

# 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 2020

### Overview

The COVID-19 pandemic disrupted global health systems and slowed down economic activity worldwide. Eswatini's GDP recorded a full year contraction of 2.4% in 2020.

The Central Bank of Eswatini adopted an accommodative monetary policy stance during the year, reducing interest rates by a cumulative 275 basis points and easing liquidity requirements on the banking sector. The economy of Eswatini is expected to rebound by 2022. Nedbank (Swaziland) Limited's Headline Earnings for 2020 were E78.2 million (2019: E121.4 million).

### Net Interest Income (NII)

In the current year, the Bank observed a decline of 4% in loans and advances due to a subdued economy. This, coupled with a 29% increase in deposits from customers compared to 2019, resulted in an NII of E278.6 million, which is 10% lower than the prior year (E310.8 million). The prime lending rate decrease of 275 basis points between March and July had a further impact on NII.

### Impairments of Loans and Advances

The impairment charge was E78.5 million for the year, a 70% increase when compared to the prior year charge of E46.1 million. The main driver of the charge was the negative economic outlook due to the effect of COVID-19 on the Bank's clients. Clients continue to bear the effects of COVID-19, which has impacted their ability to honor loan repayment obligations. Moreover, in 2019, the Bank adopted IFRS 9 modelling where the full year GDP was projected at -4% for the year 2020, increasing the amount of provisions to be raised. A further indication of the deterioration of the credit loan book quality was the 2020 Credit Loss Ratio of 2.10%, reflecting a 9bps upwards shift from prior year (2019: 1.19%). In addition, Non-performing loans grew to E207.9 million in 2020 (2019: E153.9 million). The Bank remains committed to ensuring and maintaining a quality credit loan book through its risk and governance processes while assisting clients in need.

### Non-Interest Revenue (NIR)

Commission and fees increased by 4% to E182.4 million (2019: E174.5 million). The Bank experienced lower transactional volumes across all channels during the partial lockdown. However, an improvement in trading income and the enablement of digital platforms for digital products offering boosted the NIR. The NIR to expenses ratio for the year increased to 67.6% (2019: 65.4%).

### Operating Expenses

Expenses were valued at E269.9 million (2019: E268.0 million), having increased by 0.7% due to inflation and a drive for controlled expenditure. The Efficiency ratio was 58.5% for the year 2020 (2019: 55.2%). This increase was driven by the decline of 5% in total income combined with the increase in expenditure.

### Capital Adequacy

Capital adequacy ratio was 14.8% as at 31 December 2020, (2019: 17.4%) which is above regulatory requirement of 8%. Capital and reserves totaled E807.1 million (2019: E866.8 million). The Bank's capital adequacy ratio has been computed according to Basel II reporting principles as adopted by the Central Bank of Eswatini.

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

### Prospects

The growth strategy for the Bank remains unchanged, which is to drive revenue gains through investment in digital platforms and automation for competitiveness. The Bank has identified opportunities in the energy, construction and agricultural sector as focal growth areas for Wholesale Business. The Bank thrives to provide excellent customer experience through varied product offering for all our clients.

### Dividend Declaration

Notice is hereby given that a nil dividend is declared for the financial year ended 31 December 2020 and focus is directed to optimizing the Bank's capital base.

The second tranche of the dividend payment amounting to E70 million declared for the year ended 31 December 2019 will be paid on 6 April 2021.

### Annual General Meeting

The Annual General Meeting will be held on 28 May 2021 and a final notification, together with the Annual Report will be sent to shareholders not later than 7 May 2021.

### 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 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 (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 (executive) and Mr. Z Kunene (non-executive).

### 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 of the statement of financial position as at 31 December 2020, 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 audited financial statements of Nedbank (Swaziland) Limited for the year ended 31 December 2020.

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 2020 are consistent, in all material respects, with the audited 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 audited financial statements of Nedbank (Swaziland) Limited. Reading the abridged Bank's financial statements, therefore, is not a substitute for reading the Bank's audited 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 29 March 2021.

