



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

CREDIT RATINGS ACTION BY MOODY’S INVESTORS SERVICE

Shareholders and noteholders are referred to the Moody’s Investors Service (Moody’s) press release on 24 November 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 and foreign currency deposit ratings of Nedbank Limited from Ba1 to Ba2. 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 20 November 2020 to downgrade the Government of South Africa’s long-term foreign currency and local currency issuer ratings from Ba1 to Ba2, and maintain the negative outlook. The South African sovereign ratings act as a ceiling and the rating of domestic banks cannot be above that of the sovereign.

The Moody’s press release stated: ‘Today’s rating actions on the five South African banks reflect (i) the deterioration in the creditworthiness of the South African sovereign, as indicated by the downgrade of the Government of South Africa’s issuer rating to Ba2 from Ba1. The weakening in the sovereign’s credit profile has direct implications for banks given their significant holding of sovereign securities on their balance sheets; and (ii) the gradual weakening of the banks’ standalone credit profile as the coronavirus pandemic exacerbates an already challenging operating environment in South Africa.’

Moody’s further noted that: ‘More positively, the rating agency expects the South African banks to continue to maintain solid capital buffers, along with sound funding and liquidity. Systemwide gross loans to deposit ratio was also healthy at 89%.’

The specific rating changes for Nedbank Limited are as follows:

- Long-term local currency deposit rating of Nedbank Limited: Downgraded from Ba1 to Ba2, outlook remains negative.

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

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 not expected to have any significant 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. As noted in our Nedbank Group voluntary trading update for the nine months ended 30 September 2020, released on 29 October 2020, 'The group remains profitable and capital and liquidity ratios are strong and above board approved minimum targets and well above all regulatory requirements.'

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25 November 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