMENT – BY TYPE

	Unit trusts Rm	Third party Rm	Private clients Rm	Total Rm
Balance at 31 December 2018	241 421	839	55 078	297 338
Inflows	550 540	14	10 178	560 732
Outflows	(536 004)	(24)	(9 876)	(545 904)
Mark-to-market value adjustment	18 497	110	1 527	20 134
Foreign currency translation differences	(1 211)	7	40	(1 164)
Balance at 31 December 2019	273 243	946	56 947	331 136
Inflows	617 754	235	12 394	630 383
Outflows	(587 149)	(292)	(15 062)	(602 503)
Mark-to-market value adjustment	8 266	(14)	4 318	12 570
Foreign currency translation differences	2 425	82	453	2 960
Balance at 31 December 2020	314 539	957	59 050	374 546

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

	SA Rm	Rest of world Rm	Total Rm
Balance at 31 December 2018	241 364	55 974	297 338
Inflows	550 173	10 559	560 732
Outflows	(535 803)	(10 101)	(545 904)
Mark-to-market value adjustment	8 714	11 420	20 134
Foreign currency translation differences		(1 164)	(1 164)
Balance at 31 December 2019	264 448	66 688	331 136
Inflows	614 689	15 694	630 383
Outflows	(588 846)	(13 657)	(602 503)
Mark-to-market value adjustment	6 680	5 890	12 570
Foreign currency translation differences		2 960	2 960
Balance at 31 December 2020	296 971	77 575	374 546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

SECTION F: INVESTMENTS

F1 INVESTMENT SECURITIES

ACCOUNTING POLICY

Refer to Section I: Financial instruments for the group's accounting policies regarding financial assets and liabilities and Section F.2 for the group's accounting policies on investments in associate companies.

	Carrying amount		Dividends received		Cumulative gains/(losses)	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Private-equity investments	7 380	7 315	59	378	(650)	(434)
Private-equity associates – Property Partners	1 842	1 885	15	10	31	6
Private-equity associates – Investment Banking	1 128	898		7	(133)	(145)
Private-equity (unlisted) – Property Partners	1 339	1 559	3	10	17	37
Private-equity (unlisted) – Investment Banking	3 071	2 973	41	351	(565)	(332)
Listed investments	136	896	63	1	(214)	(5)
Unlisted investments	3 150	2 758	31	41	99	143
Taquanta Asset Managers portfolio	470	468	5	5	45	137
Strate Limited	143	143	9	8		
Other	2 537	2 147	17	28	54	6
Total listed and unlisted investments	10 666	10 969	153	420	(765)	(296)
Listed policyholder investments at market value	13 129	13 253				
Unlisted policyholder investments at directors' valuation	2 641	4 750				
Net policyholder liabilities	(11)	(11)				
Total policyholder investments	15 759	17 992				
Total investment securities	26 425	28 961				

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

The group has designated 11 (2019: 11) investments at FVOCI, as these investments are held with strategic intent. The fair value of these investments was R862m at 31 December 2020 (31 December 2019: R965m). R6m (2019: R7m) was recognised as dividend income that related to these investments. No equity investments designated at FVOCI have been derecognised in the current year.

ACCOUNTING POLICY

Associates

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

The group's share of postacquisition profit or loss and postacquisition movements in OCI are recognised in the income statement and OCI respectively. The group applies the equity method of accounting from the date on which significant influence commences until the date on which significant influence ceases (or the associate is classified as held for sale), ie when the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate.

In applying the equity method the investor should use the financial statements of the associate as of the same date as the financial statements of the investor unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the ends of accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

Where an entity in the group transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the associate, but only to the extent that there is no evidence of impairment.

At each reporting date the group determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the associate investment may not be recovered. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology described in note G.

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

Associate companies and joint ventures held by venture capital divisions

Where the group has an investment in an associate or joint-venture company held by a venture capital division, whose primary business is to purchase and dispose of minority stakes in entities, the investment is classified as designated as FVTPL, as the divisions are managed on a fair-value basis. Changes in the fair value of these investments are recognised in non-interest revenue in profit or loss in the period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Investment in Ecobank Transnational Incorporated

One of the group's associate investments, Ecobank Transnational Incorporated (ETI), reported unaudited results for the year ended 31 December 2020 earlier than prior years. The group used the most recent public information of ETI at 31 December 2020 to determine its share of ETI's OCI. However, as per the group accounting policy the earnings were accounted for one quarter in arrears (ie at 30 September 2020), as there were no significant transactions or events between 30 September 2020 and 31 December 2020. The resulting equity-accounted earnings are translated from US dollar to rand at the average exchange rate applicable for the quarter in which the group accounts for the earnings and OCI. The group's share of the net assets of ETI is translated from US dollar to rand at the closing exchange rate.

The carrying value of Nedbank Group's strategic investment in ETI decreased from R2,7bn to R2,2bn during the year. The market value of the group's investment in ETI, based on its quoted share price on 31 December 2020, was R1,2bn. The difference between market value and carrying value is significant and prolonged, which represented evidence of an impairment indicator at 31 December 2020. Where there is an impairment indicator, IFRS determine that an impairment test be computed, which compares the VIU and the carrying value of the investment. The computation of the VIU in accordance with IFRS is subject to significant judgement as it is based on, among others, economic estimates, macroeconomic assumptions and the discounting of future cashflow estimates. This is particularly complicated in the current economic environment in the many jurisdictions that ETI operates in, the global crisis caused by Covid-19, and with the limited public information available.

Based on the group's 2016 and June 2020 value-in-use (VIU) calculations, management determined that an impairment charge of R1,0bn and R0,75bn was appropriate, respectively. This calculation must be revisited at each reporting period where the indicators of impairment are reconsidered and VIU calculation reassessed taking into account any future changes in estimates and assumptions.

Based on the results of this VIU calculation, management determined that an additional impairment provision of R0,75bn was appropriate in June 2020 therefore no additional impairment was recognised as at 31 December 2020. The R1,75bn total impairment recognised has not been reversed in the current reporting period.

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

On 12 March 2021 the market value of the group's investment in ETI was R1,0bn.

F2.1 MOVEMENT IN CARRYING AMOUNT

	2020 Rm	2019 Rm
Carrying amount at the beginning of the year	3 917	4 041
Share of associate companies' profit after taxation for the year ¹	(76)	793
Share of associate companies' OCI for the year	207	(1 170)
Dividends received from equity-accounted associate companies	(41)	(20)
Acquisitions/(Disposals) of investments in associate companies	(162)	342
Impairment provision for investments in associate companies	(750)	
Foreign currency translation and other movements	227	(69)
Carrying amount at the end of the year	3 322	3 917

¹ Of this amount, R528m relates to our share of ETI's goodwill impairment.

F2.2 ANALYSIS OF CARRYING AMOUNT

	2020 Rm	2019 Rm
Associate investments – on acquisition: net asset value	7 190	7 352
Impact of adopting new accounting standards, net of taxation	(780)	(780)
Share of retained earnings since acquisition ¹	1 538	1 614
Share of OCI since acquisition	(4 097)	(4 304)
Dividends received from equity-accounted associate companies	(220)	(179)
Impairment provision for investments in associate companies	(1 750)	(1 000)
Foreign currency translation and other movements ²	1 441	1 214
	3 322	3 917

¹ Of this amount, R528m relates to our share of ETI's goodwill impairment.

² Of this amount, R48m (2019: R17m) relates to foreign currency movements on the R1,75bn impairment recorded in 2016 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

F2.3 ANALYSIS OF INVESTMENTS IN ASSOCIATE COMPANIES

		Percentage holding	
	Nature of activities	2020 %	2019 %
Associate companies			
Listed			
ETI (Togo) ²	Banking	21,2%	21,2%
Unlisted			
Private equity: Tracker Technology Holdings Proprietary Limited ³	Vehicle tracking	17,7%	17,7%
Private equity: other investments	Various		
Other strategic investments	Various		

¹ Includes on-balance-sheet and off-balance-sheet exposure.

² ETI is a pan-African banking group and its shares are listed on the stock exchanges of Nigeria, Ghana and Ivory Coast. The group's strategy remains to own, manage and control banking operations in the SADC and East Africa, and to provide our clients with access to a banking network in West and Central Africa through our strategic investment in and alliance with the pan-African banking group, which operates in 36 African countries.

³ The group has significant influence over Tracker Technology Holdings Proprietary Limited due to its representation on the board of directors.

Unless otherwise stated above, all entities are domiciled and incorporated in SA. The group has the same proportion of voting rights as its proportion of ownership interest, unless stated otherwise, and has not incurred any contingent liabilities with regard to the associates listed above.

F2.4 ADDITIONAL DISCLOSURE RELATING TO MATERIAL ASSOCIATE COMPANY

	ETI ¹	
	2020 Rm	2019 Rm
Fair value of investment in ETI based on the closing quoted price on the Nigerian Stock Exchange		
Based on the NAFEX NGN/USD and prevailing ZAR/USD exchange rates	1 167	1 311
Statement of comprehensive income		
Revenue	27 153	16 880
Profit from continuing operations	1 498	3 093
After tax profit from discontinued operations	47	56
Other comprehensive (losses)/income	917	(2 710)
Total comprehensive income	2 463	439
Statement of financial position		
Current assets	209 350	191 360
Non-current assets	167 697	124 872
Current liabilities	304 502	248 354
Non-current liabilities	42 987	42 332

¹ The information provided for ETI has been based on the latest available financial information, being the financial results available at 31 December 2020.

	Measurement method	Acquisition date	Year-end	Group			
				Carrying amount		Net exposure to/(from) associates ¹	
				2020 Rm	2019 Rm	2020 Rm	2019 Rm
	Equity-accounted	October 2014	December	2 180	2 674	(7)	69
	Equity-accounted	November 2018	June	570	549	774	874
	Equity-accounted			156	285		
	Equity-accounted			416	409		
				3 322	3 917	767	943

F2.4 ADDITIONAL DISCLOSURE RELATING TO MATERIAL ASSOCIATE COMPANY

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

	2020
Adjusted risk-free rate (%)	7,8
Equity risk premium (%)	4,7
Beta	1,1
Terminal growth rate (%)	1,7
Cashflow projection (years)	5
Discount rate ² (%)	18,1

² The discount rate is after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

F3 INVESTMENTS IN SUBSIDIARY COMPANIES AND RELATED DISCLOSURE

ACCOUNTING POLICY

Subsidiary undertakings and consolidated structured entities

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

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

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

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

Sponsored entities

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

Company

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

Acquisitions and disposals of stakes in group companies

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

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

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

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

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

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

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date on the date the group attains control, and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree before the acquisition date, which previously have

ACCOUNTING POLICY

been recognised in OCI, are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

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

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

Investments in foreign operations

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

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

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

Common control transactions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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F3.1 ANALYSIS OF INVESTMENTS IN SUBSIDIARY COMPANIES

	Group			
	Issued capital		Effective holding	
	2020 Rm	2019 Rm	2020 %	2019 %
Banking²				
Nedbank Limited	28	27	100	100
Banco Único, SA (Mozambique) ³	563	563	87,5	50% plus one share
Trust and securities entities⁴				
Syfrets Securities Limited	1	1	100	100
Other companies⁵				
Nedgroup Private Wealth Proprietary Limited	1	1	100	100
NedEurope Limited (Isle of Man)	6 167	6 167	100	100
Nedbank Group Insurance Holdings Limited	17	17	100	100
NedNamibia Holdings Limited (Namibia)	18	18	100	100
Visigro Investments (Proprietary) Limited	1	1	100	100
Other companies ⁶				
Investments in Preference shares				
Nedbank Limited	1	1	100	100

¹ Represents amounts less than R1m.

² The banking subsidiary companies are restricted in terms of Basel regulations and prudential requirements with regard to the distribution of funds to their holding company.

³ During 2020, the group exercised a put option to purchase additional shares in Banco Único, SA (Mozambique). Effective holding increased from 50% plus one share to 87,5%.

⁴ The entity is governed by the terms of a trust deed. Restrictions are in place with regard to access or the use of the entity's assets.

⁵ These entities are free of any restrictions imposed on the distribution of funds, save for compliance with any local regulations.

⁶ In terms of a dispensation received from the Financial Sector Conduct Authority these companies are not allowed to declare any distributions to its holding company.

Company			
Book value of investments		Net indebtedness	
2020 Rm	2019 Rm	2020 Rm	2019 Rm
29 421	27 559	10 035	6 223
730	285	12	12
1	353		
566	566		
1 612	1 612		
196	196	257	260
429	429		
155	155		
111	111	346	67
33 221	31 266	10 650	6 562
339	339		

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

- all entities are domiciled in SA;
- the financial statements of the subsidiaries used in the preparation of consolidated financial statements are as of the same date or same period as those of the consolidated financial statements; and
- there are no significant restrictions (eg statutory, contractual and regulatory restrictions) on the group's ability to access or use the assets and settle the liabilities of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

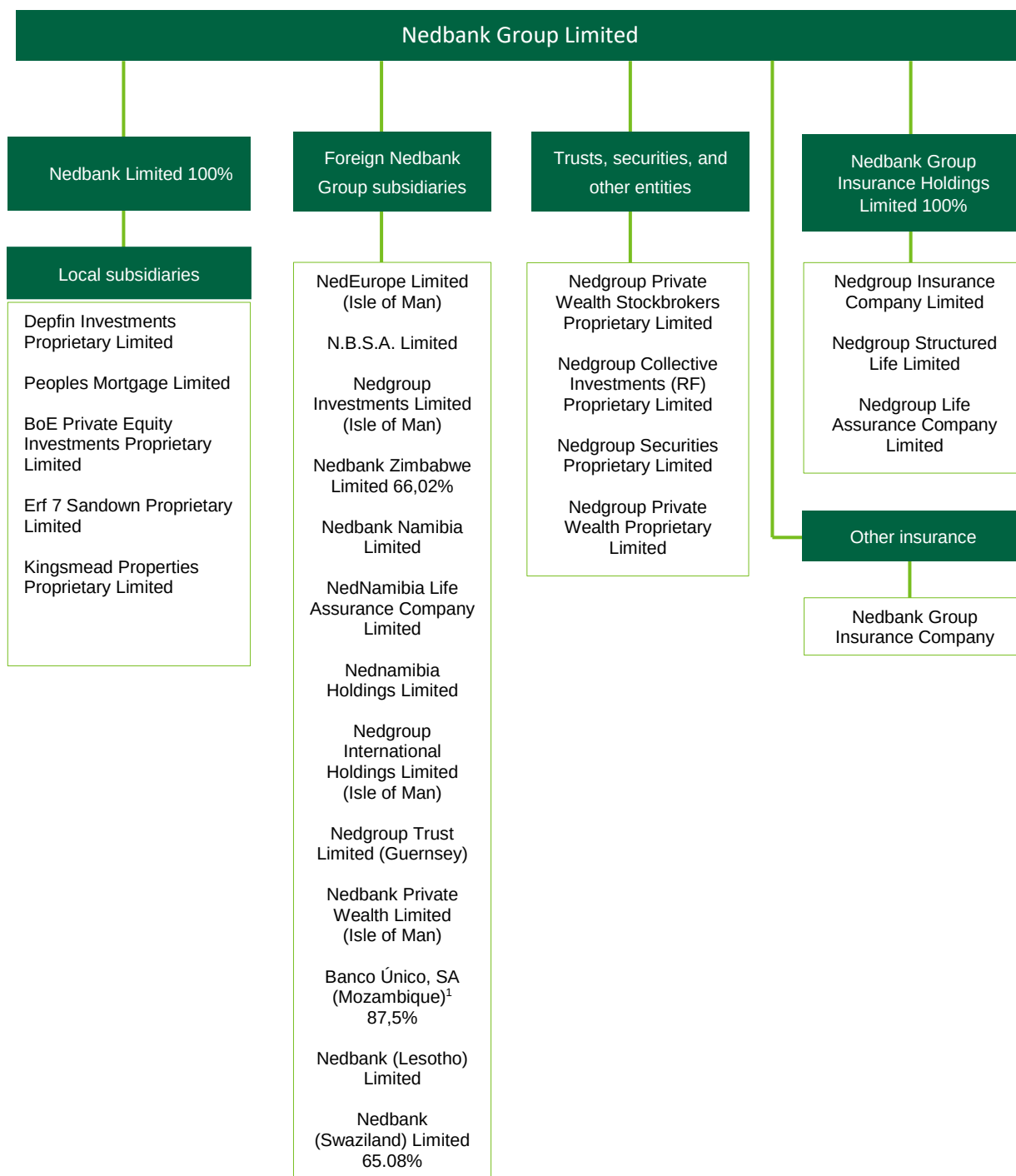
Headline earnings from subsidiaries (after eliminating intercompany transactions)

	2020 Rm	2019 Rm
Aggregate headline earnings attributable to equity holders	5 643	12 829
Aggregate headline losses attributable to equity holders	(203)	(323)
Total headline earnings	5 440	12 506

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

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

3.2 MAJOR SUBSIDIARY COMPANIES



¹During 2020, the group exercised a put option to purchase additional shares in Banco Único, SA (Mozambique). Effective holding increased from 50% plus one share to 87,5%.

All subsidiaries are wholly owned, unless stated otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

F3.3 MATERIAL NON-CONTROLLING INTERESTS

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

	Banco Único, SA (Mozambique)		Nedbank (Swaziland) Limited		Nedbank Zimbabwe Limited	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Financial position						
Total assets	6 352	5 986	6 457	5 291	2 597	2 193
Total liabilities	5 782	5 868	5 649	4 424	2 336	2 007
Accumulated non-controlling interests at the end of the year	71	416	282	279	89	63
Comprehensive income						
Income from lending activities	270	291	195	266	56	105
Non-interest revenue	165	193	188	173	615	346
Profit from continuing operations	(69)	69	78	121	83	(160)
Total comprehensive income	(69)	69	78	121	83	(160)
Profit allocated to non-controlling interests during the reporting period	(4)	44	27	42	28	(54)
Cashflows						
Cashflows from/(utilised by) operating activities ¹	480	79	833	(267)	424	1 050
Cashflows utilised by investing activities	(82)	(58)	(7)	(9)	(34)	(14)
Cashflows utilised by financing activities			(70)	(34)	(5)	
Net increase/(decrease) in cash and cash equivalents	398	21	756	(310)	385	1 036
Dividends paid to non-controlling interests			24	12		

¹ 2019 restated, refer to note M1: Reconciliation of profit from operations to cash generated by operations.

F4 INTERESTS IN STRUCTURED CONSOLIDATED AND UNCONSOLIDATED STRUCTURED ENTITIES

F4.1 CONSOLIDATED STRUCTURED ENTITIES

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

The group has identified the following consolidated structured entities:

- Employee Benefit Trust Schemes (refer to note J3)
- Community Trust (refer to note J1)
- Dr Holsboer Benefit Fund
- Securitisation vehicles (refer to note F5)
 - » Greenhouse Funding III (RF) Limited
 - » Greenhouse 5 Funding (RF) Limited
 - » Precinct Funding 2 (RF) Limited

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

Employee share schemes

The group has established employee share schemes for the benefit of its employees in return for their employment services rendered. Funding is provided by the group or its subsidiaries to acquire shares that are held on behalf of employees. The trustees have limited rights and act within narrowly defined parameters in terms of the trust deed. The trustees receive limited remuneration (if any) for their services rendered in terms of the trust. The group has concluded that the trustees act merely in an agent capacity and that the group has control over the trust.

Community Trust

The trust was formed with the specific purpose of providing previously disadvantaged communities with the opportunity to receive certain benefits. The group consolidates this trust because of the specific purpose for which the trust was formed and the group's involvement in the key decision-making processes relating to the operation of the trust.

Dr Holsboer Benefit Fund

Nedbank Group Limited is the founder of the trust. The fund was established in terms of a trust deed for the benefit of employees of the group. The beneficiaries of the trust include employees, contractors and pensioners, as nominated by the trustees in their sole discretion. The trustees have the right to vest or distribute net income of the trust at their discretion. The group reserves the right to terminate the appointment of any of the trustees. In terms of the trust deed, the trustees are not entitled to remuneration for their services, unless the founder and all the trustees agree unanimously. The group has concluded that the trustees act merely in an agent capacity and that the group has control over the trust.

Securitisation

The group sponsors the formation of structured entities primarily for the purpose of securitising financial assets for funding diversification purposes and to add flexibility in mitigating structural liquidity risk. Where it is difficult to determine whether the group controls a structured entity, the group makes judgements in terms of IFRS about whether it has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of its returns. In arriving at these judgements, the factors are considered both jointly and separately.

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

Securitisation vehicles consist of the residential-mortgage-backed securitisation programmes Greenhouse Funding 5 (RF) Limited and Greenhouse Funding III (RF) Limited and the commercial-mortgage-backed securitisation programme Precinct Funding 2 (RF) Limited. The activities of these vehicles are predetermined and restricted in terms of the programme documentation established at its inception. The group does, however, exercise some discretion in its decision-making, which includes the selection and transfer of assets and the management of defaulted assets. Through the provision of administration services, the interest rate hedge and credit enhancement, Nedbank Limited has rights to the residual return of the vehicle.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

F4.2 UNCONSOLIDATED STRUCTURED ENTITIES

The following judgements were used in determining that the group does not have control over the following structured entities:

Investment funds

The group acts as fund manager to a number of investment funds. The group holds seed capital in certain investment funds where the group assists in starting the investment fund and the group is required by Association for Savings and Investment South Africa (Asisa) rules to hold a minimum interest in the investment fund. In determining whether the group controls such an investment, focus is usually on the assessment of decision-making rights as fund manager, the investor's rights to remove the fund manager and the aggregate economic interests of the group in the fund in the form of management fees and interest held.

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

Fees earned by the group, in its capacity as fund manager, are considered to be market-related, commensurate with the services provided and includes only terms, conditions or amounts that are customarily present in arrangements for similar services and level of skills negotiated on an arm's-length basis.

As a result, the group has concluded that it acts as agent on behalf of the investors in all instances. Therefore, the group does not control these funds and has not consolidated these investment funds.

ANALYSIS OF THE GROUP'S INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The following table summarises the carrying values recognised in the statement of financial position of the group's interests in unconsolidated structured entities:

	Rm
2020	
Carrying amount of the group's interest	8
Fees earned	809
Total assets under management	244 020
2019	
Carrying amount of the group's interest	8
Fees earned	847
Total assets under management	213 316

Investment funds

The group's maximum exposure to losses from its interests in unconsolidated structured entities is limited to the group's interests in these investment funds. The group does not provide any financial support to these investment funds.

Sponsored entities

In addition to the above unconsolidated structured entities, the group has sponsored certain black economic empowerment (BEE) schemes in which it does not have an interest. The group does not earn any fees or income from these entities, nor has the group transferred any assets to these sponsored entities.

F5 SECURITISATIONS

The group securitises various consumer and commercial financial assets, generally resulting in the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches or other residual interests (retained interests).

Active securitisation transactions

Nedbank Group Limited uses securitisation primarily to diversify funds and to add flexibility in mitigating structural liquidity risk. Currently the group has two active and one matured traditional securitisation transactions:

- Greenhouse Funding III (RF) Limited (Greenhouse III), a residential-mortgage-backed securitisation programme.
- Greenhouse Funding 5 (RF) Limited (Greenhouse 5), a residential-mortgage-backed securitisation programme.
- Precinct Funding 2 (RF) Limited (Precinct Funding 2), a commercial-mortgage-backed securitisation programme.

Greenhouse Funding III (RF) Limited (Greenhouse III)

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

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

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

Nedbank Limited provided Greenhouse III with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable on a quarterly basis as part of the priority of payments.

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

Greenhouse Funding 5 (RF) Limited (Greenhouse 5)

Greenhouse 5 is a securitisation vehicle through which the rights, title, interest and related security in respect of residential home loans have been acquired from Nedbank Limited under a segregated-series medium-term-note programme.