#### 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:**  
SNG Grant Thornton Chartered  
Accountants (Swaziland)  
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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## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### KEY HIGHLIGHTS

HEADLINE EARNINGS	OPERATING INCOME	NET INTEREST INCOME	NON-INTEREST REVENUE	EFFICIENCY RATIO	NIR TO EXPENSES	CLR
▼ (35.6%)	▼ (12.9%)	▼ (10.4%)	▲ (4.5%)	▼ (6.0%)	▲ (3.7%)	▼ (0.9%)
E78.2M	E382.4M	E278.6M	E182.4M	58.5%	67.6%	2.1%

STATEMENT OF COMPREHENSIVE INCOME	Year ended 31 Dec 2020	Year ended 31 Dec 2019
	Audited SZL	Audited SZL
Interest income	426,053,672	479,728,097
Interest expense	(147,472,405)	(168,965,445)
<b>Net interest income</b>	<b>278,581,267</b>	<b>310,762,652</b>
Non-interest revenue	182,381,277	174,553,814
<b>Total income</b>	<b>460,962,544</b>	<b>485,316,466</b>
Impairment of advances	(78,525,414)	(46,170,065)
<b>Net income</b>	<b>382,437,130</b>	<b>439,146,401</b>
Expenses	(269,918,792)	(268,043,951)
<b>Net income before tax</b>	<b>112,518,338</b>	<b>171,102,450</b>
Taxation	(34,288,792)	(49,646,418)
<b>Net income after taxation</b>	<b>78,229,546</b>	<b>121,456,033</b>
<b>Other comprehensive income</b>		
Re-measurement of defined benefit liability	2,740,924	(4,028,150)
Deferred income tax	(753,754)	1,107,741
<b>Total other comprehensive income</b>	<b>1,987,170</b>	<b>(2,920,409)</b>
<b>Total comprehensive income</b>	<b>80,216,716</b>	<b>118,535,624</b>
<b>Basic and diluted earnings per share (cents)</b>	<b>317</b>	<b>493</b>
<b>ROE (%)</b>	<b>9.7%</b>	<b>14.0%</b>

STATEMENT OF FINANCIAL POSITION	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
Cash and cash equivalents	1,375,458,695	695,039,695
Government and public sector securities	1,174,970,246	536,796,911
Derivative financial instrument	6,686,476	6,235,532
Amounts due from other banks	2,854,395	25,678,283
Investments	375,020	3,161,399
Loans and advances to customers	3,742,158,126	3,878,871,754
Other receivables	15,496,510	8,003,478
Deferred taxation asset	70,046,455	60,984,451
Property and equipment	68,858,925	76,195,261
Intangible assets	4,724	13,991
<b>Total assets</b>	<b>6,456,909,572</b>	<b>5,290,980,755</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	12,305,277	12,305,277
Share premium and reserves	794,784,531	854,567,815
<b>Total equity and reserves attributed to equity holders of the bank</b>	<b>807,089,808</b>	<b>866,873,092</b>
<b>Liabilities</b>		
Funding from other banks	5,173,524	90,684,095
Derivative financial instruments	6,634,002	5,829,595
Deposits from banks	1,683,506	15,006,805
Amounts owed to depositors	5,336,232,246	4,129,731,602
Current taxation liabilities	17,530,118	6,831,358
Other liabilities	263,262,885	154,740,900
Provisions	8,557,191	11,155,743
Deferred tax liabilities	10,746,292	10,127,565
<b>Total equity and liabilities</b>	<b>6,456,909,572</b>	<b>5,290,980,755</b>
<b>Guarantees, letters of credit, unutilized facilities and contingent liabilities</b>	<b>243,706,620</b>	<b>254,086,866</b>

ABRIDGED STATEMENT OF CHANGES IN EQUITY	31 Dec 2020	31 Dec 2019
Shareholders' equity - at beginning of period	866,873,092	782,833,656
Prior year's final dividend declared/paid	(140,000,000)	(34,496,188)
Net income after tax for the period	78,229,546	121,456,033
Re-measurement of defined benefit liability - net	1,987,170	(2,920,409)
<b>Shareholders' equity - at end of period</b>	<b>807,089,808</b>	<b>866,873,092</b>

STATEMENT OF CASHFLOWS	31 Dec 2020	31 Dec 2019
Cash generated/(utilised) by operating activities	875,790,970	(167,157,968)
Taxation paid	(32,786,484)	(60,585,789)
Cash utilized by investment activities	(7,074,915)	(9,375,374)
Cash utilized by financing activities	(70,000,000)	(34,496,188)
<b>Net cash generated/(utilised)</b>	<b>765,929,571</b>	<b>(271,615,319)</b>
Cash and cash equivalents at beginning of period	604,355,600	875,970,919
<b>Cash and cash equivalents at end of period</b>	<b>1,370,285,171</b>	<b>604,355,600</b>

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

**Ms F Nkosi**  
(Managing Director)

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