While our material matters on the following pages set the agenda for our strategic actions over the coming years, from March 2020 we witnessed the impact of the Covid-19 pandemic on individuals, families, businesses, societies and countries as infection rates escalated around the world and in SA. In response to this, governments globally have implemented emergency measures to curb the spread of the virus. At Nedbank we have and continue to work tirelessly to ensure that all our stakeholders deal with this escalating challenge. Our primary focus is on the health and safety of our staff alongside the continuous and uninterrupted provision of world-class banking and other financial services to our clients.

Financial markets dropped sharply and market movements are more volatile than during the global financial crisis as investors reduced their risk appetite and grappled with estimating the economic impacts of Covid-19 – with many economists predicting that some form of global recession is likely. In addition, global oil markets have also dropped sharply following disagreements between Russia and Saudi Arabia on levels of supply. Events like these are difficult to predict and referred to as ‘black swan’ events - meaning they are rare events that can have extreme consequences. On their own, the spread of Covid-19 or the oil price falls would be difficult for many parts of the world to deal with, but together they are exceptionally challenging.

Despite various scientific and forecasting models, the real long-term impact of these events on economic activity in many places has dropped materially and financial markets are likely to continue to be volatile as more data on infection rates and economic activity emerges. This is likely to be particularly the case in SA as our economy was already under stress, so these events could not have come at a worse economic time for our country.

**SA GOVERNMENT’S RESPONSE**

President Ramaphosa announced a nationwide lockdown effective from midnight, 26 March 2020, resulting in non-essential services being closed for a period of 21 days. Banks have been declared an essential service during the 21-day lockdown. As a result, all Nedbank essential banking services will remain open during the lockdown to ensure clients can continue to access essential financial services while keeping our staff safe through the significant health and safety measures taken.

The banks through the Banking Association of South Africa (BASA) have agreed to do all in their power to play their role in supporting their clients in this period of enormous challenge for all South Africans while at the same time preserving the safety and soundness of the financial system.

Similar measures have been taken by governments in other African countries.

**WHAT WE HAVE DONE IN RESPONSE**

While the circumstances leading to this outbreak are largely out of our control, at Nedbank we manage the escalating spread by being proactive and responsible. We have implemented precautionary and preventative actions to help ensure the health and wellbeing of all our staff, clients and other stakeholders, and to ensure Nedbank’s business continuity and continuous service to our valued clients.

We have established a Group Executive Covid-19 steering committee to oversee our actions and manage the unfolding risks. This committee is supported by a Covid-19 Pandemic steering committee, focusing on operational matters including managing business continuity plans, a Liquidity steering committee focusing on maintaining a healthy liquidity position and a Credit Covid-19 Crisis Committee looking at and managing credit risks as they emerge and working with BASA on regulatory relief required to enable banks to continue supporting their clients through the crisis. In addition, our various clusters have specific working groups in place to manage through the crisis.
Below are some of the key actions we have implemented to date.

**Staff**

- We activated our business continuity plans, tailored for the Covid-19 pandemic and the 21-day lockdown.
- All staff who are able to work from home have been allowed to do so – 80% of our staff were equipped to work remotely because of our continued focus on technology enablement.
- Various critical functions that cannot function remotely continue to operate at Nedbank premises, and we set up teams between offices, different floors and resumption sites.
- A dedicated Nedbank Covid-19 portal was established to regularly provide information on our policies, health precautions, ICAS, support, FAQs and other staff updates.
- All conferences, functions, training and other events were prohibited.
- The health and safety of our staff remain paramount and we have increased focus on sanitation and health practices.

**Clients**

- While there will be changes to how we operate, providing excellent service to all our clients and maintaining all Nedbank’s business operations and services at the highest level possible continues as before.
- Although with reduced physical presence, we continue to enable and educate our clients around banking through our mobile and web capabilities. Clients are encouraged to use Nedbank’s digital channels and other self-service options, so they stay safe by doing their banking at home with all the security they require.
- The implementation of our digital onboarding, sales and servicing capabilities have proven to be beneficial in this time and we continue to focus on further rollout during the year.
- Nedbank is committed to supporting clients during this time of uncertainty and have a number of solutions available to assist clients in good standing who are impacted by this pandemic. We are working alongside and support our clients with suitable individual solutions to manage cashflow challenges they may experience. This support includes deferring payments (or part thereof) for a suitable period, extending existing loan periods or extending additional credit to manage short-term cashflow shortfalls. In this context we expect impairments to increase.

**Regulators**

SARB and the Prudential Authority (PA) announced various measures to support the banking system in SA. These include:

- **Liquidity** – a number of changes were made to SARB’s current liquidity management strategy to assist domestic banks in their role of supporting the domestic financial system including individuals, SMEs, corporates and asset managers. Some of the changes include:
  - SARB will provide supplementary overnight repos, inject more liquidity into the system if required and give banks access to standing facilities as provided for in times of market stress.
  - Domestic banks will use these facilities as and when required to assist with the orderly transmission of liquidity through the banking system.
  - To add liquidity to the financial system, SARB will buy government securities in the secondary market across the yield curve.
- **Guidance notes and directives** – the PA additionally announced various guidance notes and directives to support the SA banking system. These include:
  - Matters relating to the application of International Financial Reporting Standards (IFRS) in response to the Covid-19 pandemic – Banks should carefully assess all reasonable and supportable information that is available to make a distinction between those accounts/portfolios whose credit risk has increased significantly (stage 2 or 3) and those whose credit risk has not increased significantly (stage 1). Accounts that are not expected to remain in good standing post the relief measures or despite the relief measures, still exhibit signs of distress, should be modelled in a way that illustrates the increase in credit risk (stage 2 or 3).
  - In addition, since these relief measures are intended to provide temporary relief, it is unlikely that these would result in substantial modifications resulting in derecognition of the financial assets.
  - Matters related to temporary capital relief to alleviate risks posed by the Covid-19 pandemic – The PA has implemented measures to reduce the specified minimum requirement of capital and reserve funds to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole and to individual banks. These measures are intended to provide relief to banks in response to the Covid-19 pandemic thereby enabling banks to continue providing credit to the real economy during this period of financial stress.
  - Matters related to the treatment of restructured credit exposures due to the Covid-19 pandemic – The PA is supportive of Covid-19 related relief initiatives, such as payment holidays being offered by banks, in order to provide relief to certain borrowers who were up to date at 29 February 2020 in an effort to mitigate the impact of the pandemic. Consequently, the PA has implemented measures to ensure that these initiatives, such as holidays, do not result in unintended consequences such as inappropriate higher capital requirements. In response, the PA has provided temporary relief for qualifying loans from portions of Directive 7/2015 dealing with distressed restructurings. Importantly, this relief covers retail SME and corporate loans including all specialist asset classes such as commercial property.
  - Temporary measures to aid compliance with the liquidity coverage ratio during the Covid-19 pandemic stress period. The PA has deemed it appropriate to temporarily amend the minimum LCR requirement to 80% effective from 1 April 2020.
  - Recommendations on the determination of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in light of the negative economic impact of the Covid-19 pandemic.

We continue to work closely with our regulators to manage emerging risks, ensure liquidity and support of the SA banking system.

**Society**

If ever there was a time to be the difference that impacts our world, if ever there was a time to be stronger together, the time is now. At Nedbank we will continue to use our financial expertise in this difficult time, to do good.

- All Nedbankers called upon to embrace our Nedbank Pledge – to be mindful in the time of the Covid-19 outbreak and to set an example not only for other Nedbankers, but for our families, clients and communities in preventing the spread of Covid-19.
- We continue to pay our exempt microenterprises within seven days and qualifying SMEs within 30 days from invoice for services rendered.
- Our market-leading digital banking solutions support clients to do payments remotely and from home as we support efforts to ‘Flatten the curve’.
- Nedbank is one of the four leading banks that will administer the South African Future Trust scheme (established by Nicky and Jonathan Oppenheimer) to facilitate the distribution of loans to small businesses. This will be at no cost to the fund and we have also waved our normal credit fees for all loans approved under the scheme to maximise the funds available to recipients.
- We will be donating R12m towards Covid-19 relief efforts – of that R5m specifically for the Red Cross.
- For the duration of the current lockdown and to help those most vulnerable in our society, we have significantly reduced our charges for South African Social Security Agency (SASSA) grant beneficiaries and increased the number of pay-points they can use to collect their grants, which will help maintain social distancing in queues at bank branches and retailers.

This means SASSA beneficiaries will have more options for collecting their grants, including using ATMs at reduced costs.

**SDG IMPACTED**

-**1. No poverty**
-**2. Zero hunger**
-**3. Good health and well-being**
-**5. Gender equality**
-**6. Clean water and sanitation**
-**8. Decent work and economic growth**
-**9. Industry innovation and infrastructure**
-**10. Reduced inequalities**

**NEDBANK GROUP INTEGRATED REPORT 2019**
WHAT WE HAVE DONE IN RESPONSE continued

Shareholders

Our focus in this uncertain period remains on credit, liquidity and capital. We are managing emerging risks, monitoring our exposures/positions given material market movements, managing liquidity and capital levels, as well as working with regulators to ensure a stable banking system (see key regulatory actions on the previous page).

As at 14 April 2020, Nedbank has complied with all minimum regulatory requirements, including LCR, NSFR and capital ratios. Shareholder concerns around credit risk have increased. To this end, we have reviewed key risk portfolios and continue to manage emerging risks through the crisis:

- Oil and gas – a review of Nedbank exposures highlights no immediate issues at US$25–US$30/barrel and many clients have hedges in place for the next 6–18 months and/or their cost of production ensures profitability at these lower oil prices.
- Aircraft finance – general pressure is experienced, and we expect to support clients through this difficult period. Our exposure to SAA, which is the largest proportion of our exposure, is government guaranteed.
- Key sectors are being monitored, including hospitality, hotels, retail shopping centres (and the broader commercial property portfolio), exporters and mining companies. SMEs and consumers are likely to be under pressure, but will likely benefit from lower petrol prices and reduced interest rates. As noted, we will continue to work closely with our clients to assist them through this period.
- Single stock futures, contracts for difference and share-based lending deals show no material issues.
- From a trading perspective we remain profitable and have benefited from increased volatility and hedging activity into the lockdown. We expect client volumes drop off as a result of both the lockdown and the slowdown in economic activity.
- ETI Nigeria is likely to be impacted by lower oil prices and there is now an increased risk of impairment on Nedbank’s ETI investment.
- We continue to conduct stress testing and analysis to understand the potential impact on the bank and our clients.

While confidence and client activity are likely to be negatively impacted, we are focusing on what we can control, in particular costs and progressing strategic initiatives that support revenue growth and efficiencies through the cycle.