NEDBANK GROUP

BE THE DIFFERENCE THAT IMPACTS OUR WORLD.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS AND TRADING STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

see money differently

Strong performance in H1 2021

Operating conditions in the first half of 2021 were better than we expected at the start of the year. This was evident in upward revisions to GDP growth, vaccine rollouts gathering pace and positive developments on key reforms in SA. A 53-year low in interest rates supported robust demand for retail credit, while transactional activity increased off a low base and benefited from ongoing strong digital growth. Against this progress, demand for corporate loans remained muted and excess cash was used to repay debt, particularly in the commodity sector. The third wave of Covid-19 infections in SA led to the government imposing stricter adjusted level 4 lockdowns towards the end of June. More recently, civil unrest in parts of Gauteng and KwaZulu-Natal is expected to negatively impact economic growth, with damage to physical assets, temporary interruptions of supply chains and many people left without an income. Law and order and the protection of citizens and their assets are foundations for democracy, investment and economic activity, and it is important that steps are urgently put in place to prevent any recurrence and that those responsible are held accountable. It has been encouraging to see images of a united SA replace images of unrest and violence. Thousands of South Africans joined clean-up efforts, distributed food to communities in need, and generally spread a message of positivity and togetherness. Nedbank has joined these efforts and has positioned our support in a manner that will maximise the value we can provide to the country, in line with our purpose: to use our financial expertise to do good.

The Nedbank Group's financial performance in the first half of 2021 reflects a strong financial recovery off a low base, and key resilience metrics have all strengthened to above pre-crisis levels. Capital and liquidity ratios increased as reflected in our tier 1 capital ratio of 13,6% (Dec 2020: 12,1%), CET1 ratio of 12,2% (Dec 2020: 10,9%), average second-quarter LCR of 131% (Dec 2020: 126%) and NSFR of 114% (Dec 2020: 113%). Overall impairment coverage improved to multi-year highs of 3,41% (Dec 2020: 3,25%) and we increased our judgemental Covid-19 and macroeconomic overlays to R4,5bn (Dec 2020: R3,9bn).

We remain well prepared to manage risks associated with the impact of the third wave of Covid-19 infections, which appears to have passed its peak, the effect of the higher-than-expected lockdown restrictions during the third wave of infections and helping our clients deal with the residual impact of recent civil unrest in parts of SA.

Nedbank Group's HE in H1 2021 increased by 148% on H1 2020 to R5,3bn, but remains 24% below H1 2019 levels. HE growth benefited from significantly lower impairments, higher net interest margin and disciplined expense management. Underlying NIR was strong, due mainly to higher levels of client activity and strong insurance income, but this growth was negatively impacted by a high H1 2020 trading revenue base and an unwind of the prior-year fair-value gains. Key drivers of shareholder value creation also showed positive trends, with net asset value per share up 8% yoy, the group's ROE increasing to 11,7% (H1 2020: 4,8%) and our resumption of dividend payments, declaring an interim dividend of 433 cents per share.

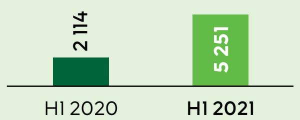
Forecasting remains difficult in a volatile environment, but after lifting 2021 GDP forecasts to 5,0%, we currently expect the country's GDP to increase by 4,2% in 2021, taking into account the estimated 0,4% impact of recent civil unrest in addition to the 0,4% impact from the move to adjusted level 4 lockdown. Given progress on our strategy and the group's financial performance in H1 2021, our current guidance on financial performance for the full-year 2021 is to grow HEPS and EPS by more than 20%. Our medium-term targets* remain unchanged, as we aim to exceed our 2019 diluted HEPS level of 2 565 cents, achieve an ROE greater than the 2019 ROE level of 15%, reduce our cost-to-income ratio to below 54%, and rank number one on the NPS among South African banks by end 2023.

We thank all our committed Nedbank employees for remaining resilient during an extraordinarily difficult time, and for continuing to follow the Covid-19 health protocols while diligently supporting our clients and the economy throughout the Covid-19 crisis as well as the recent unrest in KwaZulu-Natal and parts of Gauteng. We extend our deepest condolences to the families, friends and communities of employees and clients who have lost their loved ones during this time.

Mike Brown
Chief Executive

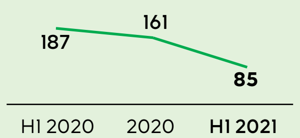
HEADLINE EARNINGS

▲148%



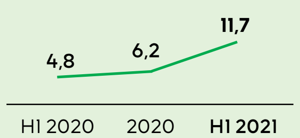
CLR

85 bps



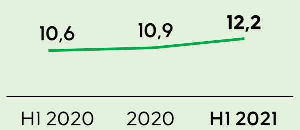
ROE

11,7%



CET1 RATIO

12,2%



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

2021 Interim results commentary

BANKING AND ECONOMIC ENVIRONMENT IN THE FIRST HALF OF 2021

Global economic conditions improved in the second half of 2020 and this continued into the first half of 2021. While the Covid-19 pandemic persists, the rapid rollout of vaccines in most advanced and some developing countries helped reduce severe illness and hospitalisation, and this allowed many countries to reopen their economies with a greater degree of permanency. This, coupled with aggressive fiscal and monetary stimulus, lifted economic activity and boosted confidence. However, the global recovery remains uneven, with many advanced countries racing towards higher ground, notably the US, while others, mostly emerging and developing countries, continue to be constrained by some form of lockdown and limited fiscal space, battling a mutating virus with limited access to vaccines. The unsynchronised nature of the global recovery is also contributing to rising inflationary pressures. While demand in advanced countries surged, global supply struggled to keep pace as many raw materials and other intermediate goods are sourced from or processed in countries where lockdown restrictions still constrain output. As a result, rising inflation has contributed to mounting speculation around how long the current accommodative monetary policies in the US and other G7 nations will remain in place. Major central banks still expect the rise in inflation to be temporary and the US Federal Reserve has changed its forward guidance, signalling two interest rates hikes in 2023, and suggesting that the central bank will start to taper its large bond purchases in early 2022. These developments resulted in greater volatility in global financial markets towards the end of June, dampening risk appetite among international investors and disrupting capital flows to developing countries.

Economic performance among emerging and developing countries differed significantly, depending on the prevalence of Covid-19 and its variants, the stringency of lockdowns, vaccine access and distribution capacity, and country-specific structural imbalances mostly centred around the surge in public debt in 2020. Despite these challenges, economic growth has returned to most countries off 2020's low base. The momentum has come from rising exports, underpinned by the robust demand from China and advanced countries, amplified by surging commodity prices. Sub-Saharan Africa also benefited from these trends. The sharp rise in global oil prices, which have increased by more than 50% since the start of this year, has provided much-needed relief to Africa's oil producers, notably Nigeria and Angola. Elsewhere, robust metal prices, including copper, platinum and gold, are also helping to facilitate recoveries in economic activity, foreign exchange earnings and tax revenues. However, the aviation, tourism, hospitality and leisure industries are still stuck in deep recession across the continent. Conditions in these contact-intensive industries are unlikely to improve until the pandemic is defeated the world over and the bulk of Africa's adult population has been vaccinated.

The South African economy also bounced back faster than most forecasters expected from the depths caused by the strict lockdown in 2020. The recovery continued in the first quarter of 2021, despite tighter containment measures in response to the second wave of Covid-19 infections from late December 2020 to the end of January 2021. Real GDP in the first quarter grew by an annualised 4,6% qoq, after rebounding by 67,3% and 5,8% in the third and fourth quarters of 2020, respectively. Better and more-targeted lockdown restrictions, aimed at limiting human contact while maximising economic output, helped to contain the impact of the second wave, allowing the economy to regain momentum relatively quickly once the wave ebbed. Like most emerging countries, the resurgence in global demand and the upswing in commodity prices also lifted the local economy. Exports outpaced imports, resulting in a current account surplus of 4,9% of GDP in the first quarter. Continued growth in consumer spending added further momentum, with support from government spending. In sharp contrast, fixed investment relapsed in the first quarter, dragged down by lower capital outlays by the private sector, which declined by 8,9% qoq. While government and public corporations increased capital expenditure by 14,2% and 10,3% respectively, these were insufficient to offset the impact of the decline in private sector outlays, which makes up the bulk of total fixed investment in SA.

Household finances improved further in early 2021. Labour market conditions remained highly depressed, but employment drifted higher, although not nearly enough to dent unemployment or absorb all new entrants. The unemployment rate increased to a record high of 32,6% in the first quarter, while the league of discouraged workers swelled to an unprecedented 3,1m people. Remarkably, personal disposable income nonetheless returned to pre-pandemic levels due to the normalisation in working hours, the quick rebound in employees' compensation, and sharply lower inflation. Most South Africans managed their finances well throughout the pandemic, rebuilding savings and limiting borrowing. Debt burdens eased to 75,3% of income, while savings rose to 0,7% of income. These trends were visible in the banking industry, with growth in household deposits outpacing that of household loans. Encouragingly, household demand for credit gradually improved, boosted by low interest rates and stronger income growth, rising to 5,6% yoy in June, from 3,2% at the end of 2020. The strongest growth was recorded in mortgages and vehicle finance, with personal loans and credit cards also increasing more strongly in April and May.

Fixed-investment activity remained depressed, hurt by uncertain growth prospects, ample spare capacity, frequent power outages and continued policy uncertainties. Companies focused on restoring profitability and strengthening balance sheets, with very strong cash generation among commodity producers in particular. Consequently, the slump in corporate credit demand intensified in early 2021. Loans to companies declined by 5,2% yoy in June, after growth had slowed to 3,8% by the end of 2020 from 5,7% at the end of 2019.

Inflation drifted higher off a low base, with CPI rising to 5,2% in May 2021, which is widely expected to be the peak in this cycle, before declining to 4,9% in June 2021. The upward pressure came from higher imported inflation, led by the sharp rise in global oil and food prices. Although the risks to the inflation outlook have tilted somewhat to the upside, the outlook remains benign, contained by a relatively resilient rand, robust domestic agricultural production and the considerable slack still evident in the economic system. Within this context, the Reserve Bank's Monetary Policy Committee kept its accommodative stance in place, leaving the repo rate at a low 3,5%. Monetary policy has played a pivotal role in stabilising the economy and supporting the recovery.

After a volatile and difficult year for the South African banking sector in 2020, the first half of 2021 saw client activity rebounding and market volatility returning to more normalised levels, although corporate dealflow across various sectors remained muted. Impairments declined significantly as a result of the improving operating environment for clients, including the impact of 300 bps lower interest rates and due to the normalisation of forward-looking IFRS 9 portfolio impairments. The banking sector continues to demonstrate strong levels of resilience, remaining well capitalised, liquid and profitable.

IMPACT OF RECENT RIOTS AND CIVIL UNREST IN SA

The civil unrest that emerged in KwaZulu-Natal and parts of Gauteng during July 2021 has had a devastating impact on the people of SA. Our primary focus during this time was to ensure the safety of our employees and clients. More than 3 400 employees were affected during the height of the riots, and we are grateful to report that there have been no related injuries or casualties. Given the psychological and physical impact, as a responsible corporate citizen we increased our focus on providing counselling services to traumatised employees and families, and Nedbankers came together to source and deliver more than 106 tonnes of food parcels to our colleagues, their families and communities in the affected areas. Our business continuity planning processes, which have matured since the Covid-19 pandemic, hybrid work practices and shifts toward digital work and banking practices have been beneficial in ensuring continued operations and client service.

From a Nedbank perspective, during the first week of unrest, 226 branches (52% of total branches) and 60 Boxer stores (55% of stores) were closed, and in total 55 (10% of total branches and stores) of these were vandalised. Trading hours were amended to allow employees sufficient time to travel home safely. In addition, 325 ATMs (8% of total ATMs) were vandalised. Our contact centre remained open 24/7 and we encouraged clients to make use of our world-class digital channels. At the end of July, 29 branches and 23 Boxer stores remain closed. All damages to Nedbank premises and equipment are fully recoverable under Sasria (government's unrest insurance cover) with zero excess, while cash losses are estimated at R32m.

The impact of the unrest on our clients has been experienced on various fronts. Confirmations to date indicate that the vast majority of our clients, including all those in commercial property finance, are covered by Sasria insurance as well as through business interruption cover. Sasria has maintained that it is adequately capitalised to fund up to R10bn in claims from its own balance sheet and has sufficient catastrophe reinsurance in place. In addition, National Treasury has also confirmed its support for Sasria, should there be shortfalls.

The implications of the riots for SA and our clients will continue to emerge in the second half of the year. Initial estimates are that GDP growth in SA for 2021 is likely to be negatively impacted by 0,4%, and this is taken into account in the Nedbank Group Economic Unit's (NGEU) latest GDP forecast of 4,2%. The impact will manifest mainly in Q3 2021, but NGEU expects a strong rebound in Q4 2021. In July 2021 we have seen signs of lower levels of demand for home loans and vehicle finance as some estate agencies and motor dealerships were closed, and consumers became more cautious. Transactional activity also slowed in the affected regions, but appears to have held up well in the rest of SA. From an SME and wholesale client perspective, in the short term we are supporting affected clients with financing to rebuild their businesses and providing payment relief on a client-by-client basis. These developments are a stark reminder of the importance of structural reform to deliver higher levels of sustainable economic growth to address the challenges of poverty, unemployment and inequality.

Nedbank calls on government to ensure those who are responsible are held accountable, to ensure the rule of law is enforced and to do everything they can to ensure this does not happen again. Law and order and the protection of citizens' assets is the foundation of any democracy and any successful economy. It has been encouraging to see images of a united SA replace images of unrest and violence. Thousands of South Africans joined clean-up efforts, distributed food to communities in need, and generally spread a message of positivity and togetherness. Nedbank has joined these efforts and has positioned its support in a manner that will maximise the value we can provide to the country, in line with our purpose: to use our financial expertise to do good.

STRATEGIC PROGRESS

Our 'Reimagine' strategy, finalised as part of business planning in 2020, gives us a clear view on where we want to focus as a purpose-led organisation and what we need to do to meet our 2023 targets of achieving DHEPS greater than the 2019 level (2 565 cents), an ROE greater than the 2019 level (15,0%), a cost-to-income ratio lower than 54% (2019: 56,5%) and the number one ranking in net promoter score (2019: 3), having improved to number two among all South African banks in 2020 in the Consulta survey. Our strategy seeks to create value through targeted market share growth and increased levels of productivity, while maintaining world-class risk and capital management metrics. To grow we are entrenching and building on our strengths, while investing in areas that are critical to win. We are focusing on growing our share of transactional relationships and related deposits across all our businesses, and ensuring we deliver market-leading client experiences that will help us to attract new clients and a deepened share of wallet among existing clients. To boost our productivity and improve operational efficiency, we are building on and accelerating existing efforts in optimising distribution as well as streamlining our middle-office, back-office and support functions in a more digital world, by leveraging the technology platforms we have put in place. Our world-class risk management capabilities will ensure that we balance risk/reward trade-offs and, in particular, that we outperform on credit – this is our largest risk and in a Covid-19 world the largest driver of change in earnings in banking.

Our strategy is delivered through five value unlocks that include: delivering innovative market-leading client solutions, ongoing disruptive market activities (underpinned by digital leadership), focusing on areas that create value (strategic portfolio tilt, known as SPT 2.0), driving efficient execution (including target operating model enhancements, known as TOM 2.0) and creating positive impacts. The following progress was made in the six months to 30 June 2021:

- **Delivering innovative, market-leading client solutions**
  - » **Managed evolution (ME):** Our ME technology transformation programme has reached 81% completion with most foundational IT programmes either complete or nearing completion. The rationalisation, standardisation and simplification of our core banking systems is enabling reduced infrastructure, support and maintenance costs, less complexity and increased agility in adopting new innovations.
  - » **Digital client onboarding, sales and servicing (Eclipse and Nedbank Business Hub):** Our simplified digital client onboarding platform for individual and juristic (business) clients continues to mature and expand, enabling clients to open FICA-compliant accounts remotely through our employee-assisted and self-service channels, by providing a seamless omni-channel experience. The processing of product sales to individuals via Eclipse now includes our top six retail products after the implementation of home loans (minimal viable product). Other products already on the Eclipse platform include transactional products, personal loans, card issuing, investments and overdrafts. We have also delivered key Wealth products such as unit trusts and retirement annuities. In H2 2021 we are planning to include foreign exchange products onto the Eclipse platform (our seventh top 10 product). The remaining products, including vehicle finance, student loans and the balance of the home loans proposition, will be delivered from 2022. The rollout of student loans and selective Nedbank Insurance products, including funeral and simple life, are to be migrated onto the Eclipse platform during 2022. Juristic client onboarding in RBB and CIB started their rollout of the Nedbank Business Hub, leveraging our new digital tokenless security in late 2020 and this gained momentum in H1 2021. In the next six months we plan to expedite this migration as well as the convergence of juristic channels. From a digital servicing perspective, by the end of 2020 we expanded digital self-service options for clients, that were previously available in branches or through staff-assisted channels only to 171 and we are now looking to expand these and other relevant services to our juristic clients.
  - » **Apps:** The Money app, which makes banking more convenient for our retail clients, continues to be rated highly on the Apple and Google app stores, with an average client rating of 4,3 (out of five). It is actively used by 1,6 million clients, up by 63% yoy (H1 2020: 973 000). Transaction volumes on the Money app increased by 72% yoy and transaction values increased by 80% when compared to H1 2020. New features introduced during the period include quote and fulfil functionality for funeral cover, simple life, car insurance and homeowners' cover (HOC), as well as claims functionality for HOC and funeral policies. The functionality to make payments to cellphones and new investments has been enhanced and clients are now able to request real-time credit limit increases via the app. Revenue from value-added services increased 65% to R212m. The Nedbank Private Wealth app, which offers integrated local and international-banking capabilities, has been downloaded nearly 53 000 times and has an average rating of 4,5 on the Apple and Google app stores. The Nedbank Money App (Africa) has proven to be the channel of choice across our NAR subsidiaries owing to the convenience, wide functionality base and user experience. The total number of enrolments at the end of June for the CMA countries was 51 600 users, with the total number of app users across NAR being 70 300, including Mozambique and Zimbabwe. The app volumes grew by 15% yoy, while airtime or data and electricity purchases grew yoy by 32% and 13% respectively.
  - » **New innovations:** During the period, in addition to the various app enhancements, we launched various new innovations. RBB and Nedbank Private Wealth launched Apple Pay, which allows clients to make cashless, contactless payments using an Apple device. Since its launch in March 2021, we have seen excellent uptake in client usage and payments continue to grow on a monthly basis. This mobile payment capability follows our scan-to-pay capability as well as Samsung, Garmin and Fitbit Pay solutions launched in prior periods. In addition, we launched Money Message, an innovative solution that allows clients to make or receive payments through WhatsApp, which is the dominant messaging platform in SA. It also enables businesses to accept payments and complements Nedbank's tap-on-phone solution, a payments solution that enables businesses to accept payments by simply using an Android smartphone for contactless card payments. In NAR, we continued to release new features and enhancements on the Money App (Africa) and Nedbank Online Banking, including Pay Me requests and self-enrolment. As part of building Nedbank Private Wealth in Namibia, we extended our stockbroking services and international wealth offerings to clients.
  - » **Digital outcomes:** Our digital initiatives helped us to increase the number of digitally active retail clients in SA by 27% yoy to 2,35m (H1 2020: 1,85m). This now represents 33% of total clients (H1 2020: 25%) and 61% of main-banked clients (H1 2020: 55%). Retail digital transaction volumes in SA increased by 33% and transaction values by 27%. Digitally active clients across the NAR business grew by 62% as we continued to roll out new services and now make up 47% of the active retail base.
  - » **Creating great client experiences:** The outcome of our digital innovations is evident in higher levels of client satisfaction, as illustrated in Nedbank being rated the second-best bank on NPS in 2020. In the first half of 2021 we have seen a continuation of this trend through brand sentiment rankings; where Nedbank was consistently ranked as the number one or two bank on social media brand sentiment as measured by Salesforce Social Studio. Independent external recognition, as reflected in the number and quality of international awards for business excellence, digital leadership and ESG, increased in the six months when compared with prior years.
- **Ongoing disruptive market activities**
  - » **Avo app:** During 2020, in response to the crisis, which created challenges for many clients in accessing essential services such as healthcare and home repair services, we launched our market-leading digital innovation Avo, which is a one-stop super app enabling clients to buy essential products and services online and having them delivered to their home, with payment via the Avo digital wallet. Since its launch in app stores on 19 June 2020, Avo has signed up more than 265 000 customers, along with over 17 500 businesses registering and offering their products and services on this e-commerce platform. Product orders continue to grow exponentially, up 45% in Q2 2021 when compared to Q4 2020, which is seasonally a strong period for retail sales.
  - » **APIs:** After having been the first bank in Africa to launch an API platform that is aligned with the Open Banking Standard, we made good progress in allowing approved partners to leverage the bank's financial capabilities, by integrating into our standard, secure and scalable APIs. The number of active APIs used increased from one (end of H1 2020) to seven. An example of successful implementation includes the enablement of personal-loans disbursals, which increased by 246% from Q4 2020 to Q2 2021, supporting our market share increase in this product.
  - » **Karri app:** The Karri payments app made a strong recovery as schools reopened in 2021. Notwithstanding the big impact of Covid-19 on traditional event and sport tour collections (the main driver of usage and value of collections pre-Covid-19), we managed to increase active users back to pre-Covid-19 levels by adding new functionality and increasing the value offered to schools, enabling the highest active usage from March to May 2021. Karri now has well over 800 organisations that are using the app, with the number of active schools increasing by 60% yoy. The Karri app is now more relevant than ever with a database of well over one million potential users and one of the highest app store ratings (4,5). As schools return to normality, we are expecting a return to exponential growth.
- **Focusing on areas that create value (SPT 2.0)**
  - » We have increased our focus on areas that create value, particularly through strategic portfolio tilt (SPT 2.0) that is a groupwide strategy that is focused on right-sizing certain advances market shares, growing our transactional banking franchise and cross-selling into transactional deposits through integrated client value propositions.
  - » Over the past 12 months we increased market share in key advances categories, including personal loans (11,6% market share), household overdrafts (8,6% market share) and card issuing (12,5% market share). We also increased our share in vehicle finance (36,6% market share), where we are leveraging our market-leading position and unique business model that is skewed to financing used and lower-value vehicles. These gains were supported by increased levels of client take-up rates, enabled by digital channels, notwithstanding tightening of credit criteria. In home loans our market share at 14,3% declined marginally. In wholesale lending we were selective in granting loans as we continued to manage risk and focus on increasing NIMs, resulting in a decline in market share (commercial mortgages 38,1% market share and core corporate loan market share 20,5%).
  - » Main-banked clients in retail grew by 2% to 3,0 million and cross-sell on new sales was 1,9 (compared with 1,4 in 2020). CIB gained 18 new primary clients in the period. In NAR total clients increased by 14% to 369 000, of which 190 000 are main-banked clients.
  - » Our focus on household deposit market share continues, with management actions implemented in May 2021, which are expected to support household deposit market share (May 2021: 15,2%) gains in the second half of 2021.
- **Driving efficient execution (TOM 2.0)**
  - » **Unlocking benefits through technology:** Technology developments not only enhance client experiences and enable new revenue streams, but also provide opportunities for improving efficiency by bringing new digital offerings to the market more quickly, lowering the cost to serve and optimising the overall cost base through the reduction in physical infrastructure and ancillary costs. Cumulative savings

of R1,8bn to the end of 2020 from our initial target operating model programme (TOM 1.0) run-rated into the first half of 2021, realising savings of R2,0bn. In H1 2021 we launched TOM 2.0, which is aimed at optimising the shape of our branch infrastructure in the context of an increasingly digital world, shifting our RBB structure so that it is more client-centred and optimising our shared-services functions across the group. In the first six months of 2021 we recorded savings of R106m, on our way to a target to unlock cumulative revenue uplift and costs savings of R2,5bn by the end of 2023 (of which approximately 90% relates to cost savings). The business case of our technology investments, including ME, evident in the value unlocks through TOM 1.0 and TOM 2.0, remains intact as the group's annual amortisation charge (R1,4bn in 2020) is below the cumulative benefit of these initiatives. In addition, annual IT cashflow spend has started to decline, after having peaked in 2017. In support of this we have recorded a reduction of our core systems from 250 to 84 since the inception of the ME programme (a reduction of six since December 2020), and we are on track to reach our target of 60 to 75 core systems.

» **Digital benefits and branch optimisation:** The digitisation of services in RBB, along with the impact of the lockdowns, has enabled us to increase digital service volumes by 187% and reduce branch teller volumes by 42% yoy. To date, branch floor space has decreased by almost 59 000 m² and by around 13 000 m² yoy (June 2020: 46 000 m², Dec 2020: 57 000 m²), while employee points of presence declined by 26 yoy to 546 (including three since Dec 2020). Over the past 12 months our total group headcount declined by 1 117.

» **Real estate optimisation:** Through our strategy of consolidating and standardising corporate real estate, our number of campus sites (offices) has decreased from 31 to 26 over the past three and half years, with a longer-term target of 19. Since 2016 we have saved over 79 000 m² and we saved over 10 000 m² in H1 2021 alone. In the next few years, we will continue to optimise the portfolio by enhancing workstation use by enabling flexible office constructs to support more dynamic ways of work, as well as leveraging successful work-from-home experiences as a result of Covid-19, while creating further value and cost reduction opportunities. Our optimal work mix is expected to settle around 60% at Nedbank premises and 40% as a mix of hybrid and permanent work-from-home models.

» **RBB reorganisation and shared-services optimisation:** In 2020 we started the implementation of project Phoenix, which aims to shift our RBB structure from being 'product-led, supported by client and channel views' to being 'client-segment-led, supported by product and channel views'. We have concluded phase one during H1 2021 moving from product-focused expert knowledge to centres of excellence (CoEs) with product insights present across the value chain. We also concluded the restructure of the cluster and divisional executive roles, and in H2 2021 we will finalise the next tiers in line with the competencies required to deliver on the outcomes of the value chain accountabilities. The client-centred technology investments we have made enable digital client onboarding and enhanced cross-sell of additional products through simplified processes – these investments have assisted us in consolidating middle- and backoffices within the cluster.

- **Creating positive impacts**

» Understanding that banks play a central role in driving the sustainable socioeconomic development of our continent, Nedbank deliberately uses its financial expertise to do good for its stakeholders. This strategic imperative is demonstrated through our recently released Energy Policy which seeks to guide the transition away from fossil fuels, while accelerating efforts to finance non-fossil energy solutions needed to support socioeconomic development and build resilience to climate change. The Energy Policy will ensure that Nedbank has zero exposure to fossil-fuel-related activities (thermal coal, upstream oil and gas, and power generation) by 2045, with 100% of lending and investment activity supporting a net-zero carbon economy by 2050, while accelerating funding to key sectors such as renewable and embedded energy. To achieve this will require a significant amount of investment in innovation by the bank and this was further evidenced with the launch of Africa's first green AT1 instrument this year. A total of R910m was raised through this issuance, with the equivalent notional amount of funding to be directed to supporting the financing of new green infrastructure projects in SA.

» While delivering on our purpose is not done to win awards, it is pleasing to have our efforts in this regard externally recognised, and we accept these awards of validation that we are on the right track while acknowledging there is always much more to be done. Recent awards include Nedbank being recognised as Africa's Best Bank for Sustainable Finance 2021 by Euromoney and Best Bank for Sustainable Development South Africa 2021 by Global Banking and Finance. Euromoney noted: 'At a time when sustainability issues are rising in importance for all South African banks, Nedbank has led the way in terms of its commitment to environment, social and governance goals.'

REVIEW OF H1 2021 RESULTS

Nedbank Group delivered a strong financial performance for the six months to 30 June 2021, reflecting a material reduction in the impairment charge and robust NII growth when compared to the six months to 30 June 2020 ('the prior period'). This was partially offset by a decline in NIR as a result of the expected unwind of a significant proportion of the group's prior-year fair-value gains and the impact of a high-trading revenue base. As a result, headline earnings (HE) increased by 148% to R5 251m (H1 2020: R2 114m), but remains 24% below H1 2029 levels of R6 870m.

HEPS and basic EPS increased by 147% to 1 084 cents and by 300% to 1 081 cents respectively, in line with the updated trading statement released on 4 August 2021. In this trading statement we noted that HEPS and basic EPS were expected to increase by between 145% and 150%, and 297% and 302%, respectively. DHEPS increased by 146% to 1 067 cents.

As a result of the group's improved financial performance, return on equity (ROE) for the period increased to 11,7%, well above the prior period of 4,8%, but remains below H1 2019 of 16,8%. Return on assets increased from 0,36% to 0,88%, while return on RWA increased from 0,66% to 1,38%, further assisted by an RWA decline of 5% yoy. NAV per share of 19 439 cents increased strongly by 8%, compared with 18 075 cents in H1 2020.

The group's balance sheet remained resilient and its strong capital and liquidity positions improved further. CET1 and tier 1 capital ratios of 12,2% and 13,6% respectively improved on the prior period and are now above the pre-Covid 19 levels of 11,5% and 12,8% respectively (December 2019). These ratios are also well above the SARB minimum requirements. The average Liquidity Coverage Ratio (LCR) for the second quarter of 131% was well above the regulatory minimum level of 80% under the PA's Directive1/2020 (revised in 2020 from 100%) and a Net Stable Funding Ratio (NSFR) of 114% was well above the 100% regulatory minimum. On the back of strong earnings growth and capital and liquidity positions, the group resumed dividend payments with the declaration of an interim dividend of 433 cents at 2,50 times cover (payout ratio of 40%), slightly above the group's board-approved dividend target range of 1,75 times to 2,25 times given risks still prevalent in the environment.

CLUSTER FINANCIAL PERFORMANCE

Nedbank Group's HE increase of 148% to R5 251m was supported by strong growth in HE across all business clusters. Our ROE of 11,7% improved from the prior year but remains below our estimated cost of equity (COE) of 15,0%.

	Change (%)	HE (Rm) Jun 2021	HE (Rm) Jun 2020	ROE (%) Jun 2021	ROE (%) Jun 2020
CIB	>100	2 909	1 416	15,8	7,3
RBB	>100	2 144	228	13,0	1,5
Wealth	31	476	362	22,0	17,1
NAR	> 100	182	(24)	5,8	(0,8)
Centre	> (100)	(460)	132		
Group	148	5 251	2 114	11,7	4,8

HE in CIB increased by 105% to R2,9bn, and the cluster delivered an ROE of 15,8%, above the group's cost of equity. HE was primarily driven by a 72% decrease in impairments as reflected in the CLR declining to 38 bps (H1 2020: 118 bps). NII increased by 2%, despite average interest-earning banking assets (AIEBA) decreasing by 15% to R344bn. Actual gross banking advances decreased by 19% to R335bn due to muted corporate demand for new loans and early settlements with clients using excess liquidity to repay committed facilities, notably in the mining and resources sector. Actual trading advances grew by 56% due to an increase in foreign repos, as a result of excess USD cash, which was driven by early repayments of foreign assets, and a strategy to place in the repo market vs interbank market, as well as an increase in local repos held as part of our liquidity optimisation strategy. NIR increased by 8%, benefiting from a normalisation of equity revaluations, partially offset by a lower trading performance given a high base in H1 2020. Expenses increased by 10%, as a result of higher variable incentive costs and increased strategic costs, resulting in a cost-to-income ratio of 42,9%.

HE in RBB increased by 841% to R2,1bn and ROE increased to 13,0%. The main drivers for this performance were significantly lower impairment charges, driven by an improving macroeconomic outlook, the benefit from lower interest rates, which are helping drive excellent collection outcomes, the proactive tightening of credit criteria ahead of the Covid-19 pandemic, as well as better-than-expected performance of Directive 7/2015 (restructured) loans exiting their six-month monitoring period. The RBB CLR decreased to 122 bps from 240 bps in FY 2020 and from an H1 2020 peak of 269 bps, and it is also below the cluster's TTC target range of 130 bps to 180 bps. NII increased by 6%, driven by solid average advances growth, continuing its momentum from 2020, benefiting from both client demand for secured loans as a result of the 300 bps cuts in interest rates in H1 2020 as well as increased unsecured lending volumes originated through the group's digital channels, notwithstanding lower loan approval rates across some products. NIR increased by 7% as client-related transactional activity improved, evident in increased levels of spend, cash withdrawals and purchase of value-added services. An increase in expenses of 7% was driven by a higher incentive charge and computer processing costs, partially offset by good management of discretionary spend and ongoing optimisation of operations.

HE in Nedbank Wealth increased by 31% to R476m, driven by strong NIR growth and impairment recoveries, and partially offset by lower NII due to interest rate reductions. ROE, of 22,0%, improved when compared to the prior period and remains attractive, well-above the group's cost of equity. Asset Management reported a solid performance, that benefited from positive net inflows, resulting in a 9% growth in AUM to R400bn. Wealth Management (SA) reported an increase in earnings, benefitting from a large recovery from a previously impaired account, while Wealth Management (International) was negatively impacted by record-low global interest rates. Insurance results were favourably impacted by the implementation of an enhanced asset and liability matching strategy and improved investment returns, offset by higher death and funeral claims in the life portfolio.

HE in Nedbank Africa Regions increased to R182m from a loss of R24m in the prior year, with its ROE improving to 5,8%. The performance reflects the impact of significantly lower impairments (CLR down to 84 bps from 210 bps) and strong recovery in associate income from ETI with related HE increasing to R193m (H1 20: R28m loss). This was offset by a decline in NIR as a result of lower transactional activity and lower forex gains than in the prior year.

The performance in the Centre reflects a R250 (pretax) increase in the group central provision to R1bn, as well as fair-value losses relating to the unwind of prior-period profits from the group's fair-value hedge accounting solution.

FINANCIAL PERFORMANCE

Net interest income

NII growth accelerated from 2020 (0,3% decline), increasing by 6% to R15 809m. AIEBA declined by 4% to R867bn, driven primarily by a reduction in CIB loans and advances as clients used excess liquidity to repay committed facilities and muted demand for new wholesale credit.

NIM increased by 32 bps to 3,68% from 3,36% in FY 2020, and by 35 bps from the 3,33% reported in H1 2020. This increase was driven by higher levels of capital (endowment benefit), improved asset pricing and asset mix changes, improved liability mix and active balance sheet management, including HQLA optimisation. The increase was partially offset by the run-rate impact of the interest rate cuts in 2020 (endowment), as well as liability pricing pressure in a highly competitive household deposits market.

Impairments charge on loans and advances

The group's impairment charge decreased by 57% to R3 278m. The key drivers of the decline include a 7% yoy reduction in gross loans and advances, the benefits of an improved macroeconomic environment (coming through in IFRS 9 models as South African GDP growth in 2021 improved from the -7% decline in 2020), better-than-expected collection outcomes, a reduction in Directive 3/2020 loans, and a reduction in stage 3 loans as some clients cured and Directive 7/2015 (restructured) loans declined. This was partially offset by an increase in Covid-19 and macro-related judgemental overlays as we maintain a conservative outlook in an uncertain environment. The group's credit loss ratio (CLR) decreased from 187 bps in H1 2020 to 85 bps in H1 2021, an outcome that is now back within the group's TTC target range of 60 bps to 100 bps and well below the full-year 2021 guidance range of between 110 bps and 130 bps, which was provided in March 2021. This guidance has been revised downwards towards the top end of the group's TTC target range for the full year 2021.

The support of clients in good standing and impacted by the Covid-19-related events, provided through Directive 3/2020 payment relief, declined from a peak of R121bn in July 2020 to R28bn in December 2020 to R9,5bn in June 2021, now representing only 1,2% of total gross loans and advances (the majority remaining in CIB, primarily in the hospitality, retail and aviation sectors). The decision not to extend Directive 3/2020 loans, from October 2020, resulted in an impairment charge in H1 2021 based on actual payment behaviour. Restructured (Directive 7/2015) loans declined from R13bn at December 2020 to R9bn as clients cured and exited their monitoring period, leading to these loans moving from stage 3 to stage 1.

CLR (%)	Average banking advances (%)	Jun 2021	Jun 2020	Dec 2020	TTC target ranges
CIB	43	0,38	1,18	0,82	0,15–0,45
RBB	50	1,22	2,69	2,40	1,30–1,80
Wealth	4	(0,13)	0,50	0,64	0,20–0,40
NAR	3	0,84	2,10	1,85	0,75–1,00
Group	100	0,85	1,87	1,61	0,60–1,00

In CIB impairments decreased by more than 100% to R659m and its CLR, at 38 bps, is well below the 118 bps reported in H1 2020 and back within its TTC target range of 15 bps to 45 bps. The reduction in impairments was driven by the improvement in the latest macroeconomic factors in forward-looking macro-models against the prior year, a decline in exposures as loans and advances declined and a lower level of stage 3 impairment charge as exposures returned to performing buckets and stage 3 loans declined. The decrease was partially offset by an increase in judgemental overlays. The commercial property portfolio continues to perform in line with expectations and reported a CLR of 46 bps. Stage 3 loans in CIB declined by 14% from December 2020 and impairments raised for specific counters remain adequate (most notably those operating in the aviation and business services sectors, as well as selected SOEs). In RBB impairments decreased by 53% to R2 292m reflecting the key drivers as described above, and its CLR, at 122 bps, is slightly below the TTC target range of 130 bps to 180 bps. Normalising for once-off items of Directive 7/2015 accounts curing, as well as overlay releases as performance improved, would result in a normalised CLR in the middle of the RBB TTC target range. Nedbank Wealth reported a CLR of -13 bps due to a recovery achieved in a single large client in H1 2021. NAR reported a decline in impairments of 59% to R96m, and CLR of 84 bps, at the lower end of its TTC target range of 75 bps to 100 bps, driven by improved collections and subdued growth in the loan book.