Greenhouse 5 is a residential-mortgage-backed securitisation programme implemented during 2019. Greenhouse 5 securitised R1,7bn worth of home loans originated by Nedbank Limited through the issuance of senior notes to the capital market and subordinated notes and a subordinated loan provided by Nedbank Limited. The notes issued by Greenhouse 5 are listed on the JSE and rated by Moody's. The home loans transferred to Greenhouse 5 continue to be recognised as financial assets held by Nedbank Limited.

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

Greenhouse 5 uses an internal risk management policy and the Nedbank Group credit risk monitoring process to govern lending activities to external parties.

Nedbank Limited provided Greenhouse 5 with an interest-bearing subordinated loan at the commencement of the programme to provide part of the initial funding. Interest is payable quarterly as part of the priority of payments. The full capital amount outstanding plus any accrued interest will be payable in full on the final maturity date, provided that all outstanding notes have been redeemed in full and all secured creditors have been settled.

In the Greenhouse 5 structure, Nedbank Limited holds the class B and class C note, amounting to R150m. These notes are subordinated to the higher-ranking notes in terms of the priority of payments.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

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

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

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

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

Rm	2020		2019	
	Carrying amount of assets	Associated liabilities	Carrying amount of assets	Associated liabilities
Loans and advances to clients:				
- Residential mortgage loans	1 592	1 540	2 129	2 448
Less: Impairments	(4)		(7)	
- Commercial mortgage loans	592	543	784	705
Less: Impairments	(1)		(1)	
Total	2 179	2 083	2 905	3 153

This table presents the gross balances within the securitisation schemes and does not reflect any eliminations of intercompany and cash balances held by the various securitisation vehicles.

F6 RELATED PARTIES

F6.1 Relationship with significant investors

Following Old Mutual plc's managed separation process, the group no longer has a parent (controlling shareholder) as Old Mutual Limited unbundled its direct shareholding in the group to approximately 19,9% on 15 October 2018. At 31 December 2020, Old Mutual Limited held 21,96% (31 December 2019: 24,09%) of Nedbank Group Limited's ordinary shares. The above shareholding is inclusive of funds held on behalf of other beneficial owners. Old Mutual Limited remains a related party of the group due to its significant shareholding in the group.

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

F6.2 Key management personnel compensation

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

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

	Directors	Key management personnel	Total
Compensation (Rm)			
2020			
Directors' fees	22		22
Remuneration – paid by subsidiaries	50	110	160
Short-term employee benefits	39	86	125
Gain on exercise of share instruments	11	24	35
	72	110	182
2019			
Directors' fees	22		22
Remuneration – paid by subsidiaries	91	185	276
Short-term employee benefits	46	98	144
Gain on exercise of share instruments	45	87	132
	113	185	298

	Directors	Key management personnel	Total
Number of share instruments			
2020			
Outstanding at the beginning of the year	470 183	831 156	1 301 339
Granted	294 913	565 325	860 238
Forfeited	(165 050)	(12 292)	(177 342)
Exercised	(160 984)	(246 160)	(407 144)
Transferred ¹	109 926	(91 231)	18 695
Outstanding at the end of the year	548 988	1 046 798	1 595 786
2019			
Outstanding at the beginning of the year	504 485	879 454	1 383 939
Granted	171 625	321 096	492 721
Forfeited		(8 536)	(8 536)
Exercised	(205 927)	(314 454)	(520 381)
Transferred ¹		(46 404)	(46 404)
Outstanding at the end of the year	470 183	831 156	1 301 339

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

F6.3 Related-party transactions

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

	Due from/(Owing to)	
	2020	2019
Outstanding balances (Rm)		
Old Mutual Group		
Bonds, derivatives and other financial instruments (owing to)/due from Old Mutual Group	(2 808)	(2 031)
Loan due from Old Mutual Group	409	622
Deposits owing to Old Mutual Group	(15 942)	(16 897)
Bank balances owing to Old Mutual Group	(8 019)	(7 810)
Associate companies		
Loans due from associate companies	2 838	2 059
Deposits owing to associate companies	(1 438)	(209)
Bank balances owing to associate companies	(4)	(52)
Key management personnel		
Mortgage bonds due from key management personnel	22	17
Deposits owing to key management personnel	(32)	(18)
Bank balances due from key management personnel	1	3
Bank balances owing to key management personnel	(8)	(4)
Key management personnel – directors	(8)	(39)
Key management personnel – other	(35)	(83)
Share-based payments reserve	(43)	(122)
Long-term employee benefit plans		
Bank balances owing to Nedgroup Medical Aid Fund	(16)	(4)
Bank balances owing to Nedgroup Pension Fund	(13)	(26)
Bank balances and deposits owing to other funds	(1 833)	(1 095)

	Income/(Expense)	
	2020	2019
Transactions (Rm)		
Old Mutual Group		
Dividend paid to Old Mutual Group	(833)	(1 748)
Interest income from Old Mutual Group	686	486
Interest expense to Old Mutual Group	(2 086)	(2 031)
Insurance premiums to Old Mutual Insure Limited	(147)	(157)
Claims recovered from Old Mutual Insure Limited	74	73
Commission income from Old Mutual Insure Limited	26	28
Management fee income from Old Mutual Group	185	107
Management fee expense to Old Mutual Group	(58)	(7)
Fees received for provision of information technology services from Old Mutual Group	228	273
Rent paid to Old Mutual Group	(18)	(18)
Associate companies		
Interest income from associate companies	59	5
Interest expense to associate companies	(41)	(17)
Key management personnel		
Interest income from key management personnel	1	3
Interest expense to key management personnel	(2)	(3)
Key management personnel – directors	(2)	(8)
Key management personnel – other	3	7
Share-based payments expense (included in staff costs)	1	(1)

	Income/(Expense)	
	2020	2019
Long-term employee benefit plans		
Interest expense to Nedgroup Pension Fund	(1)	(2)
Interest expense to other funds	(54)	(66)
The Nedbank Group Pension Fund has an insurance policy (Optiplus policy) with Old Mutual Life Assurance Company (SA) Limited in respect of its pension plan obligations. Nedbank Limited has an insurance policy (Symmetry policy) with Old Mutual Life Assurance Company (SA) Proprietary Limited in respect of its postretirement medical aid obligations. The group has an interest in the OMART cell captive in respect of its disability plan obligations. The value of this policy and this interest are shown as reimbursement rights, with a corresponding liability. In the case of the interest in the cell captive the group recognises the surplus in the cell captive. The amounts included in the financial statements in respect of this policy and this interest are as follows:		
– Optiplus policy reimbursement right	721	753
– Symmetry policy reimbursement right	1 121	1 139
– OMART policy reimbursement right (note H1.1)	758	729
Included in long-term employee benefit assets	2 600	2 621
Optiplus policy obligation	(721)	(753)
Postretirement medical aid obligation	(958)	(1 023)
Disability obligation	(689)	(632)
Included in long-term employee benefit liabilities	(2 368)	(2 408)

SECTION G: GENERIC ASSETS

ACCOUNTING POLICY

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

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

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

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

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

Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

G1 PROPERTY AND EQUIPMENT

ACCOUNTING POLICY

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

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

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

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

Depreciation

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

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

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

The maximum initial estimated useful lives are as follows:

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

Derecognition

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

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

Leases

The group as lessee

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

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

ACCOUNTING POLICY

Contract assessment and allocation of consideration

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

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

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

Lease term

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

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

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

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

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

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

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

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

Onerous leases (impairment assessment)

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

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

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

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

Disclosure for lease liabilities are done in note K1.

The group as lessor

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

Operating leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

G1.1 PROPERTY AND EQUIPMENT

	2020 Rm	2019 Rm
Property and equipment (owned) (note G1.2)	9 310	9 599
Right-of-use assets (leased) (note G1.3)	2 023	2 378
Property and equipment	11 333	11 977

G1.2 PROPERTY AND EQUIPMENT (OWNED)

	Land		Buildings	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Gross carrying amount				
Balance at 1 January	975	962	7 616	7 083
Acquisitions	14	45	396	396
Increases/(Decreases) arising from revaluations ¹	7	32	(71)	77
Transfers from non-current assets held for sale ²		7		42
Disposals		(1)	(162)	(258)
Impairments				
Writeoff of accumulated depreciation on revaluations				
Transfers between assets			(1)	229
Transfers to intangible assets(Note G2)				
Effect of movements in foreign exchange rates and other movements	(22)	(70)	(25)	47
Balance at 31 December	974	975	7 753	7 616
Accumulated depreciation and impairment losses				
Balance at 1 January			2 256	1 970
Depreciation charge for the year			419	451
Impairment losses				148
Writeoff of accumulated depreciation on revaluations			(63)	(172)
Transfers to non-current assets held for sale				
Disposals			(123)	(129)
Transfers between assets			(1)	
Effect of movements in foreign exchange rates and other movements			(10)	(12)
Balance at 31 December	–	–	2 479	2 256
Carrying amount				
At 1 January	975	962	5 360	5 113
At 31 December	974	975	5 275	5 360

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

² Land and buildings transferred from non-current assets held for sale to property and equipment as the sale was no longer highly probable.

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

	Computer equipment		Furniture and other equipment		Vehicles		Total	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
	6 591	5 984	3 744	3 724	59	72	18 985	17 825
	746	906	353	470	16	5	1 525	1 822
							(64)	109
	(644)	(295)	(272)	(153)	(6)	(4)	(1 083)	49
							—	(711)
	1	4		(235)		2	—	—
							—	—
	(31)	(8)	(49)	(62)	(4)	(16)	(131)	(109)
	6 663	6 591	3 776	3 744	65	59	19 232	18 985
	4 615	4 184	2 470	2 250	45	50	9 386	8 454
	772	746	357	358	6	7	1 555	1 562
	1		(4)				—	148
	(622)	(286)	(188)	(138)	(4)	(2)	(937)	(172)
	1	(1)		1			—	—
	(15)	(28)	3	(1)	5	(10)	(18)	(51)
	4 753	4 615	2 638	2 470	52	45	9 921	9 386
	1 976	1 800	1 274	1 474	14	22	9 599	9 371
	1 910	1 976	1 138	1 274	14	14	9 310	9 599

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FOR THE YEAR ENDED 31 DECEMBER

G1.2 PROPERTY AND EQUIPMENT (OWNED)

Type of property	Valuation method	Significant inputs	Parameters	Land		Buildings	
				2020 Rm	2019 Rm	2020 Rm	2019 Rm
Commercial property	Market-comparable approach and discounted cashflow	Income capitalisation rates	6,67–4,42% (2019: 8,0–12,0%)	974	975	5 275	5 360
Residential property	Market-comparable approach and replacement value	Price per square metre			5		10
Total land and buildings				974	980	5 275	5 370

In accordance with IFRS 13: Fair Value Measurement the measurement of the group's properties is considered to be recurring. Recurring fair-value measurements are those that IFRS require or permit to be recognised in the statement of financial position at the end of each reporting period. Furthermore, the group classifies its properties measured at fair value into level 3 of the fair-value hierarchy. Level 3 fair-value measurements are those that include the use of significant unobservable inputs.

In respect of certain properties there are restrictions of title in terms of regulatory restrictions such as servitudes. This does not have a material effect on the ability of the group to transfer these properties. No material plant and equipment have been pledged as security for liabilities.

If land and buildings were carried under the cost and not the revaluation model, the carrying amount would have been R3 312m (2019:R3 550m).

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

Right-of-use assets reconciliation

	2020 Rm	2019 Rm
Balance at the beginning of the year	2 378	2 711
Depreciation charge for the year	(914)	(892)
Additions	309	215
Lease modifications ¹	428	401
Impairment losses ²	(152)	(33)
Derecognition	1	(21)
Effect of movements in foreign exchange rates and other movements	(26)	(3)
Balance at the end of the year	2 023	2 378

¹ Relates to amendments to new and existing lease contracts subsequent to 1 January 2019. Included in lease modifications are reinstatement costs of R25m (2019: R19m).

² The impairment indicator is due to the group's plans to implement new ways of work, which results in leased office space becoming redundant. When an impairment indicator is present, the right of use asset is tested for impairment by comparing its recoverable amount with its carrying amount. Where the recoverable amount of the right of use asset is lower than its carrying value, the right of use is impaired.

Depreciation charge by class of right-of-use assets

	2020 Rm	2019 Rm
Property (ATMs, branches, offices and campus sites)	(827)	(813)
Office equipment	(87)	(79)
	(914)	(892)

Closing balances by class of right-of-use assets

	2020 Rm	2019 Rm
Property (ATMs, branches, offices and campus sites)	1 774	2 220
Office equipment	249	158
	2 023	2 378

ACCOUNTING POLICY

Goodwill

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

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

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

Goodwill impairment

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

Impairment testing procedures

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

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

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

Computer software and development costs (not yet commissioned)

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

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

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

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

Contractual client relationships

Contractual client relationships, including the present value of active business in insurance operations, acquired in a business combination are recognised at fair value at the date of acquisition. The contractual client relationships have a finite useful life and are carried at cost less accumulated amortisation. The useful lives and residual values of these client relationships are reviewed annually. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

Goodwill impairment

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

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

The group's allocation of goodwill was made to nine independent CGUs, comprising a mix of key legal entity subsidiaries and cluster segments. Management performed individual VIU calculations and compared them to the allocated goodwill at an independent CGU level. Management also assessed the total VIU of Nedbank Group Limited to total goodwill and observed at a total level that Nedbank Group VIU exceeded the total goodwill plus net asset value. On an independent CGU basis, two VIU calculations – for Banco Unico and Nedbank Namibia – were marginally above the net asset value and one VIU calculation – for Nedbank Private Wealth – was below. In relation to Nedbank Private Wealth, the drivers of the lower VIU were due to Covid-19 and the macro economic impact, particularly lower interest rates. This resulted in an impairment of R345m (2019: R117m).

Management stressed the various key assumptions and inputs into the VIU (ie discount rate, cash flows and regulatory capital charge) and were comfortable that the remaining goodwill balance was within a reasonable range. The VIU is sensitive to changes in the discount rate and management stress tested a 2% increase in discount rates for the two marginal VIUs and would result in an impairment of R543m.

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

Intangible assets other than goodwill

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

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

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

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

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

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

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

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

G2.1 MOVEMENT IN CARRYING AMOUNT

Rm	Goodwill	Software	Development costs (not yet commissioned)	Client relationships, contractual rights and other	Total
2020					
Cost					
Balance at the beginning of the year	6 651	15 517	1 895	740	24 803
Acquisitions		475	1 883	187	2 545
Development costs commissioned to software		1 949	(1 949)		–
Disposals and retirements		(4 211)			(4 211)
Foreign currency translation and other movements	35	(18)	(1)		16
Balance at the end of the year	6 686	13 712	1 828	927	23 153
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 594	9 015	143	685	11 437
Amortisation charge		1 436	3	35	1 474
Disposals and retirements		(4 211)		184	(4 027)
Impairment losses ¹	345	156	51		552
Foreign currency translation and other movements		(36)	2	1	(33)
Balance at the end of the year	1 939	6 360	199	905	9 403
Carrying amount					
At the beginning of the year	5 057	6 502	1 752	55	13 366
At the end of the year	4 747	7 352	1 629	22	13 751
2019					
Cost					
Balance at the beginning of the year	6 650	13 674	1 951	757	23 032
Acquisitions		378	2 029	1	2 408
Development costs commissioned to software		2 082	(2 082)		–
Disposals and retirements		(596)			(596)
Foreign currency translation and other movements	1	(21)	(3)	(18)	(41)
Balance at the end of the year	6 651	15 517	1 895	740	24 803
Accumulated amortisation and impairment losses					
Balance at the beginning of the year	1 477	8 364	10	573	10 424
Amortisation charge		1 167		65	1 232
Impairment losses ¹	117	99	133	58	407
Disposals and retirements		(596)			(596)
Foreign currency translation and other movements		(19)		(11)	(30)
Balance at the end of the year	1 594	9 015	143	685	11 437
Carrying amount					
At the beginning of the year	5 173	5 310	1 941	184	12 608
At the end of the year	5 057	6 502	1 752	55	13 366

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

G2.2 ANALYSIS OF GOODWILL BY SEGMENT

	2020 Rm	2019 Rm
Nedbank Corporate and Investment Banking	2 023	2 023
Nedbank Retail and Business Banking	1 449	1 449
Nedbank Wealth	1 119	1 427
Nedbank Africa Regions	155	158
	4 746	5 057

The group's annual impairment test indicated that the goodwill relating to a cash-generating unit in Nedbank Wealth was impaired as a result of the negative macroeconomic environment. This resulted in an impairment of goodwill totalling R345m (2019: R117m), which is not recognised in headline earnings.

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

	2020 Rm	2019 Rm
Risk-free rate range (%) ¹	0,28–9,60	0,77–9,93
Beta range ¹	0,76–1,02	0,45–0,98
Equity risk premium (%) ¹	4,72–6,50	5,50–6,50
Country risk premium (%) ¹	3,49–8,72	13,87
Terminal growth rate range (%) ²	1,93–8,16	0,00–6,20
Cashflow projection (years)	3–5	3–5
Discount rate range (%) ³	6,18–24,35	5,97–27,81

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

² Based on management estimates of sustainable growth rates.

³ Discount rates are based on weighted-average cost of capitals of the respective CGUs.

	2020 Rm	2019 Rm
Geographical split of goodwill is based on the area in which the CGU operates:		
– SA	4 135	4 481
– Rest of Africa	155	158
– Rest of world	456	418
	4 746	5 057
The recoverable amount is estimated as follows:		
– SA	104 946	114 942
– Rest of Africa	3 615	2 949
– Rest of world	5 144	5 385
	113 705	123 276

SECTION H: OTHER ASSETS

H1 LONG-TERM EMPLOYEE BENEFITS

ACCOUNTING POLICY

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

Defined-benefit plans

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

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

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

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

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

Defined-contribution plans

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

Postemployment benefit plans

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

Short-term employee benefits

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

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

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

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

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

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

The actuarial valuation is dependent on a series of assumptions (note H1.1.2), the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted, where appropriate, to reflect the group's own experience. The returns on fixed-interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on equities are based on the long-term outlook for global equities at the calculation date, having regard to current market yields and dividend growth expectations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

POSTEMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

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

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

At the dates of the latest valuations, the defined-benefit plans were in a sound financial position in terms of section 16 of the Pension Funds Act. The funds that constitute the assets and liabilities that the group has recognised in the statement of financial position in respect of its defined-benefit plans are listed below. The latest actuarial valuations were performed at 31 December 2020.

POSTEMPLOYMENT BENEFITS

Defined-benefit pension funds

Nedgroup Pension Fund (including the Optiplus policy).

Nedbank UK Pension Fund.

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

Nedbank Private Wealth Pension Scheme.

Defined-contribution pension funds

Nedbank Private Wealth Pension Scheme.

Defined-benefit medical aid schemes

Nedgroup Medical Aid Scheme for Nedbank employees and pensioners [including the Old Mutual Post-retirement Medical Aid (PRMA) annuity policy].

Nedgroup Medical Aid Scheme for past BoE employees and pensioners.

Nedbank Namibia Medical Aid Fund.

OTHER LONG-TERM EMPLOYEE BENEFITS

Disability fund

Nedbank Group Disability Fund (including the OMART policy).

Insurance policies held with related parties

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

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

Rm	Notes	Assets	Liabilities
2020			
Postemployment benefits ¹	H1.1.1	5 019	(1 915)
Other long-term employee benefits – disability fund		758	(689)
		5 777	(2 604)
2019			
Postemployment benefits ¹	H1.1.1	4 873	(1 901)
Other long-term employee benefits – disability fund		729	(632)
		5 602	(2 533)

¹ In terms of IAS 19: the postemployment benefits asset refers to the sum of pension and provident funds with a net positive fund value of R2 115m (2019: R2 052m), non-qualifying insurance policies taken on the funds of R721m (2019: R753m), the medical aid fund net asset refers to non-qualifying insurance policies taken on the fund of R1 121m (2019: R1 140m) and the contribution asset R827m (2019: R811m).

The group's defined-benefit obligation includes the sum of the medical aid obligation with a value of R958m (2019: R1 031m) plus the obligation on non-qualifying insurance policies of R721m (2019: R753m).

H1.1.1 Net asset/(liability) recognised (Rm)

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
2020				
Present value of defined-benefit obligation	(3 886)	(958)		(4 844)
Fair value of plan assets	6 150	1 121	827	8 098
Funded status ¹	2 264	163	827	3 254
Unrecognised due to paragraph 65 limit	(149)			(149)
	2 115	163	827	3 105
2019				
Present value of defined-benefit obligation	(4 053)	(1 031)		(5 084)
Fair value of plan assets	6 265	1 140	811	8 216
Funded status	2 212	109	811	3 132
Unrecognised due to paragraph 65 limit	(160)			(160)
	2 052	109	811	2 972

¹ In terms of IAS 19: Employee Benefits, insurance policies issued by related parties of the reporting entity are excluded from the definition of qualifying insurance policies. The fair value of plan assets includes non-qualifying insurance policies for pension funds to the value of R721m (2019: R753m) and for medical aid to the value of R1 121m (2019: R1 140m).

H1.1.2 Postemployment benefits

Rm	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)	Unrecognised due to paragraph 65 limit	Net asset/ (liability)
Analysis of postemployment benefit assets and liabilities					
2020					
Pension funds	3 886	6 150	2 264	(149)	2 115
Nedgroup Fund	2 835	5 178	2 344		2 344
Nedbank UK Fund	469	573	103	(103)	–
Nedbank Private Wealth Funds	362	133	(229)		(229)
Other funds	220	266	46	(46)	–
Medical aid funds	958	1 121	163	–	163
Nedgroup scheme for Nedbank employees	888	1 048	159		159
Nedgroup scheme for BoE employees	61	73	13		13
Nedbank Namibia scheme (unfunded)	9		(9)		(9)
Contribution asset		827	827		827
Total	4 844	8 098	3 254	(149)	3 105
2019					
Pension funds	4 053	6 265	2 212	(160)	2 052
Nedgroup Fund	3 180	5 354	2 174		2 174
Nedbank UK Fund	398	517	119	(119)	–
Fairbairn Funds	259	137	(122)		(122)
Other funds	216	257	41	(41)	–
Medical aid funds	1 031	1 140	109	–	109
Nedgroup scheme for Nedbank employees	956	1 064	108		108
Nedgroup scheme for BoE employees	67	76	9		9
Nedbank Namibia scheme (unfunded)	8		(8)		(8)
Contribution asset		811	811		811
Total	5 084	8 216	3 132	(160)	2 972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Present value of defined-benefit obligation				
2020				
Balance at the beginning of the year	4 053	1 031		5 084
Current service cost	13			13
Interest cost	314	96		410
Contributions by plan participants	9			9
Actuarial losses	(138)	(81)		(219)
Benefits paid	(427)	(88)		(515)
Impact of foreign currency exchange rate changes	62			62
Balance at the end of the year	3 886	958	–	4 844
2019				
Balance at the beginning of the year	4 476	1 441		5 917
Current service cost	27			27
Past service cost	2			2
Interest cost	364	(255)		109
Contributions by plan participants	11			11
Actuarial losses	(371)	(67)		(438)
Benefits paid	(468)	(88)		(556)
Impact of foreign currency exchange rate changes	12			12
Balance at the end of the year	4 053	1 031	–	5 084

H1.1.2 Postemployment benefits

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Fair value of plan assets				
2020				
Balance at the beginning of the year	6 265	1 140	811	8 216
Expected return on plan assets	526	107	16	649
Actuarial gains/(losses) ¹	(307)	(38)		(345)
Contributions by the employer	19			19
Contributions by plan participants	9			9
Benefits paid	(427)	(88)		(515)
Scheme-settled administration costs	(8)			(8)
Impact of foreign currency exchange rate changes	73			73
Balance at the end of the year	6 150	1 121	827	8 098
2019				
Balance at the beginning of the year	6 111	1 149	774	8 034
Expected return on plan assets	517	106	37	660
Actuarial gains/(losses) ¹	55	(29)		26
Contributions by the employer	40			40
Contributions by plan participants	11			11
Benefits paid	(468)	(86)		(554)
Scheme-settled administration costs	(7)			(7)
Impact of foreign currency exchange rate changes	6			6
Balance at the end of the year	6 265	1 140	811	8 216

¹ The negative R169m (2019: R378m) recognised in OCI is the sum of the actuarial loss on the plan liabilities and the actuarial gain/loss on plan assets before taxation, before the IAS 19 paragraph 65 limit.

