NEDBANK

Nedbank Group Limited	Nedbank Limited
(Incorporated in the Republic of South Africa)	(Incorporated in the Republic of South Africa)
Registration number: 1966/010630/06	Registration No. 1951/000009/06
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JSE alpha code: NEDI	
(‘Nedbank Group’)	
(collectively the ‘group’)	

UPDATED NEDBANK GROUP TRADING STATEMENT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020 AND NOTIFICATION THAT NO INTERIM ORDINARY DIVIDEND WILL BE DECLARED

As advised in the SENS announcement released ahead of our AGM on 22 May 2020, the Nedbank Group’s performance in the first quarter to 31 March 2020 already reflected the impact of a difficult macroeconomic environment in SA and in our African operations. The Covid-19 pandemic and subsequent lockdowns, as well as financial market volatility in late March 2020 were extreme events and the negative impacts of these on the group’s client base became more evident in April 2020 and was expected to continue.

In the same SENS announcement of 22 May 2020 we noted that year on year advances growth was high single digits, supported by wholesale clients drawing on available facilities and with retail lending slowing as demand for new retail loans stalled during the lockdown. The group’s net interest margin had decreased from the 2019 level as a result of the endowment impact from lower interest rates and impairments rose steeply in April 2020 primarily as a result of the negative impact of forward-looking IFRS 9 macro-model adjustments. Client transactional activity had slowed as the lockdown commenced and trading income had grown strongly, benefitting from increased market volatility.

We highlighted at our AGM in May 2020 that our focus at this time was primarily on the health and safety of our staff and clients and serving and supporting clients in good standing in managing their finances through this difficult period. While it is still too early to draw final conclusions, Covid-19 infection rates in staff appear to have peaked in July and are trending downwards. Unfortunately five staffmembers have passed away from Covid-19 and related illnesses and we extend our deepest condolences to their families and friends. In support of our clients and as a result of the economy, in the period up to 30 June 2020, we have approved and concluded loan restructures qualifying under SARB Directive 3/2020 for over 375 000 eligible clients amounting to R119bn and in so doing have helped our clients to better manage their cashflows through the crisis.

The largest impact of the Covid-19 pandemic on the group's financial performance in the six months to 30 June 2020 has been a significant increase in the impairment or expected credit loss charge, including forward-looking IFRS 9 macro-model adjustments and judgmental overlays for anticipated Covid-19 related impacts and estimates of future job losses, as well as increases in impairments on Stage 3 advances. The combined macro-model adjustments and judgmental overlays amounted to R2,9bn for the period (across stages 1, 2 and 3), with the annualised credit loss ratio to June 2020 increasing to just over 1,9%. Given the annualisation impact of the IFRS 9 forward-looking macro-model adjustments and judgemental overlays, the full year credit loss ratio to December 2020 is currently expected to be lower than June 2020, but above the levels of the global financial crisis (1,52%). NII to 30 June 2020 grew in low single digits and was impacted by lower endowment income as a result of interest rates cuts and a slowdown in advances growth since Q1. NIR had showed positive growth in Q1 2020, but by the end of Q2 2020 NIR in H1 2020 had decreased by mid-single digits when compared to H1 2019, largely as a result of lower client transactional activity in lockdown and negative revaluations to unrealised private equity investments driven by lower listed market prices and increases in the cost of equity. These impacts were partially offset by very strong trading income growth given increased market volatility. With the gradual easing of lockdown restrictions, client transactional activity in May and June improved from the lows in April, but remained below March levels. Expenses were tightly controlled with overall expenses slightly lower than H1 2019.

Our primary focus since the crisis started has been on resilience: ensuring the health and safety of our staff and clients, invoking business continuity plans, ensuring IT systems stability, supporting our clients in managing their finances through this difficult period and closely managing liquidity, credit risk, capital and discretionary costs.

As at 30 June 2020, the group's balance sheet remained strong with capital and liquidity ratios above board-approved minimum targets and well above all regulatory requirements. Notwithstanding this, in line with SARB Guidance Note 4/2020, the board deemed it appropriate not to declare an interim ordinary dividend (Nedbank Group) for the period ended 30 June 2020. The Nedbank Limited preference share dividend is still expected to be declared as preference shares are not impacted by this guidance note.

Trading statement update

In accordance with section 3.4(b) of the JSE Listings Requirements and further to the trading statement released on 22 May 2020 where shareholders were advised that headline earnings per share (HEPS) and earnings per share (EPS) for the six month period ending 30 June 2020 (H1 2020) were 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), the board now has reasonable certainty regarding the extent of the decline and therefore the relevant HEPS and EPS ranges are as follows:

- HEPS for H1 2020 is expected to be between 67% and 72% lower than the comparative period, resulting in a range of between 474 cents and 402 cents per share.
- EPS for H1 2020 is expected to be between 79% and 84% lower than the comparative period, resulting in a range of between 298 cents and 227 cents per share.

The difference between the HEPS and EPS ranges is primarily attributed to an additional R750m impairment the group has raised against the carrying value of its investment in Ecobank Transnational Incorporated to reflect the more difficult trading environment expected in the period ahead, particularly in Nigeria. While various scenarios supported a value-in-use calculation above the carrying value of our investment, in the current environment giving more weight to downside scenarios resulted in the additional impairment.

H1 2020 results announcement

Nedbank Group's results for the six months ended 30 June 2020 will be released on the JSE Stock Exchange News Service on 26 August 2020 and will also be available on the group's website: nedbankgroup.co.za.

While these are very challenging times, Nedbank Group is well prepared to respond to and manage the risks that have emerged. We have strong, capable and experienced management teams in place to navigate our way through these headwinds and emerge stronger and more competitive on the other side. The group remains profitable and capital and liquidity ratios are strong and in full compliance with all prudential regulatory requirements.

We thank our 29 000 dedicated staffmembers who have been observing the Covid-19 health protocols and supporting our clients and the economy during this difficult period.

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

Sandton
20 August 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