The group increased Covid-19 and macro-related judgemental overlays by R641m to R4,5bn (Dec 2020: R3,9bn), mostly within the CIB cluster to provide against migration risk in its higher-risk sector exposures and the Directive 3/2020 portfolio. The group's central provision was increased by R250m to R1bn to account for risks not yet reflected in the data and impairment models, including the adjusted level-four lock down as a result of the third wave of Covid-19 infections.

The group's balance sheet ECL increased from R26,1bn (Dec 2020) to R26,6bn, reflecting prudent credit risk management. This increase was driven by the R3,3bn impairment charge and post-writeoff recoveries increasing to R650m (Jun 2020: R483m), despite higher levels of writeoffs at R3,9bn (Jun 2020: R3,1bn). As a result, overall coverage increased from 2,85% of total loans and advances at June 2020 and 3,25% at December 2020 to 3,41% at June 2021. The stage 1 coverage ratio increased to 0,69% (Jun 2020: 0,63%, Dec 2020: 0,65%). Stage 2 coverage increased to 7,04% (Jun 2020: 4,49%, Dec 2020: 6,61%), primarily as a result of some watchlist clients in CIB curing and moving to stage 1, as well as an increase in CIB overlays and the group's central provision. In line with guidance from the Basel Committee, Nedbank does not use the low-risk exemption available under IFRS 9 and if we did, Stage 2 coverage would have increased by more than 100 bps. The stage 3 coverage ratio increased to 36,3% (Jun 2020: 34,6%, Dec 2020: 31,5%), as a result of a decrease in Directive 7/2015 loans in both RBB and CIB (so-called performing restructures or technical cures), which attract a lower coverage than non-Directive 7/2015 restructures and the decline in stage 3 loans post successful implementation of restructures and sales of distressed debt.

Non-interest revenue

NIR decreased by 3% to R11 793m, primarily driven by the expected unwind of a significant proportion of the group's fair-value gains recorded in 2020 and the impact of a high trading revenue base in the prior period. Client-related transactional activity improved, equity revaluations normalised and insurance income increased. NIR, excluding macro fair-value hedge accounting adjustments, delivered positive growth of 8%.

- Commission and fee income increased by 5% to R8 623m, driven by improving transactional activity as evident in increased levels of client spend, cash withdrawals and purchase of value-added services, as well as improved levels of cross-sell. The number of retail main-banked clients, at 3,0 million, grew by 2% yoy as client-related transacting activity improved. In CIB client activity remained subdued, although the cluster recorded 18 primary client wins that will support growth into the future.
- Insurance income increased by 21% to R998m, benefiting from the implementation of a more appropriate asset and liability matching strategy, increased investment performance due to the rallying of markets and an improved non-life claims experience. This was partially offset by higher funeral and death claims in the life portfolio. Loss-of-income claims have declined from a high in September 2020, and while claims were above pre-Covid levels in the first quarter of 2021, they have declined to 2019 levels in June 2021.
- Trading income remained robust but decreased by 27% to R2 273m given the H1 2020 high base, as a result of the volatile market conditions in the prior period.
- Equity revaluations of R254m (H1 2020: R765m loss) were driven by improved investee company profitability, resulting in increased valuations.
- Fair-value adjustments including those from the group's fair-value hedge-accounting solution decreased to a loss of R740m, as profits from the prior period unwound slightly faster than we expected due to rate movements (H1 2020: R836m gain). While there has been an accounting mismatch between the gains recognised in H1 2020 and the losses recognised in H1 2021, the hedge continues to be highly effective with a life-to-date effectiveness of 101%.

Expenses

The increase in expenses of 6% to R16 355m reflects a cost base that continues to be well managed in response to the challenging environment and ongoing optimisation benefits, with higher variable-pay incentives off a low base driving most of the increase. Excluding incentive costs, expenses increased by 2%.

- Staff-related costs increased by 7% following:
  - An average 2021 annual salary increases of 3,5% and a reduction in employee numbers of 744 since 31 December 2020 (1 117 since June 2020), largely through natural attrition; and
  - A 108% increase in STIs and a 191% increase in LTIs, driven by the impact of the group's improved financial performance on variable incentives.
- Computer-processing costs increased by 13% to R3 056m (growth of 17% in H1 2020), reflecting the increase in the amortisation charge of 21% (growth of 23% in H1 2020), as well as investment in digital solutions. As our Managed Evolution technology strategy reaches material completion, the growth rates in computer-processing costs and amortisation are slowing from prior periods.
- Marketing costs increased by 12% to R671m off a low H1 2020 base.
- Other cost lines reflect the good management of discretionary spend during the crisis. Savings were recorded across occupation and accommodation, communication and travel, as well as from lower fees and insurance.

The group's increase in expenses of 6% was higher than the increase in revenue and associate income of 2%, resulting in a negative JAWS ratio of 4% and the cost-to-income ratio increasing to 58,5% (June 2020: 56,4%). Excluding macro fair-value adjustments (accounting mismatch), the JAWS ratio was positive in H1 2021.

Hyperinflation accounting in Zimbabwe

Given the further depreciation of the Zimbabwean dollar, the R40m monetary loss was lower yoy (H1 2020: R47m loss), which had a net effect on HE of R19m (H1 2020: R28m).

Earnings from associates

Associate income of R270m, relating to the group's 21% shareholding in ETI for the period ended 30 June 2021, has been recognised (up 255% when compared to R76m in H1 2020). This includes accounting for our share of ETI's Q4 2020 and Q1 2021 earnings (in line with our policy of accounting for our share of ETI's attributable earnings a quarter in arrear). The total effect of ETI on the group's HE was a profit of R193m (H1 2020: R28m loss), including the R123m impact of funding costs.

In the first six months of 2021, ETI reported attributable earnings growth of 18% to US$108m and an ROE increase to 14,5% (H1 2020: 12,0%). The performance was supported by solid growth in their core West and Central Africa regions, while ROEs were all above 19%. Ecobank Nigeria, however, remains a drag on the overall ETI performance and we continue to work alongside other shareholders to address the issues. Non-performing loans continued to decline, while market-leading in-country franchises drove strong growth in deposits. The group's capital position strengthened further, reflected in a total CAR of 14,7% (H1 2020: 11,5%).

STATEMENT OF FINANCIAL POSITION

Banking loans and advances

Gross banking loans and advances decreased by 4% (ytd annualised) to R781bn (down by 7% yoy), driven primarily by a reduction in CIB banking advances. The group's loans and advances were restated during FY 2020 reporting to include listed corporate bonds, in line with industry practice. The restatement related to Nedbank Group and CIB only.

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

Rm	Change (%)	Jun 2021	Jun 2020[2]	Dec 2020[2]
CIB	**(19)**	**334 722**	413 438	361 280
RBB	**7**	**389 297**	364 911	375 385
Wealth	**(3)**	**31 358**	32 242	31 567
NAR	**(2)**	**23 113**	23 490	24 186
Centre[1]	**(52)**	**2 012**	4 218	4 438
Group	**(7)**	**780 502**	838 299	796 856

[1] *Includes macro fair-value hedge-accounted portfolios and disclosure reallocations.*
[2] *The group reclassified listed corporate bonds of R22bn in Dec 2020 and R30bn in June 2020 from 'Government and other securities' to 'Loans and advances' to align with peer disclosure and so that they better reflect the group's management of these assets.*

CIB gross banking loans and advances declined by 19% yoy to R335bn (down by 15% ytd annualised), as a result of clients using excess liquidity to repay committed facilities and muted corporate demand. Current demand for new wholesale loans remains low, with the timing of drawdowns uncertain, although recent developments are encouraging, including the increase in private renewable energy generation capacity to 100 MW.

RBB gross loans and advances increased by 7% yoy to R389bn (8% ytd annualised). Gross loans and advances growth in RBB continued its momentum from 2020, benefiting from both client demand for secured loans as a result of the 300 bps cuts in interest rates in H1 2020, as well as an increase in unsecured lending volumes originated through the group's expanded digital channels, notwithstanding lower loan approval rates due to tighter credit criteria. BB loans and advances increased by 2% yoy as new-loan payouts increased as activity levels gained momentum from the second quarter of 2021. Residential mortgage loans grew by 7% yoy, broadly in line with the industry. MFC (vehicle finance) loans increased by 7% yoy as we continue to benefit from our business model that is more geared towards lower-value and second-hand vehicles, and as clients buy down in a difficult economic environment. Unsecured lending grew by 14% yoy as a result of the shift to digital, which continues to gain momentum and is driving increased take-up rates of approved loans. Card advances increased by 6% yoy after a decline in 2020 as the American Express franchise is more exposed to lower levels of commercial and leisure and travel spend.

Deposits

Deposits declined by 1% yoy to R936bn (down 4% ytd annualised), with total funding-related liabilities decreasing by 1% to R1,0 trillion, while the loan-to-deposit ratio was stable at 87,1% (June 2020: 87,3%).

Within the clusters, CIB grew deposits by 3% yoy and RBB by 4% yoy. Deposits in Wealth declined by 4% yoy and Nedbank Africa Regions remained broadly flat.

Current and savings accounts (CASA), along with cash management deposits, increased by 23% yoy, driven by increased short-term operational cash requirements by businesses impacted by Covid-19, and as retail clients opted to hold more short-term operational deposits given the impact of Covid-19 on the economy. Individually, current accounts increased by 12%, cash management accounts increased by 47% and savings accounts increased by 6%. Call and term deposits increased by 8% and fixed deposits decreased by 17% as retail clients opted to keep their cash short or in notice deposits due to the uncertain economic environment. Fixed deposits were subject to increased competition in the domestic market, where some banks were pricing retail fixed deposits well above the wholesale cash curve. NCDs decreased by 27% as institutional clients opted to invest in higher-yielding government bonds and treasury bills. Foreign funding, although small in relative terms for Nedbank, decreased by 28%, facilitated by the prepayment of foreign currency lending facilities.

Funding and liquidity

The group achieved a quarterly average long-term funding ratio of 27,9%, which is above the industry average of around 22% in an environment of increased financial market volatility as a result of the Covid-19 pandemic.

The group's June 2021 quarter average LCR of 130,5% (Dec 2020: 125,7%) exceeded the minimum regulatory requirement, with the group maintaining appropriate operational buffers designed to absorb seasonal, cyclical and systemic volatility observed in the LCR.

Nedbank Group LCR	Jun 2021	Jun 2020	Dec 2020
HQLA (Rm)	**204 244**	187 012	206 943
Net cash outflows (Rm)	**156 484**	163 273	164 583
Liquidity coverage ratio (%)[3]	**130,5**	114,5	125,7
Regulatory minimum (%)	**80,0**	80,0	80,0

[3] *Average for the quarter.*

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

Nedbank's portfolio of LCR-compliant HQLA decreased by 1% to a June 2021 quarterly average of R204bn, in line with the decreased quarterly arithmetic average net cash outflows driven by an increased demand for longer-dated deposits. Nedbank's proactive management of its HQLA liquidity buffers, and close monitoring of its net cash outflows, resulted in an increase in the LCR. The HQLA portfolio, together with Nedbank's portfolio of other sources of quick liquidity, equated to total available sources of quick liquidity of R254bn, representing 21% of total assets.

Nedbank exceeded the minimum NSFR regulatory requirement of 100% effective from 1 January 2018 and reported a June 2021 ratio of 113,6% (Dec 2020: 112,8%). The structural liquidity position of the group has strengthened from December 2020 as a result of a well-managed balance sheet.

Capital

The group remains strongly capitalised, with ratios significantly above the minimum regulatory requirements, with a CET1 ratio of 12,2% (Dec 2020: 10,9%) and a tier 1 ratio of 13,6% (Dec 2020: 12,1%). The CET1 ratio was driven by strong organic earnings growth in the first half of 2021 and lower ytd RWA, including the benefits of deliberate optimisation initiatives.

The tier 1 ratio was impacted positively by the issuance of additional tier 1 instruments amounting to R2,4bn (including an industry-first R910m green AT1 instrument), offset by redemptions of R1,5bn and the further grandfathering of old-style preference shares (R531m) from January 2021 in line with the Basel III transitional arrangements. The total CAR was further enhanced by the issuance of Basel III qualifying tier 2 instruments of R2,5bn, in line with group's capital plan.

Basel III capital ratios (%)	Jun 2021	Dec 2020	Jun 2020	Internal target range	Regulatory minimum[4]
CET1	**12,2**	10,9	10,6	10,0–12,0	8,0
Tier 1	**13,6**	12,1	11,7	> 11,25	9,5
Total CAR	**16,8**	14,9	14,3	> 13,0	11,5

(Ratios include unappropriated profits.)

[4] *PA minimum requirements are disclosed, excluding bank-specific Pillar 2b capital requirements. On 20 May 2021, the PA published Directive 5/2021, which confirmed the recalibration of the D-SIB capital requirement effective in May 2021. Directive 5/2021 increases the CET1 requirement from 50 bps to 100 bps, the tier 1 requirement from 75 bps to 100 bps and there is no change to the total CAR requirement.*

USING OUR FINANCIAL EXPERTISE TO DO GOOD

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

Staff

- Despite the difficult operating environment, employee engagement levels remained high and our workforce sentiment NPS is rated at 19, which denotes a predominantly positive sentiment about working at Nedbank. On 27 January 2021, our Human-centred Leadership Framework was launched and was received positively by all employees.
- We have not retrenched any employees as a result of Covid-19 and have paid our 27 580 employees' salaries and benefits of R8,7bn. Our Agility Centre successfully redeployed 75 employees into alternative roles within Nedbank, while 48 employees were regrettably retrenched as a result of changes in operational requirements.
- We concluded annual salary increases of 4,0% for our bargaining-unit employees, with non-bargaining-unit employees receiving increases of no more than 3,0% and the blended average employee salaries increasing by 3,5%.
- Our Nedbank Group executives, other senior management and board members received increases of 3,0% in their guaranteed pay for 2021, following zero increases in 2020 given the Covid-19 developments.
- We maintained our focus on the physical, mental and financial well-being of our employees through various interventions. We are saddened by the loss of 37 of our employees who succumbed to Covid-19 in H1 2021. No Nedbank employees were injured during the recent unrest in KwaZulu-Natal and Gauteng. A total of 5 000 donated food parcels were delivered to our employees and communities in impacted areas. Two days' social responsibility leave have been given to all Nedbank employees who volunteered in initiatives that will make an impact in communities.
- In H1 2021 training spend amounted to R649m (H1 2020: R918m). The highest score in our employee survey refers to our learning culture, with 84% of employees believing that they are always able to learn something new at work. The employee uptake of digital learning increased significantly, with 105 000 digital learning courses completed in H1 2021. This was enabled by the launch of our Digital Learning Platform which supported 13 185 learners. We conducted 4 386 virtual classrooms sessions when compared to 4 535 in 2020.
- We enabled more than 16 500 employees to work from home (more than 75% of campus-based employees) as BCPs continue to be invoked on the back of Covid-19-related lockdown levels and more recently the civil unrest that broke out across the country.
- Nedbank is implementing a 'hybrid workforce' approach after Covid-19. We believe that adopting a more permanent approach to hybrid working will serve Nedbank's workforce well while positioning us optimally to remain competitive. This means we will have a portion of our workforce who will remain working from a Nedbank office or branch, a portion who will work remotely and another portion that will follow a blended approach. We plan to accommodate a split of onsite/offsite employees, which will see approximately 60% of all the office employees working at the various Nedbank campus sites on any given day.
- We continued to focus on transformation as a key imperative to ensure that Nedbank remains relevant in a transforming society. ACI representation at board level improved to 64% (2020: 60%), at executive level it was maintained at 46% and among our total employees it is more than 79% (2020: 78%). Pleasingly, we have recorded improvements in ACI employee representation at senior and middle management levels. Female representation at board level improved to 21% (2020: 20%), at executive level it remained at 46% and among total employees it was 61% (2020: 61%).
- We were formally recognised for our efforts towards transformation and diversity and won Top Empowered Business of the Year award at the 2021 Oliver Top Empowerment Awards.

Clients

- Delivering market-leading client experiences remains a key priority and we are pleased to report that on the back of the 2020 Consulta survey, where we achieved second position among the five largest South African banks, in both client satisfaction (SA-csi score of 81%) and NPS (score of 41%), positive sentiment continued into the first six months of 2021, evident in being consistently ranked the number one or two bank on social-media net brand sentiment, measured by Salesforce Social Studio.
- Nedbank's brand ranking among South African companies, which increased from 11th in 2019 to eighth in 2020, remained at eighth in 2021 in Brand Finance's Most Valuable Brands in SA report. Brand Finance estimate Nedbank's brand value at around R15bn. In the first half of 2021, we rebranded Banco Único to Nedbank Mozambique.
- We safeguarded R936bn of deposits at competitive rates.
- We supported clients by advancing R96bn (H1 2020: R104bn) in new loans to enable them to finance their homes, vehicles and education, as well as grow their businesses, and to help them manage through a difficult period in H1 2021.
- The payment relief (payment holidays) we provided to clients under the PA's Directive 3/2020 to more than 400 000 clients on R121bn of loans in 2020 supported many clients through the Covid-19 crisis. Of the original relief provided only R9,5bn remains active in CIB and is expected to mature by the end of the year.
- Our clients' access to banking improved, and as the Covid-19 lockdowns accelerated clients shifting to digital channels, digitally active retail users increased by 27% to 2,3 million. Our end-to-end digital onboarding, sales and servicing capabilities as part of our ME technology journey supported the increase in digital sales as a percentage of total sales in RBB increasing to 54% (from 53% in H1 2020). Excluding MobiMoney, digital sales increased to 34% (from 26% in H1 2020).
- In support of clients impacted by the recent riots and civil unrest in KwaZulu-Natal and parts of Gauteng, all available platforms are used to inform clients of branch closures, reduced operating hours and the nearest operational branches across all regions. We have ongoing engagements with clients to ascertain the extent of the damage and levels of insurance cover in place. Initial indications are that most of the damages to our clients' assets will be covered by Sasria. Client requests for relief are being managed on a case-by-case basis following business-as-usual processes (including staging and ECL treatment), according to existing credit policy.
- In recognition of the value-add to our clients and our leadership position in key industries, segments and products, Nedbank won various awards, including Best Bank for Sustainable Finance in Africa and Best Digital Bank Africa (for Avo and API_Marketplace) at the 2021 Euromoney Awards, Best Mobile and Internet Banking at the International Business Magazine Awards, and Best Digital Bank at the Global Business Outlook Awards. Nedbank's awards at the prestigious 2021 Global Banking & Finance Awards included Best Digital Bank and Best Open Banking APIs (SA) in recognition of the progress we made and our leadership in digital banking.

