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
JSE share code: NED	JSE share code: NBKP
NSX share code: NBK	ISIN: ZAE000043667
ISIN: ZAE000004875	JSE alpha code: BINBK
JSE alpha code: NEDI	
('Nedbank Group')	
(collectively the 'group')	

NEDBANK GROUP PRE-CLOSE INVESTOR UPDATE AND FURTHER TRADING STATEMENT FOR THE SIX-MONTH PERIOD ENDING 30 JUNE 2021

This announcement follows the group's voluntary trading update for the first four months of the year ('4M 2021') issued on 27 May 2021, prior to our AGM the following day, and includes subsequent trends to the end of May 2021 as well as expectations of the group's performance for the six-month period ending 30 June 2021.

Real SA GDP grew by 4,6% qoq seasonally adjusted and annualised in Q1 2021. In June the Nedbank Group Economic Unit revised its SA GDP growth forecast for 2021 from 4,4% (3,4% in February 2021) to 5,0% and still expects the SA prime interest rate to remain flat in 2021, before increasing by 100 bps in 2022.

Pre-close update

While the five months to 31 May 2021 ('5M 2021') still reflected the ongoing impact of a difficult macroeconomic environment on client activity and revenue growth, the group recorded a material reduction in the impairment charge compared to the five months to 31 May 2020 ('the prior period'), resulting in headline earnings to May 2021 that are materially higher than the R2 114m headline earnings reported for the full six months to 30 June 2020.

Average interest earning banking assets declined yoy, reflecting the impacts of lower gross loans and advances in CIB as a result of clients using excess liquidity to repay committed facilities and a conscious focus on portfolio optimisation by reducing lower yielding assets. 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 and the increase in the RMB BER SA business confidence index to 50 in Q2 2021 (from 35 in Q1 2021). Gross loans and advances growth in RBB continued its momentum from 2020, benefitting 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.

Net interest income (NII) growth momentum continued into May 2021 and we expect H1 2021 NII growth to be at the top end or slightly above the guidance provided for the full year 2021 (0% to 3%). Net interest margin (NIM) is expected to increase from the 336 bps reported in FY 2020, driven by ongoing improved asset pricing, mix changes and high quality liquid assets optimisation.

At the end of May 2021, the group's CLR remained below the bottom end of the 110 bps to 130 bps guidance we provided for the full year 2021 and we expect this performance to remain in place for H1 2021. While this is a very encouraging start to the year, it is too early to reduce our full year guidance for the CLR, given the uncertain outcome of the third wave of Covid-19 infections, risk of a delay in vaccine supply and the slow rollout thereof. The reduction in impairments was driven by an improving macroeconomic outlook, excellent collection outcomes, the benefit of the 300 bps lower interest rates on clients' ability to service their debt, the tightening of credit criteria ahead of the Covid-19 crisis, the group's decision not to perpetually extend D3 loans and a better-than-expected performance of D7 loans exiting their monitoring period. The group remains well-provided with no material change in the R3,9bn judgemental overlays that were raised during 2020 as we remain cognisant of ongoing risks relating to Covid-19.

The group's non-interest revenue (NIR) declined up to the end of May 2021, reflecting the faster than expected unwind of a significant proportion of the group's fair value gains recorded in H1 2020 and the impact of a high trading revenue base in the prior period. Although NIR growth is expected to remain negative for H1 2021 before turning positive for FY 2021, the extent of NIR decline for 5M 2021 reduced (improved) when compared to the decline reported for 4M 2021. NIR excluding fair value adjustments increased by low to mid-single digits, which trend we expect to continue through to H1 2021. Commission and fees increased to the end of May 2021 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. Insurance income is growing as we benefit from higher investment returns and higher premiums on life products. Credit life loss-of-income and funeral claims remain elevated when compared to the prior period, although claims are showing a declining trend from recent highs. Trading income remains robust, tracking in line with expectations, but is lower given the high base as a result of the volatile market conditions in the prior period. Private equity income reflects good growth compared to the negative revaluations in the prior period.

Expenses to the end of May increased by low to mid-single digits and continue to be well managed in response to the more challenging environment. Variable incentive related costs are increasing, driven by the group's improved financial performance. Expense growth is expected to increase from these levels for both H1 2021 and FY 2021 as new additional costs such as Deposit Insurance and Twin Peaks are likely to be incurred, as well as the return of some discretionary spend during the remainder of 2021. The group's JAWS ratio (revenue growth, including associate income, less cost growth) remains negative, as expected. Excluding fair value adjustments, the JAWS ratio was positive to the end of May 2021.

As a result of the group's improved financial performance, ROE for 5M 2021 has increased to early double digits. While this is still below the cost of equity it is well above both the prior period and the 6,2% reported in FY 2020.

At 31 March 2021, Nedbank Group reported strong capital and liquidity ratios in our Pillar 3 disclosures. The CET1 capital adequacy ratio of 11,3% (March 2020 and December 2020: 10,9%) is above the mid-point of our board-approved target range of 10% to 12%, the Liquidity Coverage Ratio was 128% (March 2020: 110% and December 2020: 126%) and the Net Stable Funding Ratio was 112% (March 2020: 110% and December 2020: 113%). The group's CET1 ratio is expected to increase further by 30 June 2021. We currently plan to resume dividend payments when reporting interim results in 2021, with the pay-out ratio still to be determined by the board.

Further updated trading statement

In our FY 2020 results announcement on 17 March 2021 and our 4M 2021 voluntary trading update on 27 May 2021, we advised shareholders that headline earnings per share (HEPS) and basic earnings per share (EPS) for the six-month period ending 30 June 2021 are expected to increase by more than 20%. We update this initial guidance and now expect HEPS and basic EPS for the six-month period ending 30 June 2021 to increase by more than 100% (HEPS greater than 876 cents and basic EPS greater than 540 cents) when compared with those in the six-month period to 30 June 2020 (HEPS: 438 cents and basic EPS: 270 cents).

A further trading statement will be issued to provide more specific guidance once there is reasonable certainty regarding the extent of the increase above 100% in earnings and the relevant HEPS and EPS ranges. Nedbank Group's results for the six months ended 30 June 2021 are currently expected to be released on the JSE Stock Exchange News Service on or about 11 August 2021.

Group CFO, Mike Davis, will be hosting a pre-close investor call at 17:30 (SA-time) on 23 June 2021.

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

Sandton
23 June 2021

Sponsors to Nedbank Group in South Africa:
Nedbank Corporate and Investment Banking, a division of Nedbank Limited
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 Corporate and investment Banking, a division of Nedbank Limited
Investec Bank Limited