

Nedbank Eswatini 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



Interim Financial Statements for the six months ended 30th June 2022

Overview

The first half of 2022 has presented challenges in the global economy which have filtered through to Eswatini. Following easing of COVID-19 restrictions and signs of recovery, the global supply chain has experienced strain due to the conflict in eastern Europe, which has led to rising inflation due to shortages in the supply of agricultural commodities, crude oil and natural gas.

The Central Bank of Eswatini has adopted a contractionary monetary policy stance to address rising inflation, this has resulted in an increase of the bank rate by a cumulative 75 basis points in the first three MPCC meetings of 2022. Interest rates are expected to continue on an upward trend in 2022 in response to the inflationary pressure stated above. The Eswatini economy has remained resilient, with the country's GDP expected to record a full year expansion in 2022 of 2.2%. The country is expected to return to its pre-COVID growth path in 2023. Nedbank Eswatini Limited's Basic Earnings for the six months ended 30th June 2022 were E50.1 million (2021: E65.6 million).

Net Interest Income (NII)

For the six-month period, the Bank's Net interest income improved by 7.6%. The benefit is primarily due to a 2.6% growth in the loan book and a decline in amounts due to depositors of 6.5%. The gain as described was enhanced by favourable increases in the interest rates when compared to the prior year.

Impairments of Loans and Advances

The 2022 impairment charge of E20.2m increased by more than 100% when compared to 2021. The charge in 2022 reflects the current risk profile of the loan portfolio held. In addition, the six months of the prior year (2021) depict releases from the initial impact of COVID 19, which saw the business carry significant provision as a hedge to the uncertainty experienced towards the end of December 2020.

Non-Interest Revenue (NIR)

NIR has remained flat compared to the same period in 2021. This is a result of the bank offering digital solutions to customers, which are set to unlock value for the business in future. We have seen an encouraging increase in the usage of the Money App and Internet banking. The Bank continues to drive a digital product offering and is excited by the opportunities observed in the market.

Operating Expenses

Operating expenditure at E150.0 million (2021: E137.2 million) increased by 9.4%. The expenses of the bank include investments in the enablement of its digital platforms, which is a continued implementation of its strategies over the last few years, as well as the acquisition of talent. Although the overall cost base has increased, the business managed to gain efficiency in processes which has resulted in savings on key lines, such as reduced usage of paper and occupation of real estate.

Capital Adequacy

Capital adequacy ratio was 15.8% as at 30th June 2022, (2021: 16.4%) which is above the regulatory requirement of 8%, and within the Board defined range of 15% - 20%. Capital and reserves totaled E886.8 million (2021: E942.2 million). The Bank's capital adequacy ratio has been computed according to Basel II reporting principles as adopted by the Central Bank of Eswatini. The Board of Directors is satisfied that the Bank's capital is adequate.

Prospects

The growth strategy for the Bank is through client acquisition, continued investment in the digital platforms and process automation for competitiveness. The Bank aims to provide excellent customer experience through tailored product offerings for all our clients.

Corporate Governance Statement

The Directors and Management of Nedbank Eswatini Limited confirm their commitment to the principles of good Corporate Governance as articulated in the King IV report and the Corporate Governance Guidelines issued by the Central Bank of Eswatini.

Directors

The composition of the Board currently is as follows: Mr. N A Hlatshwayo (independent chairman), Ms. F Nkosi (managing director), Mr. M Maziya (independent non-executive), Mr. A Sutton-Pryce (independent non-executive), Dr. M D Mthembu (non-executive), Ms. K Swanepoel (non-executive) and Mr. Z Kunene (independent non-executive).

Independent Auditors' report on Abridged Bank Financial Statements

The financial results have not been audited but reviewed by SNG Grant Thornton Chartered Accountants (Eswatini).

16th August 2022

	Six months ended 30th June 2022	Six months ended 30th June 2021
STATEMENT OF COMPREHENSIVE INCOME		
	SZL	SZL
Interest income	211,190,483	202,159,618
Interest expense	(61,698,316)	(63,269,602)
Net interest income	149,492,168	138,890,016
Non-interest revenue	90,698,058	90,685,728
Total income	240,190,225	229,575,744
Impairment of advances	(20,190,644)	(1,945,984)
Net income	219,999,582	227,629,760
Expenses	(150,045,370)	(137,172,428)
Net income before tax	69,954,211	90,457,332
Taxation	(19,874,452)	(24,875,766)
Net income after taxation	50,079,759	65,581,566
Basic and diluted earnings per share (cents)	203	266
ROE (%)	11%	14%

	30th June 2022	31st Dec 2021
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash and cash equivalents	1,326,060,497	1,375,458,695
Government and public sector securities	1,135,972,574	1,174,970,246
Derivative financial instrument	98,386	6,686,476
Amounts due from other banks	4,319,956	2,854,395
Investments	375,020	375,020
Loans and advances to customers	3,468,570,598	3,742,158,126
Other receivables	37,940,175	15,496,510
Deferred taxation asset	77,885,395	70,046,455
Property and equipment	44,489,059	68,858,925
Intangible assets	1,260	4,724
Total assets	6,095,712,920	6,456,909,572

	30th June 2022	31st December 2021
EQUITY AND LIABILITIES		
Share capital	12,305,277	12,305,277
Share premium and reserves	874,537,000	929,917,013
Total equity and reserves attributed to equity holders of the bank	886,842,277	942,222,290
Liabilities		
Funding from other banks	233,884,058	251,612,354
Derivative financial instruments	1,040,422	72,156
Deposits from banks	16,209,275	8,320,945
Amounts owed to depositors	4,405,055,566	4,709,031,417
Current taxation liabilities	13,237,077	12,132,196
Other liabilities	235,000,838	162,360,913
Provisions	10,370,406	17,351,447
Deferred tax liabilities	9,920,982	9,960,648
Total equity and liabilities	5,811,560,900	6,113,064,367
Guarantees, letters of credit, unutilized facilities and contingent liabilities	103,649,215	193,416,092

	30th June 2022	31st December 2021
ABRIDGED STATEMENT OF CHANGES IN EQUITY		
Shareholders' equity - at beginning of period	942,222,290	807,089,808
Prior year's final dividend declared/paid	(105,459,774)	-
Net income after tax for the period	50,079,759	135,998,482
Re-measurement of defined benefit liability - net	-	(866,000)
Shareholders' equity - at end of period	886,842,276	942,222,290

	30th June 2022	31st December 2021
STATEMENT OF CASHFLOWS		
Cash generated/(utilised) by operating activities	(110,644,968)	(150,677,344)
Taxation paid	(30,058,703)	(64,968,632)
Cash utilized by investment activities	(3,763,827)	4,475,091
Cash utilized by financing activities	(112,989,112)	(84,666,142)
Net cash generated/(utilised)	(257,456,610)	(295,837,027)
Cash and cash equivalents at beginning of period	1,074,448,145	1,370,285,171
Cash and cash equivalents at end of period	816,991,534	1,074,448,144

For and on behalf of the Board
Mr. N. A. Hlatshwayo
(Chairman)

Ms. F. Nkosi
(Managing Director)

16th of August 2022



Auditors:
SNG Grant Thornton Chartered
Accountants Eswatini
Umkhiwa House, 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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