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Net (income)/expense recognised				
2020				
Current service cost	13			13
Interest (received)/cost	(209)	(11)	(16)	(236)
Scheme-settled plan administration costs	13			13
Past service cost – vested benefit	(1)			(1)
Effect of application of asset ceiling	6			6
	(178)	(11)	(16)	(205)
2019				
Current service cost	27			27
Interest (received)/cost	(153)	(361)	(37)	(551)
Scheme-settled plan administration costs	7			7
Past service cost – vested benefit	2			2
Effect of application of asset ceiling	5			5
	(112)	(361)	(37)	(510)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Rm	Pension and provident funds	Medical aid funds	Contribution asset	Total
Movements in net asset/(liability) recognised				
2020				
Balance at the beginning of the year	2 052	109	811	2 972
Net income recognised in the statement of comprehensive income	178	11	16	205
Net remeasurements – debit for the year	(169)	43		(126)
Scheme-settled plan administration costs	13			13
Contributions paid by the employer	21			21
Impact of foreign currency exchange rate changes	1			1
Asset ceiling	19			19
Balance at the end of the year	2 115	163	827	3 105
2019				
Balance at the beginning of the year	1 533	(292)	774	2 015
Net income recognised in the statement of comprehensive income	112	361	37	510
Net remeasurements – debit for the year	378	39		417
Refund of contributions		1		1
Contributions paid by the employer	40			40
Impact of foreign currency exchange rate changes	4			4
Asset ceiling	(15)			(15)
Balance at the end of the year	2 052	109	811	2 972

%	Pension and provident funds	Medical aid funds
Distribution of plan assets (%)		
2020		
Equity instruments	23.81	48.00
Debt instruments	29.80	
Property	3.25	4.00
Cash	0.03	
International	27.87	27.00
Other	15.25	21.00
	100	100
2019		
Equity instruments	24.69	49.00
Debt instruments	32.72	19.00
Property	6.71	5.00
Cash		18.00
International		6.00
Other	35.58	3.00
	100	100
Actual return on plan assets		
2020	219	69
2019	572	78

Principal actuarial assumptions (%)

	Pension and provident funds	Medical aid funds
Principal actuarial assumptions (%)		
2020		
Discount rates	1,20–9,90	9,00–9,80
Expected rates of return on plan assets	1,20–9,90	9,80–9,80
Inflation rate	2,35–5,70	4,80–4,80
Expected rates of salary increases	5,70–5,70	4,80–4,80
Pension increase allowance	0,00–4,70	
Annual increase to medical aid subsidy		6,00–6,80
Average expected retirement age (years)	60–65	
2019		
Discount rates	1,90–9,50	9,60–9,70
Expected rates of return on plan assets	1,90–9,50	9,60–9,60
Inflation rate	2,00–5,90	4,80–5,20
Expected rates of salary increases	5,90–5,90	5,20–5,20
Pension increase allowance	0,00–5,90	
Annual increase to medical aid subsidy		0,06–7,20
Average expected retirement age (years)	60–65	

Sensitivity analysis

Defined-benefit obligation

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

2020

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

2019

Rm	Main result	Discount rate plus 1%	Discount rate minus 1%	Inflation rate plus 1%	Inflation rate minus 1%
Defined-benefit obligation	3 402	3 373	3 433	3 693	3 156
Change (%)		(1)	1	9	(7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

Medical aid accrued liability

The sensitivity analysis provided below shows the impact of changes to these assumptions on the accrued liability value at 31 December 2020.

2020

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

2019

Rm	Main result	Medical subsidy rate plus 1%	Medical subsidy rate minus 1%	Discount rate plus 0,5%	Discount rate minus 0,5%
Medical aid accrued liability	1 030	1 110	927	964	1 063
Change (%)		8	(10)	(6)	3

Pension funds

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

Weighted-average assumptions (%)

	2020	2019
– Discount rate	8.88	8.66
– Expected return on plan assets	8.88	8.66
– Future salary increases	5.33	5.53
– Future pension increases	4.09	4.33

Medical aid funds

The overall expected long-term rate of return on plan assets is 9,8%. The expected rate of return is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. The expected rate of return is based on the expected performance of the entire portfolio.

Rm	Pension and provident funds	Medical aid funds	Contri- bution asset	Total
Experience adjustments on present value of defined-benefit obligations for the past five years				
2020	(138)	(81)		(219)
2019	(84)	67		(17)
2018	(337)	(139)		(476)
2017	(35)	162		127
2016	(51)	(98)		(149)
Experience adjustments on fair value of plan assets for the past five years				
2020		(38)		(38)
2019		28		28
2018		(216)		(216)
2017		(24)		(24)
2016		(40)		(40)
Estimate of future contributions				
Contributions expected for ensuing year		21		21

Fund surplus/(deficit) for the past five years

	Present value of obligation	Fair value of plan asset	Surplus/ (Deficit)
Pension funds			
2020	3 886	6 150	2 264
2019	4 053	6 265	2 212
2018	4 476	6 111	1 635
2017	5 036	8 119	3 083
2016	5 167	7 586	2 419
Medical aid funds			
2020	958	1 121	163
2019	1 031	1 140	109
2018	1 441	1 149	(292)
2017	2 213	1 441	(772)
2016	2 143	1 343	(800)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

H2 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

ACCOUNTING POLICY

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

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

Properties sold not yet transferred

Commitments for the sale of properties have commenced and are anticipated to be concluded within the following 12 months. Transfer of the properties is expected to take place during the following 12 months.

Nedbank (Malawi) Limited

During 2019 the group announced its intention to sell its investment in its Nedbank (Malawi) Limited subsidiary and therefore classified it as a disposal group held for sale. The group considered Nedbank (Malawi) Limited to meet the criteria to be classified as held for sale as at 31 December 2019, for the following reasons:

- The group had obtained the required internal approvals for the sale.
- Nedbank (Malawi) Limited was available for immediate sale and could be sold to the buyer in its current condition.
- A potential buyer had been identified.
- The actions to complete the sale were initiated in 2019 and are expected to be completed within one year.

At 31 December 2019, an impairment loss of R51m was recognised in non-trading and capital items in respect of the disposal group held for sale.

On 14 February 2020 Nedbank Group disposed of its 100% interest in Nedbank Malawi Limited for R31m when the suspensive conditions on the sale agreement were met. Nedbank Group and Nedgroup Investments Africa disposed of, and MyBucks Banking Corporation Limited acquired, in one composite, indivisible transaction, 100% of the issued shares of Nedbank Malawi Limited and the cession and delegation of a term loan from Nedbank Limited to Nedbank Malawi Limited. A R31m loss was recognised in non-trading and capital items on the sale of Nedbank Malawi Limited. The disposal followed a strategic review by Nedbank Group.

At 31 December 2020, non-current assets held for sale comprise properties sold, but not yet transferred.

	2020 Rm	2019 Rm
Non-current assets held for sale		
Properties sold, but not yet transferred and previously included in property and equipment	69	90
Nedbank (Malawi) Limited, previously included in:	–	645
Cash and cash equivalents		31
Other short-term securities		396
Loans and advances		206
Other assets		5
Investment securities		1
Deferred taxation assets		5
Mandatory reserve deposits with central banks		1
	69	735
Non-current liabilities held for sale		
Nedbank (Malawi) Limited, previously included in:	–	598
Amounts owed to depositors		570
Provisions and other liabilities		28
	–	598

H3 OTHER ASSETS

	2020 Rm	2019 Rm
Sundry debtors and other accounts	11 608	11 776
Trading securities and spot positions	5 201	3 632
Impairment of other assets	(7)	(15)
	16 802	15 393

SECTION I: FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

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

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Measurement basis of financial instruments

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

Initial recognition and measurement

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

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

Amortised cost and effective interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective-interest-rate method of any difference between the initial contractual amount and the maturity amount, less any cumulative impairment losses.

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

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

Interest income

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

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

Fair value

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

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

The group uses valuation techniques to establish the fair value of instruments where quoted prices in active markets are not available. For a detailed discussion of the fair value of financial instruments refer to note 12.

Financial assets

(i) Classification and measurement

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

- FVTPL.
- FVOCI.
- Amortised cost.

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

ACCOUNTING POLICY

Debt instruments

The classification of investments in debt instruments depends on:

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

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

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

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

The remaining financial assets are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities which are classified as mandatory at fair value and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cashflows are solely payments of principal and interest.

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

Investments in equity instruments

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

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

(ii) Impairments

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

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

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

- Twelve-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

Measurement of ECLs

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

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

ACCOUNTING POLICY

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

(iii) Modification of loans

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

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

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

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

Revolving products

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

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

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

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

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

ACCOUNTING POLICY

(iv) Derecognition other than a modification

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

- the contractual rights to the cashflows arising from the financial asset have expired; or
- the group transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- the group transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retaining control of the asset.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in non-interest revenue for the period.

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

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

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

Financial liabilities

(i) Classification and measurement

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

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

(ii) Derecognition

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

Sale and repurchase agreements and lending of securities

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

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

Acceptances

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

Cash and cash equivalents

Cash and cash equivalents represent cash on hand and demand deposits and cash equivalents that are short term (ie with a maturity of less than 90 days from acquisition), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents therefore include cash and balances with central banks that can be withdrawn on demand (except where a specific minimum balance at the end of the day is required to be maintained), other eligible bills and amounts due from banks.

ACCOUNTING POLICY

Investment contract liabilities

Liabilities for unit-linked and market-linked contracts are reported at fair value. For unit-linked contracts the fair value is calculated as the account value of the units, ie the number of units held multiplied by the bid price value of the assets in the underlying fund (adjusted for taxation). For market-linked contracts the fair value of the liability is determined with reference to the fair value of the underlying assets. This fair value is calculated in accordance with the financial soundness valuation basis, except that negative reserves arising from the capitalisation of future margins are not permitted. The fair value of the liability, at a minimum, reflects the initial deposit of the client, which is repayable on demand.

Investment contract liabilities (other than unit-linked and market-linked contracts) are measured at amortised cost.

Contribution income relating to investment contracts

Contribution income includes lump sums received in respect of linked businesses with retirement funds and are accounted for when due.

The contribution income is set off directly against the liability under investment contracts.

Benefits relating to investment contracts

Policyholder benefits are accounted for when claims are intimated directly against the liability under investment contracts.

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

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

KEY ASSUMPTIONS CONCERNING THE FUTURE AND KEY SOURCES OF ESTIMATION

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Details of the processes, procedures and assumptions used in the determination of fair value are discussed in note 12. In particular, the areas that involve the greatest amount of judgement and complexity include the following:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

11 CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CATEGORIES OF FINANCIAL INSTRUMENTS

			At FVTPL	
	Notes	Total Rm	Mandatory at fair value Rm	Designated ¹ Rm
2020				
Assets				
Cash and cash equivalents	C6	14 891		
Other short-term securities	C4	52 605	28 245	
Derivative financial instruments	C7	80 325	80 325	
Government and other securities	C3	132 221	54 231	400
Loans and advances	C1.1	843 303	70 585	12 265
Other assets	H3	16 802	5 201	
Current taxation assets		164		
Investment securities	F1	26 425	25 530	
Non-current assets held for sale	H2	69		
Investments in associate companies	F2	3 322		
Deferred taxation assets	B8.3	657		
Property and equipment	G1	11 334		
Long-term employee benefit assets	H1.1	5 777		
Mandatory reserve deposits with central banks	C6	26 491		
Intangible assets	G2	13 751		
Total assets		1 228 137	264 117	12 665
Equity and liabilities				
Ordinary share capital	B4.1	484		
Ordinary share premium		18 583		
Reserves		69 925		
Total equity attributable to ordinary equity holders		88 992	–	–
Holders of preference shares	B4.2	3 222		
Holders of participating preference shares		(58)		
Holders of additional tier 1 capital instruments	B5	7 822		
Non-controlling interest attributable to ordinary shareholders		466		
Total equity		100 444	–	–
Derivative financial instruments	C7	65 130	65 130	
Amounts owed to depositors	D1	953 715	32 661	
Provisions and other liabilities	K1.1	23 704	6 328	
Current taxation liabilities		590		
Deferred taxation liabilities	B8.3	390		
Long-term employee benefit liabilities	H1.1	2 604		
Investment contract liabilities	D3	20 868		20 868
Insurance contract liabilities	D4	922		
Long-term debt instruments	D2	59 770		
Total liabilities		1 127 693	104 119	20 868
Total equity and liabilities		1 228 137	104 119	20 868

¹ Refer to note 14 in respect of financial instruments designated as FVTPL.

	FVOCI			
	Debt Instruments Rm	Equity Instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
	22 983		14 891 1 377	
	44		77 546	
	18 811		741 642	
			10 272	1 329
				164
	95	767		33
				69
				3 322
				657
				11 334
				5 777
			26 491	
				13 751
	41 933	767	872 219	36 436
				484
				18 583
				69 925
	–	–	–	88 992
				3 222
				(58)
				7 822
				466
	–	–	–	100 444
			921 054	
			2 752	14 624
				590
				390
				2 604
				922
			59 770	
	–	–	983 576	19 130
	–	–	983 576	119 574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

			At FVTPL	
	Notes	Total Rm	Mandatory at fair value Rm	Designated ¹ Rm
2019				
Assets				
Cash and cash equivalents	C6	14 149		
Other short-term securities	C4	64 451	33 913	–
Derivative financial instruments	C7	35 243	35 243	
Government and other securities ²	C3	100 557	35 317	449
Loans and advances ²	C1.1	824 786	36 013	9 988
Other assets	H3	15 393	3 632	
Current taxation assets		281		
Investment securities	F1	28 961	27 968	
Non-current assets held for sale	H2	735		
Investments in associate companies	F2	3 917		
Deferred taxation assets	B8.3	389		
Investment property		56		
Property and equipment	G1	11 977		
Long-term employee benefit assets	H1.1	5 602		
Mandatory reserve deposits with central banks	C6	23 486		
Intangible assets	G2	13 366		
Total assets		1 143 349	172 086	10 437
Equity and liabilities				
Ordinary share capital	B4.1	481		
Ordinary share premium		18 096		
Reserves ³		69 020		
Total equity attributable to ordinary equity holders		87 597	–	–
Holders of preference shares	B4.2	3 222		
Holders of additional tier 1 capital instruments	B5	6 850		
Non-controlling interest attributable to ordinary shareholders		780		
Total equity		98 449	–	–
Derivative financial instruments	C7	27 991	27 991	
Amounts owed to depositors	D1	904 382	32 470	212
Provisions and other liabilities	K1.1	23 297	4 521	
Current taxation liabilities		161		
Non-current liabilities held for sale	H2	598		
Deferred taxation liabilities	B8.3	939		
Long-term employee benefit liabilities	H1.1	2 533		
Investment contract liabilities	D3	24 571		24 571
Insurance contract liabilities	D4	715		
Long-term debt instruments	D2	59 713		
Total liabilities		1 044 900	64 982	24 783
Total equity and liabilities		1 143 349	64 982	24 783

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

² 2019 restated, refer to note A4: Reclassification.

³ During the year the group reviewed the presentation of reserves. As a result of this review, the reserves have been enhanced to reflect the total balance in the Non-financial assets, liabilities and equity column. Management is of the view that this enhancement provides more relevant information to users.

During the year, the group reviewed the disclosure of loans and advances. As a result of the review, it was identified that certain loans and advances, that are held for trading, were disclosed as amortised cost. The correct disclosure of these loans and advances is fair value through profit or loss. An amount of R9,1bn previously incorrectly disclosed as amortised cost is now disclosed correctly as fair value at 31 December 2019. The loans and advances were correctly measured at fair value and there is no impact on profit or loss.

It was also identified that certain loans and advances in a group securitisation vehicle were incorrectly disclosed as fair value through profit or loss. The correct disclosure is amortised cost based on the business model and cashflow characteristics of the loans and advances. An amount of R1,9bn previously incorrectly disclosed as fair value is now disclosed correctly as amortised cost at 31 December 2019. The loans and advances were correctly measured at amortised cost and there is no impact on expected credit losses.

It was also identified that certain loans and advances were incorrectly disclosed as amortised cost. The correct disclosure for these loans and advances is fair value. An amount of R2,6bn previously incorrectly disclosed as amortised cost is now disclosed correctly as fair value through other comprehensive income (R1,7bn) and fair value through profit or loss (R947m) at 31 December 2019. The loans and advances were correctly measured at fair value and there is no impact on profit or loss.

FVOCI			
Debt Instruments Rm	Equity Instruments Rm	Financial instruments at amortised cost Rm	Non-financial assets, liabilities and equity Rm
		14 149	
19 046	–	11 492	–
254	–	64 537	–
17 583	–	761 202	–
		10 457	1 304
			281
124	841		28
			735
			3 917
			389
			56
			11 977
			5 602
		23 486	
			13 366
37 007	841	885 323	37 655
			481
			18 096
			69 020
–	–	–	87 597
			3 222
			6 850
			780
–	–	–	98 449
		871 700	
		5 277	13 499
			161
			598
			939
			2 533
			715
		59 713	
–	–	936 690	18 445
–	–	936 690	116 894

In addition, it was identified that certain other short-term securities and government and other securities were incorrectly disclosed as fair value through profit or loss. The correct disclosure for these loans and advances is amortised cost. An amount of R1,9bn previously incorrectly disclosed as fair value through profit or loss is now disclosed correctly as amortised cost at 31 December 2019. The other short-term securities and government and other securities were correctly measured at amortised cost and there is no impact on profit or loss.

The combined impact of the errors is an amount of R8bn, previously incorrectly disclosed as amortised cost now disclosed correctly as fair value at 31 December 2019. There is no impact on the group's statement of financial position at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cashflow for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

12 FAIR-VALUE MEASUREMENT — FINANCIAL INSTRUMENTS

12.1 VALUATION OF FINANCIAL INSTRUMENTS

BACKGROUND

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

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

CONTROL ENVIRONMENT

Validation and approval

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

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

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

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

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

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

Stress testing and sensitivity measures

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

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

For further discussion in respect of stress testing and sensitivity measures refer to note 12.7

VALUATION METHODOLOGIES

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

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

Quoted price

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

The objective of determining fair value is to arrive at the transaction price of an instrument on the measurement date (ie without modifying or repackaging the instrument) in the principal (or most advantageous) active market to which the business has immediate access. The existence of published price quotations in an active market is the most reliable evidence of fair value and, when they exist, they are used without adjustment to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

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

VALUATION TECHNIQUES

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

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

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

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

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

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

Therefore, a valuation technique:

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

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

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

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

OBSERVABLE MARKETS

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

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- supported by actual market transactions.

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

INPUTS TO VALUATION TECHNIQUES

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

- Discount rate: Where discounted-cashflow techniques are used, estimated future cashflows are based on management's best estimates and the discount rate used is a market rate at the reporting date for an instrument with similar terms and conditions.
- The time value of money: The business may use well-accepted and readily observable general interest rates, such as the Johannesburg Interbank Agreed Rate (SA), London Interbank Offered Rate (UK) or an appropriate swap rate, as the benchmark rate to derive the present value of a future cashflow.
- Credit risk: Credit risk is the risk of loss associated with a counterparty's failure or inability to fulfil its contractual obligations. The valuation of the relevant financial instrument takes into account the effect of credit risk on fair value by including an appropriate adjustment for the risk taken.
- Foreign currency exchange prices: Active currency exchange markets exist for most major currencies, and prices are quoted daily on various trading platforms and in financial publications.
- Commodity prices: Observable market prices are available for those commodities that are actively traded on exchanges in SA, London, New York, Chicago and other commercial exchanges.
- Equity prices: Prices (and indices of prices) of traded equity instruments are readily observable on JSE Limited or any other recognised international exchange. Present-value techniques may be used to estimate the current market price of equity instruments for which there are no observable prices.
- Volatility: Measures of the volatility of actively traded items can be reasonably estimated by the implied volatility in current market prices. The shape and skew of the volatility curve is derived from a combination of observed trades and doubles in the market. In the absence of an active market a methodology to derive these volatilities from observable market data will be developed and utilised.
- Recovery rates/Loss-given default: These are used as an input to valuation models as an indicator of the severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.
- Prepayment risk and surrender risk: Expected repayment patterns for financial assets and expected surrender patterns for financial liabilities can be estimated on the basis of historical data.
- Servicing costs: If the cost of servicing a financial asset or financial liability is significant and other market participants would face comparable costs, the issuer would consider them in determining the fair value of that financial asset or financial liability.
- Dividends: Consistent consensus dividend forecasts adjusted for internal investment analysts' projections can be applied to each share. Forecasts are usually available for the current year plus one additional year. Thereafter, a constant growth rate would be applied to the specific dates into the future for each individual share.
- Inception profit (day one gain or loss): The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (ie the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique, the variables of which include data from observable markets only.

VALUATION ADJUSTMENTS

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

- Own credit on financial liabilities: The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in the group's own credit spreads. As a result, the carrying value of issued bonds and subordinated-debt instruments that have been designated as FVTPL is adjusted by reference to the movement in the appropriate spreads. The effect of changes relating to the group's own credit risk is recognised OCI and the remaining gain or loss is recognised in profit or loss in the consolidated statement of comprehensive income.
- Counterparty credit spreads: Adjustments are made to market prices when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameter).

VALUATION TECHNIQUES BY INSTRUMENT

Other short-term securities and government and other securities

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

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

Derivative financial instruments

Derivative contracts can be traded either through an exchange or over the counter and are valued using market-standard models and quoted parameter inputs. Parameter inputs are obtained from pricing services, consensus pricing services and recently occurring transactions in active

markets, whenever possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices through model calibration procedures. Other inputs are not observable, but can generally be estimated from historical data or other sources.

Loans and advances

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

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

Investment securities

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

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

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

The fair value of unlisted investments is determined using appropriate valuation techniques that may include, but are not limited to, discounted-cashflow analysis, net-asset-value calculations and directors' valuations.

Other assets

Short positions or long positions in equities arise in trading activities where equity shares not owned by the group are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Investments in instruments that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured, as well as derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are measured at fair value, using models considered to be appropriate by management.

Amounts owed to depositors

Amounts owed to depositors include deposits under repurchase agreements, negotiable certificates of deposit and other deposits. These instruments incorporate all market risk factors, including a measure of the group's credit risk relevant for that financial liability when designated as FVTPL.

The fair value of these financial liabilities is determined by discounting the contractual cashflows using a Nedbank Group Limited-specific credit-adjusted yield curve that reflects the level at which the group would issue similar instruments at the reporting date. The market risk parameters are valued consistently to similar instruments held as assets.

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

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

Investment contract liabilities

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

Long-term debt instruments

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

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

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

Complex instruments

These instruments are valued by using internally developed models that are specific to the instrument and that have been calibrated to market prices. In less-active markets data is obtained from less-frequent market transactions and broker quotes, and through extrapolation and interpolation techniques. Where observable prices or inputs are not available, other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions are used. These models are reviewed and assessed continually to ensure that the best available data is being used in the determination of fair value.

