

# Nedbank Group Limited **interim results**

for the six months ended 30 June 2023

## Using our financial expertise **to do good**

NEDBANK GROUP

| Headline earnings | DHEPS | HEPS | Basic EPS | Dividend per share (interim) | ROE | Revenue | CLR | CET1 ratio | NAV per share |
|---|---|---|---|---|---|---|---|---|---|
| **R7 329m** | **1 477cents** | **1 525 cents** | **1 524 cents** | **871 cents** | **▲ 14,2%** | **R33 691m** | **▲ 121 bps** | **▼ 13,3%** | **22 548 cents** |
| **▲ 10%** | **▲ 11%** | **▲ 11%** | **▲ 8%** | (H1 2022: 783 cents) | (H1 2022: 13,6%) | **▲ 13%** | (H1 2022: 85 bps) | (H1 2022: 13,5%) | **▲ 8%** |
| (H1 2022: R6 665m) | (H1 2022: 1 335 cents) | (H1 2022: 1 370 cents) | (H1 2022: 1 412 cents) | | | (H1 2022: R29 732m) | | | (H1 2022: 20 964 cents) |

## Headline earnings increase of 10% driven by strong revenue growth partially offset by increases in retail impairments

In the first half of 2023 the operating environment in South Africa (SA) was much more challenging than we had forecast. In addition to a weak global economy and lower commodity prices, domestic economic activity continued to be negatively impacted by very high levels of load-shedding, logistical constraints, higher-than-expected levels of inflation and as a result higher-than-expected rises in interest rates. The slow progress made in improving outcomes on key issues of energy security, transport and logistics, and crime and corruption, coupled with the potentially severe economic consequences of the United States reaction to South Africa's alleged compromising of its non-aligned stance in relation to the Russia–Ukraine conflict, has added further to SA's country risk premium, increasing bond yields and resulting in a deterioration in the value of the rand against foreign currencies.

In this difficult external context, Nedbank Group produced a solid financial performance in the first half of 2023, as headline earnings (HE) grew by 10% to R7,3bn and return on equity (ROE) increased to 14,2% (H1 2022: 13,6%), reflecting the diversification benefits of our portfolio of businesses, with higher levels of growth in Nedbank Africa Regions (NAR) and Nedbank Wealth. The increase in HE was underpinned by strong revenue growth, including associate income, of 14% and good expense management, enabling preprovisioning operating profit (PPOP) growth of 22%. This was partially offset by a 57% increase in the impairment charge as a result of the impact of higher interest rates, higher levels of inflation and record levels of load-shedding on our clients, particularly in the retail Consumer Banking segment.

The group's balance sheet metrics all remained very strong, enabling the declaration of an interim dividend of 871 cents per share, up by 11%, at a payout ratio of 57%. The R5bn capital optimisation initiative announced in March 2023 was materially completed, with the share repurchase programme and odd-lot offer, executed at attractive levels, enhancing both ROE and growth on a per-share basis.

We continued to make good progress on our strategic value drivers of growth, productivity, and risk and capital management. Growth trends across average interest-earning banking assets (AIEBA) (+9%), net interest income (NII) (+18%), non-interest revenue (NIR) (+7% or +10% on a like-for-like basis) and associate income (+53%) remained robust. Levels of productivity improved, evident in our cost-to-income ratio declining to 52,9% from 56,1% in the first half of 2022. Capital and liquidity ratios remained high, with a common-equity tier 1 (CET1) ratio of 13,3%, an average second-quarter liquidity coverage ratio (LCR) of 143% and a net stable funding ratio (NSFR) of 119%, all well above board targets and regulatory minimums. The group's total expected credit loss (ECL) coverage increased to an all-time high of 3,67% (Dec 2022: 3,37%) as we remain conservatively provided in a difficult macroeconomic environment.

Our build-out of a modern, modular and agile technology platform (Managed Evolution or ME) has reached 93% completion, supporting the launch of three new transactional products off our new core banking system, continued double-digit growth in all digital-related metrics, client satisfaction scores remaining at the top end of the South African banking peer group, higher levels of cross-sell, main-banked client gains across all segments, market share gains in key product categories as well as improved efficiencies. We also continued to create positive impacts through R134bn of exposures that support sustainable-development finance (SDF) as aligned with the United Nations Sustainable Development Goals (UN SDGs); maintained high levels of employee engagement and satisfaction; supported clients during difficult times; retained our top-tier rankings on environmental, social and governance (ESG) scores; and maintained our level 1 broad-based black economic empowerment (BBBEE) status under the Amended Financial Sector Code for the fifth year in a row. In July we signed a pledge along with 115 of SA's leading corporations to work with government to play our part in helping to address the economic challenges facing South Africa with the aim of achieving higher levels of sustainable and inclusive economic growth.

