

# Nedbank Lesotho Limited

# FINANCIAL RESULTS

## FOR YEAR ENDED 31 DECEMBER 2017



### Performance Overview

The year 2017 was a challenging year for Nedbank Lesotho Limited, owed to a slow domestic and global economic environment which put pressure on the banking industry as a whole. Our profit after tax before taking into account other comprehensive income fell by 48%, from M42.169 million to M21.924 million. The decline in profitability was mainly attributable to the reduction of bank charges and fees adjustments to offer more competitive pricing for our clients which subsequently resulted in a 25% drop in our Non-Interest income.

The Bank's performance was also negatively impacted by one major impairment during the year as well IAS 19 – Employee Benefits and IAS 39 – Financial Instruments: Recognition and Measurement adjustments.

Despite these setbacks, Net Interest income grew by 13.5% in line with the growth in our lending book and deposits from customers.

Loans and advances grew significantly by 13.6% to M1.179 million from M1.038 million in 2016, mainly driven by other loans and instalment credit lines. Total deposits also increased by 9% to M3.577 million from M3.282 million in line with the Bank's strategic deposit mobilisation initiatives to support asset growth.

The bank is in a healthy and sound financial position which is attributed to strong capital base and good risk management as well as growth and support from our clients.

### Corporate Social Investment (CSI)

Nedbank Lesotho continued to play a role in social upliftment in the country through key corporate social investment initiatives such as donations to the Lesotho Red Cross Society to assist vulnerable children in the Mokhotlong area, donation to the Mants'ase Children's Home in Mphahle's Hoek, and annual contribution to Her Majesty's Hlokomela Banana "Care for Girls" Project for provision of hygiene packs for girls in high schools in 5 districts.

### Appreciation

The Board and Management of Nedbank Lesotho Limited wish to thank all customers, staff, shareholders, regulators, business partners and the community at large for their valuable and continued support during 2017 and years to come.

### STATEMENT OF FINANCIAL POSITION at 31 December 2017

Note	2017 M'000	2016 M'000
<b>Assets</b>		
Cash and cash equivalents	2 732 489	2 406 316
Non-pledged trading assets	36 286	100 274
Loans and advances	1 179 196	1 037 706
Amounts due from banks	78 714	94 680
Other assets	23 716	50 826
Property and equipment	69 102	76 416
Intangible assets	61	57
Current tax assets	5 334	19 725
Deferred tax asset	3 442	3 830
<b>Total assets</b>	<b>4 128 340</b>	<b>3 789 830</b>
<b>Liabilities and equity</b>		
Deposits from customers	2 523 285	2 222 440
Deposits from banks	1 053 233	1 059 525
Current tax liabilities	4 246	1 377
Other liabilities	88 493	72 420
<b>Total liabilities</b>	<b>3 669 257</b>	<b>3 355 762</b>
Share capital	20 000	20 000
Retained earnings	386 276	369 199
Reserves	52 807	44 869
<b>Total equity</b>	<b>459 083</b>	<b>434 068</b>
<b>Total liabilities and equity</b>	<b>4 128 340</b>	<b>3 789 830</b>

PJ Bouwer, Managing Director  
Nedbank Lesotho Limited

Matholoana Mkhali, Chief Financial Officer  
Nedbank Lesotho Limited

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2017

	2017 M'000	2016 M'000
<b>Income</b>		
Interest income	307 418	294 839
Interest expense	(146 793)	(153 263)
Net interest income	160 625	141 576
Non-interest revenue	85 247	113 490
Revenue	245 872	255 066
<b>Expenses</b>		
Impairment of loans and advances	(24 322)	(19 480)
Staff costs	(80 637)	(85 635)
Depreciation & amortisations	(9 872)	(10 538)
Other operating expenses	(97 483)	(84 920)
Total expenses	(212 314)	(200 573)
<b>Profit before tax</b>	<b>33 558</b>	<b>54 493</b>
Income tax expense	(11 634)	(12 324)
<b>Profit after tax</b>	<b>21 924</b>	<b>42 169</b>
<b>Other comprehensive income</b>		
Items that will not be classified to profit or loss	4 121	5 511
Re-measurements of defined benefit liability	(1 030)	(1 378)
Related tax	3 091	4 133
Other comprehensive income for the year	3 091	4 133
<b>Total comprehensive income for the year</b>	<b>25 015</b>	<b>46 302</b>