Shareholders

- After a difficult 2020, the Nedbank share price significantly outperformed the South African bank index during the first six months of 2021, increasing by 32% when compared to the South African bank index increasing by 11%. This strong performance was underpinned by the group's improved financial performance, good strategic progress and enhanced disclosures to address key issues investors raised in 2020. The group's strong capital and liquidity position at 30 June 2021 supported the declaration of an interim dividend for 2021 of 433 cents per share.
- We successfully hosted our second virtual AGM in 2021. On the back of a remuneration implementation vote of 65,9%, being below the required 75%, we reached out to engage with shareholders. Given the high level of our ongoing shareholder engagements, only one shareholder requested a meeting after the AGM and the meeting was constructive. Nedbank continues to value feedback from our shareholders to enhance our disclosures and ESG practices, including those from our annual board roadshow. In acknowledgement of Nedbank's leadership and progress made on ESG-related disclosures, Nedbank was announced the winner of Best Sustainability Reporting in Financials (Banking) and the overall winner, as well as Best Climate-Related Reporting, in ESG Investing's 2021 ESG Reporting Awards.
- We ensured transparent, relevant and timeous reporting; enhanced our disclosures to shareholders; and participated in numerous virtual investor engagements in H1 2021, which were accompanied by high levels of investor attendance. Foreign equity shareholding levels increased to 28,2% (December 2020: 24,1%)
- On 23 June 2021 Old Mutual Limited (Old Mutual) announced the proposed unbundling of 62 131 692 Nedbank Group shares (comprising 12,2% of the issued ordinary share capital of Nedbank Group) to Old Mutual shareholders by way of a distribution in specie, subject to regulatory approval, to be effected on 8 November 2021. The unbundling does not impact the strategy, day-to-day management or operations of Nedbank, our employees or clients and we continue to be an independent entity. Any existing commercial relationships with Old Mutual will continue to be underpinned by arm's-length commercial agreements. The Old Mutual unbundling will result in a number of benefits to Nedbank and our stakeholders, including, among others, an increased free-float of Nedbank Group shares, with the effect of increased liquidity along with a more favourable position in relevant indices. Net of the unbundling, Old Mutual will hold 7,2% of the issued ordinary share capital of Nedbank Group.

Regulators

- We continued to work closely with the government, regulators and BASA to ensure the safety and soundness of the South African banking system.
- Key developments included the following:
  - SARB changed its liquidity management strategy to help with the orderly transmission of liquidity through the financial system. Through Directive 1/2020 the regulatory minimum for the LCR was reduced from 100% to 80%. This currently remains effective for 2021 as per Circular 1/2021.
  - The PA issued Directive 3/2020, amending the requirements specified in Directive 7/2015 to provide temporary relief to banks for qualifying clients whose loans were up to date at 29 February 2020 when dealing with any Covid-19-related distressed restructures. This remains effective for 2021 as per Circular 1/2021.
  - The PA issued Directive 2/2020, which allows for the temporary removal of the systemic risk buffer, or Pillar 2A capital requirement, which was reduced from 1% in total CAR to zero. Banks can now use their capital conservation buffers, including the additional loss absorbency requirements that were built up by D-SIBs. This remains effective for 2021 as per Circular 1/2021.
  - The PA issued Directive 5/2021, which directs banks to matters related to the prescribed minimum-required capital ratios as well as the application of various components of the said capital requirements such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer range and the capital conservation buffer range. This in effect seeks to reinstate the Pillar 2A capital requirement back to the pre-Covid-19 levels of 50 bps, 75 bps and 100 bps for CET1, tier 1 and total capital, respectively. The Pillar 2A reinstatement will be effective from 1 January 2022.
- We continued to strengthen our capital position, with a tier 1 capital ratio of 13,6% and CET1 ratio of 12,2%.
- We maintained a strong liquidity position, with an average LCR of 131% in the second quarter of 2021 and an NSFR of 114% at 30 June 2021. Both ratios improved on the levels achieved at December 2020.
- We hold investments of over R166bn in government and public sector bonds as part of our HQLA requirements.
- We made cash taxation payments across the group of R5,5bn, up 17% (H1 2020: R4,7bn), relating to direct, indirect and employee taxes, as well as other taxation.

Society

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

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

Quality education (SDG 4)

- Since January 2016 we have provided approximately 4 776 students with student loans to the value of R263m, a total of R31m of which was disbursed to support 476 students in H1 2021. We have provided R5,3bn in funding for the development of additional student accommodation over 41 820 student beds since 2015, including R1,9m and 41 beds in H1 2021.
- Every year our sponsorship of the Thuthuka Education Upliftment Fund supports 45 students who are pursuing an academic qualification towards becoming chartered accountants in SA, and we have funded the qualification of 56 black chartered accountants.
- Our CSI spend totalled R50m in H1 2021 and included over R32m allocated to skills development and education.
- Nedbank partnered with Manati Alternate Student Funding (Manati) to provide a R10m facility to create approximately 800 new tertiary education loans for the students in the 'missing middle' – those who do not qualify for state funding (the National Student Financial Aid Scheme) but are also unable to obtain a traditional student loan.

Clean water and sanitation (SDG 6)

- We financed a R20m innovative deal, supporting water sector experts as they innovate to meet the needs of the mining sector in terms of wastewater treatment plants.
- We decreased our own total water consumption by a further 11% (off a base that was already 25% lower in 2020), because of ongoing water restriction measures, floorspace consolidation and reduced levels of employees at our campus sites due to the lockdown.

Affordable and clean energy (SDG 7)

- We have achieved many firsts in this space, and our pioneering green AT1 R910m issuance highlights the scope and breadth of opportunity that the sustainability agenda holds for Africa.
- In the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) we have arranged 42 transactions in renewable-energy projects to date, underwriting a total of R36bn and paying out R29bn.
- The lifting of the licensing floor for energy projects in the private sector (embedded generation) from 1 MW to 100 MW is a positive development that will enable many of our clients to reduce their carbon footprint, while ensuring energy certainty. Nedbank is well positioned to transact in this sector, with our current embedded generation book having exposure of R387m at June 2021 with a target of R2bn by end-2022.

Decent work and economic growth (SDG 8)

- Nedbank's Small Business Services continued to promote our newly launched Startup Bundle for new small businesses offering zero monthly maintenance fees for the first six months, access to a dedicated banker and beyond-banking support. New merchant features were landed to support cashless trading on smartphones (tap on phone) and on WhatsApp (Money Message).
- We provided R6,4m to support initiatives, helping to clean up and repair damage caused to communities and infrastructure due to civil unrest, and, in addition, made a R7,5m donation to the Humanitarian Crisis Relief Fund under the Solidarity Fund. We supported staff, their families and communities in KwaZulu-Natal with 106 tons and 5 000 food parcels and supplies during the recent civil unrest. In addition, we contributed R1m assistance to informal traders, helping them to rebuild their businesses and unlock economic activities, while investing into the township economy to support micro entrepreneurs with R2m additional funding.
- We partnered with the 67CEOs Foundation, Gift of the Givers and UNICEF, providing both rand value support and on-the-ground assistance to rebuild small and micro businesses, as well as to expedite humanitarian relief.
- In 2021 we reactivated our commitment to the Youth Employment Service (YES), through which corporate SA aims to provide internship opportunities for more than one million South Africans. From our 2019 participation we have onboarded 239 YES participants into permanent Nedbank jobs and another 1 390 at Nedbank partners. We have placed more than 1 900 previously unemployed youth internally and through sponsored placements, and we continue to encourage other South African corporates to follow our example.

Reduced inequalities (SDG 10)

- A total of 403 new Nedbank Stokvel Accounts were opened in H1 2021, with an average of 6 421 active lives insured through its innovative burial cover solution. With 60% new Stokvel Accounts converted from the USSD channel following the restrictions on movement and gatherings, the pandemic has prompted stokvel members to adopt digital payment methods.
- We maintained level 1 BBBEE status and were acknowledged at the Oliver Top Empowerment Awards as 2021's Top Empowered Business of the Year. The award is given to the organisation that best demonstrates excellence in all spheres of the general criteria and the seven pillars of empowerment.
- In our own operations 75% of our procurement spend was used to support South African businesses. In an effort to support the cashflow needs of small businesses as part of our commitment to the #PayIn30 Campaign, 94% (2020: 92%) of the total amount paid to 1 426 qualifying SMEs was paid within 30 days of our receiving their invoices.

Sustainable cities and communities (SDG 11)

- We disbursed R79m towards the development of affordable housing for lower-income households, bringing the total invested in the sector to R4,8bn over the past five years.
- We provided funding of around R5bn for the construction of buildings that conform to green building standards in H1 2021, bringing the amount of funding provided to this important sector to over R16bn to date.

Strengthen the means of implementation and revitalise the global partnership for sustainable development (SDG 17)

- Nedgroup Investments has made significant progress in its journey towards becoming leaders in Responsible Investing. The business continues to focus on awareness and education among employees, clients and partner fund managers. In H1 2021 we hosted two Responsible Investment Summits, focusing on ESG investing and diversity and inclusion, and these were attended by over 1 600 people.

Economic outlook

Global growth prospects have improved on a combination of the rapid rollout of vaccines and continued policy stimulus. The International Monetary Fund (IMF) has revised its global growth estimates up to 6,0% and 4,4% for 2021 and 2022, respectively. Advanced countries are forecast to record growth of 5,1% and 3,6% in 2021 and 2022, led by a resurgent US economy. Fiscal policies in the US and other advanced countries are shifting towards rebuilding and expanding infrastructure while accelerating the transition to clean energy to mitigate climate change. The focus on infrastructure could boost the demand for commodities in the years ahead, supporting growth in commodity-exporting countries. The IMF expects emerging and developing economies to grow by 6,7% in 2021 and a further 5,0% in 2022. The momentum is likely to come from strong growth in China and a rebound in India. Sub-Saharan Africa's prospects have also improved, in line with the stronger outlook for commodities. The region is forecast to grow by 3,4% in 2021, accelerating to around 4,0% in 2022 and 2023. However, downside risks remain considerable. The Covid-19 virus continues to circulate and mutate among the world's population. The threat of renewed lockdown continues to undermine confidence and disrupt production, particularly in developing countries. The recovery's uneven nature aggravates supply shortages and transport bottlenecks, driving up input costs and stoking inflation in developed and developing countries. Rising inflationary pressures have already forced some emerging markets to raise interest rates. Inflation will probably compel the US Federal Reserve to normalise monetary policy sooner than envisaged last year. These developments are likely to translate into greater financial market volatility in the second half of this year. Emerging markets will be the hardest hit by any changes in US monetary policy. This could dampen risk appetite, disrupt capital inflows, trigger currency weakness, and ultimately create debt service problems for some countries. This potential negative spiral can be avoided by a more synchronised global recovery, which is possible only once the bulk of the world's population has been vaccinated.

SA's economic recovery remains threatened by new waves of Covid-19 infections, and more recently and unexpectedly by the violent unrest and looting that impacted KwaZulu-Natal and parts of Gauteng in July 2021. The third wave of Covid-19 infections, which is dominated by the Delta variant first identified in India, started to form strongly in SA in June. In response, the government tightened containment measures, ultimately moving the country to a much lighter version of alert level 4 on 28 June, before it reduced to a lower, adjusted level 3 four weeks later. While the tighter restrictions are expected to hurt alcohol producers and all contract-intensive industries, the destruction caused by the social unrest will add further downward pressure, resulting in weak sales and production outcomes particularly in the third quarter. The unrest and the looting will translate into lost sales due to business closures, depleted inventories and supply bottlenecks. Unlike under the national level 5 lockdown, the falloff in sales in affected areas will be partially offset by increased sales in unaffected areas. The hit to confidence and the temporary loss of household income due to business closures will hurt consumer spending. Some businesses, especially small enterprises, will not recover. The looting of stocks will result in a sharp decline in inventories in the third quarter, while the destruction of warehouses and disruptions to transport and logistical networks could also complicate the restocking process. However, given that the ports and key roads were opened relatively quickly, these bottlenecks are likely to fade. Economic activity will pick up once calm is restored, with improvements amplified by the rebuilding of inventories, the restoration of physical infrastructure and increased government spending in affected areas. Law and order and the protection of assets are the foundation for investment and economic growth, and it will be vital for government to provide suitable explanations as to what happened, why it happened and assurances that this will not be allowed to happen again. The stricter lockdown and the destructive social unrest are likely to disrupt, but not wholly derail, the recovery. Global conditions will continue to drive export growth, bolstering mining, and to a lesser extent manufacturing. While confidence is fragile, consumer spending is likely to remain resilient, buoyed by firmer household incomes and low interest rates. Despite severe budget constraints, government will support the economy as much as possible. Fixed-investment activity may receive a temporary lift from the reconstruction efforts in the areas affected by the riots, but the overall impact will be negligible and the longer-term impact will be negative, undermining business confidence, raising risk premiums and lifting hurdle rates for new investment. On balance, real GDP is forecast to grow by 4,2% in 2021, with the tighter level 4 Covid restrictions and the recent unrest each shaving about 0,4 percentage points off our previous GDP growth estimate of 5,0%. Thereafter the recovery is expected to continue, albeit at a slower pace, posting growth of 2,0%, 1,6% and 0,7% in 2022, 2023 and 2024, respectively. Accelerated structural reforms remain the key to unlocking faster economic growth over the medium-to-longer term. There have been some encouraging developments on this front, including the concession made to allow 100 MW of embedded generation and evidence of greater resolve to eradicate corruption.

Inflation is forecast to recede during the rest of this year, kept in check by a steady rand and the slack in the economy. Upside risks have, however, increased, emanating from the rise in global oil and other commodity prices and the hikes in local electricity tariffs. Headline inflation is forecast to average 4,3% in 2021. The MPC is expected to keep interest rates flat for the remainder of the year. Underlying financial conditions are likely to remain accommodative and therefore supportive of the gradual recovery in credit demand. Loans to households will drive credit growth, but corporate credit demand is forecast to improve only in the second half of the year.

Conditions in the banking industry will remain challenging. Underlying confidence will be hurt by the presence of the virus and recurring lockdowns until vaccines have been rolled out to the bulk of the population. The unintended consequences of last year's economic shutdown will also continue to reverberate through the economy and society at large, often manifesting in unpredictable ways. The surge in unemployment and poverty caused by a long period of weak economic growth and amplified by the pandemic and lockdowns have contributed to the violent and destructive protests that erupted in parts of the country in July. Sadly, the destruction to infrastructure and businesses will trigger more job losses, aggravating extreme poverty and social tensions even further and the cost of damage to property will largely be borne by taxpayers through Sasria, the state monopoly for riot insurance. Within this fluid context, downside risks to the economic outlook remain significant. These uncertainties will also weigh on the credit decisions of households and companies. The recovery in credit demand is, therefore, expected to be slow. Growth in loans and advances is forecast to edge up off a low base to around 2,2% yoy by the end of 2021, only moderately firmer than the 1,2% recorded at the end of 2020. The growth is likely to come from improvements in household credit demand, buoyed by low interest rates. In contrast, corporate credit demand is expected to remain subdued as companies focus on restoring profits, trimming costs and strengthening balance sheets. A more meaningful recovery is only expected from 2022 onwards.

Prospects

Our guidance on financial performance for the full year 2021, in a global and domestic macroeconomic environment with high forecast risk and uncertainty, is currently as follows:

- **NII** growth to be above mid-single digits (between 5% and 7%, revised up from 0% to 3%). Loan growth is expected to recover slightly in H2 2021 and the group's NIM to decline slightly from the H1 2021 level of 3,68%.
- **CLR** to be around the top end of our TTC target range of 60 bps to 100 bps (between 80 bps to 110 bps, revised down from 110 bps to 130 bps).
- **NIR** growth to be below mid-single digits (between 2% and 5%, revised down from an increase of between 5% and 9%, but up on the H1 2021 decline of 3%) as transactional activity continues to recover and strategic initiatives including cross-sell and new revenue streams contribute to growth, and as equity revaluations improve off a low 2020 base. Trading income is expected to decline given the high 2020 base. We have enhanced our macro fair-value hedge methodologies and as a result the levels of accounting mismatch should reduce going forward.
- **Expenses** growth to be above mid-single digits (between 6% and 8%, revised down from 7% to 9%), reflecting the impact of improved levels of profitability on variable incentives and the return of some discretionary spend.
- **Liquidity** metrics, including the LCR and NSFR ratios, to remain well above PA minimum requirements.
- **CET1 capital** ratio to remain around the top end of the board-approved target range of 10% to 12%.
- **Dividend** (2021 interim) payment resumed at 2,50 times cover, supported by the group's robust balance sheet and strong earnings growth off a low base. The group's final (H2 2021) dividend is expected to be declared at a dividend cover within the board-approved target range of 1,75 times to 2,25 times.

As part of 2020 year-end reporting we revised and set new medium- and long-term targets that we believe are appropriate to drive value creation in the current economic environment. These, together with our 2021 guidance for these, are as follows:

Metric	H1 2021 performance[5]	Full-year 2021 outlook	Medium-term Target	Long-term target
ROE	**11,7%**	Improve on 2020 (ROE: 6,2%)	Greater than 2019 levels (15%) by 2023	> 18%
Growth in DHEPS	**146%**	Growth greater than 20%	Greater than 2019 levels (2 565 cents) by 2023	≥ consumer price index + GDP growth + 5%
CLR	**85 bps**	Between 80 bps and 110 bps	Between 60 bps and 100 bps of average banking advances	
Cost-to-income ratio (including associate income)	**58,5%**	Increases slightly on 2020 (58,1%)	Below 54% by 2023	≤ 50%
CET1 capital adequacy ratio (Basel III)	**12,2%**	Around the top end of target range	10,0–12,0%[6]	
Dividend cover	**2,50 times**	Final (H2) dividend within our target range of 1,75–2,25 times	1,75–2,25 times	

[5] *The COE is currently forecast at around 15% in 2021 to 2023.*
[6] *This target will be reconsidered in light of the reintroduction of Pillar 2A in 2022 in accordance with PA Directive 5/2021.*

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

Trading statement

Full-year HEPS and basic EPS are expected to increase by more than 20% (HEPS greater than 1 351,2 cents and basic EPS greater than 860,4 cents) when compared with those in the 12-month period ended 31 December 2020 (HEPS: 1 126 cents, basic EPS: 717 cents). A further trading statement will be issued to provide more specific guidance when there is reasonable certainty about the extent of the increases and the relevant HEPS and basic EPS ranges.

Shareholders are advised that the information in this trading statement has not been reviewed or reported on by the group's joint auditors.

Board and leadership changes during the period

Iain Williamson stepped down as a non-executive director of Nedbank Limited and Nedbank Group Limited with effect from the close of the companies' AGMs on 26 May and 28 May 2021 respectively. Iain's appointment was in terms of the relationship agreement previously concluded between Old Mutual Limited (OML) and Nedbank Group, which provided for OML to nominate one director to the boards of Nedbank Group and Nedbank Limited for as long as OML's shareholding was equal to or greater than 15% in Nedbank Group. Following the announcement by OML on 23 June 2021 that it would exit the majority of its shareholding in Nedbank Group through an unbundling (12,2%) to OML shareholders, subject to the requisite regulatory approvals, this provision will no longer apply post the unbundling.

As disclosed in the SENS released on 22 January 2021, Vassi Naidoo was granted medical leave of absence and in line with our board continuity programme, Mpho Makwana stepped in seamlessly as Acting Chairperson. Vassi was making good progress in his recovery and had started attending board meetings in June, but in July his recovery suffered an unexpected setback necessitating an extension of his medical leave of absence. The Board continues to review this situation and Mpho Makwana remains as Acting Chairperson.

