Nedbank Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1966/010630/06
JSE share code: NED
NSX share code: NBK
ISIN: ZAE000004875
JSE alpha code: NEDI
('Nedbank Group')
(collectively the 'group')

Nedbank Limited
(Incorporated in the Republic of South Africa)
Registration No. 1951/000009/06
JSE share code: NBKP
ISIN: ZAE000043667
JSE alpha code: BINBK

NEDBANK GROUP VOLUNTARY TRADING UPDATE FOR Q1 2020 AND TRADING STATEMENT FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2020

Trading update

On 29 April 2020 Nedbank Group hosted a webcast where management updated the investment community on the progress made in responding to the evolving Covid-19 pandemic. We highlighted that our primary focus at this time is on the health and safety of our staff and serving and providing support for clients in managing their finances through this difficult period. We have pivoted our strategy to increase our focus on resilience so that we can continue to support our clients through these challenges – this means we have increased our focus on managing liquidity, capital, market and credit risk alongside ongoing scenario modelling and stress testing, and an increased focus on costs.

As noted in the Nedbank Group SENS announcement on 14 April 2020, given the uncertain environment, we have withdrawn our 2020 financial guidance and at the same time noted that our medium and long-term targets are under review. Our 2020 financial guidance was based on our economic forecasts completed in January 2020 and at that stage we expected SA GDP growth for 2020 to be 0.7% and interest rates to be flat over the year. Economic forecasts today are materially different from January 2020. While forecasting in the current environment is complex and subject to a much higher degree of forecast risk than usual, in April 2020 the Nedbank Economic Unit revised their forecast of SA GDP growth for 2020 to -7,0%. After the cumulative 225 bps of interest rate cuts up to April 2020, the SARB MPC cut interest rates by a further 50 bps in May 2020.

The Nedbank Group's performance in the first quarter to 31 March 2020 ('the Period') reflects the impact of a difficult macroeconomic environment in SA and in our African operations. While the initial impact of the Covid-19 pandemic and subsequent lockdown emerged in March and financial market volatility in late March was extreme, impacts on our client base became more evident in April 2020 and are expected to continue.

Loan and advances growth in the Period for Nedbank Group was high single digits (year on year). In CIB growth was just above double digits driven primarily by wholesale term loans and commercial property finance as we supported clients in good standing to draw down on existing credit facilities as they prepared for the uncertainty ahead and foreign currency loans increased as a result of Rand depreciation. In April, similar trends continued.

In RBB, loans and advances growth in the Period was just above mid-single digits (year on year) driven by growth in personal loans and vehicle finance. During April 2020, retail lending growth slowed significantly as demand for new home loans and vehicle finance stalled and card balances reduced, affected by the lockdown and consequential restrictions. Overdrafts increased as we supported our SMEs and Business Banking clients.

Deposits in the Period continued to grow ahead of loans and advances. In this environment bank funding profiles shortened across the industry as term-maturity deposits rolled down with depositors having a lower propensity to term out new deposits into future maturity dates. Towards the end April 2020 depositors' appetite for tenure improved as market confidence returned, resulting in a lengthening of bank funding profiles.

Net interest income for the Period increased by mid-single digits when compared to Q1 2019, underpinned by the strong advances growth. The group's net interest margin (NIM) decreased from the 2019 level of 3,52%, primarily as a result of the endowment impact from lower interest rates. The negative impact of lower interest rates on NIM continued into April 2020.

Impairments increased and the group's credit loss ratio for the Period was in the top half of the through-the-cycle target range of 60-100 bps. In April 2020, impairments rose steeply driven primarily by the negative impact of the forward looking IFRS 9 macro-factor models on portfolio impairments based on our current best estimates of the deteriorating macroeconomic outlook. We will continue to review and refine these macro-factor models over time and related portfolio impairment estimates. Stage 3 impairments increased across the group.

