

NEDBANK GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1966/010630/06
JSE share code: NED
NSX share code: NBK
ISIN: ZAE000004875
JSE alpha code: NEDI
('Nedbank Group' or 'the group')

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Good strategic and operational progress and solid franchise fundamentals, but financial performance below expectations

In 2019 SA economic growth was much slower than expected as recessionary-like conditions prevailed. This was mainly due to severe and frequent power outages, the unsustainable fiscal trajectory and ongoing policy uncertainty, combined with a deteriorating global outlook. Under these difficult domestic conditions, company profits and household finances deteriorated during the year, resulting in subdued credit demand, lower transactional volume growth and rising defaults in the SA banking industry.

In this environment Nedbank Group's financial performance was below expectations as headline earnings declined 7,3% to R12,5bn and the group produced an ROE (excluding goodwill) of 16,0%. In addition to the challenging environment, headline earnings were impacted by additional items in the second half of the year, including hyperinflation in Zimbabwe (R142m headline earnings impact) and the raising of impairments against recoverability of recognised intercompany legacy debt (R44m), the exercise of an option that will increase our shareholding in Banco Único (R140m) from 50% plus one share to approximately 87,5% (subject to regulatory approval), the revaluing of a number of private equity investments as the underlying investee company performance was weaker and public market multiples declined (R238m), and the increase in impairments to just above the midpoint of our target range of 60 bps to 100 bps as a result of increased impairments raised on certain CIB watchlist items and an increase in the central impairment. This was partially offset by good cost management due to the ongoing benefits from optimisation of processes and operations as part of our digital journey, and as a result our cost-to-income ratio improved from 57,2% to 56,5%.

We continued to make good strategic and operational progress throughout the year and produced solid balance sheet growth with advances up 7,2% and deposits growing 9,5%. A key focus was the operational rollout of our digital onboarding capability for individuals visiting branches and using the Money app and online banking, alongside our ability to sell current accounts and personal loans digitally, as well as pilots for cards, investment products and overdrafts. In addition, we launched our refreshed loyalty and rewards programme together with various market-leading digital innovations. As our clients began to experience the value from our digital journey and improved service levels, Nedbank ended the year as the only SA bank to have improved its net promoter score (NPS) and on client satisfaction metrics became the second highest-rated bank in SA.

SA's economic growth prospects remain subdued, undermined by persistent energy constraints, weak government finances and slow progress on structural reforms combined with a weaker outlook for global growth. In this difficult SA macroeconomic environment, where we currently forecast GDP growth in 2020 to be only 0,7%, and given our 2019 base, our guidance for growth in diluted headline earnings per share for 2020 is to be around nominal GDP growth. Our medium- to long-term financial targets for ROE

(excluding goodwill) and the cost-to-income ratio in 2020 were communicated to the market in early 2018, when GDP growth was forecast to be materially higher than what has transpired and as a result credit growth and interest rates (endowment impact) were also forecast to be higher than what took place. To reflect the deterioration in these metrics since 2018 we have revised the timelines for achievement of these medium- to long-term financial targets to be more reflective of the current weaker economic environment, which we expect to persist. For ROE (now including goodwill), our medium-term target (two to three years) is now greater than 17% and our long-term target (five or more years) is greater than cost of equity plus 4%. For the cost-to-income ratio we are now targeting less than 53% in the medium term and less than 50% in the long term as our digital journey matures and enables ongoing efficiencies.

Mike Brown
Chief Executive

FINANCIAL HIGHLIGHTS

- Headline earnings R12 506m, down 7,3% (2018: R13 495m)
- Revenue R56 164m, up 2,5% (2018: R54 795m)
- Credit loss ratio 82 bps (2018: 53 bps)
- Expenses R32 179m, up 1,7% (2018: R31 632m)
- Cost-to-income ratio 56,5% (2018: 57,2%)
- Diluted headline earnings per share 2 565 cents, down 6,3% (2018: 2 736 cents)
- Headline earnings per share 2 605 cents, down 6,7% (2018: 2 793 cents)
- Basic earnings per share 2 500 cents, down 9,7% (2018: 2 768 cents)
- Final dividend per share 695 cents, down 3,5% (2018: 720 cents)
- Full year dividend per share 1 415 cents, flat on the prior year (2018: 1 415 cents)
- Net asset value per share 18 204 cents, up 3,7% (2018: 17 560 cents)
- Common-equity tier 1 ratio 11,5% (2018: 11,7%)

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, which can be accessed from Tuesday, 3 March 2020, using the following JSE link:
<https://senspdf.jse.co.za/documents/2020/jse/isse/ned/ye2019.pdf>

Alternatively, the full announcement is available on our website at
<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/2019.html>

The full announcement is available for inspection at Nedbank Group's registered office on weekdays from 09:00 to 16:00, and copies thereof may be requested free of charge from Nedbank Investor Relations at NedgroupIR@Nedbank.co.za.

The auditors' unmodified report (with key audit matters) to the shareholders of Nedbank Group, is contained in our annual financial statements for the year-ended 31 December 2019. The annual financial statements can be accessed using the following link to our annual financial statements at
<https://www.nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results/Other.html>

This announcement itself is not audited and therefore the audit report does not cover this announcement.

FINAL DIVIDEND DECLARATION

Notice is hereby given that a final dividend of 695 cents per ordinary share has been declared, payable to shareholders for the six months ended 31 December 2019. The dividend has been declared out of income reserves.

The dividend will be subject to a dividend withholding tax rate of 20% (applicable in SA) or 139 cents per ordinary share, resulting in a net dividend of 556 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

Nedbank Group's tax reference number is 9375/082/71/7 and the number of ordinary shares in issue at the date of declaration is 497 053 536.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade (cum dividend)	Tuesday, 14 April 2020
Shares commence trading (ex dividend)	Wednesday, 15 April 2020
Record date (date shareholders recorded in books)	Friday, 17 April 2020
Payment date	Monday, 20 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 April 2020, and Friday, 17 April 2020, both days inclusive.

On Monday, 20 April 2020, the dividend will be electronically transferred to the bank accounts of shareholders. Holders of dematerialised shares will have their accounts credited at their participant or broker on Monday, 20 April 2020.

The above dates are subject to change. Any changes will be published on the JSE SENS and in the press.

For and on behalf of the board

Vassi Naidoo
Chairman

Mike Brown
Chief Executive

3 March 2020

Directors

V Naidoo (Chairman), MWT Brown** (Chief Executive), HR Brody, BA Dames, NP Dongwana, EM Kruger, RAG Leith, L Makalima, PM Makwana***, Prof T Marwala, Dr MA Matookane, RK Morathi** (Chief Financial Officer), MP Moyo, JK Netshitenzhe, MC Nkuhlu** (Chief Operating Officer), S Subramoney.

** Executive *** Lead independent director

Registered office

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nedbankgroup.co.za

Sponsors in SA

Merrill Lynch SA Proprietary Limited, Nedbank CIB

Sponsor in Namibia

Old Mutual Investment Services (Namibia) (Proprietary) Limited

Company Secretary: J Katzin

Transfer secretaries in SA

Link Market Services South Africa Proprietary Limited, 19 Ameshoff Street,
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PO Box 4844, Marshalltown, 2000, SA.

Transfer secretaries in Namibia

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