

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



Commentary on the Bank's Financial Performance for the six months period ended 30 June 2024

KEY HIGHLIGHTS

HEADLINE EARNINGS	OPERATING INCOME	NET INTEREST INCOME	NON-INTEREST REVENUE	EFFICIENCY RATIO	NIR TO EXPENSES	CLR	ROE
▲ 0.4%	▲ 5.7%	▲ 6.1%	▲ 4.8%	▼ 400 bps	▼ 300 bps	▲ 51 bps	▲ 50 bps
H1 2024 E65.5m H1 2023 E65.2m	H1 2024 E308.0m H1 2023 E291.3m	H1 2024 E207.2m H1 2023 E195.3m	H1 2024 E101.0m H1 2023 E96.0m	H1 2024 59% H1 2023 55%	H1 2024 56% H1 2023 59%	H1 2024 1.51% H1 2023 2.02%	H1 2024 12.8% H1 2023 12.3%

► 2024 Interim Results Commentary

Economic overview

The Eswatini economy has shown resilience in the first half of 2024 with the country's GDP expected to grow by 4.0% during the year due to increased output from the manufacturing and construction sectors.

Global and local inflation appears to be on a downward trend. While interest rates remain high, central banks around the world are expected to begin loosening monetary policy in the short term. The Central Bank of Eswatini is also anticipated to initiate the reduction in interest rates around the fourth quarter of the year 2024 in line with the inflation rate targets. This is expected to offer some economic relief to consumers and businesses.

Nedbank Eswatini Limited recorded headline earnings of E65.5 million (2023: E65.2 million) in the first 6 months of 2024.

Total income increased by 6% to E307.8 million (2023: E291.3 million). Loans and advances to customers increased by 7% to E3.9 billion (2023: E3.7 billion) and funding from customers' deposits declined by 4% to E4.6 billion (2023: E4.9 billion).

Net interest income

The growth in assets, largely driven by the increased lending activity to clients and the availability of excess funding from client deposits, led to the Bank realizing net interest income (NII) of E207.2 million (2023: E195.3 million), reflecting a 6% growth.

The high interest rate environment put pressure on NII through the increase in costs of funds, driven by growing client demand for high interest earning deposit products.

Impairment of Loans and Advances

The impairment charge for the period was E32.1 million (2023: E39.5 million). The high levels of impairment are attributable to the high interest rate environment that has increased the financial stress on clients, evidenced by the non-performing portfolio increasing by 12% to E434.0 million (2023: E386.9 million).

Non-Interest Revenue

The non-interest revenue for the period recorded an increase of 5% to E100.6 million (2023: E95.9 million) and the non-interest revenue to expenses ratio declined by 300 basis points to 56% (2023: 59%). The Bank's strategic intention is to prioritize the onboarding of customers onto digital platforms which enable clients to enjoy a seamless banking experience.

Operating Expenses

Expenditure levels increased by 12% to E180.4 million (2023: E161.3 million) and the efficiency ratio declined to 59% (2023: 55%), driven by inflationary pressures.

Capital Adequacy

The Bank's capital adequacy ratio was 16.6% (2023: 18.4%), above the regulatory requirement of 8%. Capital and reserves totaled E1 030 million (2023: E1 060 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 and meets regulatory requirements.

Prospects

Nedbank's focus for the rest of 2024 is on efforts to consistently deliver a superior client experience underpinned by service excellence and innovative banking solutions.

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 – retired 31 May 2024), Dr. M D Mthembu (non-executive), Mr. Z Kunene (independent non-executive), Mr. G. Payne (non-executive), Ms. P. Maqetuka (non-executive) and Mrs. S. Nkumane (independent non-executive).

Independent Review

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

► Statement of Comprehensive Income

	Half year ended 30 June 2024	Half year ended 30 June 2023
	SZL	SZL
Interest income	329 278 352	303 885 561
Interest expense	(122 068 319)	(108 574 516)
Net interest income	207 210 033	195 311 045
Non-interest revenue	100 574 496	95 946 484
Total income	307 784 529	291 257 529
Impairment of advances	(32 067 371)	(39 530 498)
Net income	275 717 158	251 727 031
Expenses	(180 380 630)	(161 327 783)
Net income before tax	95 336 528	90 399 248
Taxation	(29 844 970)	(25 196 199)
Net income after taxation	65 491 558	65 203 049
Basic and diluted earnings per share (cents)	266	265
ROE (%)	12.8%	12.3%

► Statement of Financial Position

	Half year ended 30 June 2024	Year ended 31 December 2023
Assets		
Cash and short-term funds	1 094 420 821	1 218 298 514
Government and public sector securities	1 149 471 394	1 331 637 342
Derivative financial instrument	13 032 366	-
Amounts due from other banks	111 577 018	61 153 575
Investments	14 859 680	14 859 680
Loans and advances to customers	3 926 921 545	3 686 133 980
Other receivables	19 147 072	10 002 429
Deferred taxation asset	99 177 305	99 177 305
Current tax asset	11 169 860	-
Property and equipment	72 891 295	69 431 246
Intangible assets	418 144	529 502
Total assets	6 513 086 500	6 491 223 573
Equity and Liabilities		
Equity		
Share capital	12 305 277	12 305 277
Share premium and reserves	1 013 599 267	1 048 146 654
Total equity and reserves attributed to equity holders of the bank	1 025 904 544	1 060 451 931
Liabilities		
Funding from other banks	412 334 814	335 411 330
Derivative financial instruments	12 933 204	-
Deposits from banks	7 844 923	9 839 364
Amounts owed to depositors	4 639 043 739	4 850 738 319
Current taxation liabilities	-	26 666 948
Other liabilities	404 359 162	197 449 568
Deferred tax liabilities	10 666 114	10 666 114
Total equity and liabilities	6 513 086 500	6 491 223 574
Guarantees, letters of credit, unutilized facilities and contingent liabilities		
	92 772 185	82 635 327

► Abridged Statement of Changes In Equity

	Half year ended 30 June 2024	Year ended 31 December 2023
Shareholders' equity - at beginning of period	1 060 451 931	992 341 326
Prior year's final dividend paid	(100 038 945)	(100 038 944)
Net income after tax for the period	65 491 558	178 017 549
Re-measurement of defined benefit liability - net	-	(9 868 000)
Shareholders' equity - at end of period	1 025 904 544	1 060 451 931

► Abridged Statement of Cashflows

	Half year ended 30 June 2024	Year ended 31 December 2023
Cash generated/(utilised) by operating activities	42 602 418	219 419 812
Taxation paid	(64 591 791)	(59 893 661)
Cash utilized by investment activities	(727 112)	(19 821 194)
Cash utilized by financing activities	(101 161 208)	(110 034 418)
Net cash generated/(utilised)	(123 877 693)	29 670 539
Cash and cash equivalents at beginning of period	1 218 298 514	1 188 627 975
Cash and cash equivalents at end of period	1 094 420 821	1 218 298 514

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

Ms. F. Nkosi
(Managing Director)

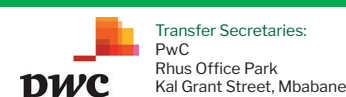
28 August 2024



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



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

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