

# Nedbank Group Limited
# annual results

for the year ended 31 December 2022

NEDBANK GROUP

| Headline earnings | DHEPS | HEPS | Basic EPS | Dividend per share (final) | ROE | Revenue growth | CLR | CET1 ratio | NAV per share |
|---|---|---|---|---|---|---|---|---|---|
| **R14 049m** | **2 806 cents** | **2 886 cents** | **2 932 cents** | **866 cents** | **14,0%** | **R63 578m** | **89 bps** | **14,0%** | **21 533 cents** |
| ▲ 20% | ▲ 19% | ▲ 20% | ▲ 27% | ▲ 14% | (2021: 12,5%) | ▲ 11% | (2021: 83 bps) | (2021: 12,8%) | ▲ 5% |
| (2021: R11 689m) | (2021: 2 362 cents) | (2021: 2 410 cents) | (2021: 2 317 cents) | (2021: 758 cents) | | (2021: R57 389m) | | | (2021: 20 493 cents) |

## Strong revenue growth enabled headline earnings growth of 20% to R14bn, an increase in ROE to 14% and a CET1 ratio of 14%

In 2022 the South African economy faced multiple global and domestic challenges, including the war in Ukraine, lockdowns in China, slower global growth, lower commodity prices, destructive floods in KwaZulu-Natal, persistent power outages that accelerated into the last quarter of 2022, as well as 325 bps higher interest rates and inflation that peaked at 7,8% in July. Despite this difficult and uncertain environment, the economy was resilient and is expected to have expanded by 2,3% in 2022.

Against this challenging macroeconomic backdrop, Nedbank Group's 2022 financial performance was strong, as headline earnings (HE) grew by 20% to R14bn and return on equity (ROE) increased to 14,0% (2021: 12,5%), but still remains below both the 2019 level of 15% and our estimated cost of equity (COE) of 14,9%. The HE increase was supported by double-digit revenue growth, a slightly higher credit loss ratio (CLR) at 89 bps (2021: 83 bps) and a well-managed expense base. All our business clusters reported pleasing earnings growth and higher ROEs. A strong balance sheet and excess levels of capital enabled the group to declare a record-high final dividend of 866 cents per share as well as announce a R5bn capital optimisation initiative to be executed through both a share repurchase and an odd-lot offer.

We have made excellent progress on our strategic value drivers of growth, productivity, and risk and capital management. Growth trends across net interest income (NII) (+12%), non-interest revenue (NIR) (+10%) and gross banking advances (+7%) increased when compared with those reported in our 2022 interim results. Levels of productivity improved, evident in our cost-to-income ratio declining to 56,5% (2021: 57,8%) and the 15% increase in preprovisioning operating profit. Capital and liquidity ratios increased to multi-year highs, with a common equity tier 1 (CET1) ratio of 14,0% (Dec 2021: 12,8%), an average fourth-quarter liquidity coverage ratio (LCR) of 161% (Dec 2021: 128%) and a net stable funding ratio (NSFR) of 119% (Dec 2021: 116%).

The group's total expected credit loss (ECL) coverage increased to 3,37% (2021: 3,32%) and remained well above pre-Covid-19 levels of 2,26%.

Our strategy to build a modern, modular and agile technology platform (Managed Evolution or ME) has reached 91% completion of the IT build, enabling continued double-digit growth in digital metrics, client satisfaction scores at the top-end of the South African banking peer group, higher levels of cross-sell, main-banked client gains, market share gains in household deposits as well as improved efficiencies evidenced by cumulative operating model (TOM 2.0) cost savings of R1,5bn. We also continued to create positive impacts through R123bn of exposures that support sustainable-development finance, aligned with the United Nations Sustainable Development Goals (UN SDGs), and retained our top-tier rankings on environmental, social and governance (ESG) scores, including MSCI upgrading Nedbank's ESG rating to AAA (now within the top 5% of global banks), and maintaining our level 1 broad-based black economic empowerment status under the amended Amended Financial Sector Code for the fifth year in a row.

Looking forward, we currently expect the economic environment in SA to remain challenging, particularly given the high levels of electricity shortages that we expect to continue. The Nedbank Group Economic Unit forecasts SA's gross domestic product (GDP) to increase by only 0,7% in 2023; interest rates to increase by a further 50 bps from December 2022 levels, taking the repo rate to 7,5% and the prime lending rate to 11,0% by the end of the year; and inflation to decrease from 2022 levels and average 5,5% in 2023.

The network infrastructure, provided largely by state-owned monopolies and needed to enable higher levels of GDP growth and sustainable job creation in SA, has been deteriorating over many years, exemplified by, the crises being experienced in the areas of electricity supply and distribution, transport and logistics, and water infrastructure.