Other liabilities

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Short positions or long positions in equities arise in trading activities where equity shares, not owned by the group, are sold in the market to third parties. The fair value of these instruments is determined by reference to the gross short/long position valued at the offer rate.

Where the group has assets and liabilities with offsetting market risks, it may use middle-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position, as appropriate.

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS

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

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

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 3 INSTRUMENTS

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

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I2.2 FAIR-VALUE HIERARCHY

I2.2.1 Financial assets

Rm	Note				At FVTPL		
		Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Mandatory at fair value		
					Level 1	Level 2	Level 3
2020		1 191 701	872 219	319 482	52 432	204 389	7 296
Cash and cash equivalents	C6	41 382	41 382	–	–	–	–
Other short-term securities	C4	52 605	1 377	51 228	–	28 245	–
Derivative financial instruments	C7	80 325	–	80 325	19	80 306	–
Government and other securities	C3	132 221	77 546	54 675	46 926	7 305	–
Loans and advances	C1.1	843 303	741 642	101 661	168	70 417	–
Other assets	H3	15 473	10 272	5 201	5 201	–	–
Investment securities	F1	26 392	–	26 392	118	18 116	7 296

Rm	Note				At FVTPL		
		Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	Mandatory at fair value		
					Level 1	Level 2	Level 3
2019		1 105 694	885 323	220 371	37 149	127 383	7 554
Cash and cash equivalents	C6	37 635	37 635	–	–	–	–
Other short-term securities ²	C4	64 451	11 492	52 959	–	33 913	–
Derivative financial instruments	C7	35 243	–	35 243	61	35 182	–
Government and other securities ^{1,2}	C3	100 557	64 537	36 020	32 599	2 718	–
Loans and advances ^{1,2}	C1.1	824 786	761 202	63 584	186	35 827	–
Other assets	H3	14 089	10 457	3 632	3 632	–	–
Investment securities	F1	28 933	–	28 933	671	19 743	7 554

¹ 2019 restated, refer to note A4: Reclassification.

² Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised cost in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments.

	At FVTPL						At FVOCI		
	Designated			Debt instruments			Equity instruments		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	–	12 665	–	15	41 918	–	18	377	372
	–	–	–	–	–	–	–	–	–
	–	–	–	–	22 983	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	400	–	15	29	–	–	–	–
	–	12 265	–	–	18 811	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	95	–	18	377	372

	At FVTPL						At FVOCI		
	Designated			Debt instruments			Equity instruments		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	–	10 437	–	–	37 007	–	20	346	475
	–	–	–	–	19 046	–	–	–	–
	–	449	–	–	254	–	–	–	–
	–	9 988	–	–	17 583	–	–	–	–
					124		20	346	475

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I2.2.1 Financial assets

Summary of fair-value hierarchies

Summary of fair-value hierarchies	Total financial assets recognised at fair value		Total financial assets classified as level 1	
	2020	2019	2020	2019
Rm				
Other short-term securities ²	51 228	52 959	–	
Derivative financial instruments	80 325	35 243	19	61
Government and other securities ^{1,2}	54 675	36 020	46 941	32 599
Loans and advances ^{1,2}	101 661	63 584	168	186
Other assets	5 201	3 632	5 201	3 632
Investment securities	26 392	28 933	136	691
	319 482	220 371	52 465	37 169

Reconciliation to categorised statement of financial position

Reconciliation to categorised statement of financial position	Mandatory at fair value		Designated as FVTPL	
	2020	2019	2020	2019
Rm				
Level 1	52 432	37 149	–	
Level 2	204 389	127 383	12 665	10 437
Level 3	7 296	7 554	–	
	264 117	172 086	12 665	10 437

Reconciliation to statement of financial position

Rm	Note	2020	2019
Total financial assets	I1	1 191 701	1 105 694
Total non-financial assets	I1	36 436	37 655
Total assets		1 228 137	1 143 349

¹ 2019 restated, refer to note A4: Reclassification.

² Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised cost in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments.

I2.2.2 Financial liabilities

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

	Total financial assets classified as level 2		Total financial assets classified as level 3	
	2020	2019	2020	2019
	51 228	52 959		
	80 306	35 182		
	7 734	3 421		
	101 493	63 398		
	—			
	18 588	20 213	7 668	8 029
	259 349	175 173	7 668	8 029

	FVOCI: Debt instruments		FVOCI: Equity instruments	
	2020	2019	2020	2019
	15		18	20
	41 918	37 007	377	346
	—		372	475
	41 933	37 007	767	841

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

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		Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value
Rm	Note			
2019		1 026 455	936 690	89 765
Derivative financial instruments	C7	27 991	–	27 991
Amounts owed to depositors	D1	904 382	871 700	32 682
Provisions and other liabilities	K1.1	9 798	5 277	4 521
Investment contract liabilities	D3/D4	24 571	–	24 571
Long-term debt instruments	D2	59 713	59 713	–

Summary of fair-value hierarchies

	Total financial liabilities recognised at fair value		Total financial liabilities classified as level 1	
Rm	2020	2019	2020	2019
Derivative financial instruments	65 130	27 991	64	16
Amounts owed to depositors	32 661	32 682		
Provisions and other liabilities	6 328	4 521	6 328	3 950
Investment contract liabilities	20 868	24 571		
	124 987	89 765	6 392	3 966

Reconciliation to categorised statement of financial position

Reconciliation to categorised statement of financial position	Mandatory at fair value		Designated as FVTPL	
Rm	2020	2019	2020	2019
Level 1	6 392	3 966		
Level 2	97 727	60 445	20 868	24 783
Level 3		571		
	104 119	64 982	20 868	24 783

Reconciliation to statement of financial position

Reconciliation to statement of financial position	Note	2020	2019
Rm			
Total financial liabilities	I1	1 108 563	1 026 455
Total equity and non-financial liabilities	I1	119 574	116 894
Total equity and liabilities		1 228 137	1 143 349

The tables presented above analyse the financial assets and financial liabilities that are measured at fair value by level of fair-value hierarchy as required by IFRS 13: Fair Value Measurement. The levels of the hierarchy are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques using market data that is either directly or indirectly observable. Various factors influence the availability of observable data and these may vary from product to product and change over time. Factors include, for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and the nature of the transaction (bespoke or generic).

Level 3: Valuation techniques that include significant inputs that are unobservable. To the extent that a valuation is based on inputs that are not market-observable the determination of the fair value can be more subjective, dependent on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined based on the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

At FVTPL					
Mandatorily at fair value			Designated		
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
3 966	60 445	571	–	24 783	–
16	27 975	–	–	–	–
–	32 470	–	–	212	–
3 950	–	571	–	–	–
–	–	–	–	24 571	–
–	–	–	–	–	–

Total financial liabilities classified as level 2		Total financial liabilities classified as level 3	
2020	2019	2020	2019
65 066	27 975		
32 661	32 682		
		–	571
20 868	24 571		
118 595	85 228	–	571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
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12.3 DETAILS OF CHANGES IN VALUATION TECHNIQUES

There have been no significant changes to valuation techniques.

12.4 TRANSFERS BETWEEN LEVELS OF THE FAIR-VALUE HIERARCHY

There were no significant transfers between level 1 and level 2 of the fair-value hierarchy during 2020.

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

12.5 LEVEL 3 RECONCILIATION

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

Rm	Opening balance at 1 January	Losses in non- interest revenue in profit for the year
2019		
At FVTPL – Mandatory at fair value	5 978	(9)
Investment securities	5 978	(9)
At FVOCI – Equity instruments	478	(12)
Investment securities	478	(12)
Total financial assets classified as level 3	6 456	(21)

	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers to level 1	Closing balance at 31 December
	–	2 046	–	(811)	(113)	(117)	7 296
	–	2 046	–	(811)	(113)	(117)	7 296
	(98)	–	–	–	–	–	372
	(98)	–	–	–	–	–	372
	(98)	2 046	–	(811)	(113)	(117)	7 668

	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 1	Closing balance at 31 December
	–	2 799	1 976	(915)	(2 275)	–	7 554
		2 799	1 976	(915)	(2 275)		7 554
	9	–	–	–	–	–	475
	9						475
	9	2 799	1 976	(915)	(2 275)	–	8 029

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Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2020		
Mandatory at fair value	571	–
Provisions and other liabilities	571	
Total financial liabilities classified as level 3	571	–

Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses and trading gains or losses.

Rm	Opening balance at 1 January	Gains in non-interest revenue in profit for the year
2019		
Mandatory at fair value		
Provisions and other liabilities	431	140
Total financial liabilities classified as level 3	431	140

Gains and losses include, but are not limited to, fair-value gains or losses, translation gains or losses and trading gains or losses.

12.6 UNREALISED LOSSES

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

	2020	2019
Private-equity losses	(1 268)	(21)
	(1 268)	(21)

	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
	-	-	-	-	(571)	-	-
					(571)		-
	-	-	-	-	(571)	-	-

	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year	Purchases	Issues	Sales	Settlements	Transfers from level 2	Closing balance at 31 December
	-	-	-	-	-	-	571
	-	-	-	-	-	-	571

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12.7 EFFECT OF CHANGES IN SIGNIFICANT UNOBSERVABLE ASSUMPTIONS

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

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

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

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

There are no provisions and other liabilities classified as level 3 at 31 December 2020, hence no effect of changes in significant unobservable assumptions has been presented for this financial statement line.

	Valuation technique	Significant unobservable input
2019		
Assets		
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations, dividend yields	Valuation multiples, correlations, volatilities and credit spreads
Total financial assets classified as level 3		
Liabilities		
Provisions and other liabilities	Discounted cashflow, earnings multiples	Discount rates, forecasts
Total financial liabilities classified as level 3		

	Variance in fair value	Amounts recognised in the statement of financial position	Favourable change in fair value	Unfavourable change in fair value
	%	Rm	Rm	Rm
	Between (16) and 19	7 668	1 467	(1 189)
		7 668	1 467	(1 189)

	Variance in fair value	Amounts recognised in the statement of financial position	Favourable change in fair value	Unfavourable change in fair value
	%	Rm	Rm	Rm

	Between (17) and 21	8 029	1 688	(1 336)
		8 029	1 688	(1 336)
	Between (10) and 10	571	57	(57)
		571	57	(57)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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13 ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE FOR WHICH FAIR VALUE IS DISCLOSED

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

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

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
2020					
Financial assets	820 565	821 691	74 207	22 254	725 230
Other short-term securities	1 377	1 377		1 377	
Government and other securities	77 546	74 605	74 207		398
Loans and advances	741 642	745 709		20 877	724 832
Financial liabilities	59 770	63 808	36 040	27 768	–
Long-term debt instruments	59 770	63 808	36 040	27 768	
2019					
Financial assets	837 231	813 140	63 219	39 437	710 484
Other short-term securities ²	11 492	11 484		11 484	
Government and other securities ^{1,2}	64 537	63 524	63 219		305
Loans and advances ^{1,2}	761 202	738 132		27 953	710 179
Financial liabilities	59 713	62 216	37 957	24 259	–
Long-term debt instruments	59 713	62 216	37 957	24 259	

¹ 2019 restated, refer note A4: Reclassification

² Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised cost in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments for further details

Loans and advances

Loans and advances, recognised in note C1.1, that are not recognised at fair value principally comprise variable-rate financial assets. The interest rates on these variable-rate financial assets are adjusted when the applicable benchmark interest rate changes.

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

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

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost, resulting in these assets' fair value being 0.55% higher (2019: 3.1% lower) than carrying value. This model incorporates the use of average interest rates and projected monthly cashflows per product type. Future cashflows are discounted using interest rates at which similar loans would be granted to borrowers with similar credit ratings and maturities. Methodologies and models are updated on a continuous basis for changes in assumptions, forecasts and modelling techniques. Future forecasts of the group's PDs and LGDs for the periods 2021 to 2023 (2019: for periods 2020 to 2022) are based on the latest available internal data and are applied to the projected cashflows of the first three years. Thereafter PDs and LGDs are gradually reverted to their long-run averages and are applied to the remaining projected cashflows. Inputs into the model include various assumptions used in the pricing of loans and advances. The determination of such inputs is highly subjective and therefore any change to one or more of the assumptions (e.g. interest rates, future forecasts of PDs or LGDs, or macroeconomic conditions) may result in a significant change in the determination of the fair value. Reasonable bounds for the fair value are estimated to be between 0.50% lower and 1.60% higher than the carrying value.

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

Government and other securities

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

Other short-term securities

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

Long-term debt instruments

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

Amounts owed to depositors

The amounts owed to depositors principally comprise variable-rate liabilities and hedge-accounted fixed-rate liabilities. The carrying value of the amounts owed to depositors approximates fair value because the instruments reprice to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or is short term in nature.

Cash and cash equivalents, other assets, mandatory deposits with central banks, and provisions and other liabilities

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or are repriced to current market rates at frequent intervals.

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14 FINANCIAL INSTRUMENTS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS

The group has satisfied the criteria for designation of financial instruments as FVTPL in terms of the accounting policies.

Various fixed-rate advances and liabilities are entered into by the group. The overall interest-rate risk of the group is economically hedged by way of interest rate swaps and managed by the Group Asset and Liability Committee (ALCO). The interest rate risk is then traded to the market through the central trading desk.

The swaps and frontdesk trading instruments meet the definition of 'derivatives', and are measured at fair value in terms of IFRS 9. Fixed-rate advances and liabilities, however, do not meet this definition. Therefore, to avoid any accounting mismatch of holding the advances at amortised cost and the hedging instruments at fair value, the advances and liabilities are designated as FVTPL and are held at fair value.

Various instruments are designated as FVTPL, which is consistent with the group's documented risk management or investment strategy. The fair value of the instruments is managed and reviewed on a regular basis by the risk/investment functions of the group. The risk of the portfolio is measured and monitored on a fair-value basis.

14.1 Financial assets designated as FVTPL

Rm	Maximum exposure to credit risk	
	2020	2019
Government-guaranteed	400	427
Other dated securities	–	22
Mortgage loans ¹	6 117	4 450
Loans and advances (secured and unsecured)	6 148	5 535
Other loans	–	3
	12 665	10 437

¹ Certain categories of loans and advances were reclassified between FVOCI, FVTPL and amortised cost in 2019. The measurement basis of these instruments has however not changed. Refer to note I1: Consolidated statement of financial position – categories of financial instruments for further details

Nedbank Group has estimated the change in credit risk as being the amount arising from the change in fair value of the financial instrument that is not attributable to changes in market conditions that give rise to market risk. Individual credit spreads for loans or receivables that have been designated as FVTPL are determined at the inception of the deal. The credit spread is calculated as the difference between the benchmark interest rate and the interest rate the client is charged. Subsequent changes in the benchmark interest rate and the credit spread give rise to changes in fair value in the financial instrument. Loans and advances are reviewed for observable changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. No credit derivatives are used to hedge the credit risk on any of the financial assets designated as FVTPL.

A breakdown of the financial assets that are designated as FVTPL can be found in note I1. A detailed explanation of how each financial asset is valued can be found in note I2.1.

14.2 Financial liabilities designated as FVTPL

2020

Financial liabilities required to present the effects of change in credit risk in OCI:

			Financial liabilities where change in credit risk is recognised in OCI ²		
			Current period	Cumulative	Amount of cumulative gains/(losses) transferred within equity
Rm	Fair value	Contractually payable at maturity			
Investment contract liabilities ¹	20 868	–			
	20 868	–	–	–	–

2019

			Financial liabilities where change in credit risk is recognised in OCI ²		
			Current period	Cumulative	Amount of cumulative gains/(losses) transferred within equity
Rm	Fair value	Contractually payable at maturity			
Promissory notes and other liabilities	212	212	³	³	³
Investment contract liabilities ¹	24 571				
	24 783	212	³	³	³

¹ The value of investment contract liabilities changes according to changes in the value of the unit-linked assets. Unit-linking asset features contain specific asset performance risk rather than credit risk.

² Positive amounts represent losses.

³ Represents amounts less than R1m.

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15 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING POLICY

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when the group has a legally enforceable right to set off the financial asset and financial liability and the group has an intention of settling the asset and liability on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

In accordance with the requirements of IFRS 7: Financial Instruments: Disclosures, the table below sets out the impact of:

- recognised financial instruments that are set off in the statement of financial position in accordance with the requirements of IAS 32: Financial Instruments: Presentation; and
- financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions that did not qualify for presentation on a net basis.

The group reports financial assets and financial liabilities on a net basis in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Certain master netting arrangements may not meet the criteria for offsetting in the statement of financial position because:

- these agreements create a right of setoff that is enforceable only following an event of default, insolvency or bankruptcy; and
- the group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Master netting arrangements and similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

2020

	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position			
	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position	Amounts that may be netted off on the occurrence of a future event	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure ²	Total amounts recognised in the statement of financial position
Rm							
Financial assets							
Derivative financial assets	110 201	(33 803)	76 399	(53 729)	22 670	3 926	80 325
Loans and advances	56 484	(42 969)	13 515		13 515	829 788	843 303
Cash and cash equivalents	11 501	(10 588)	912		912	13 979	14 891
Total financial assets	178 186	(87 360)	90 826	(53 729)	37 097	847 693	938 519
Financial liabilities							
Derivative financial liabilities	(115 753)	51 781	(63 972)	53 729	(10 243)	(1 158)	(65 130)
Amounts owed to depositors	(72 350)	35 579	(36 771)		(36 771)	(916 944)	(953 715)
Total financial liabilities	(188 103)	87 360	(100 743)	53 729	(47 014)	(918 102)	(1 018 845)

2019

	Effects of netting on the statement of financial position			Related amounts not set off in the statement of financial position			
	Gross amounts	Amounts set off in the statement of financial position in accordance with IAS 32	Net amounts included in the statement of financial position ¹	Amounts that may be netted off on the occurrence of a future event	Net amounts reflecting the effect of master netting arrangements	Amounts not subject to IFRS 7 offsetting disclosure ²	Total amounts recognised in the statement of financial position
Rm							
Financial assets							
Derivative financial assets	34 162	(1 445)	32 717	(21 631)	11 086	2 526	35 243
Loans and advances	71 418	(60 475)	10 943		10 943	813 843	824 786
Cash and cash equivalents	3 347	(1 650)	1 697		1 697	12 452	14 149
Total financial assets	108 927	(63 570)	45 357	(21 631)	23 726	828 821	874 178
Financial liabilities							
Derivative financial liabilities	(34 081)	6 816	(27 265)	21 631	(5 634)	(726)	(27 991)
Amounts owed to depositors	(95 699)	56 754	(38 945)		(38 945)	(865 437)	(904 382)
Total financial liabilities	(129 780)	63 570	(66 210)	21 631	(44 579)	(866 163)	(932 373)

¹ Includes the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to master netting agreements, but where no offsetting has been applied. Excludes financial instruments that are neither subject to setoff nor master netting agreements.

² Includes financial instruments that are neither subject to setoff nor master netting agreements.

² 2019 restated, refer to note A4: Reclassification

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

I6 COLLATERAL

ACCOUNTING POLICY

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except cash collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition.

Cash collateral is recognised when the group receives the cash and is reported as amounts received from depositors. Collateral is also given to counterparties under certain financial arrangements, but such assets are not derecognised where the group retains the risks and rewards of ownership. Such assets are at risk to the extent that the group is unable to fulfil its obligations to counterparties.

I6.1 COLLATERAL PLEDGED

The group has pledged government and other securities (note C3) and negotiable certificates of deposit (note C4) amounting to R12 953m (2019: R27 001m) as collateral for deposits received under repurchase agreements, of which R7 233m (2019: 12 611m) relates to sell-/buybacks. These amounts represent assets that have been transferred, but that do not qualify for derecognition under IFRS 9. The associated liabilities of R12 267m (2019: R25 644m), of which R5 034m (2019: R12 734m) relates to sell-/buybacks, are disclosed in note D1.

These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

I6.2 COLLATERAL HELD TO MITIGATE CREDIT RISK

Credit risk mitigation refers to the actions that can be taken by the group to manage its exposure with credit risk so as to align such exposure to its risk appetite. This action can be proactive or reactive and the level of mitigation that a bank desires may be influenced by external factors such as the economic cycle or internal factors such as a change in risk appetite.

References to credit risk mitigation normally focus on the taking of collateral as well as the management of such collateral. While collateral is an essential component of credit risk mitigation, there are a number of other methods used for mitigating credit risk. The group's credit risk policy acknowledges the role to be played by credit risk mitigation in the management of credit risk, but emphasises that collateral on its own is not necessarily a justification for lending. The primary consideration for any lending opportunity should rather be the borrower's financial position and ability to repay the facility from its own resources and cashflow.

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

Financial collateral

The group takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

• Non-financial collateral

In secured financial transactions the group takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories, trade debtors and financial securities that have a tradable market, such as shares and other securities) and guarantees from parties other than the borrower.

Should a counterparty be unable to settle its obligations, the group takes possession of collateral as full or part settlement of such amounts. In general, the group seeks to dispose of such property and other assets that are not readily convertible into cash as soon as the market for the relevant asset permits.

The group monitors the concentration levels of collateral to ensure that it is adequately diversified. In particular, the following collateral types are common in the marketplace:

• Retail portfolio

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

- **Wholesale portfolio**

- » Commercial properties that are supported by the property financed and a cession of the leases.
- » Instalment credit type of transactions that are secured by the assets financed.
- » Working capital facilities when secured, usually by either a claim on specific assets (fixed assets, inventories or trade debtors) or other collateral, such as guarantees.
- » Term and structured lending, which usually relies on guarantees or credit derivatives (where only internationally recognised and enforceable agreements are used).
- » Credit exposure to other banks, where the risk is commonly mitigated through the use of financial control and netting agreements.

The valuation and management of collateral across all business units of the group are governed by the Group Credit Policy.

Management considers collateral held in the retail portfolio to be homogeneous by nature and therefore more reliably identifiable. Generally, valuations in respect of mortgage portfolios are updated using statistical index models, published data by service providers are used for motor vehicles and physical inspection is performed for other types of collateral. Furthermore, physical valuations are performed six-monthly on the defaulted book. At 31 December 2020 management considered R319 309m (2019: R302 075m) to be a reasonable estimate of the gross collateral held in the retail portfolio.

Management considers collateral held in the wholesale portfolio to be non-homogeneous and often exhibiting illiquid characteristics and therefore valuing collateral of this nature requires a significant level of judgement. Collateral of this nature is valued at the inception of a transaction and at least annually during the life of the transaction, usually as part of the facility review, which includes a review of the security structure and covenants to ensure that proper title is retained over the relevant collateral. At 31 December 2020 management considered R249 510m (2019: R238 082m) to be a reasonable estimate of the gross collateral held in the wholesale portfolio.

A further consideration with regard to the valuation and management of collateral is that when credit intervention is required, or in the case of default, all items of collateral relating to that particular client portfolio are immediately revalued. In such instances physical inspection by an expert valuer is required. This process also ensures that an appropriate impairment is evaluated timeously.

As part of the reverse repurchase agreements, the group has received securities as collateral that are allowed to be sold or repledged in the absence of default. The fair value of these securities at the reporting date amounts to R47 741m (2019: R18 734m), of which R9m (2019: R12m) have been sold or repledged.

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

Included in properties in possession (note C1.1) is an amount of R66m (2019: R58m) related to retail assets and an amount of R72m (2019: R84m) related to wholesale assets the group has acquired during the year by taking possession of collateral held as security.

