NEDBANK GROUP

Nedbank Group Limited **unaudited interim results**

for the six months ended 30 June 2022

HE	DHEPS	HEPS	Basic EPS	Dividend per share	ROE	Revenue growth	CLR	CET1 ratio	NAV per share
R6 663m	1 335 cents	1 370 cents	1 412 cents	783 cents (interim)	▲13,6%	R30 525m	▶85 bps	▲13,5%	20 964 cents
▲27%	▲25%	▲26%	▲31%	▲81%		▲11%			▲8%
(H1 2021: R5 251m)	(H1 2021: 1 067 cents)	(H1 2021: 1 084 cents)	(H1 2021: 1 081 cents)	(H1 2021: 433 cents)	(H1 2021: 11,7%)	(H1 2021: R27 602m)	(H1 2021: 85 bps)	(H1 2021: 12,2%)	(H1 2021: 19 439 cents)

A 26% increase in headline earnings per share and a robust balance sheet enabled an 81% increase in the interim dividend per share

The South African economy held up relatively well as global economic conditions deteriorated significantly in H1 2022. Russia's invasion of Ukraine, the hard lockdowns in China and supply chain constraints resulted in a surge in global inflationary pressures, particularly in energy and food prices, and faster-than-expected monetary policy tightening. These conditions dampened global demand and triggered fears of recession in both advanced and developing countries.

Early in the year South Africa's (SA's) economy continued to gather momentum off the back of favourable terms of trade, resulting in strong seasonally adjusted gross domestic product (GDP) growth of 1,9% quarter on quarter (qoq) in Q1 2022. However, Q2 was considerably more challenging as local economic activity was disrupted by the floods in KwaZulu-Natal, severe load-shedding, weaker global demand, escalating domestic inflation and the faster-than-expected rise in interest rates. We currently expect SA's real GDP to contract by 1,2% qoq in Q2 2022. Electricity supply is a binding constraint on economic growth and job creation and urgent implementation of the Energy Action Plan is needed.

Nedbank Group's financial performance in H1 2022 reflects an excellent performance across all key metrics in a complex and difficult external environment. We delivered strong revenue growth of 11%, a credit loss ratio (CLR) that was flat year on year (yoy) at 85 bps and good cost management. As a result, headline earnings (HE) increased by 27% to R6,7bn. The group's return on equity (ROE) increased to 13,6% (June 2021: 11,7%), and all our business clusters generated ROEs above the group's cost of equity (COE). The group ROE was diluted by an average of R11bn of surplus common equity tier 1 (CET 1) capital held at the Centre as we remain appropriately conservative in an uncertain external environment. We retain surplus capital primarily for higher levels of future growth and dividend payments. Capital and liquidity ratios continued to strengthen as reflected in our CET1 ratio of 13,5% (Dec 2021: 12,8%), tier 1 capital ratio of 15,1% (Dec 2021: 14,3%), average second-quarter liquidity coverage ratio (LCR) of 144% (Dec 2021: 128%) and net stable funding ratio (NSFR) of 120% (Dec 2021: 116%). These capital and liquidity outcomes support a strong interim dividend of 783 cents per share, which is up 81% and now at levels above the 2019 pre-Covid-19 interim dividend.

During the past six months we continued to make good progress on our strategic value drivers of growth, productivity, and risk and capital management. Growth trends across net interest income (NII) (+9%), non-interest revenue (NIR) (+13%) and gross advances (+7%) improved from the Covid-19 pandemic lows, supported by main-banked client gains across our business clusters and strong growth in digital activity. Levels of productivity improved, evident in our cost-to-income ratio declining to 56,2% (from 58,5% in H1 2021) and a 17% increase in preprovisioning operating profit (PPOP). Key risk and capital management metrics remain robust, all having improved to above 2019 levels.

Our Managed Evolution (ME) technology strategy has reached 89% completion of the IT build, enabling continued double-digit growth in digital metrics. Client satisfaction scores are around the top end of the South African banking peer group, levels of cross-sell are increasing and cumulative TOM 2.0 cost savings of R1,2bn are ahead of target. Lastly, as we continue to create positive impacts, we remain committed to our market-leading Energy Policy as evidenced in renewable-energy lending exposures of R28bn, strong lending pipelines related to the Sustainable Development Goals (SDGs) and retaining our top-tier environmental, social and governance (ESG) ratings.

