

FINANCIAL RESULTS

FOR YEAR ENDED 31ST DECEMBER 2016

COMMENTS ON THE RESULTS

The domestic economic activity remained subdued in 2016, impacted by slow economic growth and reduced government spending. At the back of this, Nedbank Lesotho Limited business faced a challenging year which saw the Bank's profitability contracting year on year. Despite the difficult economic environment, the Bank's operating income continued to increase but the overall performance was adversely affected by additional provision for employee benefits and as well as an increase in regulatory

general provision requirement from 1% to 2% of the loan book during the year. The profit after tax before other comprehensive income fell by 14% from M49.066 million to M42.169 million.

The Bank continued to grow its lending book to foster long term relationships with our clients and for national economic growth. We also continued to play our role in social upliftment through Corporate Social Investment (CSI) initiatives.

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.

The Board and Management of Nedbank Lesotho Limited wish to thank all customers, staff, shareholders, regulators and the community at large for their valuable and continued support during 2016 and the years to come.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | 2016 M'000 | 2015 M'000 |
|---|---------------|---------------|
| INCOME | | |
| Interest income | 294 839 | 264 986 |
| Interest expense | (153 263) | (128 231) |
| Net interest income | 141 576 | 136 755 |
| Non-interest revenue | 113 490 | 104 744 |
| Revenue | 255 066 | 241 499 |
| EXPENSES | | |
| Impairment of loans and advances | (19 480) | (21 757) |
| Staff costs | (85 635) | (77 209) |
| Depreciation & amortisations | (10 538) | (9 082) |
| Other operating expenses | (84 920) | (69 284) |
| Total expenses | (200 573) | (177 332) |
| PROFIT BEFORE TAX | 54 493 | 64 167 |
| Income tax expense | (12 324) | (15 101) |
| PROFIT AFTER TAX | 42 169 | 49 066 |
| Other comprehensive income | | |
| Items that will not be classified to profit or loss | | |
| Re-measurements of defined benefit liability | 5 511 | - |
| Related tax | (1 378) | - |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | |
| Gain on revaluation reserve | - | 7 214 |
| Related tax | - | (1 804) |
| Other comprehensive income for the year | 4 133 | 5 410 |
| Total comprehensive income for the year | 46 302 | 54 476 |

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

| | 2016 M'000 | Restated 2015 M'000 |
|-------------------------------------|---------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | 2 406 316 | 2 450 867 |
| Non-pledged trading assets | 100 274 | 127 110 |
| Loans and advances | 1 037 706 | 1 006 252 |
| Amounts due from banks | 94 680 | 85 716 |
| Other assets | 50 826 | 3 524 |
| Property and equipment | 76 416 | 77 493 |
| Intangible assets | 57 | 306 |
| Current tax assets | 19 725 | 19 470 |
| Deferred tax asset | 3 830 | 4 041 |
| Total assets | 3 789 830 | 3 774 779 |
| LIABILITIES AND EQUITY | | |
| Deposits from customers | 2 222 440 | 2 193 526 |
| Deposits from banks | 1 059 525 | 1 106 729 |
| Current tax liabilities | 1 377 | 14 428 |
| Other liabilities | 72 420 | 56 576 |
| Total liabilities | 3 355 762 | 3 371 259 |
| Share capital | 20 000 | 20 000 |
| Retained earnings | 369 199 | 338 651 |
| Reserves | 44 869 | 44 869 |
| Total equity | 434 068 | 403 520 |
| Total liabilities and equity | 3 789 830 | 3 774 779 |



PJ Bouwer, Managing Director
Nedbank Lesotho Limited



Matholoana Mokhali,
Chief Financial Officer
Nedbank Lesotho Limited