SECTION J: SHARE-BASED PAYMENTS

ACCOUNTING POLICY

Equity-settled share-based payment transactions with employees

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

Where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for the equity instruments, will be received in the future during the vesting period. The services are accounted for in profit or loss in the statement of comprehensive income as they are rendered during the vesting period, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

Nedbank Group Limited shares, share options over Nedbank Group Limited shares and equity instruments in respect of Nedbank Group Limited shares are granted to employees as part of their remuneration package as services are rendered. The following are the share and share option schemes that have been in place during the year. All schemes are equity-settled at group level, except the Nedbank UK schemes, the Nedbank Wealth Management International schemes and the Nedbank Africa scheme, all of which are cash-settled.

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH EMPLOYEES

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the statements of comprehensive income as staff costs.

MEASUREMENT OF FAIR VALUE OF EQUITY INSTRUMENTS GRANTED

The equity instruments granted by the group are measured at fair value at the measurement date using standard-option pricing valuation models. The valuation technique is consistent with generally acceptable valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments. Vesting conditions, other than market conditions, are not taken into account in determining fair value. Vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount.

SHARE-BASED PAYMENT TRANSACTIONS WITH PERSONS OR ENTITIES OTHER THAN EMPLOYEES

Transactions in which equity instruments are issued to historically disadvantaged individuals and organisations in SA for less than fair value are accounted for as share-based payments. Where the group has issued such instruments and expects to receive services in return for equity instruments, the share-based payments charge is spread over the related vesting (ie service) period. In instances where such services could not be identified the cost has been expensed with immediate effect. The valuation techniques are consistent with those mentioned above.

As the group cannot estimate reliably the fair value of services received nor the value of additional benefits received, the group rebuts the presumption that such services and business can be measured reliably. The group therefore measures its fair value by reference to the fair value of the shares, share options or equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date using the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, which includes the participant's right to dividends over the vesting period.

J1 DESCRIPTION OF ARRANGEMENTS

Traditional employee schemes

TRUST/SPECIAL-PURPOSE					
SCHEME	VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM	
Nedbank Group (2005) Share Option and Restricted-share Scheme	Nedbank Group (2005) Share Scheme Trust	Restricted shares, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted shares are granted to key employees who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. All LTIs are discretionary and motivated by the Group Exco and approved by Group Remco members in their capacity as trustees of the Nedbank (2005) Employee Share Scheme Trust. Grants are made twice a year for new appointments and annually for existing employees, on a date determined by the trustees.	Three years' service and achievement of performance targets based on average return on equity, as well as the Nedbank Group Limited share price performance against the financial index (2017 tranche). In addition, the grants include a strategic initiative component in connection with benefits from the target operating model and a strategic initiative component in connection with growing the transactional banking franchise applicable to group and cluster executives only (2018 & 2019 tranches). The strategic initiative component was replaced by the cost to income ratio in 2020 which is applicable to all employees. Where the performance targets are not met in full a minimum of 50% will vest, where applicable, for employees other than group and cluster executives, provided that the three years' service has been reached. The performance condition against the financial index was replaced with diluted headline earnings per share compound annual growth rate in 2018.	Three years	
Nedbank Group (2005) Matched-share Scheme	Nedbank Group (2005) Share Scheme Trust	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of Nedbank Group Limited performance target. Where this performance target is not met, 50% will vest provided that the three years' service has been reached, for employees other than Executive Directors and Group Exco members. For Group Exco members and Executive Directors, vesting is 100% dependent on the achievement of the performance target. Where the performance targets are not met 0% will vest.	Three years	
Nedbank UK Long-term Incentive Plan (LTIP)	N/A	Employees who perform services in the United Kingdom on behalf of the group will be considered for participation in the UK LTIP. Selected employees will be granted share appreciation rights. Share appreciation rights are similar to options in that they are granted at a predetermined exercise price vesting and expiry date. When the participant elects to exercise share appreciation rights, the employer settles the difference between the current market price and the exercise price in cash.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	Three years	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

SCHEME	TRUST / SPECIAL- PURPOSE VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
Nedbank UK Matched Scheme	N/A	All UK employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	Three years
Nedbank Wealth Management International Long-term incentive plan (LTIP)	N/A	Restricted shares, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted shares are granted to key personnel who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. Grants are made twice a year for new appointments and annually for existing employees, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	Three years
Nedbank Wealth Management International Matched Scheme	N/A	All Nedbank Wealth Management International employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	Three years

SCHEME	TRUST / SPECIAL- PURPOSE	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
	VEHICLE (SPV)			
Nedbank Africa Restricted-share Scheme	N/A	Restricted shares, granted as part of the long-term incentive (LTI) scheme are awarded with the joint aim of aligning the interests of stakeholders and retaining key employees. Restricted shares are granted to key employees who meet the following eligibility criteria: • Individuals key to driving the business strategy. • Talent management and succession planning. • Retention of key talent and scarce skills. • Transformation objectives. • Potential and performance. • Leadership. Grants are made twice a year for new appointments and annually for existing employees, on a date determined by the trustees.	Completion of three years' service, from grant date, subject to corporate performance targets being met.	Three years
Nedbank Africa Matched-share Scheme	N/A	All employees of the group are eligible to participate in the scheme. An amount of not more than 50% of their after-tax bonus can be invested, which will be matched by the group with shares.	Three years' service and achievement of corporate performance targets. Where these performance targets are not met, 50% will vest provided that the three years' service has been reached.	Three years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

Nedbank Eyethu BEE schemes – Clients and business partners

SCHEME	TRUST/SPECIAL- PURPOSE VEHICLE (SPV)	DESCRIPTION	VESTING REQUIREMENTS	MAXIMUM TERM
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years, the net assets of the trust will be allocated to participants as determined by the trustees	10 years subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

J2 EFFECT ON PROFIT AND FINANCIAL POSITION

	Share-based payments expense		Share-based payments reserve/liability	
	2020	2019	2020	2019
Traditional employee schemes	270	570	927	1 430
Nedbank Group (2005) Share Option and Restricted-share Scheme	286	421	788	1 137
Nedbank Group (2005) Matched-share Scheme	–	156	119	251
Nedbank UK Long-term Incentive Plan ¹	(5)	(11)	3	7
Nedbank UK Matched-share Scheme ¹	(2)	1	–	2
Nedbank Wealth Management International Long-term Incentive Plan ¹	(5)	(5)	7	11
Nedbank Wealth Management International Matched-share Scheme ¹	(2)	1	1	3
Nedbank Africa Restricted-share Scheme and Matched-share Scheme ¹	(3)	7	7	19
Nedbank Eyethu BEE schemes	–	–	124	124
Community Scheme	–	–	124	124
	270	570	1 051	1 554

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

J3 MOVEMENTS IN NUMBER OF INSTRUMENTS

	2020		2019	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Group (2005) Share Option and Restricted-share Scheme				
Outstanding at the beginning of the year	9 067 833		9 369 675	
Granted	5 342 656		3 446 610	
Forfeited	(439 691)		(271 571)	
Exercised	(2 916 554)		(3 476 881)	
Outstanding at the end of the year	11 054 244		9 067 833	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		128,31		256,48
Nedbank Group (2005) Matched-share Scheme				
Outstanding at the beginning of the year	2 235 442		2 178 999	
Granted	1 956 332		974 666	
Forfeited	(217 755)		(129 947)	
Exercised	(671 022)		(788 276)	
Outstanding at the end of the year	3 302 997		2 235 442	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		85,00		261,32
Nedbank UK long-term Incentive Plan				
Outstanding at the beginning of the year	74 608		81 720	
Granted	39 856		33 095	
Forfeited	(11 059)		(20 265)	
Exercised	(23 666)		(19 942)	
Outstanding at the end of the year	79 739		74 608	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–
Nedbank UK Matched-share Scheme				
Outstanding at the beginning of the year	12 617		12 833	
Granted	1 594		3 982	
Forfeited				
Exercised	(5 341)		(4 198)	
Outstanding at the end of the year	8 870		12 617	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–

	2020		2019	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Nedbank Wealth Management International long-term Incentive Plan				
Outstanding at the beginning of the year	130 335		101 331	
Granted	79 146		59 079	
Forfeited	(1 216)			
Transfers			985	
Exercised	(21 284)		(31 060)	
Outstanding at the end of the year	186 982		130 335	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–
Nedbank Wealth Management International Matched-share Scheme				
Outstanding at the beginning of the year	24 345		15 961	
Granted	13 705		12 681	
Forfeited			(151)	
Exercised	(4 757)		(4 146)	
Outstanding at the end of the year	33 293		24 345	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–
Nedbank Africa Restricted-share Scheme				
Outstanding at the beginning of the year	105 379		100 734	
Granted	78 180		45 727	
Forfeited	(19 841)			
Accelerated vesting due to disposal of entity	(665)		(11 898)	
Exercised	(34 540)		(29 184)	
Outstanding at the end of the year	128 513		105 379	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–
Nedbank Africa Matched-share Scheme				
Outstanding at the beginning of the year	4 901		3 982	
Granted	9 915		3 028	
Forfeited	(164)			
Exercised	(731)		(2 109)	
Outstanding at the end of the year	13 921		4 901	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (GBP)		–		–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

	2020		2019	
	Number of instruments	Weighted-average exercise price R	Number of instruments	Weighted-average exercise price R
Black Executive Scheme				
Outstanding at the beginning of the year			115 852	
Exercised			(115 852)	
Outstanding at the end of the year	–		–	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		–		255,90
Black Management Scheme				
Outstanding at the beginning of the year			5 944	
Exercised			(5 944)	
Outstanding at the end of the year	–		–	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		–		251,24
Community Scheme				
Outstanding at the beginning of the year	1 689 648		1 689 648	
Outstanding at the end of the year	1 689 648		1 689 648	
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		–		–

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

	2020		2019	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Nedbank Group (2005) Share Option and Restricted-share Scheme 0,00	11 054 244	1,4	9 067 833	1,3
	11 054 244	1,4	9 067 833	1,3
Nedbank Group (2005) Matched-share Scheme 0,00	3 302 997	1,6	2 235 442	1,4
	3 302 997	1,6	2 235 442	1,4
Nedbank UK Long-term Incentive Plan 0,00	79 739	1,5	74 608	1,4
	79 739	1,5	74 608	1,4
Nedbank UK Matched-share Scheme 0,00	8 870	1,1	12 617	1,1
	8 870	1,1	12 617	1,1
Nedbank Wealth Management International Long-term Incentive Plan 0,00	186 982	1,4	130 335	1,5
	186 982	1,4	130 335	1,5
Nedbank Wealth Management International Matched-share Scheme 0,00	33 293	1,4	24 345	1,7
	33 293	1,4	24 345	1,7
Nedbank Africa Restricted-share Scheme 0,00	128 513	1,5	105 379	1,4
	128 513	1,5	105 379	1,4
Nedbank Africa Matched-share Scheme 0,00	13 921	2,4	4 901	1,1
	13 921	2,4	4 901	1,1
Community Scheme 0,00	1 689 648	10,0	1 689 648	11,0
	1 689 648	10,0	1 689 648	11,0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

J5 INSTRUMENTS GRANTED DURING THE YEAR

	Nedbank Group (2005) Share Option and Restricted- share Scheme ¹	Nedbank Group (2005) Matched- share Scheme ²
2020		
Number of instruments granted	5 342 656	1 956 332
Weighted-average fair value per instrument granted (R)	91,75	82,68
Weighted-average share price (R)	91,75	82,68
Weighted-average life (years)	3	3
Number of participants	1 486	1 726
Weighted-average vesting period (years)	3	3
2019		
Number of instruments granted	3 446 610	974 666
Weighted-average fair value per instrument granted (R)	256,20	213,12
Weighted-average share price (R)	256,20	251,24
Weighted-average life (years)	3	3
Number of participants	1 493	2 245
Weighted-average vesting period (years)	3	3

¹ The weighted-average fair value of instruments granted during the year has been calculated using the closing price of Nedbank Group Limited quoted on JSE Limited.

² The weighted-average fair value of instruments granted during the year has been calculated using the closing price of Nedbank Group Limited quoted on JSE Limited of R82,66 (2019: R251,24) less the present value of dividends anticipated over the vesting period.

	Nedbank UK Long- term Incentive Plan ¹	Nedbank UK Matched Scheme ¹	Nedbank Wealth Managemen t Internationa l Long-term Incentive Plan ¹	Nedbank Wealth Managemen t Internationa l Matched Scheme ¹	Nedbank Africa Restricted- share Scheme ¹	Nedbank Africa Matched- share Scheme ¹
	39 856	1 594	79 146	13 705	78 180	9 915
	91,29	82,66	91,40	104,90	91,40	82,66
	91,29	82,66	91,40	104,90	91,40	82,66
	3	3	3	3	3	3
	13	4	18	22	36	191
	3	3	3	3	3	3
	33 095	3 982	59 079	12 681	45 727	3 028
	245,62	251,24	258,03	251,24	254,05	251,24
	245,62	251,24	258,03	251,24	254,05	251,24
	3	3	3	3	3	3
	11	6	19	28	8	1
	3	3	3	3	3	3

SECTION K: OTHER LIABILITIES

K1 PROVISIONS AND OTHER LIABILITIES

ACCOUNTING POLICY

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from an executory contract are lower than the unavoidable cost of meeting the obligations under the contract. Future operating costs or losses are not provided for.

Client loyalty

When a cardholder makes a purchase that is regarded as eligible spend, the person or entity is granted points that can be redeemed at a later date for goods or services. Points do not expire, unless a client is delinquent or dormant, in which case the points accrued are forfeited as stated in the terms and conditions. Client loyalty programmes are accounted for in accordance with IFRS 15 and a contract liability is recognised. The revenue normally earned by the group when clients transact on their Nedbank cards is reduced by the expected amount payable arising from the issue of points.

If the expectation regarding the amount to be paid changes, this is recognised in revenue. When the group settles the liability, there will be no additional revenue recognised and the costs will be offset against the liability.

Lease liabilities

Initial and subsequent measurement

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

The lease payments include:

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

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

Reassessment of lease liability

After the commencement date the group remeasures the lease liability to reflect changes to the lease payments. The carrying amount of the lease liability is remeasured by discounting the revised lease payments using a revised discount rate if:

- there is a change in the lease term; or
- the group changes its assessment of whether it will exercise an option to purchase the underlying asset.

The carrying amount of the lease liability is remeasured by discounting the revised lease payments using the original discount rate if there is a change in:

- the amounts expected to be payable under a residual value guarantee; or
- in future lease payments resulting from a change in an index or a rate used to determine those payments.

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

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

ACCOUNTING POLICY

Lease modifications

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

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

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

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

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

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

Variable lease expense

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

Short-term leases and leases of low-value assets

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

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

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

Derecognition

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

Critical judgements and assumptions

Discount rates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

K1.1 Analysis of carrying amount

	2020 Rm	2019 Rm
Creditors and other accounts	10 531	12 144
Client loyalty programmes liability	428	347
Insurance contracts provision	184	296
Short-trading securities and spot positions	6 328	3 950
Provision for the impairment of off-balance-sheet items	665	271
Provision for bonuses (note K1.2)	1 452	1 967
Leave pay accrual (note K1.3)	1 068	943
Lease liabilities (note K1.5)	3 048	3 379
	23 704	23 297

K1.2 Provision for bonuses

	2020 Rm	2019 Rm
Balance at the beginning of the year	1 967	2 609
Recognised in profit or loss	1 455	1 980
Utilised during the year	(1 968)	(2 611)
Foreign currency translation and other movements	(2)	(11)
Balance at the end of the year	1 452	1 967

K1.3 Leave pay accrual

	2020 Rm	2019 Rm
Balance at the beginning of the year	943	907
Recognised in profit or loss	501	385
Utilised during the year	(374)	(349)
Foreign currency translation and other movements	(2)	
Balance at the end of the year	1 068	943

K1.4 Day one gains and losses

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

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

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

	2020 Rm	2019 Rm
Gains recognised in the statement of comprehensive income	361	395

K1.5 Lease liabilities

Lease liabilities reconciliation

	2020 Rm	2019 Rm
Balance at the beginning of the year	3 379	3 751
Interest expense	238	293
Additions	309	215
Lease modifications	428	383
Lease payments	(1 220)	(1 241)
Derecognition	(51)	(20)
Effect of movements in foreign exchange rates and other movements	(35)	(2)
Balance at the end of the year	3 048	3 379

Current and non-current lease liabilities

	2020 Rm	2019 Rm
Current lease liabilities	1 097	1 105
Non-current lease liabilities	1 951	2 274
Total lease liabilities	3 048	3 379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

K2 CONTINGENT LIABILITIES, UNDRAWN FACILITIES AND COMMITMENTS

K2.1 Contingent liabilities and undrawn facilities

	2020 Rm	2019 Rm
Financial guarantees on behalf of clients	29 770	25 018
Letters of credit and discounting transactions	8 024	7 148
Irrevocable unutilised facilities and other	152 308	148 099
	190 102	180 265

The group, in the ordinary course of business, enters into transactions that expose the group to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise (refer to note K1). Possible obligations and known liabilities, where no reliable estimate can be made or it is considered improbable that an outflow would result, are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

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

There are two claims of which the possible risk cannot be determined:

- For the first time in June 2020, the Competition Commission added Nedbank Group Limited and Nedbank Limited to referral to the Competition Tribunal in a matter that had started in 2015 about allegations of collusion in the dollar/rand foreign exchange market. If found guilty, the maximum fine is 10% of turnover, which will be calculated from Nedbank Group Limited's financial statements of the previous year.
- In February 2020 an application for the certification of a class action was launched against Nedbank Limited and other major banks seeking financial relief for alleged damages caused by past sales in execution of clients' residential properties.

Our external legal counsel is of the view that we have a strong case to resist both matters successfully.

K2.2 Commitments

K2.2.1 Capital expenditure approved by directors

	2020 Rm	2019 Rm
Contracted but not provided for ¹	502	238

¹ During the year, the group reviewed the authorised capital expenditure presentation. As a result of this review, the presentation has been enhanced to reflect only the capital expenditure that has been contracted but not provided for. In addition, during the review it was identified that certain contracts were incorrectly disclosed as contracted. The prior-year balance has been restated from R615m to R238m.

Funds to meet capital expenditure commitments will be provided from group resources. In addition, capital expenditure is incurred in the normal course of business throughout the year.

K2.2.2 Commitments under derivative instruments

The group enters into option contracts, financial futures contracts, forward rate and interest rate swap agreements, and other financial agreements in the normal course of business (note C7).

SECTION L: RISK AND BALANCE SHEET MANAGEMENT

L1 FINANCIAL RISK MANAGEMENT

The group's risk management procedures include, but are not limited to, credit risk, liquidity risk, interest rate risk in the banking book and market risk.

L2 CAPITAL MANAGEMENT

Nedbank Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement across the group and contributes significantly to the ERMF.

A board-approved Solvency and Capital Management Policy requires the group to be capitalised at the greater of Basel III regulatory capital and economic capital.

The Nedbank Group Capital Management Division is part of Balance Sheet Management within the Group Finance Cluster that reports to the Chief Financial Officer and is mandated with the implementation of the Capital Management Framework and the Internal Capital Adequacy Assessment Process (ICAAP) across the group. The capital management (incorporating ICAAP) responsibilities of the board and executive management are incorporated in their respective terms of reference as contained in the ERMF, and are assisted by the board's Group Risk and Capital Management Committee, Group ALCO and the Executive Risk Committee (Group ALCO), respectively.

Capital, reserves, and long-term debt instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

FOR THE YEAR ENDED 31 DECEMBER

L3 LIQUIDITY GAP

Banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks. Through the robust Liquidity Risk Management Framework the group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Liquidity Risk Management Framework include maintaining financial-market confidence at all times, protecting key stakeholder interests and meeting regulatory liquidity requirements.

In terms of measuring, managing and mitigating liquidity mismatches Nedbank focuses on two types of liquidity risk: funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, or the inability to roll over maturing debt or meet contractual commitments to lend.

Liquidity risk management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus for the group.

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk and Capital Management Committee (GRCMC) (a board committee), the board has delegated its responsibility for the management of liquidity risk to Group ALCO.

The group's Liquidity Risk Management Framework articulates the board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The Liquidity Risk Management Framework is reviewed annually by Group ALCO and approved by the GRCMC.

Rm	<3 months	>3 months <6 months	>6 months <1 year	>1 year <5 years	>5 years	Non- determined	Total
2020							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	41 000	130	55		197		41 382
Other short-term securities	26 663	9 891	13 265	2 646	140		52 605
Derivative financial instruments	13 239	11 162	8 073	18 845	29 006		80 325
Government and other securities	14 733	340	270	24 354	92 524		132 221
Loans and advances	174 444	34 260	64 490	348 149	196 948	25 012	843 303
Other assets	1 031	21	119	52	52	77 026	78 301
	271 110	55 804	86 272	394 046	318 867	102 038	1 228 137
Total equity						100 444	100 444
Derivative financial instruments	11 103	7 308	7 326	14 767	24 626		65 130
Amounts owed to depositors	690 621	81 687	81 672	86 934	12 801		953 715
Provisions and other liabilities	23 049	305	978	1 750	219	22 777	49 078
Long-term debt instruments	2 643	2 759	2 755	32 334	19 279		59 770
	727 416	92 059	92 731	135 785	56 925	123 221	1 228 137
Net liquidity gap	(456 306)	(36 255)	(6 459)	258 261	261 942	(21 183)	–
2019							
Cash and cash equivalents (including mandatory reserve deposits with central banks)	37 056	360	33		186		37 635
Other short-term securities	29 126	15 313	12 809	6 644	559		64 451
Derivative financial instruments	8 561	2 811	3 583	7 147	13 141		35 243
Government and other securities ¹	5 917	717	521	23 512	69 890		100 557
Loans and advances ¹	151 712	33 665	66 005	350 733	208 822	13 849	824 786
Other assets			281			80 396	80 677
	232 372	52 866	83 232	388 036	292 598	94 245	1 143 349
Total equity						98 449	98 449
Derivative financial instruments	6 983	2 121	3 037	5 639	10 211		27 991
Amounts owed to depositors	612 919	79 112	112 344	89 221	10 786		904 382
Provisions and other liabilities	24 892	264	645	1 971	351	24 691	52 814
Long-term debt instruments	1 021	463	4 511	31 125	22 593		59 713
	645 815	81 960	120 537	127 956	43 941	123 140	1 143 349
Net liquidity gap	(413 443)	(29 094)	(37 305)	260 080	248 657	(28 895)	–

¹Refer to note A4: Reclassification.

This note has been prepared on a contractual maturity basis.

The group has high-quality liquid assets and other sources of quick liquidity. Other sources of quick liquid assets include corporate bonds and listed equities, unencumbered trading securities, price-sensitive overnight loans, other banks' paper and unutilised bank credit lines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

L4 INTEREST RATE RISK IN THE BANKING BOOK

	2020 Rm	2019 Rm
Net interest income sensitivity		
One percent instantaneous decline in interest rates ^{1,2}	(1 310)	(1 346)

¹ Nedbank London and Nedbank Private Wealth: 0,5% instantaneous decline in interest rates.

² Nedbank Zimbabwe: 3% instantaneous decline in interest rates.

Management of interest rate risk in the banking book

The group employs various analytical techniques to measure interest rate sensitivity monthly in the banking book on both an earnings and economic-value basis (where appropriate) for balance sheets with material exposure to interest rate risk. Assets, liabilities and derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing, Group ALCO approves the use of prepayment models for the hedging of fixed-rate advances and behavioural repricing assumptions for the modelling and reporting of ambiguous repricing deposits, where appropriate.

Sensitivity analysis

At the reporting date, the net interest income sensitivity of the banking book for a 1% parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately R1 310m before tax (2019: R1 346m), which is within the board's approved risk limit. The group's net interest income sensitivity exhibits very little convexity and will therefore also result in an increase in pretax net interest income of similar amounts should interest rates increase by 1%. Net interest income sensitivity is actively managed through on- and off-balance-sheet interest-rate-risk-management strategies for the group's expected interest rate view and impairment sensitivity.