Looking forward, we currently expect SA's GDP to increase by 1,8% in 2022; interest rates to increase by a further 75 bps, taking the repo rate to 6,25%; and the prime lending rate to 9,75% by the end of the year. Inflation is expected to peak in Q3 at around 7,8% and average 6,8% for 2022. A continuation of the good strategic and operational delivery, as evidenced in H1 2022, should support strong earnings growth for the full-year 2022 and a yoy increase in ROE. We remain on track to meet our medium-term targets* by exceeding our 2019 diluted headline earnings per share (DHEPS) level of 2 565 cents by the end of 2022 (a year earlier than planned) and achieving an ROE greater than the 2019 ROE level of 15%, a cost-to-income ratio of below 54% and the #1 ranking on the Net Promoter Score (NPS) among South African banks by the end of 2023.

We thank all our employees for their commitment to delivering value to our clients and the economies in which we operate in line with our purpose of using our financial expertise to do good. As we continue to reintegrate increasing numbers of employees into the office in a phased manner, we look forward to reinforcing our strong Nedbank culture and reconnecting safely as one Nedbank.

Mike Brown
Chief Executive
10 August 2022

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

Progress on our strategy

Delivering market-leading client solutions

- ✓ ME technology journey – **89% complete**
- ✓ **Money app transaction volumes up by 35%** (+289% since H1 2019)
- ✓ **Digitally active retail clients in SA up by 10%** to 2,4 million (+60% since H1 2019)
- ✓ High levels of client satisfaction – **#2 South African bank on NPS and digital channel NPS > 70**

Focusing on areas that create value (SPT 2.0)

- ✓ **Increased market share** in retail overdrafts and household deposits
- ✓ **Client gains**
  - Retail main-banked clients up by 2% to 3,04 million yoy
  - Cross-sell on new sales up to 1,92 products (H1 2021: 1,84)
  - 11 new primary client wins in CIB
  - NAR clients up by 4% to 351 000

Ongoing disruptive market activities

- ✓ **Avo super app**
  - 1,5 million clients and > 24 000 merchants
  - > 10 000 drivers in our South African delivery fleet
  - 9x yoy growth of gross merchandise value

Driving efficient execution (TOM 2.0)

- ✓ **TOM 2.0 benefits** of R1,2bn (target of R2,5bn by the end of 2023)
- ✓ **Reduction in headcount**, mainly through natural attrition, **and in branches** by 10% and 8% since 2019

Creating positive impacts

- ✓ **R28bn of renewable-energy** financing exposures
- ✓ Approved as **signatory to the UN PRI**
- ✓ Winner of **Top Empowered Company Awards – YES and Enterprise and Supplier Development**

Delivering on our purpose of using our financial expertise to do good

Environmental (E)

- ✓ Commitment to **zero exposure** to fossil-fuel-related activities **by 2045**
- ✓ A total of **R227m in financing provided towards water sanitation** in H1 2022
- ✓ **Net-zero operational water use since 2018** through Nedbank's support of the WWF Water Balance Programme, which helps to remove invasive alien trees in key water-scarce areas

Social (S)

- ✓ Female employees: **> 62%**
- ✓ Black (ACI) employees: **80%**
- ✓ Ranked **#1 company in the Satrix Inclusion and Diversity Index**
- ✓ #PayIn30 campaign: **91%** of suppliers paid in **30 days**
- ✓ **70%** of total CSI spend allocated to **skills development and education**

Governance (G)

- ✓ Independent directors: **72%**
- ✓ Women on the board: **29%**
- ✓ Regular shareholder **engagements on ESG matters**
- ✓ ESG ratings:
  - MSCI: **AA** (top 34% of global banks)
  - Sustainalytics: low-risk score of **17,3**
  - ISS: **C** rating (top 20% of global banks)
  - FTSE Russell: **4,3** rating out of 5 (top 6% of global banks)
  - S&P Global: score of **68** out of 100 (a top-tier South African bank)

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 on Wednesday, 10 August 2022. The full announcement is also available at nedbankgroup.co.za.

Copies of the full announcement may be requested by emailing Nedbank Group Investor Relations 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
Reg no	1966/010630/06
JSE share code	NED
ISIN	ZAE000004875
NSX share code	NBK

Abbreviations

ACI	African, Coloured and Indian
bps	basis points
CET1	common equity tier 1
CIB	Corporate and Investment Banking
CLR	credit loss ratio
CSI	corporate social investment
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
LCR	liquidity coverage ratio
NAR	Nedbank Africa Regions
NAV	net asset value per share
NII	net interest income
NIR	non-interest revenue
NPS	Net Promoter Score
NSFR	net stable funding ratio
ROE	return on equity
SPT	strategic portfolio tilt
TOM	target operating model
UN PRI	United Nations' Principles for Responsible Investment
WWF	World Wide Fund for Nature
YES	Youth Employment Service

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