In addition, municipal service delivery is poor and levels of crime and corruption are unacceptably high. Progress on structural reforms to address these matters has been far too slow and the will of the political and public sector to make meaningful changes is uneven and actual delivery is poor. This cannot continue and more urgent and decisive leadership and action are required. Nedbank remains committed to working with all like-minded South Africans to accelerate delivery of structural reforms in these key areas.

We have made good progress towards our published 2023 targets* by exceeding our 2019 diluted-headline-earnings-per-share (DHEPS) level of 2 565 cents in 2022 (a year earlier than planned) and aim to achieve an ROE greater than the 2019 ROE level of 15% and a cost-to-income ratio of below 54%, as well as having maintained our #1 ranking on Net Promoter Score (NPS) among South African banks by the end of 2023.

Given our strong 2022 performance, we have set ourselves revised medium-term (2025) and long-term targets*. In 2025 we aim to achieve an ROE of 17% (around COE plus 2%) and a cost-to-income ratio of 52%. Over the longer term we aim to improve these to above 18% (around COE plus 3%) and below 50% respectively. Achieving these targets should be value-creating for shareholders.

Thank you to our dedicated employees for their commitment and hard work in difficult conditions – I appreciate the value they strive to deliver to our clients at every touchpoint. We thank our more than seven million retail and wholesale clients for choosing to bank with Nedbank every single day, and we appreciate the support of the investment community, regulators and our other stakeholders. As Nedbank, we will continue to play our role in society as we fulfil our purpose of using our financial expertise to do good.

**Mike Brown**
*Chief Executive*
7 March 2023

** These targets are not profit forecasts and have not been reviewed or reported on by the group's joint auditors.*

## 2022 strategy and ESG highlights

**NPS ▲ #1 SA bank** (2021: #2)

**Employee NPS at highest level in 4 years**

**Retail main-banked clients ▲ 6%** to 3,2m



**IT build 91% complete**



**2 million Money app clients ▲ 23%**

**Digital sales 53% of total sales** (2021: 32%)

**2 million Avo clients ▲ 1,9 times**



**MSCI ESG rating up to ▲ AAA** (2021: AA)



**R123bn sustainable-development finance**

**Level 1 BBBEE for five consecutive years**

**Household deposit market share ▲ 15,0%** (2021: 14,5)

For further information: This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement made available on the JSE's website at https://senspdf.jse.co.za/documents/2023/jse/isse/ned/ye2022.pdf on Wednesday, 7 March 2023, available at nedbankgroup.co.za.

Copies of the full announcement may be requested by contacting Nedbank Group Investor Relations by email at NedgroupIR@nedbank.co.za and are available for inspection at Nedbank Group's registered office at no charge on weekdays from 09:00 to 16:00 by appointment only. These results and additional information are available at nedbankgroup.co.za.

The auditors' unmodified report (including key audit matters) to the shareholders of Nedbank Group is contained in our annual financial statements for the year ended 31 December 2022. The annual financial statements can be accessed using the following link: https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2022.html.

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|---|---|
| Registered office | Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196<br>PO Box 1144, Johannesburg, 2000 |
| Company Secretary | J Katzin |
| Sponsors in SA | Merrill Lynch SA Proprietary Limited, Nedbank Corporate and Investment Banking, a division of Nedbank Limited |
| Sponsor in Namibia | Old Mutual Investment Services (Namibia) Proprietary Limited |
| Reg no | 1966/010630/06 |
| JSE share code | NED |
| ISIN | ZAE000004875 |
| NSX share code | NBK |
| JSE Alpha code | NEDI |

### Abbreviations

| | |
|---|---|
| BBBEE | broad-based black economic empowerment |
| bps | basis points |
| CET1 | common equity tier 1 |
| CIB | Corporate and Investment Banking |
| CLR | credit loss ratio |
| DHEPS | diluted headline earnings per share |
| EPS | earnings per share |
| ESG | environmental, social and governance |
| ETI | Ecobank Transnational Incorporated |
| GDP | gross domestic product |
| HE | headline earnings |
| HEPS | headline earnings per share |
| LCR | liquidity coverage ratio |
| ME | Managed Evolution |
| NAR | Nedbank Africa Regions |
| NAV | net asset value |
| NII | net interest income |
| NIR | non-interest revenue |
| NPS | Net Promoter Score |
| NSFR | net stable funding ratio |
| ROE | return on equity |
| SA | South Africa |
| SDGs | Sustainable Development Goals |
| TCFD | Task Force on Climate-related Financial Disclosures |
| TOM | target operating model |
| TTC | through the cycle |

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