Nedbank Group Limited

Interim results

for the 6 months ended 30 June 2024

Financial highlights

Headline earnings	**DHEPS**	**HEPS**
R7 911m (H1 2023: R7 329m) ▲ 8%	1 650 cents (H1 2023: 1 477 cents) ▲ 12%	1 699 cents (H1 2023: 1 525 cents) ▲ 11%
Basic EPS	**ROE**	**CET 1**
1 700 cents (H1 2023: 1 524 cents) ▲ 12%	15,0% (H1 2023: 14,2%) ▲ 0,8%	13,3% (H1 2023: 13,3%) ▶
Dividend per share (interim)	**NAV per share**	**CLR**
971 cents (H1 2023: 871 cents) ▲ 11,5%	23 097 cents (H1 2023: 22 548 cents) ▲ 2%	104 bps (H1 2023: 121 bps) ▼ 17bps

Revenue

R35 159m (H1 2023: R33 691m) ▲ 4%

Strategy and ESG highlights

64% of products sold digitally (2020: 28%)	**3,6 million** main-banked retail clients (up 7% yoy)	**+16%** increase in active Money app users (to 2,6 million)	**#1** ranked bank on NPS (great client service)	**Market share gains** in home loans, vehicle finance, overdrafts and retail deposits
R154bn SDF provided (17% of loans and advances)	**R36bn** renewable energy finance (up 20% ytd)	**>3 600** first-time YES job opportunities provided (> 13 500 since inception)	**>R100bn** deposits covered (under the new deposit insurance scheme)	**AAA** MSCI ESG rating (top 5% of banks)



Strong financial performance in a difficult macroeconomic environment

The operating environment during the first 6 months of 2024 was challenging and economic activity remained weak, impacted by geopolitical uncertainty, high interest rates, persistent inflation and general uncertainty ahead of the national elections in South Africa (SA). Household finances remained under pressure as real incomes contracted and job prospects remained muted. Corporate activity was also weak on the back of the uncertain political and economic environment. The financial implications of these difficult macroeconomic outcomes were evident in continued elevated levels of consumer strain and slow lending and transactional revenue growth across both wholesale and retail clients. A peaceful and fair election outcome and the swift formation of a government of national unity (GNU) spurred cautious optimism in financial markets resulting in lower bond yields, stronger equity markets and a stronger rand. Spreads on credit default swaps improved markedly, trending towards levels seen when the country's sovereign credit ratings were at investment grade.

Against this backdrop, Nedbank Group produced a relatively strong financial performance. Headline earnings (HE) increased by 8% yoy to R7,9bn, underpinned by good non-interest revenue growth, a lower impairment charge and tight cost control. The group's return on equity (ROE) improved to 15,0% from 14,2% in the prior period. Diluted headline earnings per share (HEPS) increased by 12%, benefitting from the R5bn capital optimisation programme. Balance sheet metrics all remained very strong, enabling the declaration of an interim dividend of 971 cents per share, up by 11,5%, at a payout ratio of 57%.

Our world-class technology platform, delivered through the Managed Evolution (ME) programme, has now reached 95% completion. This has supported ongoing strong growth in digital-related metrics; client satisfaction scores at the top end of the South African banking peer group; good main-banked client growth; higher levels of cross-sell; market share gains in areas that create most value, including retail deposits, home loans, vehicle finance and overdrafts; and efficiency gains as we delivered on our Target Operating Model (TOM) 2.0 target of R2,5bn. We have also continued to create wider positive impacts through R154bn of funding that supports sustainable development finance, aligned with the United Nations Sustainable Development Goals. In particular we are proud of growing renewable energy finance by 20% ytd; retaining our top-tier rankings on environmental, social and governance (ESG) scores; and maintaining our level 1 broad-based black economic empowerment status for the sixth year in a row.

We remain cautiously optimistic around the potential benefits associated with SA's GNU and expect better macroeconomic conditions in the second half of 2024 and into the medium-to-long term. We forecast SA's gross domestic product to increase by 0,9% in 2024, inflation to continue to decline and the South African prime lending rate to decline by a cumulative 50 bps in 2024 to end the year at 11,25%. On the back of an improving operating environment, we continue to aspire to deliver ongoing improvements in ROE to increase shareholder value. Our strong financial performance in H1 2024, together with the progress made in executing on our strategy and better economic prospects, give us confidence in making progress towards our medium-term targets* and, in particular, our aim to increase our ROE to 17% by 2025 and above 18% in the long term.

The seamless transition from Mike Brown to myself was well planned and executed. I am aligned with the board and the leadership teams, which has enabled us to continue running our business very smoothly. Improving performance is a key priority and I have adopted Nedbank's medium-term performance targets as my own. I am extremely comfortable with the strong foundations that Nedbank has built, including capital and liquidity levels and an improving financial performance, as well as the group's strong and vibrant culture, its focus on transformation (diversity, equity and inclusion), leading ESG credentials and significant investments in technology. We will continue to build on these strong foundations as we evolve and continuously refresh our strategy in response to an everchanging operating environment.

I extend my gratitude to all Nedbankers who have made me feel welcome as part of the organisation and contributed to our successes in the first half of the year. Thank you to our 7,5 million retail and wholesale clients who have entrusted Nedbank with serving their financial needs. My appreciation also goes out to the investment community, regulators and other stakeholders for their continued support. Nedbank remains strongly committed to making a meaningful and positive impact in society, using our financial expertise to do good for all stakeholders.

Jason Quinn
Chief Executive
6 August 2024

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 cloudlink at https://senspdf.jse.co.za/documents/2024/jse/isse/NED/ie2024.pdf on Tuesday, 6 August 2024, and also 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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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 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
CLR	credit loss ratio
DHEPS	diluted headline earnings per share
EPS	earnings per share
ESG	environmental, social and governance
GDP	gross domestic product
HE	headline earnings
HEPS	headline earnings per share
ME	Managed Evolution
NAV	net asset value
NPS	Net Promoter Score
ROE	return on equity
SA	South Africa
SDGs	Sustainable Development Goals
SDF	sustainable-development finance
TOM	target operating model
UN	United Nations
YES	Youth Employment Service
yoy	year on year