Forward-looking statements

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

Interim dividend declaration

Notice is hereby given that an interim dividend of 433 cents per ordinary share has been declared, payable to shareholders for the six months ended 30 June 2021. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA) or 86,6 cents per ordinary share, resulting in a net dividend of 346,4 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

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

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

Event	Date
Last day to trade (cum dividend)	Tuesday, 14 September 2021
Shares commence trading (ex dividend)	Wednesday, 15 September 2021
Record date (date shareholders recorded in books)	Friday, 17 September 2021
Payment date	Monday, 20 September 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 September 2021, and Friday, 17 September 2021, both days inclusive.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. The acceptance/collection of cheques has ceased, effective from 31 December 2020. In the absence of specific mandates, the dividend will be withheld until such time that shareholders provide their banking information. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 20 September 2021.

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

For and on behalf of the board

Mpho Makwana
Acting Chairperson

Mike Brown
Chief Executive

11 August 2021

Directors

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

** Lead Independent Director ** Executive*

BASIS OF PREPARATION#

Nedbank Group Limited is a company domiciled in SA. The unaudited condensed consolidated interim financial results of the group at and for the six months ended 30 June 2021 comprise the company and its subsidiaries (the group) and the group's interests in associates and joint arrangements.

The condensed consolidated interim financial statements comprise the condensed consolidated statement of financial position at 30 June 2021, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cashflows for the six months ended 30 June 2021 and selected explanatory notes, which are indicated by the symbol #. The condensed consolidated interim financial statements have been prepared under the supervision of Mike Davis BCom (Hons), DipAcc, CA(SA), AMP (Insead), the Chief Financial Officer (CFO).

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the provisions of the Companies Act, 71 of 2008, of SA as required in terms of the JSE Listings Requirements. The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those used for the previous annual financial statements.

EVENTS AFTER THE REPORTING PERIOD#

The civil unrest in parts of Gauteng and Kwazulu-Natal that occurred in early July is not expected to have a material impact on the group as all damages to Nedbank premises and equipment are fully recoverable under Sasria (government's unrest insurance cover) with zero excess, while cash losses are estimated at R32m. The impact on client transactional behaviour is currently not expected to be material based on initial high-frequency data, however the unrest will have a negative impact on confidence and therefore future expected GDP growth.

Financial highlights

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		Yoy % change	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 December 2020 (Audited)
Statistics					
Number of shares listed	m	1	**508,9**	502,1	502,1
Number of shares in issue, excluding shares held by group entities	m		**485,4**	483,9	483,9
Weighted-average number of shares	m		**484,6**	482,5	483,2
Diluted weighted-average number of shares	m		**491,9**	487,3	488,7
Preprovisioning operating profit	Rm	(2)	**10 456**	10 717	20 561
Economic profit[1]	Rm	71	**(1 143)**	(3 990)	(6 580)
Headline earnings per share	cents	147	**1 084**	438	1 126
Diluted headline earnings per share	cents	146	**1 067**	434	1 113
Ordinary dividends declared per share	cents		**433**	–	–
Interim	cents		**433**		
Final	cents				
Ordinary dividends paid per share	cents		**N/A**	695	695
Dividend cover	times		**2,50**	N/A	N/A
Net asset value per share	cents	8	**19 439**	18 075	18 391
Tangible net asset value per share	cents	9	**16 591**	15 244	15 549
Closing share price	cents	68	**17 087**	10 155	12 948
Price/earnings ratio	historical		**7,8**	11,5	11,5
Price-to-book ratio	historical	47	**0,9**	0,6	0,7
Market capitalisation	Rbn	71	**87,0**	51,0	65,0
Number of employees (permanent staff)[1]		(3)	**27 561**	28 559	28 271
Number of employees (permanent and temporary staff)[1]		(4)	**27 580**	28 697	28 324
Key ratios (%)					
ROE[1]			**11,7**	4,8	6,2
Return on tangible equity[1]			**13,9**	5,7	7,4
ROA[1]			**0,88**	0,36	0,45
Return on average RWA[1]			**1,38**	0,66	0,82
NII to average interest-earning banking assets[1]			**3,68**	3,33	3,36
CLR – banking advances[1]			**0,85**	1.87	1,61
Gross operating income growth rate less expense growth rate (JAWS ratio)			**(3,9)**	(1,8)	(2,7)
NIR to total operating expenses			**72,1**	79,4	76,0
NIR to total income			**42,7**	44,9	44,5
Cost-to-income ratio			**58,5**	56,4	58,1
Effective taxation rate			**24,9**	25,9	23,7
Group capital adequacy ratios (including unappropriated profits):[1]					
– CET 1			**12,2**	10,6	10,9
– Tier 1			**13,6**	11,7	12,1
– Total			**16,8**	14,3	14,9
Statement of financial position statistics (Rm)					
Total equity attributable to ordinary equity holders		8	**94 355**	87 514	88 992
Total equity		9	**106 876**	98 020	100 444
Amounts owed to depositors		(1)	**935 723**	944 011	953 715
Loans and advances		(5)	**814 979**	854 047	843 303
Gross		(4)	**840 503**	876 840	868 107
Impairment of loans and advances		(12)	**(25 524)**	(22 793)	(24 804)
Total assets administered by the group			**1 588 234**	1 588 951	1 602 683
Total assets		(3)	**1 188 005**	1 222 053	1 228 137
Assets under management		9	**400 229**	366 898	374 546
Life insurance embedded value[1]		23	**3 902**	3 175	3 606
Life insurance value of new business[1]		32	**153**	116	283

[1] *These metrics have not been audited by the group's auditors.*

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

Condensed consolidated statement of comprehensive income

for the period ended

	Yoy % change	30 June 2021 (Unaudited) Rm	30 June 2020 (Unaudited) Rm	31 December 2020 (Audited) Rm
Interest and similar income	**(18)**	**32 231**	39 105	72 300
Interest expense and similar charges	**(32)**	**16 422**	24 136	42 219
Net interest income	**6**	**15 809**	14 969	30 081
Impairments charge on financial instruments	**(57)**	**3 278**	7 675	13 127
Income from lending activities	**72**	**12 531**	7 294	16 954
Non-interest revenue	**(3)**	**11 793**	12 220	24 140
Operating income	**25**	**24 324**	19 514	41 094
Total operating expenses	**6**	**16 355**	15 391	31 772
Zimbabwe hyperinflation		**40**	47	205
Indirect taxation	**(11)**	**526**	592	1 148
Profit from operations before non-trading and capital items	**>100**	**7 403**	3 484	7 969
Non-trading and capital items	**100**	**(3)**	(833)	(1 562)
Profit from operations	**>100**	**7 400**	2 651	6 407
Share of gains/(losses) of associate companies	**>100**	**327**	98	(76)
Profit before direct taxation	**>100**	**7 727**	2 749	6 331
Total direct taxation	**>100**	**1 923**	908	1 877
Direct taxation		**1 927**	928	1 994
Taxation on non-trading and capital items		**(4)**	(20)	(117)
Profit for the period	**>100**	**5 804**	1 841	4 454
Other comprehensive (losses)/income (OCI) net of taxation	**>(100)**	**(163)**	1 720	891
Items that may subsequently be reclassified to profit or loss				
Exchange differences on translating foreign operations		**(79)**	2 043	672
Share of OCI of investments accounted for using the equity method		**(302)**	(598)	(189)
Debt investments at fair value through OCI (FVOCI) – net change in fair value		**(2)**	(109)	119
Items that may not subsequently be reclassified to profit or loss				
Property revaluations		**(7)**	(4)	(26)
Remeasurements on long-term employee benefit assets		**252**	36	(80)
Share of OCI of investments accounted for using the equity method		**(25)**	352	395
Total comprehensive income for the period	**58**	**5 641**	3 561	5 345
Profit attributable to:				
– Ordinary shareholders	**>100**	**5 239**	1 301	3 467
– Non-controlling interest – holders of preference shares	**(30)**	**95**	135	251
– Non-controlling interest – holders of participating preference shares	**>100**	**63**	(50)	(58)
– Non-controlling interest – holders of additional tier 1 capital instruments	**(10)**	**369**	408	739
– Non-controlling interest – ordinary shareholders	**(19)**	**38**	47	55
Profit for the period	**>100**	**5 804**	1 841	4 454
Total comprehensive income attributable to:				
– Ordinary shareholders	**71**	**5 055**	2 960	4 358
– Non-controlling interest – holders of preference shares	**(30)**	**95**	135	251
– Non-controlling interest – holders of participating preference shares	**>100**	**63**	(50)	(58)
– Non-controlling interest – holders of additional tier 1 capital instruments	**(10)**	**369**	408	739
– Non-controlling interest – ordinary shareholders	**(45)**	**59**	108	55
Total comprehensive income for the period	**58**	**5 641**	3 561	5 345
Basic earnings per share (cents)	**300**	**1 081**	270	717
Diluted earnings per share (cents)	**299**	**1 065**	267	709

Condensed consolidated statement of financial position

at

	Yoy % change	30 June 2021 (Unaudited) Rm	30 June 2020 (Restated) (Unaudited)[1] Rm	31 December 2020 (Audited) Rm
Assets				
Cash and cash equivalents	**(5)**	**15 103**	15 968	14 891
Other short-term securities	**(17)**	**55 326**	66 741	52 605
Derivative financial instruments	**(39)**	**46 649**	76 799	80 325
Government and other securities[2]	**24**	**138 869**	112 042	132 221
Loans and advances[2]	**(5)**	**814 979**	854 047	843 303
Other assets	**>100**	**32 901**	12 948	16 802
Current taxation assets	**(71)**	**204**	711	164
Investment securities	**3**	**25 893**	25 230	26 425
Non-current assets held for sale	**(23)**	**69**	90	69
Investments in associate companies and joint arrangements	**(11)**	**3 071**	3 456	3 322
Deferred taxation assets	**(9)**	**363**	400	657
Investment property	**(63)**	**21**	56	
Property and equipment	**(8)**	**10 918**	11 834	11 334
Long-term employee benefit assets	**13**	**6 360**	5 623	5 777
Mandatory reserve deposits with central banks	**5**	**23 459**	22 412	26 491
Intangible assets	**1**	**13 820**	13 696	13 751
Total assets	**(3)**	**1 188 005**	1 222 053	1 228 137
Equity and liabilities				
Ordinary share capital		**485**	484	484
Ordinary share premium	**1**	**18 726**	18 582	18 583
Reserves	**10**	**75 144**	68 448	69 925
Total equity attributable to equity holders	**8**	**94 355**	87 514	88 992
Holders of preference shares		**3 222**	3 222	3 222
Holders of participating preference shares		**5**	(50)	(58)
Holders of additional tier 1 capital instruments	**28**	**8 769**	6 850	7 822
Non-controlling interest attributable to ordinary shareholders	**8**	**525**	484	466
Total equity	**9**	**106 876**	98 020	100 444
Derivative financial instruments	**(41)**	**37 282**	63 288	65 130
Amounts owed to depositors	**(1)**	**935 723**	944 011	953 715
Provisions and other liabilities	**(12)**	**25 276**	28 811	23 704
Current taxation liabilities	**(7)**	**167**	179	590
Deferred taxation liabilities	**(43)**	**487**	857	390
Long-term employee benefit liabilities	**8**	**2 615**	2 420	2 604
Investment contract liabilities	**(8)**	**19 597**	21 370	20 868
Insurance contract liabilities	**(6)**	**809**	863	922
Long-term debt instruments	**(5)**	**59 173**	62 234	59 770
Total liabilities	**(4)**	**1 081 129**	1 124 033	1 127 693
Total equity and liabilities	**(3)**	**1 188 005**	1 222 053	1 228 137

[1] *IAS 34: Interim financial reporting (IAS 34) requires interim reports to include the statement of financial position as at the end of the current interim period, ie 30 June 2021, and a comparative statement of financial position as at the immediately preceding financial year, ie 31 December 2020. The 30 June 2020 statement of financial position has been presented voluntarily. In line with IAS 34 requirements, the comparative notes to the statement of financial position are as at 31 December 2020.*

[2] *As disclosed at 31 December 2020, the group reviewed the presentation of corporate bonds during 2020. As a result of the review, the group reclassified listed corporate bonds from 'Government and other securities' to 'Loans and advances'. 30 June 2020 comparative information has been restated accordingly.*

Condensed consolidated statement of changes in equity

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property reserve revaluation	Share-based payment reserve	Other non-distributable reserves	Fair-value reserves	Other distri-butable reserves	Total equity attributable to equity holders of the parent	Non-controlling interest – ordinary shareholders	Non-controlling interest – equity attributable to preference shares	Non-controlling interest – holders of participating preference shares	Non-controlling interest – holders of additional tier 1 capital instruments	Total share-holders' equity
Audited balance at 1 January 2020	481 174 379	481	18 096	(2 244)	1 839	1 512	(55)	594	67 374	87 597	780	3 222		6 850	98 449
Shares issued in terms of employee incentive schemes	5 000 960	5	780			(434)			(55)	296					296
Shares (acquired)/no longer held by group entities and BEE schemes	(2 289 369)	(2)	(294)							(296)					(296)
Preference share dividend paid										–		(135)		(408)	(543)
Dividends paid to shareholders									(3 445)	(3 445)	(24)				(3 469)
Total comprehensive income for the period				1 298	(4)	–	–	(23)	1 689	2 960	108	135	(50)	408	3 561
Profit attributable to equity holders of the parent and non-controlling interest									1 301	1 301	47	135	(50)	408	1 841
Exchange differences on translating foreign operations				1 982						1 982	61				2 043
Movement in fair-value reserve								(109)		(109)					(109)
Property revaluations					(4)					(4)					(4)
Remeasurements on long-term employee benefit assets									36	36					36
Share of comprehensive income of investments accounted for using equity method				(684)				86	352	(246)					(246)
Transfer (from)/to reserves					(23)	(320)	187		156	–					–
Share-based payment reserve movements						97				97					97
Settlement of put option				75					232	307	(307)				–
Acquisition of additional shares in subsidiary				18					(59)	(41)	(73)				(114)
Other movements									39	39					39
Unaudited balance at 30 June 2020	483 885 970	484	18 582	(853)	1 812	855	132	571	65 931	87 514	484	3 222	(50)	6 850	98 020
Shares issued in terms of employee incentive schemes			(1)			(1)			2	–					–
Additional tier 1 capital instruments issued										–				972	972
Shares (acquired)/no longer held by group entities and BEE schemes	6 797		2							2					2
Preference share dividend paid										–		(116)			(116)
Additional tier 1 capital instruments interest paid										–				(331)	(331)
Dividends paid to shareholders									(6)	(6)	(25)				(31)
Total comprehensive income for the period				(1 152)	(22)	–	–	479	2 093	1 398	(53)	116	(8)	331	1 784
Profit attributable to equity holders of the parent and non-controlling interest									2 166	2 166	8	116	(8)	331	2 613
Exchange differences on translating foreign operations				(1 310)						(1 310)	(61)				(1 371)
Movement in fair-value reserve								228		228					228
Property revaluations					(22)					(22)					(22)
Remeasurements on long-term employee benefit assets									(116)	(116)					(116)
Share of comprehensive income of investments accounted for using equity method				158				251	43	452					452
Transfer (from)/to reserves					(18)	(17)	214	(89)	(90)	–					–
Share-based payment reserve movements						195				195					195
Transactions with non-controlling interest				10	(15)		(56)			(61)	60				(1)
Other movements									(50)	(50)					(50)

Condensed consolidated statement of changes in equity continued

Rm	Number of ordinary shares	Ordinary share capital	Ordinary share premium	Foreign currency translation reserve	Property reserve revaluation	Share-based payment reserve	Other non-distributable reserves	Fair-value reserves	Other distri-butable reserves	Total equity attributable to equity holders of the parent	Non-controlling interest – ordinary shareholders	Non-controlling interest – equity attributable to preference shares	Non-controlling interest – holders of participating preference shares	Non-controlling interest – holders of additional tier 1 capital instruments	Total share-holders' equity
Audited balance at 31 December 2020	**483 892 767**	**484**	**18 583**	**(1 995)**	**1 757**	**1 032**	**290**	**961**	**67 880**	**88 992**	**466**	**3 222**	**(58)**	**7 822**	**100 444**
Shares issued in terms of employee incentive schemes	6 816 182	7	892			(107)			(36)	756					756
Additional tier 1 capital instruments issued										–				2 447	2 447
Additional tier 1 capital instruments redeemed										–				(1 500)	(1 500)
Shares (acquired)/no longer held by group entities and BEE schemes	(5 336 756)	(6)	(749)							(755)					(755)
Preference share dividend paid										–		(95)			(95)
Additional tier 1 capital instruments interest paid										–				(369)	(369)
Dividends paid to shareholders									(4)	(4)					(4)
Total comprehensive income for the period				(234)	(7)	–	–	(170)	5 466	5 055	59	95	63	369	5 641
Profit attributable to equity holders of the parent and non-controlling interest									5 239	5 239	38	95	63	369	5 804
Exchange differences on translating foreign operations				(100)						(100)	21				(79)
Movement in fair-value reserve								(2)		(2)					(2)
Property revaluations					(7)					(7)					(7)
Remeasurements on long-term employee benefit assets									252	252					252
Share of comprehensive income of investments accounted for using equity method				(134)				(168)	(25)	(327)					(327)
Transfer (from)/to reserves					(1)	(332)	73		260	–					–
Share-based payment reserve movements						323				323					323
Other movements									(12)	(12)					(12)
Unaudited balance at 30 June 2021	**485 372 193**	**485**	**18 726**	**(2 229)**	**1 749**	**916**	**363**	**791**	**73 554**	**94 355**	**525**	**3 222**	**5**	**8 769**	**106 876**

