

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 Results for the 6 months ended 30 June 2023

KEY HIGHLIGHTS

HEADLINE EARNINGS	OPERATING INCOME	NET INTEREST INCOME	NON-INTEREST REVENUE	EFFICIENCY RATIO	NIR TO EXPENSES	CLR	ROE
▲ 30.2%	▲ 14.4%	▲ 30.6%	▲ 5.8%	▲ 708 bps	▼ 97 bps	▲ 52 bps	▲ 233 bps
H1 2023 H1 2022	H1 2023 H1 2022	H1 2023 H1 2022	H1 2023 H1 2022	H1 2023 H1 2022	H1 2023 H1 2022	H1 2023 H1 2022	H1 2023 H1 2022

► 2023 Interim Results Commentary

Economic overview

Through 2022 into 2023, Eswatini's economy has faced numerous shocks, both domestic and as a result of external events but it has remained resilient. Inflationary pressures increased in 2022, mostly attributable to increased prices of commodities such as energy, food, and transport, reflecting the impact of the war in Ukraine.

The Central Bank of Eswatini adopted a contractionary monetary policy stance in 2022 and has continued with it in the first half of 2023. Interest rates rose by a cumulative 325 basis points in the period between June 2022 and June 2023 in response to the inflationary pressures. Inflation is now on a downward trajectory and interest rates are expected to decline in the second half of 2023. The first of these cuts was announced during the Monetary Policy Committee (MPC) sitting on 21 July 2023, with a 25 basis points cut.

Nedbank Eswatini Limited's Headline Earnings for the 6 months ended 30 June 2023 were E65.2 million (2022: E50.0 million).

Net interest income

In the interim period ended 30 June 2023, the Bank's net interest income improved by 30%. Whilst the underlying asset loans and advances only increased by 2%, the bank's income from lending benefitted from the cumulative 325 basis points rise in interest rates over the last 12 months. The bank has also benefited from interest earned on investments that include treasury bills and bonds over the same period.

Impairment of Loans and Advances

The impairment charge for the year increased to E39.5 million (2022: E20.2 million). With the consecutive increases in interest rates, customers within the consumer and SME (Small Medium Enterprises) segments' ability to service their debt has deteriorated, which has led to increased impairments. It is worth noting that over and above the impact of the higher interest rates, SMEs exposed to the sovereign were impacted by the delays in payments by the government. We anticipate this arrears situation to improve, following the commitment by the Ministry of Finance to pay government suppliers in July 2023.

Non-Interest Revenue

The Bank continued to pursue the model of migrating its customers onto the digital platforms as well as landing new digital solutions such as Mobimoney, thus increasing non-interest revenues by 6% to E95.9million (2022: E90.6 million). The growth in non-interest revenue through volumes was hampered by new regulations which placed a ceiling on revenue charged on loan establishment fees which came into effect on 1 January 2023.

Operating Expenses

Operating expenditure at E161.3 million (2023: E150.0million) increased by 7.5%. The bank's expenditure includes continued investment in the enablement of its digital platforms and investments in human capital to deliver the ultimate customer experience.

Capital Adequacy

Capital adequacy ratio was 16.8% as at 30 June 2023, (2022: 16.4%), well above the regulatory requirement of 8%. An improvement has been recorded against prior year due to the decline in exposures with no asset backing. Capital and reserves totaled E957.5 million (2022: E886.8 million). The Bank's capital adequacy ratio has been computed according to Basel II reporting principles as adopted by the Central Bank of Eswatini.

Prospects

Nedbank's growth strategy continues to focus on sustainable revenue expansion through investing in digital and other infrastructure that will enable customers to transact securely and with ease and automate its processes to allow for a better customer experience. The strategy is underpinned by the Total Operating Model (TOM 2.0) initiative which is aimed at driving operational efficiencies.

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 in the reporting period was as follows: Mr. N A Hlatshwayo (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, resigned 16/01/2023), Mr. G Payne (non-executive, appointed 24/05/2023), Mr. Z Kunene (independent non-executive) and Mrs. S Nkumane (independent non-executive, appointed 04/05/2023).

