



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 2024’) that was released on the Stock Exchange News Service of the JSE Limited (‘SENS’) on 31 May 2024 (‘4M 2024 update’) as part of the proceedings at the group’s AGM and includes subsequent trends to the end of May 2024 (‘5M 2024’), as well as expectations of the group’s performance for the six month period ending 30 June 2024 (‘H1 2024’) and the twelve-month period ending 31 December 2024 (‘FY 2024’).

The group’s 4M 2024 voluntary trading update is available on the group’s website:

<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2024.html>

Operating environment

In the group’s 4M 2024 update we noted that the operating environment during the first four months of the year remained challenging and generally, economic activity was weak, impacted by geopolitical uncertainty, high interest rates and high inflation. Household finances remained under pressure as real incomes contracted and job prospects remained muted. Corporate activity was also weak, impacted by the uncertain political and economic environment. These difficult conditions continued through to May 2024. The financial implications of these difficult macroeconomic outcomes are evident in continued elevated levels of consumer strain and slow credit and transactional revenue growth across both wholesale and retail portfolios.

The recent conclusion of peaceful SA national elections and the formation of a Government of National Unity (GNU) have boosted investor confidence, reflected in the rand’s appreciation against major currencies, a positive equity market reaction and reduction in bond yields. This optimism, driven by members of the GNU’s intention to ensure rapid, inclusive and sustainable economic growth, address

poverty, create jobs and promote fixed capital investment and infrastructure development, is likely to result in a more supportive operating environment for our clients over time.

Pre-close investor update

The group's financial performance in 5M 2024 reflects similar trends to what was communicated in our 4M 2024 update. Headline earnings growth for 5M 2024 of around mid-single digits was driven by softer net interest income (NII) and non-interest revenue (NIR) growth when compared to our 2024 full year guidance, lower levels of associate income, a decline in the impairments charge and good expense management.

NII growth was below mid-single digits for 5M 2024 when compared to the prior period. Average gross banking loans and advances growth in Corporate and Investment Banking (CIB) remained slow and in Retail and Business Banking (RBB) was around mid-single digits. The group's net interest margin declined slightly, as anticipated, when compared to the 4,21% reported in FY 2023. We expect NII growth to be below mid-single digits for both H1 2024 and FY 2024 when compared to initial management expectations for FY 2024 of above mid-single digit growth.

At the end of May 2024, impairments continued to decline with the group's credit loss ratio (CLR) reducing period on period but remained slightly above the group's board-approved through the cycle (TTC) target range of 60 bps to 100 bps, improving further from the CLR at 4M 2024. RBB's CLR declined period on period due to better collections and improved loan origination but remained above its TTC target range of 120 bps to 175 bps given the impact of an ongoing higher interest rate environment and normal seasonality in the first few months of the year. The CLRs for CIB and Nedbank Africa Regions (NAR) were within their respective TTC target ranges, while the Nedbank Wealth CLR was below its TTC target range. Our guidance remains for the group's CLR to be above 100 bps for H1 2024 and continue to improve and to move back to within the top half of the group's TTC target range for FY 2024.

NIR growth was below mid-single digits in 5M 2024 when compared to the prior period, supported by, amongst others, mid-to-upper single digit fee and commission growth and good trading income growth. NIR growth was however negatively impacted by insurance income that declined period on period mainly as a result of lower personal loans premiums, given our cautious approach in unsecured lending in the current environment and lower shareholder investment returns. Other NIR was lower than the prior comparative period, impacted by the base effect of foreign currency gains on US\$ capital in Zimbabwe, net of the net monetary loss (NML) in the prior period. This will not be repeated as a result of moving to the US\$ as functional currency in Nedbank Zimbabwe. Our guidance for NIR growth of above mid-single digits remains in place for H1 2024, as well as FY 2024.

In our 4M 2024 update we estimated associate income relating to ETI for H1 2024 to be approximately R510m, down 32% compared to ETI-related associate income of R749m in H1 2023, given the base effect of the reversal in H1 2023 of the R175m estimate provided by Nedbank Group for our share of the impact of the Ghana sovereign domestic debt restructure programme, that will not repeat.

Expense growth was above mid-single digits in 5M 2024 when compared to the prior period and slightly better than management expectations. Our guidance for expense growth for H1 2024 and FY 2024 of mid-to-upper single digits remains in place and a key focus.

We expect the group to produce slightly lower headline earnings growth in H1 2024 when compared to H2 2024 (six months to 31 December 2024), primarily as a result of the impact of slow revenue growth in H1 2024, as well as H1 2023 base impacts that won't repeat (R175m reversal of our share of the impact of the Ghana sovereign domestic debt restructure programme in ETI-related associate income and R399m of foreign currency gains net of the NML on US\$ capital in Zimbabwe). ROE for H1 2024 is expected to be higher than the 14,2% reported in H1 2023.

The Nedbank Group CET1 capital adequacy ratio of 13,1% at the end of March 2024, 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%, and liquidity metrics similarly remained very strong.

Investor call

Nedbank Group CFO, Mike Davis, will host a pre-close investor call based on this release at 17:30 (SA-time) on Tuesday, 25 June 2024. Please contact NedgroupIR@nedbank.co.za for the details of this meeting.

Nedbank Group's results for the six months ended 30 June 2024 are currently expected to be released on SENS on or about 6 August 2024.

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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25 June 2024

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