L5 HISTORICAL VALUE AT RISK (99%, ONE-DAY) BY RISK TYPE

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

The group uses one year of historical data to estimate VaR. Some of the considerations that are taken into account when reviewing the VaR numbers are the 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, as per Basel III.

Since mid-March 2020 the group has observed significant increases in VaR estimates as a result of the extreme market volatility caused by the Covid-19 pandemic. This has resulted in an increase in the VaR measure by an order or two to three times the pre-Covid-19 measure without any material change to the underlying trading positions.

Rm	2020				2019			
	Average	Minimum	Maximum	Year-end	Average	Minimum	Maximum	Year-end
Foreign exchange	6,8	1,4	18,6	9,2	4,3	0,9	11,6	2,6
Interest rate	69,5	32,0	128,2	90,2	34,7	20,1	45,8	35,4
Equity	8,3	3,3	27,2	10,7	3,9	1,0	13,4	4,6
Credit	16,0	4,7	42,3	16,6	7,7	4,0	9,7	4,7
Commodity	0,2		3,6	0,1	0,1	<0,1	0,7	0,1
Diversification	(44,7)			(87,1)	(15,8)			(16,0)
Total VaR exposure	56,1	29,4	128,3	39,7	34,9	19,0	49,2	31,4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

SECTION M: CASHFLOW INFORMATION

M1 RECONCILIATION OF PROFIT FROM OPERATIONS TO CASH GENERATED BY OPERATIONS

	2020 Rm	2019 Rm
Profit from operations	6 407	15 813
Adjusted for:		
– Depreciation (note B7)	1 541	1 562
– Depreciation of right-of-use assets (note B7)	915	892
– Amortisation: computer software and intangible assets (note B7)	1 436	1 167
– Amortisation: other intangible assets (note B7)	35	65
– Zimbabwe hyperinflation (note N1)	205	296
– Movement in impairments on financial instruments	14 292	7 376
– Long-term-asset sales (note B6.2)	(35)	(22)
– Unrealised losses (note B6.2)	1 697	461
– Non-trading and capital items (note B9)	1 562	651
– Indirect taxation (note B8.1)	1 148	1 096
– Fair-value adjustments (note B6.2) ¹	(352)	(60)
– Short-term incentives and long-term employee benefits ¹	515	642
– Share-based payments expense – employees (note B7) ¹	270	570
– Movements in accrued operating expenses ¹	1 255	(5 042)
– Movement in accrued interest ¹	(8 378)	1 146
Cash generated by operations	22 513	26 613

¹ 2019 restated, refer to note A5: Restatement of the consolidated statement of cashflows.

M2 CASH RECEIVED FROM CLIENTS

	2020 Rm	2019 Rm
Interest and similar income ¹	67 453	84 085
Commission and fees income	17 137	18 739
Net trading income	5 252	4 524
Net insurance income	1 622	1 837
Private-equity income ¹	546	678
Other non-interest income ¹	603	377
	92 613	110 240

¹ 2019 restated, refer to note A5: Restatement of the consolidated statement of cashflows.

M3 CASH PAID TO CLIENTS, EMPLOYEES AND SUPPLIERS

	2020 Rm	2019 Rm
Interest expense and similar charges ¹	(45 750)	(52 772)
Staff costs ¹	(16 044)	(16 110)
Computer processing	(3 546)	(2 886)
Communication and travel	(710)	(838)
Occupation and accommodation	(1 055)	(1 010)
Marketing and public relations	(1 077)	(1 455)
Fees and assurances	(4 096)	(4 152)
Furniture, office equipment and consumables	(203)	(325)
Other operating expenses	(329)	(505)
Movements in accrued operating expenses ¹	1 255	(5 042)
	(71 555)	(85 095)

¹ 2019 restated, refer to note A5: Restatement of the consolidated statement of cashflows.

M4 DIVIDENDS RECEIVED

	2020 Rm	2019 Rm
Dividends received on investments	290	221
	290	221

M5 INCREASE IN OPERATING ASSETS

	2020 Rm	2019 Rm
Other short-term securities	11 846	14 515
Government and other securities	(31 664)	(31 719)
Loans and advances and other operating assets	(78 208)	(76 559)
Fair-value adjustments ¹	352	60
Movement in accrued interest income ¹	4 847	(405)
	(92 827)	(94 108)

¹ 2019 restated, refer to note A5: Restatement of the consolidated statement of cashflows.

M6 INCREASE IN OPERATING LIABILITIES

	2020 Rm	2019 Rm
Current and savings accounts	24 334	1 076
Other deposits, loan accounts and foreign currency liabilities	55 866	44 224
Negotiable certificates of deposit	(18 579)	29 065
Deposits received under repurchase agreements	(13 377)	3 767
Creditors and other liabilities ¹	36 308	4 566
Movement in accrued interest expense ¹	3 531	(741)
Movements in accrued operating expenses ¹	(1 255)	5 042
	86 828	86 999

¹ 2019 restated, refer to note A5: Restatement of the consolidated statement of cashflows.

M7 TAXATION PAID

	2020 Rm	2019 Rm
Amounts receivable/(payable) at the beginning of the year	120	(177)
Statement of comprehensive income charge (excluding deferred taxation)	(2 810)	(3 480)
Current taxation recognised in equity	230	147
Amounts payable/(receivable) at the end of the year	426	(120)
	(2 034)	(3 630)
Total indirect taxation (note B8.1)	(1 148)	(1 096)
Taxation paid	(3 182)	(4 726)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

M8 DISPOSAL OF INVESTMENTS IN SUBSIDIARY COMPANIES NET OF CASH

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

¹ On 14 February 2020 Nedbank Group disposed of its 100% interest in Nedbank Malawi Limited for R31m when the suspensive conditions on the sale agreement were met.

SECTION N: ADDITIONAL INFORMATION

N1 FOREIGN CURRENCY CONVERSION

ACCOUNTING POLICY

Foreign currency transactions

Individual entities within the group may use a different functional currency than that of the group, being the currency of the primary economic environment in which the respective entities operate. Transactions in foreign currencies are translated into the functional currency of the individual entities at the date of the transaction by applying the spot exchange rate ruling at the transaction date to the foreign currency amounts. The consolidated financial statements are presented in SA rand, which is the group's presentation currency.

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the respective entities of the group at the spot exchange rate ruling at the reporting date.

Exchange differences that arise on the settlement or translation of monetary items at rates that are different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period that they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the respective functional currencies of the group entities using the foreign exchange rates ruling at the dates when the fair values were determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are converted into the functional currency of the respective group entities at the rate of exchange ruling at the date of the transaction and are not retranslated subsequently.

Exchange differences on non-monetary items are recognised consistently, with the gains and losses that arise on such items, ie exchange differences relating to an item for which gains and losses are recognised directly in equity, generally recognised in equity. Similarly, exchange differences for non-monetary items for which gains and losses are recognised in profit or loss are recognised in profit or loss in the period in which they arise.

Zimbabwe hyperinflation accounting

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

In 2020 Zimbabwe's inflation rate continued to increase significantly, mirroring the hyperinflation trend previously identified in 2019. Consequently, Zimbabwe remains a hyperinflationary economy. The results of the group's activities in Nedbank Zimbabwe Limited, with a functional currency denomination of Zimbabwean Dollar (ZWL), continue to be prepared in accordance with IAS 29. The application of IAS 29 to Nedbank Zimbabwe Limited's operations is done prior to the translation of those results to the group's presentation currency.

General price index

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

The group applied a general price escalation factor of 4,49 based on the CPI index for December 2019 of 551,6 and the CPI index for December 2020 of 2 474,5.

Impact on the statement of financial position

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

ACCOUNTING POLICY

Impact on the statement of comprehensive income

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

Impact on the statement of cashflows

All items in the statement of cashflows are expressed in terms of the general price index at the end of the reporting period. The resultant statement of cashflows is prepared to reflect cashflows during the year measured at the current purchasing power at the end of the reporting period and, as such, is not reflecting actual cashflows during the year.

Deferred taxation

At the end of the reporting period, following the indexation of non-monetary items under hyperinflation accounting, deferred tax is accounted under IAS 12: Income Taxes (IAS 12) based on this two-step approach:

- Remeasuring the deferred taxation items in accordance with IAS 12 after restating the nominal carrying amounts of its non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date.
- Thereafter, the deferred taxation items remeasured in step 1 have been restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of the reporting period.

Exchange rate

The results, cashflows and financial position of Nedbank Zimbabwe, which is accounted for as an entity operating in a hyperinflationary economy and has a functional currency different from the presentation currency of the group, have been translated into the presentation currency of the group at the spot rate of exchange ruling at the reporting date.

During February 2019, the RBZ established an inter-bank foreign exchange and announced that the ZWL would be recognised as the official currency. For the 31 December 2019 reporting period, the group elected to translate the results of Nedbank Zimbabwe Limited at the inter-bank exchange rate, as this rate was publicly available. During March 2020 the RBZ suspended the floating inter-bank exchange rate system and introduced a fixed-rate system. In June 2020 the RBZ introduced the use of a weekly Foreign Currency Auction System (FCAS) to improve transparency and efficiency in the trading of foreign currency. Consequently, for the 31 December 2020 reporting period, the group has elected to apply the auction mid-rate to translate the results of Nedbank Zimbabwe Limited.

Exchange rates

	Average		Closing	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
UK pound to rand	21,10	18,43	20,07	18,43
US dollar to rand	16,46	14,44	14,70	14,01
US dollar to naira	380,80	361,64	396,73	364,47
Rand to naira	21,85	25,05	25,94	26,05
US dollar to Zimbabwean dollar			81,80	16,77
Zimbabwean dollar to rand			0,18	0,84

Geographic analyses

The geographic analyses within various notes are based on the geographic location of the clients or transactions and not the domicile of the group entity

ACCOUNTING POLICY

Impact of hyperinflation on group's results

The most material inflation-accounting adjustments to the group's recognition and measurement criteria are as follows (except for headline earnings, the impact below is pre-non-controlling interest):

Financial statement item	2020 Rm	2019 Rm	Description
Statement of comprehensive income			
Net monetary loss (Zimbabwe)	(205)	(296)	The impact of applying IAS 29 in the current year resulted in a net monetary loss of R205m (R71m from the indexation of income statement items and R134m from the restatement of statement of financial position items).
Net interest income	24	58	The impact of applying IAS 29 in the current year resulted in an increase in net interest income. The net interest income was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2020.
Non-interest revenue	191	181	The impact of applying IAS 29 in the current year resulted in an increase in non-interest revenue. Non-interest revenue was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2020.
Total operating expenses	(149)	(173)	The impact of applying IAS 29 in the current year resulted in an increase in operating expenses. Operating expenses was restated by applying the change in the general price indices from the transaction recognition dates to 31 December 2020.
Deferred taxation	13	14	The impact of applying IAS 29 in the current year resulted in an increase in deferred taxation liability. Deferred taxation increased due to changes in temporary differences arising between the restated closing carrying amounts of non-monetary assets and liabilities, and their respective tax bases.
Key business indicators			
Headline earnings (after tax)	55	(142)	Headline earnings for Nedbank Zimbabwe is impacted by the recognition of a loss on the net monetary position due to the purchasing power impact resulting from Nedbank Zimbabwe having monetary assets in excess of monetary liabilities as of 31 December 2020. The combined effects of the net monetary loss of R205m and the accompanying IAS 29 income statement indexation gain of R71m altered Nedbank Zimbabwe's initial unindexed before IAS 29 profit after tax of R217m to an indexed after IAS 29 profit after tax of R83m (R55m after minorities impact).

N2 EVENTS AFTER THE REPORTING PERIOD

On 24 February 2021, the Minister of Finance announced a change in corporate income tax rates from 28% to 27%, applicable to companies. This change is effective for companies with years of assessment commencing on or after 1 April 2022. Deferred tax balances are reflected at 28% as the rate that was substantively enacted at 31 December 2020. The estimated impact of the rate change is a R16,8m decrease in deferred tax assets and a R40,6m increase in direct taxation. The directors are not aware of any further events (as defined in IAS10: Events after the Reporting Period) after the reporting date of 31 December 2020 and the date on which these annual consolidated and separate financial statements were authorised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 31 DECEMBER

N3 DIRECTORS' EMOLUMENTS

The following disclosures are those required by the Companies Act, 71 of 2008, in respect of remuneration of directors and prescribed officers:

N3.1 TOTAL REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

	Mike Brown		Mfundo Nkuhlu	
	2020	2019	2020	2019
R'000				
Cash portion of package	7 722	7 669	5 249	5 176
Other benefits	263	223	192	177
Defined-contribution retirement fund	1 115	1 102	759	747
Guaranteed remuneration¹	9 100	8 994	6 200	6 100
Cash performance incentive	4 500	6 250	3 125	3 750
Cash performance incentive (delivered in shares) ²	3 500	5 250	2 125	2 750
Total short-term incentive (STI)	8 000	11 500	5 250	6 500
Total remuneration ³	17 100	20 494	11 450	12 600
Value of share-based awards (face value at award) ⁴	26 000	15 500	18 000	10 250
Total direct remuneration	43 100	35 994	29 450	22 850

	Iolanda Ruggiero		Ciko Thomas	
	2020	2019	2020	2019
R'000				
Cash portion of package	3 551	3 514	4 605	4 507
Other benefits	113	105	144	134
Defined-contribution retirement fund	511	505	751	734
Guaranteed remuneration	4 175	4 124	5 500	5 375
Cash performance incentive	2 625	2 375	2 900	4 250
Cash performance incentive (delivered in shares) ²	1 625	1 375	1 900	3 250
Total short-term incentive (STI)	4 250	3 750	4 800	7 500
Total remuneration ³	8 425	7 874	10 300	12 875
Value of share-based awards (face value at award) ⁴	10 250	6 750	14 500	10 250
Total direct remuneration	18 675	14 624	24 800	23 125

¹ GP of Mike Brown is reflected before voluntary contributions to Covid-19 charitable causes, equal to R320 840, representing a third of his after-tax monthly salary in May, June and July 2020.

² In terms of the rules of the Matched share Scheme (MSS), the total STI has the potential to increase by up to 27,5% (before share price movement) if the deferred amount is invested in the MSS for 36 months and the performance condition in the MSS is met.

³ Total remuneration is the sum of guaranteed remuneration and total STI.

⁴ This is the value of the share-based awards made in the following financial year.

⁵ Raisibe Morathi resigned with effect from 30 September 2020. The fixed-remuneration values are disclosed on a pro-rata basis.

⁶ Total remuneration amounts shown for Mike Davis, Anel Bosman and Terence Sibaya are prorated based on the term during which they were appointed as Executive Director (Mike Davis was appointed on 1 October 2020) and Prescribed Officers (Anel Bosman and Terence Sibaya were appointed on 1 April 2020).

⁷ Brian Kennedy retired from Nedbank Group Limited, with effect from 31 March 2020. The fixed-remuneration values are disclosed on a pro-rata basis.

Raisibe Morathi ⁵		Michael Davis ⁶
2020	2019	2020
3 588	4 736	1 079
140	173	47
453	597	199
4 181	5 506	1 325
	4 375	3 000
	3 375	2 000
–	7 750	5 000
4 181	13 256	6 325
	10 250	16 625
4 181	23 506	22 950

Brian Kennedy ⁷		Anél Bosman ⁶	Terence Sibiya ⁶
2020	2019	2020	2020
1 119	4 444	3 213	2 613
66	243	100	135
89	353	249	252
1 274	5 040	3 562	3 000
	6 250	4 875	1 625
	5 250	3 875	625
–	11 500	8 750	2 250
1 274	16 540	12 312	5 250
	9 675	11 000	8 000
1 274	26 215	23 312	13 250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

N3.2 NON-EXECUTIVE DIRECTORS' REMUNERATION

	Note	Nedbank and Nedbank Group board fees	Committee fees	2020	2019
Name		(R000)	(R000)	(R000)	(R000)
BA Dames	1	534	650	1 184	1 125
T Marwala		534	289	867	443
EM Kruger	2	534	1 621	3 049	2 880
PM Makwana		534	1 474	2 008	1 807
MA Matooane		534	457	991	962
V Naidoo		6 042		6 042	5 871
JK Netshitenzhe	3	208	164	372	927
RAG Leith		534	626	1 160	1 080
SS Subramoney	4	534	1 472	2 006	1 796
MI Wyman					424
L Makalima	5	534	656	1 190	1 125
NP Dongwana		534	744	1 278	1 238
HR Brody		534	872	1 406	1 374
MP Moyo	6	115	112	227	1 021
IG Williamson	7	312		312	
Total		12 017	9 137	22 092	22 073

¹ Chairman of the Group Risk and Capital Management Committee (GRCMC), Brian Dames became member of the Directors' Affairs Committee on 1 October 2020.

² Errol Kruger's total fee is inclusive of the Nedbank Private Wealth (Isle of Man) Chairman fees of £42 399.96 (R894 390.19).

³ Joel Netshitenzhe retires from the boards of Nedbank Limited and Nedbank Group Limited effective 22 May 2020.

⁴ Stanley Subramoney was appointed as a member of the Group Remuneration Committee, with effect from 1 March 2020.

⁵ Linda Makalima was appointed as a member of the Group Related party Transactions Committee, with effect from 1 March 2020.

⁶ Peter Moyo resigned as a member of Group Remuneration Committee, Group Risk and Capital Management Committee, and Group Directors' Affairs Committee, with effect from 19 March 2020.

⁷ Iain Williamson was appointed to the boards of Nedbank Limited and Nedbank Group Limited, with effect from 1 June 2020.

In line with conversations held with OML, the OML-nominee will not be appointed to Nedbank Board committees and as a consequence ongoing Directors' Affairs Committee membership has been revised so that the OML nominee is not a member.

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

	Beneficial direct	Beneficial direct	Beneficial indirect	Beneficial indirect
Number of shares	2020	2019	2020	2019
Directors				
Hubert Brody	2 556	2 556		
Mike Brown	470 345	412 897	270 554	214 611
Brian Dames	64	64		
Michael Davis ¹	43 273		109 926	
Mantsika Matooane	2 261	2 261		
Raisibe Morathi ²	31 045	31 045	200 096	266 856
Peter Moyo ³			51 128	51 128
Vassi Naidoo			49 254	49 254
Joel Netshitenzhe ⁴				
Mfundo Nkuhlu	39 073	90 818	169 433	133 361
Malcolm Wyman				321
Stanley Subramoney			2 300	2 300
Iain Williamson ⁵	785			
Prescribed Officers				
Brian Kennedy ⁶	229	26 000	193 304	151 129
Ciko Thomas	24 167	24 277	143 283	103 510
Iolanda Ruggiero	69 543	48 351	109 347	89 755
Anél Bosman ⁷	30 187		131 518	
Terence Sibiya ⁸	42 635		80 482	
Total ordinary shares	756 163	638 269	1 510 625	1 062 225

	Beneficial direct	Beneficial direct	Beneficial indirect	Beneficial indirect
Number of shares	2020	2019	2020	2019
Prescribed officers				
Anél Bosman – Nedbank preference shares	53 000			
Total preference shares	53 000			

¹ Appointed on 1 October 2020.

² Resigned on 30 September 2020.

³ Resigned on 19 March 2020.

⁴ Retired on 22 May 2020.

⁵ Appointed on 1 June 2020.

⁶ Retired on 31 March 2020.

⁷ Appointed on 1 April 2020.

⁸ Appointed on 1 April 2020.

No change in the above interests occurred between 31 December 2020 and 16 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

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

Prescribed officers	Opening balance at 1 January 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
MWT Brown Nedbank restricted shares	58 197	15 March 2017	249,15	16 March 2020				
	48 376	14 March 2018	299,73	15 March 2021				
	61 122	14 March 2019	269,95	15 March 2022				
					91 824	19 March 2020	169	20 March 2023
Compulsory Bonus Share Scheme ¹	14 371	31 March 2017	258,33	1 April 2020				
	12 034	31 March 2018	291,36	1 April 2021				
	16 307	31 March 2019	252,95	1 April 2022				
					34 638	31 March 2020	83	1 April 2023
Voluntary Bonus Share Scheme ⁴	1 249	8 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
					3 298	31 March 2020	83	1 April 2023
Total value of dividends								
Total	213 686				129 760			

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
29 506	28 691	129	3 803 028	(3 697 983)		48 376	31 December 2020	15 March 2021
						61 122	31 December 2021	15 March 2022
						91 824	31 December 2022	20 March 2023
28 742 ³		83	2 375 814			12 034	31 December 2020	1 April 2021
						16 307	31 December 2021	1 April 2022
						34 638	31 December 2022	1 April 2023
2 498 ³		97	243 005			943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
					2 241 716			
60 746	28 691		6 421 848	(3 697 983)	2 241 716	269 629		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 January 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
MC Nkuhlu Nedbank restricted shares	37 126	15 March 2017	249,15	16 March 2020				
	31 695	14 March 2018	299,73	15 March 2021				
	37 969	14 March 2019	269,95	15 March 2022				
Compulsory Bonus Share Scheme ¹					60 722	19 March 2020	168,80	20 March 2023
	7 717	31 March 2017	258,33	1 April 2020				
	6 606	31 March 2018	291,36	1 October 2021				
	8 969	31 March 2019	252,95	1 April 2022				
Voluntary Bonus Share Scheme ⁴					18 144	31 March 2020	83,36	1 April 2023
	1 249	08 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 October 2021				
	1 087	31 March 2019	252,95	1 April 2022				
					3 298	31 March 2020	83,36	1 April 2023
Total value of dividends								
Total	133 361				82 164			

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
18 823	18 303	129	2 426 096	(2 359 074)		31 695	31 December 2020	15 March 2021
						37 969	31 December 2021	15 March 2022
						60 722	31 December 2022	20 March 2023
15 434 ³		83	1 275 774			6 606	31 December 2020	1 April 2021
						8 969	31 December 2021	1 April 2022
						18 144	31 December 2022	1 April 2023
2 498 ³		97	243 005			943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
					1 401 537			
36 755	18 303		3 944 876	(2 359 074)	1 401 537	169 433		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 January 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
RK Morathi⁷ Nedbank restricted shares	32 109	15 March 2017	249,15	16 March 2020				
	29 192	14 March 2018	299,73	15 March 2021				
	35 191	14 March 2019	269,95	15 March 2022				
					60 722	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme¹	7 717	31 March 2017	258,33	1 April 2020				
	6 842	31 March 2018	291,36	1 April 2021				
	8 806	31 March 2019	252,95	1 April 2022				
					22 267	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme⁴	1 249	08 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
Total value of dividends								
Total	123 136				82 989			

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
16 280	15 829	129	2 098 329	(2 040 200)				
	29 192	128		(3 729 386)				
	35 191	128		(4 505 504)				
	60 722	128		(7 774 238)				
15 434 ³		83	1 275 774					
6 842		128	875 981					
5 870	2 936	128	751 536	(375 896)				
7 422	14 845	128	950 239	(1 900 605)				
2 498 ³		97	243 005					
943		128	120 732					
1 087		128	139 169					
					1 353 401			
56 376	158 715		6 454 766	(20 325 829)	1 353 401			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 October 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
MH Davis ⁸ Nedbank restricted shares	11 510	15 March 2018	299,73	16 March 2021				
	7 673	14 March 2018	299,73	15 March 2021				
	23 152	14 March 2019	269,95	15 March 2022				
	35 545	19 March 2020	168,80	20 March 2023				
Compulsory Bonus Share Scheme ¹								
	4 908	31 March 2018	291,36	1 April 2021				
	6 305	31 March 2019	252,95	1 April 2022				
	15 505	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme ⁴								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	109 926							

