NEDBANK

Nedbank Group Limited	Nedbank Limited
(Incorporated in the Republic of South Africa)	(Incorporated in the Republic of South Africa)
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(‘Nedbank Group’)	
(collectively the ‘group’)	

NEDBANK GROUP VOLUNTARY TRADING UPDATE FOR THE FOUR MONTHS ENDED 30 APRIL 2022

Operating environment

In the first few months of 2022 the operating environment remained broadly supportive for banks and our clients, driven by generally firmer economic activity, moderate credit growth and slightly higher interest rates. Much of the momentum came from relatively robust consumer spending, underpinned by higher household incomes and enabled by limited Covid-19-related restrictions. At the same time, export growth held up relatively well, supported by firm global demand and elevated international commodity prices.

Towards the end of Q1 2022 the global and SA economic environment became more challenging. Russia’s invasion of Ukraine has pushed global oil and food prices higher, adding to the inflationary pressures that were already emerging on the back of supply shortages, disruptions to global logistics and transport networks, and loose monetary policy. Faster than expected increases in inflation have caused the Federal Reserve in the US and other major central banks to tighten monetary policies more aggressively. As a result, global economic growth is expected to slow materially in the quarters ahead.

In SA we expect export volumes will be hurt by slower global growth, but elevated export prices should provide some benefit. The country’s terms of trade should hold up relatively well as elevated gold and metal prices, responsible for about 50% of SA’s exports, should help compensate for the surge in global oil and food prices. However, SA will not escape the inflationary implications with inflation likely to exceed the upper end of the SARB’s inflation-targeting band in H1 2022, resulting in higher interest rates and adversely impacting growth. The ongoing power outages, damage from the floods in Kwazulu-Natal and an uptick in Covid-19 cases are likely to weigh on confidence and also dampen economic activity, particularly in Q2 2022.

During May 2022, the Nedbank Group Economic Unit revised its SA GDP growth forecast downwards for 2022 from 1,7% (our forecast in February 2022) to 1,6%. Our forecast for average CPI (SA inflation) increased from 4,9% to 6,1% (with a peak of around 6,9% in Q2 2022) and the forecast for the SA prime interest rate at the end of the year increased from 8,50% to 9,25% (a further 100 bps increase from the current level of 8,25%).

The floods in Kwazulu-Natal resulted in damage to infrastructure, businesses and homes. They also interrupted supply chains, local business activity and the lives of residents, with more than 445 deaths recorded and the number is expected to rise as a result of further floods in May 2022. The 9 Nedbank branches that were closed for an extended period of time due to flood-related damage have since reopened.

Financial performance

The financial performance of the group in the first four months to 30 April 2022 ('the period' or '4M 2022') compared to the first four months to 30 April 2021 ('prior period') reflects robust net interest income (NII) and non-interest revenue (NIR) growth, a credit loss ratio (CLR) within the top half of our through-the-cycle (TTC) target range, strong associate income growth and good expense control. All key financial metrics are currently performing in line with achieving the 2022 full year financial guidance provided by management in March 2022.

NII growth for 4M 2022 was at high single digits when compared to the prior period, driven by low-to-mid single digit loan growth and an ongoing increase in the group's net interest margin (NIM). Average interest earning banking assets increased yoy by low-to-mid single digits, reflecting selective growth in CIB loans and advances where demand for new wholesale loans remained moderate, while growth in RBB loans and advances was in line with expectation, slightly ahead of mid-single digits. Deposit growth remained ahead of advances growth and household transactional deposit market share grew by 0,2% to 13,7% in Q1 2022. The group's NIM increased from the 373 bps reported in FY 2021, driven by run-rate benefits and interest rate increases in 2022. The growth in NII for 4M 2022 was in line with management expectations.

Impairments for 4M 2022 increased compared to the prior period and the group's credit loss ratio (CLR) was within the top half of the group's through-the-cycle (TTC) target range, in line with the 80 bps to 100 bps guidance we provided for the full year 2022 and slightly below management expectations for the period. CLRs for CIB, RBB, Nedbank Wealth and Nedbank Africa Regions (NAR) were all within their respective TTC target ranges. The R1,5bn Covid-19-related overlays at 31 December 2021 remain in place and will be reviewed prior to finalising our H1 2022 results. Nedbank has no direct exposure to Ukraine and Russia, and insignificant indirect exposure.

NIR growth for 4M 2022 was early double digits, boosted by the fair value losses recorded in H1 2021 that did not recur. Fee and commission growth was solid, driven by ongoing improvement in transactional activity, cross-sell and main-banked client growth. This strong NIR growth was partially offset by delays in closing deals in CIB and a muted trading performance in the Markets business. NIR was also impacted by accounting for estimated insurance claims (net of re-insurance) relating to the

KwaZulu-Natal floods. NIR growth was slightly below mid-single digits when excluding fair value adjustments and was in line with management expectations.

For the period, expense growth was slightly above mid-single digits and continued to be well managed and in line with management expectations, in response to the more challenging environment. The group's JAWS ratio (revenue growth, including associate income, less cost growth) was positive, both including and excluding fair value adjustments. PPOP growth was in double digits.

For Q1 2022, associate income of R258m, relating to Nedbank Group's 21% shareholding in ETI has been recognised (ETI reported attributable income to shareholders of $80m in Q4 2021). In addition, ETI released its Q1 2022 results on 25 April 2022 (reporting attributable income to shareholders of $66m) and Nedbank's share is estimated to contribute R211m to associate income in Q2 2022 (accounted for a quarter in arrear). As a result, we estimate associate income relating to ETI for H1 2022 to be approximately R469m (subject to the final average exchange rates in Q2 2022), up 74% compared to ETI-related associate income of R270m in H1 2021. The ETI share price increased by 34% since December 2021 (8,70 Naira) to 25 May 2022 (11,70 Naira).

At 31 March 2022, Nedbank Group reported a CET1 capital adequacy ratio of 12,7% (March 2021: 11,3% and December 2021: 12,8%), above the upper end of our board-approved target range of 11% to 12%, reflecting the impact of earnings growth, offset by the declaration of the group's final 2021 dividend. Liquidity metrics remain strong with the group's Liquidity Coverage Ratio at 134% (March 2021: 128% and December 2021: 128%) and Net Stable Funding Ratio at 118% (March 2021: 112% and December 2021: 116%).

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

Sandton
27 May 2022

Sponsors to Nedbank Group in South Africa:
Merrill Lynch SA Proprietary Limited t/a BofA Securities
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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

Debt Sponsor to Nedbank Limited:
Nedbank Corporate and Investment Banking, a division of Nedbank Limited