Looking forward, we currently expect the economic environment in SA to remain very challenging, particularly given the high levels of electricity shortages and increased levels of pressure on consumers' disposable income. The Nedbank Group Economic Unit currently forecasts SA's gross domestic product (GDP) to increase by only 0,3% in 2023 and interest rates to remain at elevated levels, with the repo rate at 8,25% and the prime lending rate at 11,75% for the remainder of the year.

The solid financial performance in H1 2023 supports our ambition to achieve our published 2023 targets* of an ROE greater than the 2019 ROE level of 15% and a cost-to-income ratio of below 54%, but the deteriorating macroeconomic environment has made these and our medium-term targets* to 2025 more difficult to achieve. Pleasingly, in 2022 we had already achieved our 2023 target of exceeding the group's 2019 diluted headline earnings per share (DHEPS) of 2 565 and we aim to maintain our current #1 ranking on Net Promoter Score (NPS) among South African banks.

Thank you to our dedicated employees for their passion, commitment and discipline in the difficult environment – I appreciate the value they strive to deliver to our clients at every touchpoint and their hard work in executing our strategy. I believe that we have the right strategy, leadership and people to navigate these difficult economic conditions and to identify and capitalise on the opportunities that may arise.

I thank our more than seven million retail and wholesale clients for choosing to bank with Nedbank, and we appreciate the ongoing support of the investment community, regulators and our other stakeholders. As Nedbank, we will continue to play a constructive and positive role in society as we fulfil our purpose of using our financial expertise to do good for the benefit of all our stakeholders.

**Mike Brown**
*Chief Executive*
8 August 2023

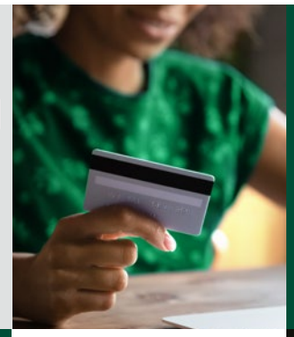
** These targets are not profit forecasts and have not been reviewed or reported on by the group's joint auditors.*

## Strategy and ESG highlights

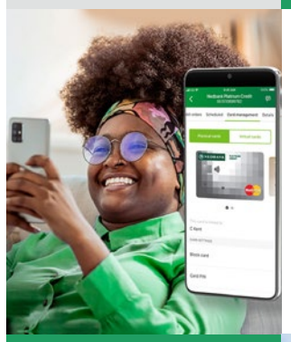
**NPS**
**▲ #1**
**SA bank**
(2019: #3)

Continued **high levels of employee engagement & satisfaction**

**Retail main-banked clients**
**▲ 11%**
to 3,4 million



**>2 800 unemployed youth (YES) recruited**
(almost 10 000 since 2019)



**Money app users**
**▲ 23%**
to 2,2 million

**Concluded odd-lot offer**
at R234 per share
(5% above 10-day VWAP)

**Avo clients**
**▲ 44%**
to 2,3 million




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



**R134bn**
sustainable-development finance

**Level 1 BBBEE**
for five consecutive years

**Household deposits market share**
**▲ 14,8%**
(H1 2022: 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 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/ie2023.pdf on Tuesday, 8 August 2023, and 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.

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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**

| | |
|---|---|
| AIEBA | average interest-earning banking assets |
| BBBEE | broad-based black economic empowerment |
| bps | basis points |
| CET1 | common-equity tier 1 |
| CLR | credit loss ratio |
| DHEPS | diluted headline earnings per share |
| ECL | expected credit loss |
| EPS | earnings per share |
| ESG | environmental, social and governance |
| 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 |
| PPOP | preprovisioning operating profit |
| ROE | return on equity |
| SA | South Africa |
| SDGs | Sustainable Development Goals |
| SDF | sustainable-development finance |
| TOM | target operating model |
| TTC | through the cycle |
| UN | United Nations |
| VWAP | volume-weighted average price |
| YES | Youth Employment Service |
| yoy | year on year |

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