### STATEMENT OF CASH FLOWS for the year ended 31 December 2017

	2017 M'000	2016 M'000
<b>Cash flow from operating activities:</b>		
Profit/(loss) after tax	21 924	42 169
<b>Adjustments for:</b>		
Depreciation	10 543	10 348
Amortisation of intangible assets	(4)	190
Impairment of loans and advances	33 804	19 480
Write-off of property and equipment	-	837
Re-measurement of employee benefit	2 357	7 275
Interest income	(307 418)	(294 839)
Interest expense	146 793	153 263
Profit on write off of equipment from insurance	-	(58)
Tax expense	11 634	12 324
	(80 367)	(49 011)
<b>Changes in:</b>		
Loans and advances	(175 294)	(49 524)
Amounts due from banks	15 966	(8 964)
Non-pledged assets	63 988	26 836
Other assets	27 110	(47 302)
Deposits from customers	300 845	28 914
Deposits from banks	(6 292)	(47 204)
Other liabilities	16 073	15 844
Cash utilised in operating activities	162 029	(130 411)
Interest paid	(146 793)	(153 263)
Interest received	305 984	291 998
Income tax received/ (paid)	8 190	(27 012)
<b>Net cash used in operating activities</b>	<b>329 410</b>	<b>(18 688)</b>
<b>Cash flow from investing activities:</b>		
Additions to property and equipment	(3 237)	(10 108)
Additions to intangible assets	-	(59)
Proceeds from insurance for written off asset	-	58
<b>Net cash used in investing activities</b>	<b>(3 237)</b>	<b>(10 109)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-	(15 754)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(15 754)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>326 173</b>	<b>(44 551)</b>
Cash and cash equivalents at 1 January	2 406 316	2 450 867
<b>Cash and cash equivalents at 31 December</b>	<b>2 732 489</b>	<b>2 406 316</b>

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Share capital M'000	Statutory reserve M'000	Revaluation reserve M'000	Credit risk reserve M'000	Retained income M'000	Total equity M'000
<b>Balance at 1 January 2017</b>	20 000	20 000	19 385	5 484	369 199	434 068
<b>Total comprehensive income</b>	-	-	-	-	21 924	21 924
Profit for the year	-	-	-	-	21 924	21 924
<b>Other comprehensive income</b>	-	-	-	-	3 091	3 091
Re-measurement of defined benefit liability	-	-	-	-	(7 938)	(7 938)
Credit risk reserve movements	-	-	-	-	-	-
Dividends to shareholder	-	-	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>20 000</b>	<b>20 000</b>	<b>19 385</b>	<b>13 422</b>	<b>386 276</b>	<b>459 083</b>
<b>Balance at 1 January 2016</b>	20 000	20 000	19 385	5 484	338 651	403 520
<b>Total comprehensive income</b>	-	-	-	-	42 169	42 169
Profit for the year	-	-	-	-	42 169	42 169
<b>Other comprehensive income</b>	-	-	-	-	4 133	4 133
Re-measurement of defined benefit liability	-	-	-	-	-	-
Credit risk reserve movements	-	-	-	-	-	-
Dividends to shareholder	-	-	-	-	(15 754)	(15 754)
<b>Balance at 31 December 2016</b>	<b>20 000</b>	<b>20 000</b>	<b>19 385</b>	<b>5 484</b>	<b>369 199</b>	<b>434 068</b>

### LOAN LOSS RESERVES for the year ended 31 December 2017

	2017 M'000	2016 M'000
<b>Allowance for impairment</b>		
Balance at beginning of the year	46 494	34 801
Impairment raised during the year	33 804	19 480
Bad debts written off	(13 755)	(7 787)
Balance at end of the year	66 543	46 494
<b>Comprising:-</b>		
Specific impairments	45 003	27 904
Interest in suspense	6 080	5 087
Total specific impairment	51 083	32 991
Portfolio impairment	15 460	13 503
Total impairment	66 543	46 494

see money differently

**NEDBANK**