

NEDBANK (SWAZILAND) LIMITED

Incorporated in the Kingdom of Eswatini
Registration Number: CB39/1974
Listed on the Eswatini Stock Exchange (ESE)
ISIN Code: SZ0005797904
ESE Share Code: NEDBANK



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Overview

The sluggish regional economic growth and contractionary domestic fiscal policy added downward pressure to the Bank's performance in 2019. The Bank's Headline earnings declined by 5% to E121.5 million (2018: E128.3 million).

Total net revenues increased by 8% to E485.3 million (2018: E448.4 million). Loans and advances grew by 9% to E3.9 billion (2018: E3.6 billion). Customer's deposits decreased by 5% to E4.1 billion (2018: E4.4 billion).

Net Interest Income (NII)

A growth in assets due to increased lending activity and a decline in liabilities precipitated by the imposition of stamp duty on deposits led to the Bank realizing NII of E310.8 million (2018: E282.4 million), reflecting a 10% growth.

Impairments of Loans and Advances

Impairment charge of E46.2 million (2018: E16.4 million) increased by 181% due to the effects of International Financial Reporting Standards (IFRS 9) which are more stringent and an increased default rate has negatively affected the provisions raised. Credit loss ratio was 1.19% (2018: 0.39%). Non-performing loans grew to E153.9 million (2018: E140.3 million) due to effects of macro and micro economic challenges affecting ability to service debt by clients.

Non-Interest Revenue (NIR)

Commission and fees increased by 5% to E174.6 million (2018: E165.9 million). This increase is due to transactional volume. NIR to expenses ratio for the year decreased to 65.1% (2018: 65.4%).

Operating Expenses

Expenses were E268.0 million (2018: E253.8 million), having increased by 6% due to inflation and controlled expenditure. Efficiency ratio was 55.2% (2018: 56.6%), this improvement was due to growth in operating income.

Capital Adequacy

Capital adequacy ratio was 17.4% (2018: 17.3%) as at 31 December 2019, above regulatory requirement of 8%. Capital and reserves totaled E866.9 million (2018: E782.8 million). The Bank's ratio has been computed according to the Basel II reporting principles as adopted by the Central Bank of Eswatini.

The Board of Directors is satisfied that the Bank's capital meets Regulatory Requirements.

Prospects

The growth strategy for the Bank is to continue to drive revenue growth through investment in digital platforms and automation for competitiveness. The Bank identified opportunities in the energy, construction and agricultural sectors as focal growth areas for the Wholesale Business. The Bank strives to provide excellent customer experience through varied product offerings for all our clients.

Dividend Declaration

Notice is hereby given that a special dividend of 568 cents per share for the year ended 31 December 2019 has been declared payable to members registered in the books of the Bank at the close of business on 10 May 2020. The declaration of the special dividend is as a result of the capital optimization strategy of the bank and it is in line with the dividend policy. This declaration is not an indication of future payouts of dividends. The transfer books and register of members will be closed from 4 May 2020 to 5 May 2020 both days inclusive, and dividend warrants will be posted to shareholders on or about 20 May 2020.

In terms of the Income Tax Order 1975 (as amended), normal tax of 10% will be deducted by the Bank from dividends paid to local shareholders. Non-resident shareholders tax will (where applicable) be deducted from dividends.

Annual General Meeting

The Annual General Meeting will be held on 20 May 2020 and a final notification, together with the Annual Report will be sent to shareholders not later than 8 May 2020.

Corporate Governance Statement

The Directors and Management of Nedbank (Swaziland) Limited confirm their commitment to the principles of good Corporate Governance as articulated in the King III & IV reports. The Bank has embraced the Corporate Governance Guidelines issued by the Central Bank of Eswatini.

Directors

The composition of the Board currently is as follows: Mr. B C F Dlamini (Chairman), Ms. F Nkosi (Managing Director), Mr. M Maziya (independent non-executive), Mr. A Sutton-Pryce (independent non-executive), Mr. P Sekyiamah (executive), Mr. M D Mthembu (independent non-executive), Ms. V N Nkambule (independent non-executive) and Ms. K. Swanepoel (executive).

Subsequent Events

The CoVid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this publication its effects are subject to various levels of uncertainty. These effects could impact the future financial position and performance of the Bank. Uncertainties related to the potential effects of CoVid-19 are relevant to understanding these abridged financial statements. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the Bank's future prospects and performance. We currently cannot predict the unknown factors or all possible future implications for the Bank and this is particularly the case in relation to CoVid-19.

Independent Auditors' report on Abridged Bank Financial Statements

To the shareholders of Nedbank (Swaziland) Limited

Opinion

The accompanying abridged financial statements of Nedbank (Swaziland) Limited, which comprise the statement of financial position as at 31 December 2019, and the related statement of comprehensive income, abridged statement of changes in equity and abridged statement of cash flows for the year then ended, are derived from the financial statements of Nedbank (Swaziland) Limited for the year ended 31 December 2019.

In our opinion, the abridged bank financial statements derived from the Bank's financial statements of Nedbank (Swaziland) Limited for the year ended 31 December 2019 are consistent, in all material respects, with those financial statements, in accordance with the requirements of the Central Bank of Eswatini.

Abridged Financial statements

The abridged Bank's financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the Bank's financial statements of Nedbank (Swaziland) Limited. Reading the abridged Bank's financial statements, therefore, is not a substitute for reading the Bank's financial statements.

The audited Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 31 March 2020.