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
						11 510	31 December 2020	16 March 2021
						7 673	31 December 2020	15 March 2021
						23 152	31 December 2021	15 March 2022
						35 545	31 December 2022	20 March 2023
						4 908	31 December 2020	1 April 2021
						6 305	31 December 2021	1 April 2022
						15 505	31 December 2022	1 April 2023
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
						109 926		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 January 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
B Kennedy⁹ Nedbank restricted shares								
	20 469	15 March 2017	249,15	16 March 2020				
	13 646	16 March 2017	249,15	17 March 2020				
	11 343	15 March 2018	299,73	16 March 2021				
	17 015	14 March 2018	299,73	15 March 2021				
	33 339	14 March 2019	269,95	15 March 2022				
					57 316	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme¹								
	17 713	31 March 2017	258,33	1 April 2020				
	14 865	31 March 2018	291,36	1 April 2021				
	19 460	31 March 2019	252,95	1 April 2022				
					34 638	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme⁴								
	1 249	31 March 2017	220,17	1 April 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
					3 298	31 March 2020	83,36	1 April 2023
Total value of dividends								
Total	151 129				95 252			

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
10 726	9 743	129	1 382 474	(1 255 775)				
13646 ²		129	1 758 833					
						11 343	31 December 2020	16 March 2021
						17 015	31 December 2020	15 March 2021
						33 339	31 December 2021	15 March 2022
						57 316	31 December 2022	20 March 2023
						17 713	31 December 2019	1 April 2020
						14 865	31 December 2020	1 April 2021
						19 460	31 December 2021	1 April 2022
						34 638	31 December 2022	1 April 2023
						1 249	31 December 2019	1 April 2020
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
24 372	9 743		3 141 307	(1 255 775)	–	212 266		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 January 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
C Thomas Nedbank restricted shares	18 061	15 March 2017	249,15	16 March 2020				
	12 040	16 March 2017	249,15	17 March 2020				
	11 343	15 March 2018	299,73	16 March 2021				
	17 015	14 March 2018	299,73	15 March 2021				
	37 043	14 March 2019	269,95	15 March 2022				
					60 722	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme ¹	2 282	31 March 2018	291,36	1 April 2021				
	5 726	31 March 2019	252,95	1 April 2022				
					21 443	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme ⁴								
Total value of dividends								
Total	103 510				82 165			

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
9 464	8 597	129	1 219 815	(1 108 067)				
12040 ²		129	1 551 836					
						11 343	31 December 2020	16 March 2021
						17 015	31 December 2020	15 March 2021
						37 043	31 December 2021	15 March 2022
						60 722	31 December 2022	20 March 2023
2 282		128	292 164					
2 862		128	366 422			2 864	31 December 2021	1 April 2022
7 147		128	915 030			14 296	31 December 2022	1 April 2023
					1 230 692			
33 795	8 597		4 345 267	(1 108 067)	1 230 692	143 283		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 January 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
I Ruggiero Nedbank restricted shares	15 653	15 March 2017	249,15	16 March 2020				
	10 435	16 March 2017	249,15	17 March 2020				
	8 007	15 March 2018	299,73	16 March 2021				
	12 011	14 March 2018	299,73	15 March 2021				
	25 930	14 March 2019	269,95	15 March 2022				
					39 988	19 March 2020	168,80	20 March 2023
Compulsory Bonus Share Scheme ¹	5 429	31 March 2017	258,33	1 April 2020				
	4 011	31 March 2018	291,36	1 April 2021				
	5 000	31 March 2019	252,95	1 April 2022				
					9 072	31 March 2020	83,36	1 April 2023
Voluntary Bonus Share Scheme ⁴	1 249	08 May 2017	220,17	9 May 2020				
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
Total value of dividends					3 298	31 March 2020	83,36	1 April 2023
Total	89 755				52 358			

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/options released	Number of restricted shares/options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/options	End of performance period	Final vesting/exercise date
		(R)	(R)	(R)	(R)			
8 203	7 450	129	1 057 285	(960 231)				
10 435 ²		129	1 344 967					
						8 007	31 December 2020	16 March 2021
						12 011	31 December 2020	15 March 2021
						25 930	31 December 2021	15 March 2022
						39 988	31 December 2022	20 March 2023
10 858 ³		83	897 522					
						4 011	31 December 2020	1 April 2021
						5 000	31 December 2021	1 April 2022
						9 072	31 December 2022	1 April 2023
2 498 ³		97	243 005					
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
					950 850			
31 994	7 450		3 542 780	(960 231)	950 850	109 347		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 April 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
A Bosman¹⁰ Nedbank restricted shares								
	8 007	14 March 2018	299,73	15 March 2021				
	5 338	15 March 2018	299,73	16 March 2021				
	9 335	14 March 2019	269,95	15 March 2022				
	6 223	15 March 2019	269,95	16 March 2022				
	32 582	19 March 2020	168,80	20 March 2023				
	14 573	19 March 2020	168,80	20 March 2023				
	9 716	20 March 2020	168,80	21 March 2023				
Compulsory Bonus Share Scheme¹								
	7 550	31 March 2018	291,36	1 April 2021				
	10 599	31 March 2019	252,95	1 April 2022				
	22 267	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme⁴								
	943	31 March 2018	291,36	1 April 2021				
	1 087	31 March 2019	252,95	1 April 2022				
	3 298	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	131 518							

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
						8 007	31 December 2020	15 March 2021
						5 338	31 December 2020	16 March 2021
						9 335	31 December 2021	15 March 2022
						6 223	31 December 2021	16 March 2022
						32 582	31 December 2021	20 March 2023
						14 573	31 December 2022	20 March 2023
						9 716	31 December 2022	21 March 2023
						7 550	31 December 2020	1 April 2021
						10 599	31 December 2021	1 April 2022
						22 267	31 December 2022	1 April 2023
						943	31 December 2020	1 April 2021
						1 087	31 December 2021	1 April 2022
						3 298	31 December 2022	1 April 2023
					1 072 531			
					1 072 531	131 518		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

Prescribed officers	Opening balance at 1 April 2020				Awards made during 2020			
	Number of restricted shares/options	Date of issue/inception	Issue price	Vesting date	Number of restricted shares/options	Date of issue/inception	Issue price	Final vesting/exercise date
			(R)				(R)	
T Sibiya¹⁰ Nedbank restricted shares								
	6 006	14 March 2018	299,73	15 March 2021				
	4 003	15 March 2018	299,73	16 March 2021				
	7 779	14 March 2019	269,95	15 March 2022				
	5 186	15 March 2019	269,95	16 March 2022				
	23 696	19 March 2020	168,80	20 March 2023				
	10 663	19 March 2020	168,80	20 March 2023				
	7 109	20 March 2020	168,80	21 March 2023				
Compulsory Bonus Share Scheme¹								
	2 548	31 March 2018	291,36	1 April 2021				
	3 533	31 March 2019	252,95	1 April 2022				
	7 422	31 March 2020	83,36	1 April 2023				
Voluntary Bonus Share Scheme⁴								
	943	31 March 2018	291,36	1 April 2021				
	395	31 March 2019	252,95	1 April 2022				
	1 199	31 March 2020	83,36	1 April 2023				
Total value of dividends								
Total	80 482							

¹ Matching on the Compulsory Bonus Share Scheme occurs only on shares in the scheme at the vesting date. If corporate performance targets (CPTs) are met, 100% matching occurs.

² Restricted-share awards with time-based vesting only.

³ Match occurred at one share for each share in the Compulsory Bonus Share Scheme and Voluntary Bonus Share Scheme at the vesting date.

⁴ For the Voluntary Bonus Share Scheme, employees invest their own Nedbank shares in the scheme. After three years, if the CPTs are met, a 100% matching occurs.

⁵ Value determined based on the number of shares lapsing, multiplied by the market share price on the scheduled vesting date.

⁶ Plans exclude the Voluntary Bonus Share Scheme, which consists of own shares.

⁷ RK Morathi resigned with effect from 31 September 2020.

⁸ MH Davis was appointed as CFO, with effect from 1 October 2020. Opening balance at 1 October 2020.

⁹ B Kennedy retired with effect from 30 March 2020. Closing balance at 31 March 2020.

¹⁰ A Bosman and T Sibiya were appointed with effect from 1 April 2020. Opening balance at 1 April 2020.

Awards vesting/lapsing during 2020					Dividends	Closing balance at 31 December 2020		
Number of restricted shares/ options released	Number of restricted shares/ options lapsed	Market price at vesting	Value gained on vesting	Notional value of loss on lapsing ⁵	Total value of dividends paid in respect of all plans ⁶	Number of restricted shares/ options	End of performance period	Final vesting/ exercise date
		(R)	(R)	(R)	(R)			
						6 006	31 December 2020	15 March 2021
						4 003	31 December 2020	16 March 2021
						7 779	31 December 2021	15 March 2022
						5 186	31 December 2021	16 March 2022
						23 696	31 December 2022	20 March 2023
						10 663	31 December 2022	20 March 2023
						7 109	31 December 2022	21 March 2023
						2 548	31 December 2020	1 April 2021
						3 533	31 December 2021	1 April 2022
						7 422	31 December 2022	1 April 2023
						943	31 December 2020	1 April 2021
						395	31 December 2021	1 April 2022
						1 199	31 December 2022	1 April 2023
					604 344			
					604 344	80 482		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

AUDITED SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2020 Rm	2019 Rm
Dividends from subsidiary companies		4 673	6 602
Interest and similar income ¹		1 077	1 323
Interest expense and similar charges ¹		(1 104)	(1 103)
Preference dividend from subsidiary company		29	32
Non-interest (loss) revenue		(56)	2
Fair-value adjustments		(72)	(119)
Operating income		4 547	6 737
Total operating expenses	2	17	27
Profit from operations		4 530	6 710
Impairment of subsidiaries		511	462
Share of (losses)/gains from associate company		(177)	668
Profit before direct taxation		3 842	6 916
Direct taxation	3	16	25
Profit for the year		3 826	6 891
Other comprehensive income/(loss) net of taxation		433	(1 240)
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translating foreign operations		227	(70)
Share of other comprehensive losses of investments accounted for using the equity method		(189)	(1 025)
Items that may not subsequently be reclassified to profit or loss			
Share of other comprehensive profit or losses of investments accounted for using the equity method		395	(145)
Total comprehensive income for the year		4 259	5 651

¹ Includes notional discounting of interest-free loans of R27m (2019: R219m).

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	2020 Rm	2019 Rm	1 January 2019 Rm
			(Restated)	(Restated)
Assets				
Cash and cash equivalents ¹		527	576	207
Government and other securities		13 665	11 615	9 065
Current taxation assets				3
Investment securities		14	12	9
Investments in associate companies	3	2 180	2 673	3 245
Investments in subsidiary companies		36 203	31 955	29 251
Investment in ordinary shares		27 399	26 416	26 638
Investment in preference shares		339	346	899
Investment in additional tier 1 capital instruments		5 822	4 850	1 350
Intergroup assets investment in tier 2		2 012		
Amounts from and deposits with subsidiaries ¹		631	343	364
Deferred taxation assets				10
Total assets		52 589	46 831	41 790
Equity and liabilities				
Ordinary share capital	4	502	497	493
Ordinary share premium		22 753	21 974	20 947
Holders of additional tier 1 capital instruments		5 822	4 850	1 386
Reserves		1 631	1 357	3 103
Equity attributable to ordinary equity holders		30 708	28 678	25 929
Long-term debt instruments	5	15 677	11 615	9 065
Other liabilities	6	19	566	205
Amounts owing to subsidiaries		6 185	5 972	6 591
Total liabilities		21 881	18 153	15 861
Total equity and liabilities		52 589	46 831	41 790

¹ Current account has been reclassified separately from amounts from and deposits with subsidiaries to cash and cash equivalents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

	Number of ordinary shares	Ordinary share capital Rm	Ordinary share premium Rm	Holders of additional tier 1 capital instruments
Balance at 1 January 2019	493 182 664	493	20 947	1 386
Shares issued in terms of employee incentive schemes	3 870 872	4	1 027	
Additional tier 1 capital instruments issued				3 464
Total comprehensive income for the year	–	–	–	–
Profit for the year				
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2019	497 053 536	497	21 974	4 850
Shares issued in terms of employee incentive schemes	5 000 960	5	779	
Additional tier 1 capital instruments issued				972
Total comprehensive (losses)/income for the year	–	–	–	–
Profit for the year	–	–	–	
Exchange differences on translating foreign operations				
Share of OCI of investments accounted for using the equity method				
Dividends to shareholders				
Additional tier 1 capital instruments interest paid				
Balance at 31 December 2020	502 054 496	502	22 753	5 822

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

² All share-based payment expenses are recognised in the statement of comprehensive income, with the corresponding amount recognised in share-based payment reserves. Any excess tax benefit over the relative tax on the share-based payments expense is recognised directly in this reserve. On the expiry or exercise of a share-based instrument the cumulative amount recognised in this respect is transferred directly to other distributable reserves.

³ Represents other non-distributable revaluation surplus on capital items.

⁴ This comprises all fair-value adjustments relating to investments in debt instruments and equity investments that are subsequently measured at FVOCI. The expected credit loss allowance relating to such debt instruments is also recognised in OCI and accumulated in this reserve. When the debt instrument is derecognised the cumulative gain or loss is reclassified from equity to profit or loss. For investments in equity instruments the cumulative gain or loss is not recycled, but may be reclassified within equity on derecognition.

⁵ Represents the accumulated profits after distributions to shareholders and appropriation of retained earnings to other non-distributable earnings.

	Foreign currency translation reserve ¹ Rm	Share- based payments reserve ² Rm	Other non- distributabl e reserves ³ Rm	FVOCI reserve ⁴ Rm	Distributabl e reserves ⁵ Rm	Total ordinary shareholder s' equity Rm
	(2 490)	125	41	334	5 093	25 929
						1 031
						3 464
	(857)	–	–	(238)	6 746	5 651
					6 891	6 891
	(70)					(70)
	(787)			(238)	(145)	(1 170)
					(7 157)	(7 157)
					(240)	(240)
	(3 347)	125	41	96	4 442	28 678
						784
						972
	433	–	–	–	3 826	4 259
					3 826	3 826
	227					227
	206					206
					(3 489)	(3 489)
					(497)	(497)
	(2 914)	125	41	96	4 282	30 707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER
SEPARATE STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2020 Rm	2019 Rm
			(Restated)
Cash generated by operations	7	4 633	6 609
Cash received (paid to) clients, employees and suppliers		(28)	(25)
Dividends received on investments		4 661	6 634
Change in funds for operating activities		(501)	(379)
(Increase)/Decrease in operating assets ¹		(241)	21
(Decrease) in operating liabilities		(260)	(400)
Net cash from operating activities before taxation		4 132	6 230
Taxation received	8	16	22
Cashflows from operating activities		4 116	6 208
Cashflows utilised by investing activities		(5 997)	(5 496)
Investments in additional tier 1 capital and long-term debt instruments		(5 034)	(6 050)
Acquisition/(Disposal) of investments in subsidiaries and associate companies		(963)	554
Cashflows generated/(utilised by) from by financing activities		1 832	(343)
Proceeds from issue of ordinary shares		784	1 030
Additional tier 1 capital instruments issued		972	3 464
Long-term debt instruments issued		4 062	2 550
Dividends paid to ordinary shareholders		(3 489)	(7 157)
Additional tier 1 capital instruments interest paid		(497)	(230)
Net (decrease)/ increase in cash and cash equivalents for the year¹		(49)	369
Cash and cash equivalents at the beginning of year ¹		576	207
Cash and cash equivalents at the end of the year¹		527	576

¹ Current account has been reclassified from operating assets to cash and cash equivalents.

1 RESTATEMENTS AND RECLASSIFICATION

During the year the company reviewed the classification of certain deposits, placed with a subsidiary who is a registered bank, that were disclosed in investments in subsidiaries (owing by subsidiaries) on the statement of financial position. Consequently, this amount was disclosed as part of increases in operating assets in the statement of cashflows. As the deposits are readily available and not subject to changes in value, they meet the definition of cash and cash equivalents. The deposits have been restated to cash and cash equivalents to correctly reflect the underlying nature of the balance on the statement of the financial position.

As a result of the above, certain cashflow information on the statement of cashflows have been restated.

In addition, management reviewed the presentation of long-term debt instruments issued in the statement of cash flows. As a result of this review, the presentation has been enhanced to disclose additional tier 1 capital instruments issued separately from long-term debt instruments issued. To provide comparability, the prior-year balances have been restated. Management is of the view that this enhancement provides more relevant information to users.

The impact of the restatements are detailed as below:

1.1 Impact on the statement of financial position

	2019		
	Restated	Restatement	As previously reported
	Rm	Rm	Rm
Cash and cash equivalents	576	576	–
Government and other securities	11 615	–	11 615
Investment securities	12	–	12
Investments in associate companies	2 673	–	2 673
Investments in subsidiary companies	31 955	(576)	32 531
Investment in ordinary shares	26 416	–	26 416
Investment in preference shares	346	–	346
Investment in additional tier 1 capital instruments	4 850	–	4 850
Amounts from and deposits with subsidiaries	343	(576)	919
Total assets	46 831	–	46 831
Equity and Liabilities			
Ordinary share capital	497	–	497
Ordinary share premium	21 974	–	21 974
Holders of additional tier 1 capital instruments	4 850	–	4 850
Reserves	1 357	–	1 357
Equity attributable to ordinary equity holders	28 678	–	28 678
Long-term debt instruments	11 615	–	11 615
Other liabilities	566	–	566
Amounts owing to subsidiaries	5 972	–	5 972
Total liabilities	18 153	–	18 153
Total equity and liabilities	46 831	–	46 831

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

1.2 Impact on the statement of cashflows

	2019		
	Restated	Restatement	As previously reported
	Rm	Rm	Rm
Cash generated by operations	6 609	–	6 609
Cash received (paid to)/from clients, employees and suppliers	(25)	–	(25)
Dividends received on investments	6 634	–	6 634
Change in funds for operating activities	(379)	369	(748)
(Increase)/Decrease in operating assets	21	369	(348)
(Increase)/Decrease in operating liabilities	(400)	–	(400)
Net cash from operating activities before taxation	6 230	369	5 861
Taxation received/(paid)	22	–	22
Change in funds for operating activities	6 208	369	5 839
Cashflows utilised by investing activities	(5 496)	–	(5 496)
Investments in additional tier 1 capital and long-term debt instruments	(6 050)	–	(6 050)
Disposal/(Acquisition) of investments in subsidiaries and associate companies	554	–	554
Cashflows utilised by financing activities	(343)	–	(343)
Proceeds from issue of ordinary shares	1 030	–	1 030
Additional tier 1 capital instruments issued	3 464	3 464	–
Long-term debt instruments issued	2 550	(3 464)	6 014
Dividends paid to ordinary shareholders	(7 157)	–	(7 157)
Additional tier 1 capital instruments interest paid	(230)	–	(230)
Net increase in cash and cash equivalents for the year	369	369	–
Cash and cash equivalents at the beginning of year	207	207	–
Cash and cash equivalents at the end of the year	576	576	–

2 OPERATING EXPENSES

	2020 Rm	2019 Rm
Audit fees	7	16
Released of audit fee provision	(10)	–
Directors' fees	2	2
Listing and admin fees	8	9
Premiums paid	10	–
	17	27

3 DIRECT TAXATION

3.1 Charge for the year

	2020 Rm	2019 Rm
Statement of comprehensive income charge – SA normal taxation	–	–
Foreign dividend withholding tax	16	25
	16	25

3.2 Taxation rate reconciliation

	2020 %	2019 %
Standard rate of SA normal taxation	28	28
Non-taxable income	(28)	(28)
Effective taxation rate	–	–

4 INVESTMENT IN ASSOCIATE COMPANY

4.1 Movement in carrying amount

	2020 Rm	2019 Rm
Carrying amount at the beginning of the year	2 673	3 245
Impairment provision for investments in associate company	(750)	
Share of associate companies' profit after taxation for the year	(177)	668
Share of associate companies' OCI for the year	207	(1 170)
Foreign currency translation and other movements	227	(70)
Carrying amount at the end of the year	2 180	2 673

4.2 Analysis of carrying amount

	2020 Rm	2019 Rm
Associate investments – on acquisition: net asset value	6 265	6 265
Impact of adopting IFRS 9, net of taxation	(780)	(780)
Share of retained earnings since acquisition	1 246	1 423
Share of OCI since acquisition	(4 037)	(4 244)
Dividends received from equity-accounted associate company	(159)	(159)
Impairment provision for investments in associate company	(1 750)	(1 000)
Foreign currency translation and other movements	1 395	1 168
	2 180	2 673

5 SHARE CAPITAL

5.1 Ordinary share capital

	2020 Rm	2019 Rm
Authorised		
600 000 000 (2019: 600 000 000) ordinary shares of R1 each	600	600
Issued ordinary share capital		
502 054 496 (2019: 497 053 536) fully paid ordinary shares of R1 each	502	497

Subject to the restrictions imposed by the Companies Act, 71 of 2008, the unissued shares are under the control of the directors until the forthcoming annual general meeting.

5.2 Preference share capital and premium

	2020 Rm	2019 Rm
Authorised		
1 000 000 (2019: 1 000 000) cumulative redeemable non-participating preference shares of R10 000 each	10 000	10 000

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

6 LONG-TERM DEBT INSTRUMENTS

Instrument type	Maturity date	Interest rate	2020 Rm	2019 Rm
Subordinated debt				
Callable notes (rand-denominated – floating)	22 September 2026	JIBAR + 4,0%	2 004	2 005
Callable notes (rand-denominated – floating)	15 March 2027	JIBAR + 3,80%	2 007	2 008
Callable notes (rand-denominated – floating)	26 May 2027	JIBAR + 3,75%	511	505
Callable notes (rand-denominated – floating)	20 March 2028	JIBAR + 3,05%	2 001	2 006
Callable notes (rand-denominated – floating)	26 July 2028	JIBAR + 2,58%	1 518	1 532
Callable notes (rand-denominated – floating)	1 December 2028	JIBAR + 2,45%	1 005	1 007
Callable notes (rand-denominated – floating)	9 April 2029	JIBAR + 2,4%	2 533	2 552
Callable notes (rand-denominated – floating)	2 July 2030	JIBAR + 3,85%	2 086	
Callable notes (rand-denominated – floating)	30 June 2030	JIBAR + 2,80%	2 012	
			15 677	11 615

The movement for the year relates to two new notes issued for R4 050m and interest accrued of R12m.

7 OTHER LIABILITIES

	2020 Rm	2019 Rm
Derivative liability ¹		297
Provisions	19	269
	19	566

¹ Relates to the settlement of the put option in relation to subsidiary company.

8 CASH GENERATED BY OPERATIONS

	2020 Rm	2019 Rm
Profit before taxation	3 842	6 916
Adjusted for:		
– Foreign exchange gains	56	(218)
– Other non-cash items	(25)	(2)
– Share of gains from associate company	177	(668)
– Impairment of subsidiary company	511	462
– Fair-value adjustments	72	119
Cash generated by operations	4 633	6 609

9 TAXATION PAID

	2020 Rm	2019 Rm
Amounts payable at the beginning of the year		(3)
Statement of comprehensive income charge – SA normal taxation		
Statement of comprehensive income charge – foreign dividend withholding tax	16	25
Amounts payable at the end of the year	16	22

10 SHARE-BASED PAYMENTS

Equity instruments are granted to business partners and non-executive directors as an incentive to retain business and develop growth within the group. The share-based payment expenses and reserve balances in respect of the Black Business Partner Scheme and the Non-executive Directors' Scheme, implemented in 2005, were accounted for in the Nedbank Group Limited consolidated financial statements and in the Nedbank Group Limited standalone financial statements. Both of these schemes will be equity-settled.

