



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’)

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

CREDIT RATINGS ACTION BY MOODY’S INVESTORS SERVICE

Shareholders and noteholders are referred to the Moody’s Investors Service (Moody’s) press release on 31 March 2020 and ratings action on the South African banks, including the ratings of Nedbank Limited, the 100%-owned subsidiary of Nedbank Group.

Moody’s downgraded the long-term local currency and foreign currency deposit ratings of Nedbank Limited to ba1 from baa3. The outlook on all the bank’s long-term deposit ratings and long-term issuer ratings remains negative.

These rating actions follow Moody’s decision on 27 March 2020 to downgrade the Government of South Africa’s long-term foreign currency and local currency issuer ratings to Ba1 from Baa3, and retain the outlook as negative. The South African sovereign ratings act as a ceiling and the rating of banks cannot be above that of the sovereign.

The Moody’s press release stated: ‘Moody’s downgraded the Baseline Credit Assessment (BCA) of Nedbank Limited to Ba1 from Baa3 primarily as a result of the increasingly difficult operating conditions, and our expectation that the bank’s profitability and asset quality metrics will deteriorate over the next 12 months. However, Nedbank’s BCA of Ba1 continues to reflect the bank’s solid local franchise and material investments in digitisation and information technology and its resilient capitalisation (a reported Common Equity Tier 1 capital ratio of 11,5%, as of December 2019). Nedbank’s asset quality metrics deteriorated only marginally over 2019 with NPLs rising to 3,6% as of December-end 2019 from 3,5% as of December-end 2018.’

Moody's further noted that: 'The negative outlook of the South African banks' ratings reflects our expectation that the weak economic environment will increase the downside risks for bank's credit profiles. The challenging operating environment will translate to higher impairments for the banks; exerting negative pressure on revenues and testing the resilient performance they have demonstrated in recent years. However, Moody's does not anticipate that the asset quality deterioration will materially compromise banks' capitalisation. The negative outlook on the bank is aligned with the outlook on the sovereign rating, which reflects downside risks around economic growth and fiscal metrics, that could lead to an even more rapid and sizeable increase in the debt burden, further lowering debt affordability and potentially weakening South Africa's access to funding'.

The specific rating changes for Nedbank Limited are as follows:

- Long-term local currency deposit ratings of Nedbank Limited: Downgraded to Ba1 from Baa3, outlook remains negative.
- Long-term foreign currency deposit ratings of Nedbank Limited: Downgraded to Ba1 from Baa3, outlook remains negative.
- Counterparty Risk Rating of Nedbank Limited: Downgraded to Baa3/P-3 from Baa2/P-2.
- Senior Unsecured MTN of Nedbank Limited: Downgraded to (P)Ba1 from (P)Baa3.
- Subordinate MTN of Nedbank Limited: Downgraded to (P)Ba2 from (P)Ba1.

The Moody's downgrade, taken in isolation of any other matters, is expected to have an immaterial impact on Nedbank Group's risk weighted assets (RWA) and therefore the impact on regulatory capital is also expected to be immaterial. In addition, the downgrade is expected to have a small impact on the group's cost of funds over time, as a result of the group being largely domiciled in SA and raising most of its deposits and funding in the closed rand system, with very little mismatch between foreign denominated funding and foreign denominated assets.

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1 April 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