Condensed consolidated statement of cashflows

for the period ended

	30 June 2021 (Unaudited) Rm	30 June 2020 (Restated)[1] (Unaudited) Rm	31 December 2020 (Restated)[1] (Unaudited) Rm
Profit from operations	**7 400**	2 651	6 407
Adjusted for:	**1 044**	9 756	14 651
Non-cash items	**7 421**	11 983	20 519
Non-trading and capital items	**3**	833	1 562
Indirect taxation	**526**	592	1 148
Dividends received and recoveries on loans previously written off	**(795)**	(617)	(1 455)
Movements in accrued operating expenses and income	**2 379**	7 065	1 255
Movement in accrued interest	**(8 490)**	(10 100)	(8 378)
Dividends received on investments	**145**	134	290
Recoveries on loans previously written off	**650**	483	1 165
Change in funds for operating activities	**(8 244)**	(4 009)	(5 999)
Decrease/(increase) in operating assets	**35 388**	(80 009)	(92 827)
(Decrease)/increase in operating liabilities	**(43 632)**	76 000	86 828
Net cash from operating activities before taxation	**995**	9 015	16 514
Taxation paid	**(2 674)**	(1 833)	(3 182)
Cashflows (uitilsed by)/from operating activities	**(1 679)**	7 182	13 332
Cashflows utilised by investing activities	**(287)**	(2 863)	(4 817)
Acquisition of property and equipment, computer software and development costs and investment property	**(1 418)**	(2 153)	(4 313)
Disposal of property and equipment, computer software and development costs and investment property	**7**	6	56
(Acquisition)/Disposal of investment banking assets	**(2)**	8	35
Disposal of associate companies	**25**	1	162
Acquisition of investment securities	**(3 935)**	(956)	(2 361)
Disposal of investment securities	**5 036**	231	1 604
Cashflows utilised by financing activities	**(729)**	(3 121)	(4 787)
Proceeds from issue of ordinary shares		4	437
Issue of additional tier 1 capital instruments	**2 447**		972
Redemption of additional tier 1 capital instruments	**(1 500)**		
Issue of long-term debt instruments	**4 658**	5 139	7 189
Redemption of long-term debt instruments	**(5 289)**	(2 551)	(7 039)
Capital repayments of lease liabilities	**(577)**	(418)	(981)
Transactions with non-controlling interest		(875)	(875)
Dividends paid to ordinary shareholders	**(4)**	(3 469)	(3 500)
Preference share dividends paid	**(95)**	(543)	(251)
Additional tier 1 capital instruments interest paid	**(369)**	(408)	(739)
Effects of exchange rate changes on opening cash and cash equivalents	**(125)**	(453)	19
Net (decrease)/increase in cash and cash equivalents	**(2 820)**	745	3 747
Cash and cash equivalents at the beginning of the year[2]	**41 382**	37 635	37 635
Cash and cash equivalents at the end of the year[2]	**38 562**	38 380	41 382

[1] *As disclosed at 31 December 2020, 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 that was previously erroneously included in the consolidated statement of cashflows. As a result, the 30 June 2020 comparative information has been restated.*

In addition, management elected to change the presentation of the statement of cashflows from the direct method to the indirect method and to present a full statement of cashflows rather than a condensed statement of cashflows. As a result, the 30 June 2020 and 31 December 2020 comparative information has been restated to reflect these changes.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021#

Revenue

for the year ended

	30 June 2021 (Unaudited) Rm	30 June 2020 Restated[1] (Unaudited) Rm	31 December 2020 Restated[1] (Unaudited) Rm
Interest and similar income	**32 231**	39 105	72 300
Listed corporate bonds[1]	**612**	1 164	1 912
Home loans (including properties in possession)	**5 522**	6 666	12 234
Commercial mortgages	**6 187**	7 520	13 834
Instalment debtors	**5 960**	6 631	12 559
Credit cards	**1 074**	1 192	2 256
Overdrafts	**772**	1 108	1 933
Term and other loans	**5 613**	8 653	15 147
Personal loans	**2 702**	2 635	5 330
Government and other securities[1]	**3 311**	2 614	5 623
Short-term funds and securities	**478**	922	1 472
Interest expense and similar charges	**16 422**	24 136	42 219
Deposit and loan accounts	**9 172**	13 107	22 943
Current and savings accounts	**253**	395	663
Negotiable certificates of deposit	**2 325**	4 173	7 212
Other interest-bearing liabilities	**3 141**	5 818	9 101
Long-term debt instruments	**1 966**	2 585	4 718
Interest expense related to fair-value activities	**(435)**	(1 942)	(2 418)
Net interest income	**15 809**	14 969	30 081
Non-interest revenue	**11 793**	12 220	24 140
Net commission and fee income	**8 623**	8 243	17 137
Net insurance income	**998**	827	1 622
Fair-value adjustments	**(740)**	836	352
Net trading income	**2 273**	3 129	5 252
Equity revaluation gains/(losses)	**254**	(765)	(1 038)
Investment income	**104**	62	212
Net sundry income	**281**	(112)	603
Revenue	**27 602**	27 189	54 221

[1] *As disclosed at 31 December 2020, the group reviewed the presentation of corporate bonds during 2020. As a result of the review, the group reclassified listed corporate bonds from 'Government and other securities' into 'Loans and advances'. Comparative information has been restated accordingly.*

Condensed consolidated segmental reporting

for the period ended

Statement of financial position (Rm)

	Total			Nedbank Corporate and Investment Banking			Nedbank Retail and Business Banking		
	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)
Assets									
Cash and cash equivalents	**38 562**	38 380	41 382	**927**	3 326	997	**5 726**	5 144	6 468
Other short-term securities	**55 326**	66 741	52 605	**26 789**	34 334	24 403			
Derivative financial instruments	**46 649**	76 799	80 325	**46 596**	76 679	80 264			
Government and other securities	**138 869**	112 042	132 221	**57 150**	45 139	54 232			
Loans and advances	**814 979**	854 047	843 303	**390 822**	447 970	428 992	**370 131**	347 791	356 272
Other assets	**93 620**	74 044	78 301	**33 957**	15 013	18 460	**11 359**	11 111	11 917
Intergroup assets	**–**	–	–				**13 026**	19 887	15 941
Total assets	**1 188 005**	1 222 053	1 228 137	**556 241**	622 461	607 348	**400 242**	383 933	390 598
Equity and liabilities									
Total equity	**106 876**	98 020	100 444	**37 103**	38 918	38 691	**33 215**	29 956	29 573
Derivative financial instruments	**37 282**	63 288	65 130	**37 275**	63 231	65 079			
Amounts owed to depositors	**935 723**	944 011	953 715	**414 288**	401 534	423 046	**360 240**	345 956	354 243
Provisions and other liabilities	**48 951**	54 500	49 078	**11 335**	13 891	10 095	**5 246**	6 480	5 242
Long-term debt instruments	**59 173**	62 234	59 770	**415**	639	543	**1 541**	1 541	1 540
Intergroup liabilities	**–**	–	–	**55 825**	104 248	69 894			
Total equity and liabilities	**1 188 005**	1 222 053	1 228 137	**556 241**	622 461	607 348	**400 242**	383 933	390 598

	Nedbank Wealth			Nedbank Africa Regions			Centre[1]		
	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)
Assets									
Cash and cash equivalents	**2 980**	2 477	1 981	**7 446**	6 529	6 813	**21 483**	20 904	25 123
Other short-term securities	**25 434**	25 014	25 105	**3 676**	4 595	3 639	**(573)**	2 798	(542)
Derivative financial instruments	**17**	10	2	**16**	84	33	**20**	26	26
Government and other securities	**270**			**1 430**	703	827	**80 019**	66 200	77 162
Loans and advances	**30 948**	31 932	31 133	**22 067**	22 550	23 233	**1 011**	3 804	3 673
Other assets	**22 017**	21 426	22 023	**3 937**	4 034	3 811	**22 350**	22 460	22 090
Intergroup assets				**2 085**	2 441	2 733	**(15 111)**	(22 328)	(18 674)
Total assets	**81 666**	80 859	80 244	**40 657**	40 936	41 089	**109 199**	93 864	108 858
Equity and liabilities									
Total equity	**4 363**	4 245	4 327	**6 326**	6 510	6 471	**25 869**	18 391	21 382
Derivative financial instruments	**4**	6	12	**3**	51	39			
Amounts owed to depositors	**43 721**	45 343	43 945	**33 134**	33 104	33 294	**84 340**	118 074	99 187
Provisions and other liabilities	**23 974**	26 537	25 527	**876**	954	967	**7 520**	6 638	7 247
Long-term debt instruments				**318**	317	318	**56 899**	59 737	57 369
Intergroup liabilities	**9 604**	4 728	6 433				**(65 429)**	(108 976)	(76 327)
Total equity and liabilities	**81 666**	80 859	80 244	**40 657**	40 936	41 089	**109 199**	93 864	108 858

[1] *Includes all group eliminations.*

Statement of comprehensive income (Rm)

	Total			Nedbank Corporate and Investment Banking			Nedbank Retail and Business Banking		
	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)
Net interest income	**15 809**	14 969	30 081	**3 907**	3 825	7 339	**10 053**	9 478	19 692
Impairments charge on financial instruments	**3 278**	7 675	13 127	**659**	2 380	3 245	**2 292**	4 836	8 746
Income from lending activities	**12 531**	7 294	16 954	**3 248**	1 445	4 094	**7 761**	4 642	10 946
Non-interest revenue	**11 793**	12 220	24 140	**3 949**	3 661	7 229	**6 112**	5 717	11 830
Operating income	**24 324**	19 514	41 094	**7 197**	5 106	11 323	**13 873**	10 359	22 776
Total operating expenses	**16 355**	15 391	31 772	**3 396**	3 081	6 432	**10 584**	9 880	20 161
Zimbabwe hyperinflation	**40**	47	205						
Indirect taxation	**526**	592	1 148	**94**	77	159	**227**	229	488
Profit/(Loss) from operations[2]	**7 403**	3 484	7 969	**3 707**	1 948	4 732	**3 062**	250	2 127
Share of income of associate companies	**340**	98	452	**57**	35	115			
Profit before direct taxation[2]	**7 743**	3 582	8 421	**3 764**	1 983	4 847	**3 062**	250	2 127
Direct taxation[2]	**1 927**	928	1 994	**855**	567	1 211	**855**	72	590
Profit after direct taxation[2]	**5 816**	2 654	6 427	**2 909**	1 416	3 636	**2 207**	178	1 537
Profit attributable to non-controlling interest:									
– Ordinary shareholders	**38**	47	55						
– Preference shareholders	**158**	85	193				**63**	(50)	(58)
– Additional tier 1 capital instrument noteholders	**369**	408	739						
Headline earnings/(loss)	**5 251**	2 114	5 440	**2 909**	1 416	3 636	**2 144**	228	1 595
Selected ratios									
Non-interest revenue to total income (%)	**42,7**	44,9	44,5	**50,3**	48,9	49,6	**37,8**	37,6	37,5
Non-interest revenue to total operating expenses (%)	**72,1**	79,4	76,0	**116,3**	118,8	112,4	**57,7**	57,9	58,7
Cost-to-income ratio (%)	**58,5**	56,4	58,1	**42,9**	41,0	43,8	**65,5**	65,0	64,0
Effective taxation rate (%)	**24,9**	25,9	23,7	**22,7**	28,6	25,0	**27,9**	28,8	27,7
Revenue (Rm)[3]	**27 602**	27 189	54 221	**7 856**	7 486	14 568	**16 165**	15 195	31 522

	Nedbank Wealth			Nedbank Africa Regions			Centre[1]		
	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)	30 Jun 2021 (Unaudited)	30 Jun 2020 (Unaudited)	31 Dec 2020 (Audited)
Net interest income	**416**	489	897	**676**	672	1 274	**757**	505	879
Impairments charge on financial instruments	**(21)**	82	208	**96**	236	437	**252**	141	491
Income from lending activities	**437**	407	689	**580**	436	837	**505**	364	388
Non-interest revenue	**1 862**	1 614	3 303	**599**	697	1 454	**(729)**	531	324
Operating income	**2 299**	2 021	3 992	**1 179**	1 133	2 291	**(224)**	895	712
Total operating expenses	**1 633**	1 526	3 061	**1 167**	1 071	2 325	**(425)**	(167)	(207)
Zimbabwe hyperinflation				**40**	47	205			
Indirect taxation	**45**	46	91	**35**	26	64	**125**	214	346
Profit/(Loss) from operations[2]	**621**	449	840	**(63)**	(11)	(303)	**76**	848	573
Share of income of associate companies				**283**	63	337			
Profit before direct taxation[2]	**621**	449	840	**220**	52	34	**76**	848	573
Direct taxation[2]	**145**	87	178	**2**	29	(30)	**70**	173	45
Profit after direct taxation[2]	**476**	362	662	**218**	23	64	**6**	675	528
Profit attributable to non-controlling interest:									
– Ordinary shareholders				**36**	47	52	**2**		3
– Preference shareholders							**95**	135	251
– Additional tier 1 capital instrument noteholders							**369**	408	739
Headline earnings/(loss)	**476**	362	662	**182**	(24)	12	**(460)**	132	(465)
Selected ratios									
Non-interest revenue to total income (%)	**81,7**	76,7	78,6	**47,0**	50,9	53,3			
Non-interest revenue to total operating expenses (%)	**114,0**	105,8	107,9	**51,3**	65,1	62,5			
Cost-to-income ratio (%)	**71,7**	72,6	72,9	**74,9**	74,8	75,9			
Effective taxation rate (%)	**23,3**	19,4	21,2	**0,9**	55,8	(88,2)			
Revenue (Rm)[3]	**2 278**	2 103	4 200	**1 275**	1 369	2 728	**28**	1 036	1 203

[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.*

Headline earnings reconciliation

for the period ended

	Yoy % change	30 June 2021 (Unaudited) Rm Gross	30 June 2021 (Unaudited) Rm Net of taxation	30 June 2020 (Unaudited) Rm Gross	30 June 2020 (Unaudited) Rm Net of taxation	31 December 2020 (Audited) Rm Gross	31 December 2020 (Audited) Rm Net of taxation
Profit attributable to equity holders	**303**		**5 239**		1 301		3 467
Non-trading and capital items	**>(100)**	**3**	**(1)**	833	813	1 562	1 445
IAS 16 – (profit)/loss on disposal of property and equipment		**(6)**	**(8)**	16	11	89	72
IAS 36 – impairment of associates: ETI				750	750	750	750
IAS 36 – impairment of goodwill						345	345
IAS 36 – impairment of property and equipment		**3**	**2**				
IAS 36 – impairment of intangible assets		**5**	**4**	53	38	207	149
IAS 40 – loss on revaluation of investment properties				14	14	2	2
IFRS 5 – impairment of non-current assets held for sale						17	17
IFRS 16 – impairment of right-of-use assets		**1**	**1**			152	110
Share of gains/(losses) of associate companies							
IAS 36 share of associate (ETI) impairment of goodwill		**13**	**13**			528	528
Headline earnings	**148**		**5 251**		2 114		5 440

Investments in associate companies

at

	30 June 2021 (Unaudited) Rm	30 June 2020 (Unaudited) Rm	31 December 2020 (Audited) Rm
Listed equity-accounted associates[1]	**2 055**	2 352	2 180
Unlisted equity-accounted associates	**1 016**	1 104	1 142
	3 071	3 456	3 322

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

Listed associates: ETI			
Carrying value	**2 055**	2 352	2 180
Fair value of investment[1]	**913**	1 170	1 167

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

Historical value at risk

(99%, one-day) by risk type

Value at risk (VaR) is the potential loss in 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 (Basel III).

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

	30 June 2021 (Unaudited) Rm				31 December 2020 (Audited) Rm			
Rm	**Average**	**Minimum**	**Maximum**	**Period-end**	**Average**	**Minimum**	**Maximum**	**Year-end**
Foreign exchange	**6,6**	**1,3**	**19,1**	**4,1**	6,8	1,4	18,6	9,2
Interest rate	**69,0**	**26,9**	**117,7**	**27,8**	69,5	32,0	128,2	90,2
Equity	**15,7**	**8,2**	**27,1**	**13,1**	8,3	3,3	27,2	10,7
Credit	**11,1**	**6,0**	**16,9**	**7,1**	16,0	4,7	42,3	16,6
Commodity	**0,1**		**0,1**		0,2		3,6	0,1
Diversification	**(51,1)**			**(19,9)**	(44,7)			(87,1)
Total VaR exposure	**51,4**	**31,1**	**84,8**	**32,2**	56,1	29,4	128,3	39,7

Loss allowance

The following table represents a reconciliation from the opening balance to the closing balance of the loss allowance, and indicates how significant changes in the gross carrying amount of financial instruments contributed to changes in the loss allowance. Subsequent to the publication of the June 2020 results the group has refined its reporting process for fair value through profit or loss (FVTPL) and FVOCI loans. As a result, comparative information for the six months ended 30 June 2020 has been reclassified.

Loans and advances	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	671 267	3 362	667 905	72 071	3 893	68 178	27 605	10 557	17 048	770 943	17 812	753 131
New financial assets originated or purchased	209 531	2 234	207 297			–			–	209 531	2 234	207 297
Financial assets written off			–			–	(7 419)	(7 419)	–	(7 419)	(7 419)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(64 418)	5 507	(69 925)	(10 368)	4 050	(14 418)	(3 258)	4 623	(7 881)	(78 044)	14 180	(92 224)
Final repayments	(123 748)	(815)	(122 933)	(19 422)	(295)	(19 127)	(1 811)	(552)	(1 259)	(144 981)	(1 662)	(143 319)
Transfers to 12-month ECL	38 912	840	38 072	(36 211)	(690)	(35 521)	(2 701)	(150)	(2 551)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(103 931)	(2 749)	(101 182)	106 033	2 782	103 251	(2 102)	(33)	(2 069)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(20 520)	(4 294)	(16 226)	(14 179)	(3 115)	(11 064)	34 699	7 409	27 290	–	–	–
Foreign exchange movements	3 996	98	3 898	485	76	409	172	149	23	4 653	323	4 330
Audited balance at 31 December 2020	611 089	4 183	606 906	98 409	6 701	91 708	45 185	14 584	30 601	754 683	25 468	729 215
New financial assets originated or purchased	**96 312**	**1 243**	**95 069**			**–**			**–**	**96 312**	**1 243**	**95 069**
Financial assets written off			**–**			**–**	**(3 915)**	**(3 915)**	**–**	**(3 915)**	**(3 915)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements[1]	**(20 675)**	**2 461**	**(23 136)**	**(14 397)**	**692**	**(15 089)**	**(5 307)**	**1 023**	**(6 330)**	**(40 379)**	**4 176**	**(44 555)**
Final repayments	**(59 663)**	**(596)**	**(59 067)**	**(5 763)**	**(139)**	**(5 624)**	**(1 404)**	**(347)**	**(1 057)**	**(66 830)**	**(1 082)**	**(65 748)**
Transfers to 12-month ECL	**27 948**	**713**	**27 235**	**(23 315)**	**(493)**	**(22 822)**	**(4 633)**	**(220)**	**(4 413)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(43 252)**	**(1 769)**	**(41 483)**	**49 929**	**2 303**	**47 626**	**(6 677)**	**(534)**	**(6 143)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(7 624)**	**(1 992)**	**(5 632)**	**(8 147)**	**(2 141)**	**(6 006)**	**15 771**	**4 133**	**11 638**	**–**	**–**	**–**
Foreign exchange movements	**(189)**	**91**	**(280)**	**46**	**35**	**11**	**438**	**(13)**	**451**	**295**	**113**	**182**
Net balances	**603 946**	**4 334**	**599 612**	**96 762**	**6 958**	**89 804**	**39 458**	**14 711**	**24 747**	**740 166**	**26 003**	**714 163**
Total credit and zero balances[2]	**7 543**	**(50)**	**7 593**	**27**	**(11)**	**38**	**461**	**(1)**	**462**	**8 031**	**(62)**	**8 093**
Unaudited balance at 30 June 2021	**611 489**	**4 284**	**607 205**	**96 789**	**6 947**	**89 842**	**39 919**	**14 710**	**25 209**	**748 197**	**25 941**	**722 256**
Loans and advances at FVTPL												**70 946**
Loans at FVOCI												**19 683**
Off-balance sheet impairment allowance												**478**
Fair-value hedge-accounted portfolios												**1 678**
ECL credit and other balances												**(62)**
Unaudited loans and advances at 30 June 2021	**611 489**	**4 284**	**607 205**	**96 789**	**6 947**	**89 842**	**39 919**	**14 710**	**25 209**	**748 197**	**25 941**	**814 979**