As the company cannot reliably estimate the fair value of services received nor the value of additional business received, the company rebuts the presumption that such services and business can be measured reliably. The company therefore measures their fair value by reference to the fair value of the equity instruments granted, in line with the group's accounting policy. The fair value of share option awards is measured at the grant date using the Black-Scholes valuation model. For the non-option equity awards the fair value is measured by reference to the listed share price, as well as the dividends over the vesting period to which the participant has a right.

10.1 Description of arrangements

Scheme	Trust/SPV	Description	Vesting requirements	Maximum term
Nedbank Eyethu BEE schemes				
Community Trust	Nedbank Eyethu Community Trust	The trust has been formed with the specific purpose of providing previously disadvantaged communities and charitable organisations with the opportunity to receive dividends in respect of the scheme shares and thereby contributing to Nedbank Group Limited's BEE compliance.	Shares are not allocated to specific beneficiaries. At the end of the 10 years the net assets of the trust will be allocated to participants as determined by the trustees.	Ten years subsequent to December 2013 the termination date of the trust was extended from 2015 to 2030 to provide an ongoing flexible vehicle for deploying the residual assets of the trust and continued support of community affairs in line with the group's BEE and Fair Share 2030 initiatives.

10.2 Effect on profit and financial position

	Share-based payments reserve	
	2020	2019
Community Scheme	124	124
	124	124

10.3 Movements in number of instruments

	2020		2019	
	Number of instruments	Weighted-average remaining contractual life (years)	Number of instruments	Weighted-average remaining contractual life (years)
Community Scheme				
Outstanding at the beginning of the year	1 689 648	11	1 689 648	12
Outstanding at the end of the year	1 689 648	10	1 689 648	11
Exercisable at the end of the year	–	–	–	–
Weighted-average share price for share instruments exercised (R)		–		–

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

11 RELATED PARTIES

11.1 Relationship with significant investors

Following Old Mutual plc's managed separation process the group no longer has a parent (controlling shareholder) as Old Mutual Limited unbundled its direct shareholding in the group to approximately 19,9% on 15 October 2018. At 31 December 2020 Old Mutual Limited held 21,96% (31 December 2019: 24,09%) of Nedbank Group Limited's ordinary shares. The above shareholding is inclusive of funds held on behalf of other beneficial owners. Old Mutual Limited remains a related party of the group due to its significant shareholding in the group.

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

11.2 Key management personnel compensation

Key management employees are those persons who have authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including all directors of the company and its parent, as well as members of the executive committee who are not directors, as well as close members of the family of any of these individuals.

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

	Directors	Key management personnel	Total
Compensation (Rm)			
2020			
Directors' fees	22		22
Remuneration – paid by subsidiaries	50	110	160
Short-term employee benefits	39	86	125
Gain on exercise of share instruments	11	24	35
	72	110	182
2019			
Directors' fees	22		22
Remuneration – paid by subsidiaries	91	185	276
Short-term employee benefits	46	98	144
Gain on exercise of share instruments	45	87	132
	113	185	298
	Directors	Key management personnel	Total
2020			
Outstanding at the beginning of the year	470 183	831 156	1 301 339
Granted	294 913	565 325	860 238
Forfeited	(165 050)	(12 292)	(177 342)
Exercised	(160 984)	(246 160)	(407 144)
Transferred ¹	109 926	(91 231)	18 695
Outstanding at the end of the year	548 988	1 046 798	1 595 786
2019			
Outstanding at the beginning of the year	504 485	879 454	1 383 939
Granted	171 625	321 096	492 721
Forfeited		(8 536)	(8 536)
Exercised	(205 927)	(314 454)	(520 381)
Transferred ¹		(46 404)	(46 404)
Outstanding at the end of the year	470 183	831 156	1 301 339

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

11.3 Related-party transactions

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

Outstanding balances (Rm)

	Due from / (owing to)	
	2020	2019
Outstanding balances (Rm)		
Subsidiaries		
Loan from Nedbank Nominees Proprietary Limited – interest-free	(4)	(4)
Advance to Ned Settle Services Proprietary Limited – interest-free	69	71
Advance to NPE Holdco Proprietary Limited – interest-free	241	
Advance to Nedbank Group Insurance Holdings Limited	257	260
Interest free loan account Nedbank Limited CIB	12	
Bank account with Nedbank Limited – interest-free	527	576
Nedbank intergroup asset in tier 2	2 012	
Loan from Nedbank Limited – interest-free	(6 180)	(5 968)
Tier 2 long-term debt – Nedbank Limited (NED01U)	13 665	11 615
Dividends receivable Nedbank (Swaziland) Limited	41	
Advance to Banco Único, SA – interest-free	11	12
Nedbank Limited Preference shares	339	339
Key management personnel		
– Community trust – share-based payments reserve	(124)	(124)

Transactions (Rm)

	Income / (Expense)	
	2020	2019
Transactions (Rm)		
Interest income from subsidiaries		
Nedbank Limited – interest received	1 077	1 323
Nedbank Limited – interest paid	1 099	1 103
Ned Settle Services Proprietary Limited – interest paid	2	
Nedbank Group Insurance Holdings Limited - Interest paid	3	
Dividends from subsidiaries		
Nedbank Limited	3 297	5 017
Nedbank Limited Preference dividend	29	32
Neddeurope Limited	172	303
Nedbank Swaziland Limited	91	22
Syfrete Securities Limited	426	
Nedcapital investment Holdings Proprietary Limited	3	
Ned Settle Services Proprietary Limited	5	
NedCell Proprietary Limited	62	
Nedbank Lesotho Limited	–	25
NedNamibia Holdings Proprietary Limited	132	400
Nedbank Group Insurance Holdings Limited	300	650
Nedgroup Investments Proprietary Limited	185	185
Dividends declared by subsidiaries	4 702	6 634

12 LIQUIDITY, CREDIT RISK AND MARKET RISK INFORMATION

Assets and liabilities primarily consist of non-financial assets and liabilities. These are not subject to liquidity, credit and market risk for disclosure purposes.

13 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

13.1 DIRECTORS' EMOLUMENTS

Details of directors' emoluments have been included in N3.

13.2 EVENTS AFTER THE REPORTING PERIOD

There are no material events after the reporting period to report on.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

14 SHAREHOLDER ANALYSIS

Register date: 31 December 2020

Authorised share capital: 600 000 000 shares

Issued share capital: 502 054 496 shares

Shareholder spread	Number of shareholdings	%	Number of shares	%
1–1 000 shares	39 039	88,37	6 762 178	1,35
1 001–10 000 shares	3 730	8,44	10 399 292	2,07
10 001–100 000 shares	1 015	2,30	33 317 798	6,64
100 001–1 000 000 shares	336	0,76	99 712 856	19,86
1 000 001 shares and over	59	0,13	351 862 372	70,08
Total	44 179	100,00	502 054 496	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	331	0,75	117 899 316	23,48
Close corporations	169	0,38	207 145	0,04
Empowerment	28	0,06	6 359 240	1,27
Endowment funds	146	0,33	3 212 764	0,64
Government	8	0,02	347 997	0,07
Individuals	38 552	87,26	16 656 109	3,32
Insurance companies	88	0,20	52 947 934	10,55
Investment companies	8	0,02	62 659 451	12,48
Medical aid schemes	49	0,11	1 336 292	0,27
Mutual funds	570	1,29	96 686 152	19,26
Other corporations	158	0,36	193 924	0,04
Private companies	583	1,32	2 198 837	0,44
Public companies	20	0,05	55 622	0,01
Retirement funds	644	1,46	112 892 756	22,49
Share trusts ¹	16	0,04	16 238 397	3,23
Sovereign wealth funds	15	0,03	8 582 089	1,70
Trusts	2 758	6,24	3 416 951	0,68
UK nominee accounts	36	0,08	163 520	0,03
Total	44 179	100,00	502 054 496	100,00

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

Public/Non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	109	0,25	131 973 217	26,29
Directors and associates of the company ¹	9	0,02	1 159 824	0,23
Prescribed officers of the company ¹	4	0,01	631 162	0,13
Old Mutual Life Assurance Company (SA) Limited and associates	41	0,09	107 789 952	21,47
Nedbank/Nedbank Group pension funds	5	0,01	150 764	0,03
Nedbank Group Limited and associates (share trusts and foundation) ²	12	0,03	13 969 382	2,78
Nedbank Group and associates (foundation)	1		1 200	
Nedbank Group Limited and associates (mutual funds)	13	0,03	1 254 548	0,25
Nedbank Group BEE trusts – SA ²	5	0,01	6 652 736	1,33
Nedbank Group BEE trusts – Namibia	19	0,05	363 649	0,07
Public shareholders	44 070	99,75	370 081 279	73,71
Total	44 179	100,00	502 054 496	100,00

¹ Includes shares held by directors and prescribed officers in share trusts and Eyethu schemes.

² Excludes shares held by directors and prescribed officers in share trusts and Eyethu schemes.

	Number of shares	2020 % holding	2019 % holding
Major shareholders/managers			
Old Mutual Life Assurance Company (SA) Limited and associates ¹	110 244 073	21,96	24,12
Nedbank Group treasury shares	18 161 729	3,62	3,19
BEE trusts:	6 617 448	1,32	1,33
– Eyethu scheme – Nedbank SA	6 466 786	1,29	1,30
– Omufima scheme – Nedbank Namibia	150 662	0,03	0,03
Nedbank Group (2005) Share Option, Matched-share and Restricted-share Scheme	11 496 769	2,29	1,85
Nedbank Namibia Limited	47 512	0,01	0,01
Public Investment Corporation (SA)	52 179 569	10,39	10,76
Allan Gray Investment Council (SA)	44 923 743	8,95	5,44
Coronation Fund Managers (SA)	43 059 294	8,58	7,53
BlackRock Incorporated (international)	20 930 707	4,17	3,59
Lazard Asset Management (international)	14 010 027	2,79	2,13
The Vanguard Group Incorporated (international)	12 577 779	2,51	3,00
Sanlam Investment Management Proprietary Limited (SA)	10 869 310	2,16	2,36
GIC Asset Management Proprietary Limited (international)	8 496 798	1,69	2,10
Dimensional Fund Advisors (US, UK and AU)	7 623 141	1,52	2,13

¹ Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial owners.

	Number of shares	2020 % holding	2019 % holding
Beneficial shareholders holding of 5% or more			
Old Mutual Life Assurance Company (SA) Limited and associates (SA) ¹	107 789 952	21,47	24,09
Government Employees Pension Fund (SA)	57 048 786	11,36	10,88
Allan Gray Balanced Fund (ZA)	28 832 304	5,74	1,81
	193 671 042	38,58	36,78

¹ Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial owners.

	Number of shares	2020 % holding	2019 % holding
Geographical distribution of shareholders			
Domestic	381 130 548	75,91	73,79
SA	359 973 691	71,70	70,65
Namibia	15 402 387	3,07	1,83
Unclassified	5 754 470	1,15	1,31
Foreign	120 923 948	24,09	26,21
United States of America	63 601 013	12,67	13,26
Asia	17 867 624	3,56	4,49
Europe	17 634 097	3,51	4,46
United Kingdom and Ireland	12 383 228	2,47	2,05
Other countries	9 437 986	1,88	1,95
	502 054 496	100,00	100,00

INFORMATION NOT COVERED BY THE INDEPENDENT AUDITORS' REPORT

COMPLIANCE WITH IFRS – FINANCIAL STATEMENT NOTES

Note number	Note description	IFRS required
A1	Principal accounting policies	IAS 1
A2	Key assumptions concerning the future and key sources of estimation	IAS 1
A3	New standards and interpretations not yet adopted	IAS 8
B1	Segmental reporting	IFRS 8
B2	Earnings per share	IAS 33
B3	Dividends	IAS 1, IAS 10, and IAS 32
B4	Share capital	IAS 1 and IAS 32
B5	Holders of additional tier 1 capital instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
B6.1	Net interest income	IAS 32, IFRS 7, IFRS 9, IFRS 13 and IFRS 15
B6.2	Non-interest revenue	IAS 20, IAS 32, IFRS 4, IFRS 7, IFRS 8, IFRS 9, IFRS 13 and IFRS 15
B7	Total operating expenses	IAS 1, IAS 19, IFRS 2 and IFRS 8
B8.1	Indirect taxation	IAS 1
B8.2	Direct taxation	IAS 12
B8.3	Deferred taxation	IAS 12
B9	Headline earnings	IAS 1, IAS 16 and IAS 36
C1	Loans and advances	IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C2	Impairments charge on financial instruments	IFRS 7, IFRS 8 and IFRS 9
C3	Government and other securities	IAS 1, IAS 32, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C4	Other short-term securities	IAS 1, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
C5	Credit analysis of other short-term securities, and government and other securities	IFRS 7
C6	Cash and cash equivalents	IAS 1, IAS 7 and IFRS 7
C7	Derivative financial instruments	IAS 32, IAS 39, IFRS 7, IFRS 9 and IFRS 13
D1	Amounts owed to depositors	IAS 1, IFRS 7, IFRS 8, IFRS 9 and IFRS 13
D2	Long-term debt instruments	IAS 32, IFRS 7, IFRS 9 and IFRS 13
D3	Investment contract liabilities	IAS 1, IFRS 4, IFRS 7, IFRS 9 and IFRS 13
D4	Insurance contract liabilities	IAS 1 and IFRS 4
D5	Contractual maturity analysis for financial liabilities	IFRS 7
E1	Managed funds	IAS 1, IFRS 7 and IFRS 13
F1	Investment securities	IAS 32, IFRS 7, IFRS 9 and IFRS 13
F2	Investments in associate companies	IAS 28, IFRS 11, IFRS 12 and IFRS 13
F3	Investments in subsidiary companies and related disclosure	IAS 27, IFRS 10 and IFRS 12
F4	Interests in structured consolidated and unconsolidated structured entities	IFRS 10 and IFRS 12
F5	Securitisations	IFRS 7, IFRS 9, IFRS 12 and IFRS 13
F6	Related parties	IAS 24
G1	Property and equipment	IAS 16, IAS 36, IFRS 13 and IFRS 16
G2	Intangible assets	IAS 38 and IAS 36
H1	Long-term employee benefits	IAS 19 and IFRIC 14
H2	Non-current assets and liabilities held for sale	IFRS 5 and IFRS 13
H3	Other assets	IAS 1, IFRS 7, IFRS 9 and IFRS 13
I1	Consolidated statement of financial position — categories of financial instruments	IFRS 7 and IFRS 9
I2	Fair-value measurement — financial instruments	IFRS 7, IFRS 9 and IFRS 13
I3	Assets and liabilities not measured at fair value for which fair value is disclosed	IFRS 7, IFRS 9 and IFRS 13
I4	Financial instruments designated as fair value through profit or loss	IAS 32, IFRS 7, IFRS 9 and IFRS 13
I5	Offsetting financial assets and financial liabilities	IFRS 7 and IAS 32
I6	Collateral	IFRS 7
J	Share-based payments	IFRS 2
K1	Provisions and other liabilities	IAS 37, IAS 32, IFRS 7, IFRS 9, IFRS 13 and IFRS 16
K2	Contingent liabilities and undrawn facilities and commitments	IAS 37, IAS 10 and IFRS 7
L1	Financial risk management	IAS 1
L2	Capital management	IAS 1
L3	Liquidity gap	IFRS 7
L4	Interest rate risk in the banking book	IFRS 7
L5	Historical value at risk (99%, one-day) by risk type	IFRS 7
M	Cashflow information	IAS 7
N1	Foreign currency conversion	IAS 21 and IAS 29
N2	Events after the reporting period	IAS 10

EMBEDDED-VALUE REPORT OF NEDGROUP LIFE ASSURANCE COMPANY LIMITED (NEDGROUP LIFE)

SCOPE OF THE EMBEDDED-VALUE REPORT

This report deals with the embedded value of Nedgroup Life (the company) and the value of new business written during the financial year.

EMBEDDED VALUE

The embedded value (EV) and value of new business of the covered business at 31 December are:

	% change	2020 Rm	2019 Rm
Adjusted net worth		1 651	1 345
Required capital		911	823
Free surplus		740	522
Value of inforce business		1 955	1 843
Present value of future profits		2 150	2 042
Frictional cost of capital		(81)	(78)
Cost of non-hedgeable risk		(114)	(121)
Total EV	13,1	3 606	3 188
Present value of future profits		296	467
Frictional cost of capital		(5)	(18)
Cost of non-hedgeable risk		(8)	(28)
Total value of new business	(32,9)	283	421
New-business sales (APE ¹)	(17,1)	902	1 088
APE ¹ margin		31,3%	38,7%
PVNBP ²	(22,9)	1 805	2 342
PVNBP ² margin		15,6%	18,0%
Analysis of EV earnings:			
EV at the beginning of the year		3 188	2 786
Total EV earnings		668	952
Operating EV earnings		640	855
Value of new business		283	421
Expected return		130	140
Experience variances and modelling changes		237	187
Extraordinary changes			313
Non-economic assumption changes		(10)	(206)
Economic variances and assumption changes		(40)	10
Return on adjusted net worth		68	87
Adjustment: dividends paid		(250)	(550)
EV at the end of the year	13,1	3 606	3 188
Operating earnings return on opening EV (annualised %)		20,1%	30,7%

¹ Annualised premium equivalent.

² Present value of new-business premiums.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER

METHODOLOGY

Covered business refers to all long-term life insurance business underwritten by the Nedgroup Life Assurance company. It excludes Nedgroup Structured Life and NedNamibia Life Assurance.

Embedded value

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

Adjusted net worth (ANW) represents the excess of the market value of assets over liabilities. The actuarial liabilities are determined in accordance with IFRS and the Actuarial Society of South Africa Standard of Actuarial Practice (SAP) 104.

Required capital

Required capital is the market value of assets that is required to support the covered business over and above that required to back the statutory liabilities, whose distribution to shareholders is restricted. The following capital measures are considered acceptable when determining the required capital:

- Economic capital
- Regulatory capital

For the company, the required capital has been set equal to the economic capital as it is more onerous than the regulatory capital.

Economic capital for the covered business is based on the company's own internal assessment of risk inherent in the business, consistent with a 99,93% confidence interval over a one-year time horizon.

Free surplus

Free surplus is the excess of market value of assets over the statutory liabilities and the required capital. It is the assets that are available for distribution to shareholders.

Value of in-force business

Value in-force (VIF) consists of the following components:

- Present value of future profits; less
- frictional costs of required capital; less
- cost of non-hedgeable risks.

Projected liabilities and cashflows are calculated net of outward reinsurance.

Present value of future profits

Present value of future profits (PVFP) is calculated as the discounted value of future distributable earnings that are expected to emerge from the inforce covered business. Cashflows are determined on a best-estimate basis where assumed earned rates of return and discount rates are equal to risk-free rates determined by the South African swap yield curve. PVFP excludes future new business.

Frictional costs

Due to the requirement to hold capital in addition to statutory liabilities (ie required capital), there is a cost to shareholders since this capital is locked in the company. Frictional cost (FC) is the cost in respect of the taxation on the investment return and investment costs on the assets backing the required capital.

Cost of non-hedgeable risk

Non-hedgeable risks are those risks that cannot be hedged in deep and liquid markets (eg mortality, morbidity, persistency, expense, reinsurance and operational risk). These risks are managed by holding risk capital. Cost of non-hedgeable risk (CNHR) is calculated using a cost of capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. A weighted-average cost of capital rate of 3,5% has been applied to allow for residual symmetric and asymmetric non-hedgeable risks. This has been reviewed from 2% in 2019.

Value of new business

Value of new business (VNB) is a measure of the value added to a company as a result of writing new business in the current reporting period. VNB is calculated as the discounted value, at the point of sale, of projected after-tax shareholder profit from covered new business commenced during the reporting period net of frictional costs and the CNHR associated with writing new business, using assumptions at the end of the reporting period. VNB is net of all acquisition expenses, which include a proportion of the companies overhead expenses for the year. The definition of new business used in the calculation of the VNB is consistent with the reporting basis in the financial statements.

APE and PVNBP margins

APE is the annual premium equivalent for regular premium sales plus 10% of single-premium sales sold during the reporting period. The APE margin is defined as the ratio of VNB to APE.

PVNB is the present value of premiums on new business policies written in the year and is calculated using the same assumptions as used to calculate the after-tax shareholder profits on new business, and is consistent with the calculation of VNB where both are net of reinsurance. The PVNB margin is defined as the ratio of VNB to PVNB.

Extraordinary changes

The NedGroup Life analysis of 2019 EV earnings includes an extraordinary increase in embedded value caused by a reduction in commission payable on Credit Life products from 1 January 2019 as required by the Retail Distribution Review. This commission would have been payable to other entities within the Nedbank Group and so this change is neutral at a group level, except for a secondary saving on VAT. There are no extraordinary changes for 2020. Assumptions allowing for higher claims experience due to Covid-19 is captured under non-economic basis.

ASSUMPTIONS

Non-economic assumptions

The EV and VNB were determined using best-estimate assumptions regarding future mortality, morbidity, persistency rates and expenses. These best-estimate assumptions are determined using past, current and expected future experience. Assumptions for additional claims arising from Covid-19 have been set relying on recent claim experience and expert judgement.

Economic assumptions

Economic assumptions for best-estimate cashflows are determined so that projected cashflows are valued in line with the prices of similar cashflows that are traded in the capital markets. Investment return and discounting assumptions are based on the South African swap yield curve. The swap curve is sourced from the JSE Zero nominal swap curve. Expense inflation assumptions are determined considering management's view on long-term inflation.

The risk-free spot yields and expense inflation at various terms are provided in the tables below:

	2020	2019
Risk-free yields		
Term (years)		
1	3,4%	6,8%
5	4,8%	7,2%
10	7,1%	8,1%
Expense inflation		
Term (years)		
1	6,6%	4,3%
5	6,6%	4,5%
10	6,6%	5,2%

SENSITIVITIES

The table below shows the sensitivities of VNB, PVFP and EV at 31 December to changes in key assumptions where both the reserving and EV assumptions were changed and no management actions were assumed.

2020

Rm	PVFP	EV	VNB
Central assumptions	1 955	3 606	283
Economic assumptions increase by 1%	1 915	3 566	271
Economic assumptions decrease by 1%	2 003	3 648	287
Equity and property market value decrease by 10%	1 954	3 561	283
Voluntary discontinuance rates decrease by 10%	2 082	3 678	318
Mortality and morbidity rates decrease by 5%	1 993	3 673	292
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 996	3 696	296
Acquisition expenses decrease by 10%	1 955	3 606	294

NOTES TO THE SEPARATE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER

2019

Rm	PVFP	EV	VNB
Central assumptions	1 843	3 188	421
Economic assumptions increase by 1%	1 794	3 214	407
Economic assumptions decrease by 1%	1 893	3 164	433
Equity and property market value decrease by 10%	1 842	3 156	421
Voluntary discontinuance rates decrease by 10%	1 981	3 295	466
Mortality and morbidity rates decrease by 5%	1 887	3 256	431
Maintenance expenses decrease by 10%, with no corresponding change in expense charges	1 870	3 256	435
Acquisition expenses increase by 10%	1 843	3 188	434

Review by independent actuaries

Independent consulting actuaries have reviewed the results, methodology and assumptions underlying the calculation of the EV and the VNB at 31 December 2020 and 31 December 2019. Based on the information supplied to them by Nedgroup Life, they are satisfied that the methodology and assumptions have been determined in accordance with generally accepted actuarial principles. They did, however, note an understatement in the EV of approximately R20m (less than 0,6% of the EV), which is below the materiality limit for NedGroup Life. They further noted that disclosure requirements follow Advisory Practice Note 107 (version 8) – Embedded value reporting, except that the analysis of EV earnings is not split between ANW and VIF. More details should be provided on experience variances and assumption changes. This additional disclosure would provide more insight into the results.

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