SARB Directive 3/2020 applies to the restructuring of loans that were in good standing at 29 February 2020 to enable these clients to better manage cashflows through the lockdown. As at the end of April 2020 we had proactively approved and concluded restructures for eligible clients amounting to approximately R81bn (CIB: R34,0bn, RBB: R42,0bn and Nedbank Wealth: R4,6bn). To date Nedbank has assisted more than 225 000 clients (out of a total credit active client base of approximately 2,5m) with debt relief across our product range, including home loans, vehicle and asset finance, personal loans, loans to SMEs and credit cards.

Non-interest revenue growth in the Period was in low single digits as flat commission and fee growth was offset by solid trading income growth across all asset classes, as well as fair value increases in the centre due to the large unexpected interest rate cuts. From the end of March 2020 and into April, client transactional activity slowed materially as the lockdown commenced and this was particularly evident in lower consumer activity and spend across sectors most impacted by the lockdown such as tourism and

travel, hospitality and transport. Generally lower levels of spending and related cash transactions also negatively impacted NIR. Trading income in April grew strongly benefiting from increased market volatility.

Expenses continued to be well managed in response to the more challenging environment. The group's ongoing digital transformation has proven beneficial during the lockdown and we continue to invest in our Managed Evolution technology programmes. The group's cost-to-income ratio (excluding associate income) improved year on year as expenses grew more slowly than revenues and the JAWS ratio (revenue growth less expense growth), excluding associate income, was positive in the Period as well as year to date April 2020 (both including and excluding associate income).

An associate loss of R108m, relating to the Nedbank Group's 21% shareholding in ETI for the period ended 31 March 2020, has been recognised. This includes accounting for ETI's Q4 2019 associate income (a quarter in arrear), as well as Nedbank's share of the $79,5m restatement of ETI's 2018 income statement for interest accruals on oil market exposures that had to be reversed in terms of Central Bank of Nigeria regulations as disclosed by ETI in their 2019 results announcement on 24 March 2020. The impact of the restatement was a R236m reduction in Nedbank's associate income in Q1 2020. Excluding accounting for this ETI restatement, Q1 2020 associate income relating to ETI was R128m (Q1 2019: R191m).

Following regulatory approvals, the sale of Nedbank Malawi and the transaction to increase our shareholding in Banco Ùnico were both completed in Q1 2020 as planned.

Trading statement

Shareholders are advised that headline earnings per share (HEPS) and earnings per share (EPS) for the six month period ending 30 June 2020 are expected to be more than 20% lower than the reported HEPS and EPS for the comparable period (H1 2019 HEPS: 1 435 cents, H1 2019 EPS: 1 419 cents). A further trading statement will be issued in order to provide specific guidance once there is reasonable certainty regarding the extent of the decline and the relevant HEPS and EPS ranges. Nedbank Group's results for the six months ended 30 June 2020 are currently expected to be released on the JSE Stock Exchange News Service during the month of August 2020. The specific date is being finalised and will be communicated to shareholders in due course.

The impacts of the Covid-19 pandemic and lower oil prices on economies are material and evolving. As a result, the impact on the banking industry and Nedbank Group's results in 2020 remains uncertain. We will update investors on our revised 2020 financial guidance and medium to long-term prospects once we have more clarity.

While these are very challenging times, Nedbank Group is well prepared to respond to and manage the risks that are emerging. We have strong and experienced management teams in place to navigate our way through these challenging times and emerge stronger and more competitive on the other side. The group continues to be profitable and capital and liquidity metrics remained strong and in full compliance with all prudential regulatory requirements. At 31 March 2020 Nedbank Group reported a CET1 capital

adequacy ratio of 10,9% after accounting for the 2019 final dividend (Q1 2019: 11,2%), Liquidity Coverage Ratio of 110% (Q1 2019: 108%) and Net Stable Funding Ratio of 110% (Q1 2019: 106%).

Shareholders are advised that the financial information contained in this trading update and trading statement have not been reviewed or reported on by Nedbank Group´s auditors.

Sandton
22 May 2020

Sponsors to Nedbank Group in South Africa:
Nedbank CIB
Merrill Lynch South Africa (Pty) Limited

Sponsor to Nedbank Group in Namibia:
Old Mutual Investment Services (Namibia) (Pty) Ltd

Sponsors to Nedbank Limited in South Africa:
Nedbank CIB
Investec Bank Limited