Independent Review

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

► Statement of Comprehensive Income

	6 months ended 30 June 2023	6 months ended 30 June 2022
	SZL	SZL
Interest income	303,885,561	211,190,483
Interest expense	(108,574,516)	(61,698,316)
Net interest income	195,311,045	149,492,168
Non-interest revenue	95,946,484	90,698,058
Total income	291,257,529	240,190,225
Impairment of advances	(39,530,498)	(20,190,644)
Net income	251,727,031	219,999,582
Expenses	(161,327,783)	(150,045,370)
Net income before tax	90,399,248	69,954,211
Taxation	(25,196,199)	(19,874,452)
Net income after taxation	65,203,049	50,079,759

Basic and diluted earnings per share (cents)	265	203
ROE (%)	14%	11%

► Statement of Financial Position

	6 months ended 30 June 2023	31 December 2022
ASSETS		
Cash and cash equivalents	1,236,586,220	1,188,627,975
Government and public sector securities	1,187,047,061	1,246,768,318
Derivative financial instrument	7,336,254	19,089,761
Amounts due from other banks	41,528,391	36,495,828
Investments	12,878,609	12,878,609
Loans and advances to customers	3,618,277,087	3,545,597,533
Other receivables	6,376,544	6,639,808
Deferred taxation asset	96,458,169	88,502,386
Property and equipment	44,018,255	45,835,535
Intangible assets	659,165	61,268
Total assets	6,251,165,755	6,190,497,020

► Equity and Liabilities

	6 months ended 30 June 2023	31 December 2022
Share capital	12,305,277	12,305,277
Share premium and reserves	945,200,153	980,036,049
Total equity and reserves attributed to equity holders of the bank	957,505,430	992,341,326
Liabilities		
Funding from other banks	337,249,555	106,016,851
Derivative financial instruments	7,258,842	18,744,113
Deposits from banks	6,833,142	5,730,755
Amounts owed to depositors	4,732,053,782	4,830,136,242
Current taxation liabilities	1,954,795	5,349,964
Other liabilities	178,765,011	212,500,808
Provisions	18,449,083	8,981,025
Deferred tax liabilities	11,096,115	10,695,935
Total equity and liabilities	6,251,165,755	6,190,497,020

Guarantees, letters of credit, unutilized facilities and contingent liabilities	94,674,800	145,083,535
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► Abridged Statement of Changes In Equity

	6 months ended 30 June 2023	31 December 2022
Shareholders' equity - at beginning of period	992,341,326	942,222,290
Prior year's final dividend paid	(100,038,945)	(105,459,774)
Net income after tax for the period	65,203,049	161,677,889
Prior year transfer to/(from)	-	21,570
Re-measurement of defined benefit liability - net	-	(6,810,438)
Re-measurement of land and buildings - net	-	689,789
Shareholders' equity - at end of period	957,505,430	992,341,326

► Abridged Statement of Cashflows

	6 months ended 30 June 2023	31 December 2022
Cash generated/(utilised) by operating activities	98,497,755	55,993,487
Taxation paid	(36,146,971)	(65,144,169)
Cash utilized by investment activities	(7,144,046)	(7,104,985)
Cash utilized by financing activities	(7,248,493)	(121,176,855)
Net cash generated/(utilised)	47,958,245	(137,432,522)
Cash and cash equivalents at beginning of period	1,188,627,975	1,326,060,497
Cash and cash equivalents at end of period	1,236,586,220	1,188,627,975

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

Ms. F. Nkosi
(Managing Director)

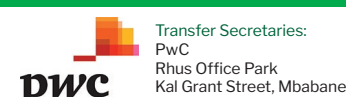
03 August 2023



Auditors:
SNG Grant Thornton Chartered
Accountants Eswatini
Umkhiwa House, Kal Grant Street
Mbabane



Sponsoring Broker:
1st Floor, Matsapha Link, Portion
3 of 582, Along College Road and
Lihawu Street, Matsapha Eswatini



see money differently

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