Auditors' Responsibility

Our responsibility is to express an opinion on the abridged Bank's financial statements derived from the Bank's financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing 810, *Engagements to Report on Summary Financial Statements*.



Auditors:
KPMG Chartered Accountants (SD)
Umkhiwa House
195 Kal Grant Street, Mbabane



Sponsoring Broker:
Swaziland Stockbrokers Limited
Ground Floor, Lilunga House,
Somhlolo Road, Mbabane



Transfer Secretaries:
PwC
Rhus Office Park
Kal Grant Street, Mbabane

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Nedbank (Swaziland) Ltd Reg No CB39/1974/TINI002300000. Authorised financial services provider.

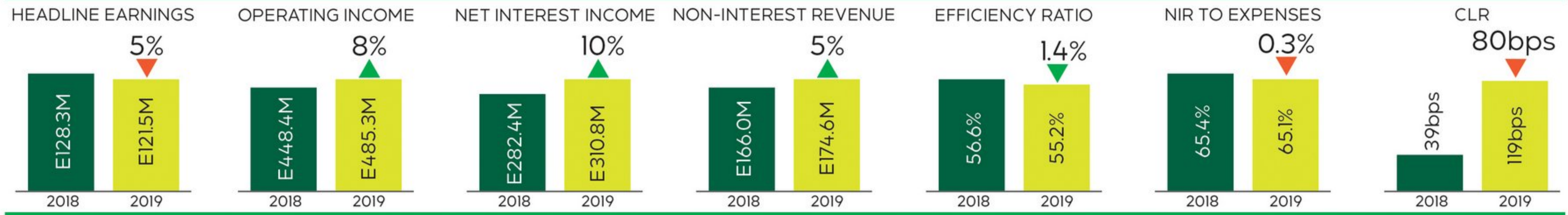
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KEY HIGHLIGHTS



NEDBANK (SWAZILAND) LIMITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

STATEMENT OF COMPREHENSIVE INCOME	31 December 2019	31 December 2018
	Audited SZL	Audited SZL
Interest Income	479 728 097	454 361 769
Interest expense	(168 965 445)	(171 957 610)
Net interest income	310 762 652	282 404 159
Non-interest revenue	174 553 814	165 955 293
Total income	485 316 466	448 359 452
Impairment of advances	(46 170 065)	(16 422 963)
Net income	439 146 401	431 936 489
Expenses	(268 043 951)	(253 776 812)
Net income before tax	171 102 450	178 159 677
Taxation	(49 646 418)	(49 846 953)
Net profit after taxation	121 456 032	128 312 724
Other comprehensive income		
Re-measurement of defined benefit liability	(4 028 150)	(2 711 000)
Deferred income tax	1 107 741	745 525
Total other comprehensive income	(2 920 409)	(1 965 475)
Total comprehensive income	118 535 623	126 347 249
Basic and diluted earnings per share (cents)	493	521
ROE (%)	14.0%	16.4%
STATEMENT OF FINANCIAL POSITION	31 December 2019	31 December 2018
ASSETS		
Cash and cash equivalents	695 039 695	876 481 351
Government and public sector securities	536 796 911	691 991 378
Derivative assets	6 235 532	6 583 367
Amounts due from other banks	25 678 283	53 509 973
Investments	3 161 399	2 959 656
Loans and advances to customers	3 878 871 754	3 565 060 922
Other receivables	8 003 478	35 222 735
Deferred tax asset	60 984 451	44 571 591
Property and equipment	76 195 261	45 572 829
Intangible assets	13 991	35 270
Total assets	5 290 980 755	5 321 989 072
EQUITY AND LIABILITIES		
Share capital	12 305 277	12 305 277
Share premium and reserves	854 567 815	770 528 380
Total equity and reserves attributed to equity holders of the bank	866 873 092	782 833 657
Derivative liabilities	5 829 595	6 535 737
Deposits from banks	15 006 805	6 103 614
Deposits from customers	4 129 731 602	4 367 553 668
Current tax liabilities	6 831 358	12 296 500
Deferred tax liabilities	10 127 565	296 675
Other liabilities	165 896 643	145 858 789
Funding from other banks	90 684 095	510 432
Total equity and liabilities	5 290 980 755	5 321 989 072
Guarantees and letters of credit on behalf of customers, excluded from liabilities	254 086 866	265 862 254
ABRIDGED STATEMENT OF CHANGES IN EQUITY	31 December 2019	31 December 2018
Shareholders' equity - at beginning of period	782 833 657	733 204 818
Adjustment on Initial Application of IFRS9	-	(43 454 229)
Prior year's final dividend paid	(34 496 188)	(33 264 181)
Net income after tax for the period	121 456 032	128 312 724
Re-measurement of defined benefit liability - net	(2 920 409)	(1 965 475)
Shareholders' equity at end of period	866 873 092	782 833 657
STATEMENT OF CASHFLOWS	31 December 2019	31 December 2018
Cash (utilized)/generated by operating activities	(167 157 968)	558 626 317
Taxation paid	(60 585 789)	(49 594 171)
Cash utilized by investment activities	(9 375 374)	(11 316 663)
Cash utilized by financing activities	(34 496 188)	(33 264 181)
Net cash (utilized)/generated	(271 615 319)	464 451 302
Cash and cash equivalents at beginning of period	875 970 919	411 519 617
Cash and cash equivalents at end of period	604 355 600	875 970 919

For and on behalf of the Board
Mr. B Dlamini
 (Chairman)

Ms F Nkosi
 (Managing Director)

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