[1] *Repayments net of readvances, capitalised interest, fees and ECL remeasurements throughout this note includes credit risk changes as a result of SICR, changes in credit risk that did not result in a transfer between stages, changes in model inputs and model input assumptions, and changes due to drawdowns of undrawn commitments.*

[2] *Total credit and zero balances throughout this note refer to the balances that are liabilities payable at 30 June 2021 and the related loss allowance arising from credit risk exposure on these facilities.*

Home loans Rm	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	139 397	288	139 109	14 181	539	13 642	7 826	1 571	6 255	161 404	2 398	159 006
New financial assets originated or purchased	10 171	39	10 132			–			–	10 171	39	10 132
Financial assets written off			–			–	(228)	(228)	–	(228)	(228)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	5 998	526	5 472	(20)	552	(572)	(471)	171	(642)	5 507	1 249	4 258
Final repayments	(8 373)	(2)	(8 371)	(601)	(19)	(582)	(476)	(83)	(393)	(9 450)	(104)	(9 346)
Transfers to 12-month ECL	5 321	23	5 298	(4 765)	(17)	(4 748)	(556)	(6)	(550)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(9 733)	(215)	(9 518)	10 725	272	10 453	(992)	(57)	(935)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(2 979)	(346)	(2 633)	(3 539)	(537)	(3 002)	6 518	883	5 635	–	–	–
Foreign exchange movements	447	37	410	7	11	(4)	35	67	(32)	489	115	374
Audited net balance at 31 December 2020	140 249	350	139 899	15 988	801	15 187	11 656	2 318	9 338	167 893	3 469	164 424
New financial assets originated or purchased	**6 605**	**32**	**6 573**			**–**			**–**	**6 605**	**32**	**6 573**
Financial assets written off			**–**			**–**	**(140)**	**(140)**	**–**	**(140)**	**(140)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**4 361**	**203**	**4 158**	**(138)**	**28**	**(166)**	**(504)**	**(55)**	**(449)**	**3 719**	**176**	**3 543**
Final repayments	**(4 700)**	**(28)**	**(4 672)**	**(415)**	**(15)**	**(400)**	**(412)**	**(80)**	**(332)**	**(5 527)**	**(123)**	**(5 404)**
Transfers to 12-month ECL	**4 966**	**27**	**4 939**	**(4 110)**	**(20)**	**(4 090)**	**(856)**	**(7)**	**(849)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(5 157)**	**(177)**	**(4 980)**	**7 328**	**288**	**7 040**	**(2 171)**	**(111)**	**(2 060)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(992)**	**(105)**	**(887)**	**(1 709)**	**(238)**	**(1 471)**	**2 701**	**343**	**2 358**	**–**	**–**	**–**
Foreign exchange movements	**(62)**	**43**	**(105)**	**(2)**	**2**	**(4)**	**15**	**(17)**	**32**	**(49)**	**28**	**(77)**
Net balances	**145 270**	**345**	**144 925**	**16 942**	**846**	**16 096**	**10 289**	**2 251**	**8 038**	**172 501**	**3 442**	**169 059**
Total credit and zero balances	**171**	**(1)**	**172**	**6**		**6**	**11**		**11**	**188**	**(1)**	**189**
Unaudited balance at 30 June 2021	**145 441**	**344**	**145 097**	**16 948**	**846**	**16 102**	**10 300**	**2 251**	**8 049**	**172 689**	**3 441**	**169 248**

Commercial mortgages Rm	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	154 801	218	154 583	18 713	338	18 375	2 488	504	1 984	176 002	1 060	174 942
New financial assets originated or purchased	49 148	156	48 992			–			–	49 148	156	48 992
Financial assets written off			–			–	(33)	(33)	–	(33)	(33)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(7 386)	62	(7 448)	(1 402)	678	(2 080)	(339)	315	(654)	(9 127)	1 055	(10 182)
Final repayments	(28 917)	(55)	(28 862)	(1 769)	(76)	(1 693)	(155)	(51)	(104)	(30 841)	(182)	(30 659)
Transfers to 12-month ECL	8 005	117	7 888	(7 801)	(103)	(7 698)	(204)	(14)	(190)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(13 229)	(72)	(13 157)	13 277	80	13 197	(48)	(8)	(40)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 253)	(51)	(1 202)	(2 680)	(226)	(2 454)	3 933	277	3 656	–	–	–
Foreign exchange movements	118	1	117	29	3	26	2	9	(7)	149	13	136
Audited net balance at 31 December 2020	161 287	376	160 911	18 367	694	17 673	5 644	999	4 645	185 298	2 069	183 229
New financial assets originated or purchased	**25 445**	**160**	**25 285**			**–**			**–**	**25 445**	**160**	**25 285**
Financial assets written off			**–**			**–**	**(20)**	**(20)**	**–**	**(20)**	**(20)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(3 766)**	**111**	**(3 877)**	**(214)**	**60**	**(274)**	**(347)**	**54**	**(401)**	**(4 327)**	**225**	**(4 552)**
Final repayments	**(22 140)**	**(99)**	**(22 041)**	**(544)**	**(8)**	**(536)**	**(111)**	**(8)**	**(103)**	**(22 795)**	**(115)**	**(22 680)**
Transfers to 12-month ECL	**3 353**	**39**	**3 314**	**(3 179)**	**(27)**	**(3 152)**	**(174)**	**(12)**	**(162)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(5 029)**	**(48)**	**(4 981)**	**5 221**	**64**	**5 157**	**(192)**	**(16)**	**(176)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(411)**	**(19)**	**(392)**	**(231)**	**(10)**	**(221)**	**642**	**29**	**613**	**–**	**–**	**–**
Foreign exchange movements	**(72)**	**8**	**(80)**	**95**	**13**	**82**	**63**	**15**	**48**	**86**	**36**	**50**
Net balances	**158 667**	**528**	**158 139**	**19 515**	**786**	**18 729**	**5 505**	**1 041**	**4 464**	**183 687**	**2 355**	**181 332**
Total credit and zero balances	**(3)**		**(3)**			**–**	**1**		**1**	**(2)**	**–**	**(2)**
Unaudited balance at 30 June 2021	**158 664**	**528**	**158 136**	**19 515**	**786**	**18 729**	**5 506**	**1 041**	**4 465**	**183 685**	**2 355**	**181 330**

Credit cards and overdrafts	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/ originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balances at 1 January 2020	29 216	861	28 355	5 209	524	4 685	3 081	1 913	1 168	37 506	3 298	34 208
New financial assets originated or purchased	8 562	262	8 300			–			–	8 562	262	8 300
Financial assets written off			–			–	(1 431)	(1 431)	–	(1 431)	(1 431)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	7 591	1 310	6 281	1 823	230	1 593	(234)	896	(1 130)	9 180	2 436	6 744
Final repayments	(16 595)	(100)	(16 495)	(4 795)	(46)	(4 749)	(244)	(92)	(152)	(21 634)	(238)	(21 396)
Transfers to 12-month ECL	3 422	105	3 317	(2 902)	(82)	(2 820)	(520)	(23)	(497)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(8 972)	(704)	(8 268)	9 023	725	8 298	(51)	(21)	(30)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(2 572)	(924)	(1 648)	(1 102)	(302)	(800)	3 674	1 226	2 448	–	–	–
Foreign exchange movements	379	24	355	325	45	280	2	8	(6)	706	77	629
Audited net balance at 31 December 2020	21 031	834	20 197	7 581	1 094	6 487	4 277	2 476	1 801	32 889	4 404	28 485
New financial assets originated or purchased	**3 897**	**90**	**3 807**			**–**			**–**	**3 897**	**90**	**3 807**
Financial assets written off			**–**			**–**	**(941)**	**(941)**	**–**	**(941)**	**(941)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**7 778**	**631**	**7 147**	**520**	**33**	**487**	**(539)**	**234**	**(773)**	**7 759**	**898**	**6 861**
Final repayments	**(8 543)**	**(61)**	**(8 482)**	**(922)**	**(44)**	**(878)**	**(228)**	**(69)**	**(159)**	**(9 693)**	**(174)**	**(9 519)**
Transfers to 12-month ECL	**2 862**	**122**	**2 740**	**(2 594)**	**(91)**	**(2 503)**	**(268)**	**(31)**	**(237)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(2 468)**	**(327)**	**(2 141)**	**2 857**	**422**	**2 435**	**(389)**	**(95)**	**(294)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(721)**	**(401)**	**(320)**	**(955)**	**(492)**	**(463)**	**1 676**	**893**	**783**	**–**	**–**	**–**
Foreign exchange movements	**(440)**	**12**	**(452)**	**355**	**4**	**351**	**2**	**9**	**(7)**	**(83)**	**25**	**(108)**
Net balances	**23 396**	**900**	**22 496**	**6 842**	**926**	**5 916**	**3 590**	**2 476**	**1 114**	**33 828**	**4 302**	**29 526**
Total credit and zero balances	**7 375**	**(49)**	**7 424**	**21**	**(11)**	**32**	**449**	**(1)**	**450**	**7 845**	**(61)**	**7 906**
Unaudited balance at 30 June 2021	**30 771**	**851**	**29 920**	**6 863**	**915**	**5 948**	**4 039**	**2 475**	**1 564**	**41 673**	**4 241**	**37 432**

Term loans	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/ originated) (stage 3)					
Rm	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	157 079	941	156 138	10 230	699	9 531	6 780	3 437	3 343	174 089	5 077	169 012
New financial assets originated or purchased	43 930	1 001	42 929			–			–	43 930	1 001	42 929
Financial assets written off			–			–	(3 555)	(3 555)	–	(3 555)	(3 555)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(40 299)	2 220	(42 519)	(25)	886	(911)	150	1 475	(1 325)	(40 174)	4 581	(44 755)
Final repayments	(19 982)	(311)	(19 671)	(4 423)	(43)	(4 380)	(471)	(222)	(249)	(24 876)	(576)	(24 300)
Transfers to 12-month ECL	5 814	111	5 703	(5 796)	(110)	(5 686)	(18)	(1)	(17)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(27 637)	(937)	(26 700)	28 153	830	27 323	(516)	107	(623)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(6 532)	(1 920)	(4 612)	(1 789)	(978)	(811)	8 321	2 898	5 423	–	–	–
Foreign exchange movements	2 881	31	2 850	247	29	218	156	192	(36)	3 284	252	3 032
Audited net balance at 31 December 2020	115 254	1 136	114 118	26 597	1 313	25 284	10 847	4 331	6 516	152 698	6 780	145 918
New financial assets originated or purchased	**19 490**	**558**	**18 932**			**–**			**–**	**19 490**	**558**	**18 932**
Financial assets written off			**–**			**–**	**(1 473)**	**(1 473)**	**–**	**(1 473)**	**(1 473)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(20 984)**	**712**	**(21 696)**	**(7 226)**	**303**	**(7 529)**	**(1 021)**	**337**	**(1 358)**	**(29 231)**	**1 352**	**(30 583)**
Final repayments	**(8 279)**	**(157)**	**(8 122)**	**(1 294)**	**(32)**	**(1 262)**	**(113)**	**(58)**	**(55)**	**(9 686)**	**(247)**	**(9 439)**
Transfers to 12-month ECL	**5 081**	**89**	**4 992**	**(5 036)**	**(87)**	**(4 949)**	**(45)**	**(2)**	**(43)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(9 983)**	**(524)**	**(9 459)**	**12 403**	**622**	**11 781**	**(2 420)**	**(98)**	**(2 322)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(1 601)**	**(709)**	**(892)**	**(2 731)**	**(868)**	**(1 863)**	**4 332**	**1 577**	**2 755**	**–**	**–**	**–**
Foreign exchange movements	**(511)**	**16**	**(527)**	**(114)**	**18**	**(132)**	**(64)**	**3**	**(67)**	**(689)**	**37**	**(726)**
Unaudited balance at 30 June 2021	**98 467**	**1 121**	**97 346**	**22 599**	**1 269**	**21 330**	**10 043**	**4 617**	**5 426**	**131 109**	**7 007**	**124 102**

Instalment debtors

Rm	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	105 416	801	104 615	18 043	1 321	16 722	6 608	2 706	3 902	130 067	4 828	125 239
New financial assets originated or purchased	45 026	525	44 501			–			–	45 026	525	44 501
Financial assets written off			–			–	(2 152)	(2 152)	–	(2 152)	(2 152)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(15 638)	1 347	(16 985)	(2 802)	847	(3 649)	(2 366)	1 429	(3 795)	(20 806)	3 623	(24 429)
Final repayments	(15 434)	(100)	(15 334)	(1 218)	(57)	(1 161)	(225)	(24)	(201)	(16 877)	(181)	(16 696)
Transfers to 12-month ECL	8 806	151	8 655	(7 617)	(119)	(7 498)	(1 189)	(32)	(1 157)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(14 219)	(603)	(13 616)	14 709	655	14 054	(490)	(52)	(438)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(5 646)	(973)	(4 673)	(4 609)	(1 028)	(3 581)	10 255	2 001	8 254	–	–	–
Foreign exchange movements	(21)	11	(32)	5	6	(1)	27		27	11	17	(6)
Audited net balance at 31 December 2020	108 290	1 159	107 131	16 511	1 625	14 886	10 468	3 876	6 592	135 269	6 660	128 609
New financial assets originated or purchased	**26 407**	**335**	**26 072**			**–**			**–**	**26 407**	**335**	**26 072**
Financial assets written off			**–**			**–**	**(1 334)**	**(1 334)**	**–**	**(1 334)**	**(1 334)**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(10 223)**	**686**	**(10 909)**	**(1 364)**	**(126)**	**(1 238)**	**(1 869)**	**262**	**(2 131)**	**(13 456)**	**822**	**(14 278)**
Final repayments	**(7 610)**	**(55)**	**(7 555)**	**(607)**	**(24)**	**(583)**	**(219)**	**(56)**	**(163)**	**(8 436)**	**(135)**	**(8 301)**
Transfers to 12-month ECL	**8 214**	**179**	**8 035**	**(5 421)**	**(96)**	**(5 325)**	**(2 793)**	**(83)**	**(2 710)**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(8 327)**	**(596)**	**(7 731)**	**9 649**	**758**	**8 891**	**(1 322)**	**(162)**	**(1 160)**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)	**(2 776)**	**(513)**	**(2 263)**	**(2 114)**	**(521)**	**(1 593)**	**4 890**	**1 034**	**3 856**	**–**	**–**	**–**
Foreign exchange movements	**10**	**12**	**(2)**	**1**	**1**	**–**	**4**	**8**	**(4)**	**15**	**21**	**(6)**
Unaudited balance at 30 June 2021	**113 985**	**1 207**	**112 778**	**16 655**	**1 617**	**15 038**	**7 825**	**3 545**	**4 280**	**138 465**	**6 369**	**132 096**

Preference shares and debentures

Rm	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/originated) (stage 3)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	12 307	61	12 246	75	4	71	197	34	163	12 579	99	12 480
New financial assets originated or purchased	4 387	23	4 364			–			–	4 387	23	4 364
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(4 783)	6	(4 789)	(10)	(2)	(8)	4	33	(29)	(4 789)	37	(4 826)
Final repayments	(71)		(71)			–			–	(71)	–	(71)
Transfers to 12-month ECL	75	2	73	(75)	(2)	(73)			–	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(865)	(14)	(851)	865	14	851			–	–	–	–
Transfers to lifetime ECL (credit-impaired)			–			–			–	–	–	–
Audited net balance at 31 December 2020	11 050	78	10 972	855	14	841	201	67	134	12 106	159	11 947
New financial assets originated or purchased	**475**		**475**			**–**			**–**	**475**	**–**	**475**
Financial assets written off			**–**			**–**			**–**	**–**	**–**	**–**
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	**(311)**	**(46)**	**(265)**	**(248)**	**13**	**(261)**	**4**	**51**	**(47)**	**(555)**	**18**	**(573)**
Final repayments			**–**			**–**	**(201)**	**(67)**	**(134)**	**(201)**	**(67)**	**(134)**
Transfers to 12-month ECL	**16**		**16**	**(16)**		**(16)**			**–**	**–**	**–**	**–**
Transfers to lifetime ECL (not credit-impaired)	**(250)**	**(1)**	**(249)**	**250**	**1**	**249**			**–**	**–**	**–**	**–**
Transfers to lifetime ECL (credit-impaired)			**–**	**(286)**	**(1)**	**(285)**	**286**	**1**	**285**	**–**	**–**	**–**
Unaudited balance at 30 June 2021	**10 980**	**31**	**10 949**	**555**	**27**	**528**	**290**	**52**	**238**	**11 825**	**110**	**11 715**

Specialised and other loans to clients[1]

Rm	Not credit-impaired						Credit-impaired			Total		
	Subject to 12-month ECL (stage 1)			Subject to lifetime ECL (stage 2)			Subject to lifetime ECL (excluding purchased/ originated) (stage 3)					
	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost	Gross carrying amount	Allowance for ECL	Amortised cost
Audited net balance at 1 January 2020	73 051	127	72 924	5 620	401	5 219	625	304	321	79 296	832	78 464
New financial assets originated or purchased	48 307	188	48 119			–			–	48 307	188	48 119
Financial assets written off			–			–	(20)	(20)	–	(20)	(20)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(9 901)	(4)	(9 897)	(7 932)	623	(8 555)	(2)	90	(92)	(17 835)	709	(18 544)
Final repayments	(34 376)	(65)	(34 311)	(6 616)	(42)	(6 574)	(240)	(52)	(188)	(41 232)	(159)	(41 073)
Transfers to 12-month ECL	7 469	116	7 353	(7 255)	(107)	(7 148)	(214)	(9)	(205)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(29 276)	(131)	(29 145)	29 281	133	29 148	(5)	(2)	(3)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 538)	(79)	(1 459)	(460)	(17)	(443)	1 998	96	1 902	–	–	–
Foreign exchange movements	192	(5)	197	(128)	(20)	(108)	(50)	(127)	77	14	(152)	166
Audited net balance at 31 December 2020	53 928	147	53 781	12 510	971	11 539	2 092	280	1 812	68 530	1 398	67 132
New financial assets originated or purchased	13 993	27	13 966			–			–	13 993	27	13 966
Financial assets written off			–			–	(7)	(7)	–	(7)	(7)	–
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	2 470	173	2 297	(5 727)	381	(6 108)	(1 031)	108	(1 139)	(4 288)	662	(4 950)
Final repayments	(8 391)	(31)	(8 360)	(1 981)	(6)	(1 975)	(120)	(5)	(115)	(10 492)	(42)	(10 450)
Transfers to 12-month ECL	3 456	71	3 385	(2 959)	(43)	(2 916)	(497)	(28)	(469)	–	–	–
Transfers to lifetime ECL (not credit-impaired)	(12 038)	(34)	(12 004)	12 221	63	12 158	(183)	(29)	(154)	–	–	–
Transfers to lifetime ECL (credit-impaired)	(1 123)	(232)	(891)	(121)	(6)	(115)	1 244	238	1 006	–	–	–
Foreign exchange movements	886	(2)	888	(289)	(3)	(286)	418	(31)	449	1 015	(36)	1 051
Unaudited balance at 30 June 2021	53 181	119	53 062	13 654	1 357	12 297	1 916	526	1 390	68 751	2 002	66 749

