



Nedbank Group Limited  
(Incorporated in the Republic of South Africa)  
Registration number: 1966/010630/06  
JSE share code: NED  
NSX share code: NBK  
A2X share code: NED  
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 alpha code: BINBK

## **NEDBANK GROUP PRE-CLOSE INVESTOR UPDATE**

This announcement follows the group’s voluntary trading update for the first four months of the year (‘4M 2023’) that was issued on 2 June 2023 (‘4M 2023 update’) as part of the proceedings at the group’s AGM and includes subsequent trends to the end of May 2023 (‘5M 2023’), as well as expectations of the group’s performance for the six month period ending 30 June 2023 (‘H1 2023’) and the twelve-month period ending 31 December 2023 (‘FY 2023’).

The group’s 4M 2023 update is available on the group’s website:

<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2023.html>

### **Macroeconomic update**

In the group’s 4M 2023 update we noted that global economic activity had slowed and that the operating environment in SA has become much more challenging when compared to our expectations at the start of the year. This view remains in place and since the release of the group’s 4M 2023 update, the Nedbank Group Economic Unit has updated its SA GDP growth forecast for FY 2023 to 0,1% (4M 2023 update: 0,2%) and its inflation forecast to average 5,9% in 2023 (4M 2023 update: 6,0%), and now expects a further 25 bps increase in the SA prime interest rate to 12,0% in July 2023 (4M 2023 update: no increases).

As set out in the group’s 4M 2023 update, the primary implications of these difficult macroeconomic outcomes are higher levels of consumer stress and resultant credit losses, offset to some extent by higher levels of endowment income. At the end of May 2023, the benefit of increased endowment income was still ahead of the incremental increase in impairments.

### **Pre-close investor update**

The group's financial performance in 5M 2023 reflects similar trends to what was communicated in the group's 4M 2023 update. Headline earnings growth for 5M 2023 was supported by continued strong net interest income (NII) and non-interest revenue (NIR) growth, a credit loss ratio (CLR) that was above the top end of the group's through-the-cycle (TTC) target range, very strong associate income growth and focused expense management.

The guidance provided in the group's 4M 2023 update remains intact.

Strong NII growth continued into May 2023, and we expect NII growth to be above mid-teens for both H1 2023 and FY 2023. Average interest earning banking assets increased yoy by high single digits and the group's net interest margin remains higher than the 410 bps reported for Q4 2022, driven by the run-rate benefit of interest rate increases in 2022 and further interest rate increases in 2023.

At the end of May 2023, the group's CLR remained above the group's TTC target range of 60 bps to 100 bps, but improved slightly from the CLR in 4M 2023. The group's CLR reflects the impact of higher-than-expected interest rate increases, higher levels of inflation and higher levels of loadshedding on consumers. RBB's CLR remained above its TTC target range of 120 to 175 bps with Stage 3 loans increasing, while the CLRs for CIB and Nedbank Africa Regions (NAR) were within their respective TTC target ranges, and Nedbank Wealth's CLR remained slightly below its TTC target range. Our guidance remains for the group's CLR to be above the top end (100 bps) of the TTC target range for both H1 2023 and FY 2023.

NIR grew by high single digits up to the end of May 2023, supported by, amongst others, solid fee and commission growth, strong insurance income growth and foreign currency exchange gains on US dollar capital in Zimbabwe, offset to some extent by the net monetary loss. Our guidance for NIR growth for FY 2023 of around mid-single digits remains in place and mid to high single digit growth is expected in H1 2023.

In our 4M 2023 update we noted that we estimate associate income relating to ETI for H1 2023 to be approximately R749m, up 59% compared to ETI-related associate income of R469m in H1 2022.

Expense growth to the end of May 2023 was high single digits as a result of higher non-salary related staff costs, higher levels of communication and travel costs, as well as higher fees linked to revenue growth. Our guidance for expense growth for FY 2023 of mid-to-upper single digits remains in place, with H1 2023 growth expected at high single digits.

As set out in the group's 4M 2023 update, we still expect the group to produce muted headline earnings growth in H1 2023 with a better performance expected in H2 2023 (six months to 31 December 2023) given higher levels of H1 2023 impairments in RBB and in CIB the impact of higher equity revaluations in H1 2022 and the delay in closing renewable energy rounds to H2 2023, partly offset by strong growth in Nedbank Wealth and Nedbank Africa Regions.

The Nedbank Group CET1 capital adequacy ratio of 13,5% at the end of March 2023, as reported in our Pillar 3 disclosures, was well above the upper end of the group's board-approved target range of 11% to 12%, reflecting the benefit of ongoing strong earnings growth, offset by the declaration of the group's final 2022 dividend, balance sheet growth and capital optimisation activities.

At the end of May 2023, the group had substantially completed its general share repurchase programme with a total of R4,25bn shares repurchased, at, on average, price levels slightly below the group's book value per share (31 December 2022: R215,33). This will be ROE and DHEPS accretive. The odd-lot offer, which comprises the balance of the R5bn capital optimisation initiative, was approved by the group's shareholders at the group's general meeting on 2 June 2023. The offer price per Nedbank Group share in respect of the odd-lot offer is 23 406.68584 cents based on a 5% premium to the 10-day VWAP of a Nedbank Group share traded on the JSE at the close of business on Monday, 19 June 2023, being 22 292.08175 cents. The odd-lot offer closes on Friday, 30 June 2023.

Liquidity metrics remained strong with no implications evident from recent global banking and other developments.

#### **Investor call**

Nedbank Group CFO, Mike Davis, will host a pre-close investor call based on this release at 17:15 (SA-time) on Monday, 26 June 2023. Please contact [NedgroupIR@nedbank.co.za](mailto:NedgroupIR@nedbank.co.za) for the details of this meeting.

Nedbank Group's results for the six months ended 30 June 2023 are currently expected to be released on the JSE Stock Exchange News Service on or about 8 August 2023.

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

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26 June 2023

#### **Investor Relations contact**

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