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

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
Audited net balance at 1 January 2020	65	67	88	220
New financial assets originated or purchased	40			40
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	40	236	214	490
Final repayments	(182)	(12)	(28)	(222)
Transfers to 12-month ECL	215	(150)	(65)	–
Transfers to lifetime ECL (not credit-impaired)	(73)	73		–
Transfers to lifetime ECL (credit-impaired)	(1)	(27)	28	–
Foreign exchange movements	(1)	2		1
Audited net balance at 31 December 2020	103	189	237	529
New financial assets originated or purchased	41			41
Repayments net of readvances, capitalised interest, fees and ECL remeasurements	(9)		32	23
Final repayments	(165)	(10)	(4)	(179)
Transfers to 12-month ECL	186	(129)	(57)	–
Transfers to lifetime ECL (not credit-impaired)	(62)	85	(23)	–
Transfers to lifetime ECL (credit-impaired)	(13)	(5)	18	–
Foreign exchange movements	2			2
Net balances	83	130	203	416
Unaudited balance at 30 June 2021	83	130	203	416

Economic scenarios

FORWARD-LOOKING INFORMATION INCORPORATED IN THE ECL MODELS

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

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

	30 June 2021 (Unaudited)							
						Economic forecast (%)		
Scenario	Probability weighting (%)	Total ECL allowance Rm	Difference to weighted scenarios Rm	Percentage difference to weighted scenarios (%)	Economic measures	2021	2022	2023
	50	26 340			GDP[1]	5,0[1]	2,0	1,7
Base case			(309)	(1,2)	Prime	7,0	7,4	8,0
					HPI	4,4	4,3	3,9
	21	26 697			GDP	4,3	0,2	1,0
Mild stress			48	0,2	Prime	7,1	7,5	8,5
					HPI	4,2	3,8	3,4
	21	25 977			GDP	5,5	3,0	2,4
Positive outcome			(672)	(2,5)	Prime	7,0	6,8	6,8
					HPI	4,8	5,0	4,7
	8	27 070			GDP	3,5	(1,0)	0,5
High stress			421	1,6	Prime	7,2	7,7	8,8
					HPI	4,0	3,4	2,9
Weighted scenarios	100	26 649						

[1] *Overlays reduce the effective 2021 GDP down to 4,2%.*

	31 December 2020 (Audited)							
						Economic forecast (%)		
Scenario	Probability weighting (%)	Total ECL allowance Rm	Difference to weighted scenarios Rm	Percentage difference to weighted scenarios (%)	Economic measures	2021	2022	2023
					GDP	3,0	2,2	1,5
Base case	50	25 949	(128)	(0,5)	Prime	7,0	7,4	7,5
					HPI	2,1	2,3	3,5
					GDP	2,8	1,7	1,2
Mild stress	21	26 466	389	1,5	Prime	7,3	8,0	8,0
					HPI	1,8	2,1	3,1
					GDP	3,9	2,4	1,6
Positive outcome	21	25 613	(464)	(1,8)	Prime	7,0	7,0	7,0
					HPI	3,6	4,1	4,8
					GDP	2,1	1,7	0,9
High stress	8	27 034	957	3,7	Prime	7,4	8,5	8,5
					HPI	1,5	1,9	2,7
Weighted scenarios	100	26 077						

Credit risk exposure

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

LOANS AND ADVANCES

Rm LTV distribution	Home loans	Commercial mortgages	Properties in possession	Credit cards and overdrafts	Term loans	Overnight loans	Specialised and other loans to clients	Leases and instalment debtors	Preference shares and debentures	Factoring accounts
30 June 2021 (Unaudited)										
Lower than 50%	**1 619**	**529**		**537**	**314**		**241**	**216**		
50% to 75%	**2 213**	**258**			**419**		**65**	**265**		
75% to 100%	**3 739**	**2 640**	**19**	**265**	**410**		**102**	**712**	**290**	**36**
Higher than 100%	**2 729**	**2 079**	**45**	**3 237**	**9 745**	**262**	**1 070**	**6 632**		**76**
Total	**10 300**	**5 506**	**64**	**4 039**	**10 888**	**262**	**1 478**	**7 825**	**290**	**112**

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

[1] *Term loans and other loans were previously presented in one product line, namely 'Personal, term and other loans'. During 2020, 'Personal, term and other loans' has been split into 'Term loans' and 'Specialised and other loans to clients' due to the different nature and size of these accounts.*

Fair-value hierarchy

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

The existence of published price quotations in an active market is the most reliable evidence of fair value and, where they exist, they are used to measure the financial asset or financial liability. A market is considered to be active if transactions occur with sufficient volumes and frequencies to provide pricing information on an ongoing basis. These quoted prices would generally be classified as level 1 in terms of the fair-value hierarchy.

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

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

FAIR-VALUE HIERARCHY

The financial instruments recognised at fair value have been categorised into the three input levels of the IFRS fair-value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques based (directly or indirectly) on market-observable inputs. Various factors influence the availability of observable inputs. These factors may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market, the maturity of market modelling and whether the transaction is bespoke or generic.

Level 3: Valuation techniques based on significant inputs that are not observable. To the extent that a valuation is based on inputs that are not market-observable, the determination of the fair value can be more subjective, depending on the significance of the unobservable inputs to the overall valuation. Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

All fair values disclosed below are recurring in nature.

FINANCIAL ASSETS

Rm	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	At FVTPL			At FVTPL			At FVOCI					
				Mandatorily at fair value			Designated			Debt instruments			Equity instruments		
				Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
30 June 2021 (Unaudited)	**1 151 621**	**860 895**	**290 726**	**73 574**	**155 247**	**6 948**	**–**	**12 109**	**–**	**15**	**42 008**	**–**	**20**	**426**	**379**
Cash and cash equivalents	**38 562**	**38 562**													
Other short-term securities	**55 326**	**1 604**	**53 722**	**561**	**30 925**						**22 236**				
Derivative financial instruments	**46 649**		**46 649**	**45**	**46 604**										
Government and other securities	**138 869**	**80 974**	**57 895**	**56 812**	**607**			**461**		**15**					
Loans and advances	**814 979**	**724 349**	**90 630**	**181**	**59 118**			**11 648**			**19 683**				
Other assets	**31 379**	**15 406**	**15 973**	**15 973**											
Investment securities	**25 857**		**25 857**	**2**	**17 993**	**6 948**					**89**		**20**	**426**	**379**

Rm	Total financial assets	Total financial assets recognised at amortised cost	Total financial assets recognised at fair value	At FVTPL			At FVTPL			At FVOCI					
				Mandatorily at fair value			Designated			Debt instruments			Equity instruments		
				Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
31 December 2020 (Audited)	1 191 701	872 219	319 482	52 432	204 389	7 296	–	12 665	–	15	41 918	–	18	377	372
Cash and cash equivalents	41 382	41 382													
Other short-term securities	52 605	1 377	51 228		28 245						22 983				
Derivative financial instruments	80 325		80 325	19	80 306										
Government and other securities	132 221	77 546	54 675	46 926	7 305			400		15	29				
Loans and advances	843 303	741 642	101 661	168	70 417			12 265			18 811				
Other assets	15 473	10 272	5 201	5 201											
Investment securities	26 392		26 392	118	18 116	7 296					95		18	377	372

Reconciliation to statement of financial position

	30 Jun 2021 (Unaudited) Rm	31 Dec 2020 (Audited) Rm
Total financial assets	**1 151 621**	1 191 701
Total non-financial assets	**36 384**	36 436
Total assets	**1 188 005**	1 228 137

FINANCIAL LIABILITIES

Rm	Total financial liabilities	Total financial liabilities recognised at amortised cost	Total financial liabilities recognised at fair value	At FVTPL – Mandatory at fair value – Level 1	At FVTPL – Mandatory at fair value – Level 2	At FVTPL – Mandatory at fair value – Level 3	At FVTPL – Designated – Level 1	At FVTPL – Designated – Level 2	At FVTPL – Designated – Level 3
30 June 2021 (Unaudited)	**1 059 452**	**967 735**	**91 717**	**3 041**	**69 079**	**–**	**–**	**19 597**	**–**
Derivative financial instruments	**37 282**		**37 282**	**76**	**37 206**				
Amounts owed to depositors	**935 723**	**903 850**	**31 873**		**31 873**				
Provisions and other liabilities	**7 677**	**4 712**	**2 965**	**2 965**					
Investment contract liabilities	**19 597**		**19 597**					**19 597**	
Long-term debt instruments	**59 173**	**59 173**							

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

Reconciliation to statement of financial position

	30 Jun 2021 (Unaudited) Rm	31 Dec 2020 (Audited) Rm
Total financial liabilities	**1 059 452**	1 108 563
Total equity and non-financial liabilities	**128 553**	119 574
Total equity and liabilities	**1 188 005**	1 228 137

LEVEL 3 RECONCILIATION

30 June 2021 (Unaudited)	Opening balance at 1 January Rm	Gains/(losses) in non-interest revenue in profit for the year Rm	Gains relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases Rm	Issues Rm	Sales Rm	Settlements Rm	Transfers to level 1 Rm	Closing balance at 30 June Rm
At FVTPL – Mandatorily at fair value	**7 296**	**199**	**–**	**431**	**15**	**(498)**	**(495)**	**–**	**6 948**
Investment securities	**7 296**	**199**		**431**	**15**	**(498)**	**(495)**		**6 948**
At FVOCI – Equity instruments	**372**	**(2)**	**9**	**–**	**–**	**–**	**–**	**–**	**379**
Investment securities	**372**	**(2)**	**9**						**379**
Total financial assets classified as level 3	**7 668**	**197**	**9**	**431**	**15**	**(498)**	**(495)**	**–**	**7 327**

There are no provisions and other liabilities classified as level 3 as at 30 June 2021.

31 December 2020 (Audited)	Opening balance at 1 January Rm	Losses in non-interest revenue in profit for the year Rm	Losses relating to investments in equity instruments at FVOCI and debt instruments at FVOCI in OCI for the year Rm	Purchases Rm	Issues Rm	Sales Rm	Settlements Rm	Transfers to level 1 Rm	Closing balance at 31 December Rm
At FVTPL – Mandatorily at fair value	7 554	(1 263)	–	2 046	–	(811)	(113)	(117)	7 296
Investment securities	7 554	(1 263)		2 046		(811)	(113)	(117)	7 296
At FVOCI – Equity instruments	475	(5)	(98)	–	–	–	–	–	372
Investment securities	475	(5)	(98)						372
Total financial assets classified as level 3	8 029	(1 268)	(98)	2 046	–	(811)	(113)	(117)	7 668
Mandatory at fair value	571	–	–	–	–	–	(571)	–	–
Provisions and other liabilities	571						(571)		–
Total financial liabilities classified as level 3	571	–	–	–	–	–	(571)	–	–

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.

30 June 2021 (Unaudited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Investment securities	**Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields**	**Valuation multiples, correlations volatilities and credit spreads**	**Between (16) and 20**	**7 327**	**1 438**	**(1 173)**
Total financial assets classified as level 3				**7 327**	**1 438**	**(1 173)**

31 December 2020 (Audited)	Valuation technique	Significant unobservable input	Variance in fair value %	Value per statement of financial position Rm	Favourable change in fair value Rm	Unfavourable change in fair value Rm
FINANCIAL ASSETS						
Investment securities	Discounted cashflows, adjusted net asset value, earnings multiples, third-party valuations and dividend yields	Valuation multiples, correlations, volatilities and credit spreads	Between (16) and 19	7 668	1 467	(1 189)
Total financial assets classified as level 3				7 668	1 467	(1 189)

UNREALISED GAINS/(LOSSES)

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

	30 June 2021 (Unaudited) Rm	31 December 2020 (Audited) Rm
Private-equity gains/(losses)	**197**	(1 268)

SUMMARY OF PRINCIPAL VALUATION TECHNIQUES – LEVEL 2 INSTRUMENTS (UNAUDITED)

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

Assets	Valuation technique	
Other short-term securities	Discounted-cashflow model	Discount rates
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black–Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Government and other securities	Discounted-cashflow model	Discount rates
Loans and advances	Discounted-cashflow model	Interest rate curves
Investment securities	Discounted-cashflow models	Money market rates and interest rates
	Adjusted net asset value	Underlying price of market-traded instruments
	Dividend yield method	Dividend growth rates
Liabilities		
Derivative financial instruments	Discounted-cashflow model	Discount rates
	Black–Scholes model	Risk-free rates and volatilities
	Multiple valuation techniques	Valuation multiples
Amounts owed to depositors	Discounted-cashflow model	Discount rates
Provisions and other liabilities	Discounted-cashflow model	Discount rates
Investment contract liabilities	Adjusted net asset value	Underlying price of market-traded instruments
Long-term debt instruments	Discounted-cashflow model	Discount rates

TRANSFERS BETWEEN LEVELS OF THE FAIR-VALUE HIERARCHY (UNAUDITED)

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

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

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

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

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

Rm	Carrying value	Fair value	Level 1	Level 2	Level 3
30 June 2021 (Unaudited)					
Financial assets	**806 927**	**807 105**	**79 029**	**22 414**	**705 662**
Other short-term securities	**1 604**	**1 604**		**1 604**	
Government and other securities	**80 974**	**79 999**	**79 029**		**970**
Loans and advances	**724 349**	**725 502**		**20 810**	**704 692**
Financial liabilities	**59 173**	**62 247**	**32 454**	**29 793**	**–**
Long-term debt instruments	**59 173**	**62 247**	**32 454**	**29 793**	

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

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

LOANS AND ADVANCES

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

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

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

The group has developed a methodology and model to determine the fair value of the gross exposures for the performing loans and advances measured at amortised cost, resulting in these assets' fair value being 0,16% higher (2020: 0,55% higher) 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 2022 to 2024 (2020: for periods 2021 to 2023) 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 (eg interest rates, future forecasts of PDs or LGDs, or macroeconomic conditions) may result in a significant change in the determination of the fair value. Reasonable bounds for the fair value are estimated to be between 0,7% lower and 0,9% 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 South African government bonds listed in an active market is based on available market prices (level 1) or significant unobservable inputs (level 3). The discounted cashflow methodology principles (level 3) are the same as those used to determine the fair value of loans and advances.

OTHER SHORT-TERM SECURITIES

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

LONG-TERM DEBT INSTRUMENTS

The fair value of long-term debt instruments is based on available market prices (level 1). Where prices are not quoted or where the market is considered to be inactive, fair value is based on the discounted 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 are repriced to current market rates at frequent intervals. In addition, a significant portion of the balance is callable or short-term in nature.

CASH AND CASH EQUIVALENTS, OTHER ASSETS, MANDATORY DEPOSITS WITH CENTRAL BANKS, AND PROVISIONS AND OTHER LIABILITIES

The carrying values of cash and cash equivalents, other assets, mandatory deposits with central banks, and provisions and other liabilities are considered a reasonable approximation of their respective fair values, as they are either short term in nature or repriced to current market rates at frequent intervals.

Additional information

LIQUIDITY COVERAGE RATIO

Rm	Total unweighted value[1] (average)	Total weighted value[2] (average)
Total high-quality liquid assets		**204 244**
Cash outflows		
Retail deposits and deposits from small-business clients	216 095	21 408
Stable deposits	4 029	201
Less-stable deposits	212 066	21 207
Unsecured wholesale funding	336 009	158 272
Operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	172 890	43 222
Non-operational deposits (all counterparties)	162 225	114 156
Unsecured debt	894	894
Secured wholesale funding	15 054	
Additional requirements	164 116	23 945
Outflows related to derivative exposures and other collateral requirements	4 998	4 998
Credit and liquidity facilities	159 118	18 947
Other contingent funding obligations	165 707	7 835
Total cash outflows	**896 981**	**211 460**
Cash inflows		
Secured lending (eg reverse repurchase agreements)	4 706	4 125
Inflows from fully performing exposures	68 484	56 294
Other cash inflows	7 913	7 913
Total cash inflows	**81 103**	**68 332**

	Total adjusted value
Total HQLA	204 244
Total net cash outflows[3]	156 484
Liquidity coverage ratio (%)	**130,5%**

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

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

NET STABLE FUNDING RATIO

Rm	Unweighted value by residual maturity: No maturity	Six months or less	Between six months and one year	More than one year	Weighted value
Available stable funding (ASF)					
Capital	96 561	–	–	14 380	110 941
Regulatory capital	91 767			12 682	104 449
Other capital instruments	4 794			1 698	6 492
Retail deposits and deposits from small-business clients	76 686	183 782	12 281	14 896	260 573
Stable deposits		4 054			3 851
Less-stable deposits	76 686	179 728	12 281	14 896	256 722
Wholesale funding	129 032	360 258	94 466	115 334	361 024
Operational deposits	124 769	78 880			101 824
Other wholesale funding	4 263	281 378	94 466	115 334	259 200
Other liabilities	17 858	14 851	378	8 452	2 591
Net stable funding ratio (NSFR) derivative liabilities				6 050	
All other liabilities and equity not included in the above categories	17 858	14 851	378	2 402	2 591
Total ASF					**735 129**
Required stable funding					
Total NSFR high-quality liquid assets (HQLA)					17 397
Performing loans and securities	–	199 716	65 249	558 723	545 126
Performing loans to financial institutions secured by level 1 HQLA		24 221			2 422
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions		69 964	4 787	12 958	25 847
Performing loans to non-financial corporate clients, loans to retail and small-business clients and loans to sovereigns, central banks and public sector enterprises, of which		94 408	56 360	390 759	404 940
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				12 945	8 414
Performing residential mortgages, of which		3 991	3 682	148 864	102 921
with a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3 991	3 682	137 251	93 049
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		7 132	420	6 142	8 996
Other assets	34 481	154	–	50 129	73 148
Assets posted as an initial margin for derivative contracts and contributions to default funds of central counterparties		79			67
NSFR derivative assets				27 641	21 591
NSFR derivative liabilities before deduction of variation margin posted				6 088	609
All other assets not included in the above categories	34 481	75		16 400	50 881
Off-balance-sheet items				303 620	11 394
Total required stable funding					**647 065**
NSFR (%)					**113,6%**

The figures above reflect the quarter ending June 2021, based on regulatory submissions to SARB, where applicable. This section on the net stable funding ratio has not been audited or reviewed by the group's auditors.

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective taxation rate (%) Direct taxation as a percentage of profit before direct taxation, excluding non-trading and capital items.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-interest revenue (NIR) to total income (%) NIR as a percentage of operating income, excluding the impairments charge on loans and advances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations and acronyms

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

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