

NEDBANK PRIVATE WEALTH LIMITED

Abridged consolidated financial statements

For the year ended 31 December 2019

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DIRECTORS AND OFFICERS

Directors

Name		Appointed	Resigned
J C Avery	a,b	26 October 2001	17 March 2020
C Blenkinsop		14 October 2011	
V J Boule		23 February 2011	28 February 2019
S Cummins		20 March 2018	
S P Fox		05 December 2011	17 March 2020
A G K Hamilton	b,c	17 June 2008	
E M Kruger	e	20 March 2018	
C D Parrish	a,d	25 January 2012	17 March 2020
I Ruggiero	a,b	12 August 2015	
S C Wilkins		20 March 2018	17 March 2020
J Harris		16 July 2019	
Andrew Corlett		17 March 2020	
Jeremy Wilson		17 March 2020	

Key:

- a. Member of Audit, Risk and Compliance Committee
- b. Member of Remuneration Committee
- c. Chairman of Audit, Risk and Compliance Committee
- d. Chairman of Remuneration Committee
- e. Chairman of the Board

Registered agent

ILS Fiduciaries (IOM) Limited
 First Floor
 Millennium House
 Victoria Road
 Douglas
 Isle of Man
 IM2 4RW

Auditors

Deloitte LLP
 The Old Courthouse
 PO Box 250
 Douglas
 Isle of Man
 IM99 1XJ

Registered office

St Mary's Court
 20 Hill Street
 Douglas
 Isle of Man
 IM1 1EU

DIRECTORS' REPORT

The Directors submit their report and the abridged consolidated financial statements for the year ended 31 December 2019.

Principal activities

Nedbank Private Wealth Limited (the "Company") and together with its subsidiaries (together the "Group"):

Nedbank Private Wealth Limited (the "Company") is a licensed bank incorporated in the Isle of Man.

The Company carries on the business of banking in all its aspects including the management of clients' investments and the acceptance of sterling and foreign currency time deposits. Trustee and company administration services are also provided through the Company's wholly-owned subsidiaries which are listed in note 5 to these financial statements.

Results & Dividend

The retained profit for the year after tax amounted to £13,162,000 (2018: £13,590,000) which has been transferred to retained earnings. A dividend of £8,900,000 (2018: £13,150,000) was declared and paid during the year.

Going concern

The Directors are of the opinion that the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Group to continue as a going concern. The Group is not dependent on external finance and projected cash flows indicate adequate financial resources to meet liabilities as they fall due.

In the Directors assessment of adopting the going concern basis of accounting, the Board took into account both current performance and the Group's outlook, which considered the potential impact of the Covid-19 pandemic on the Group's capital and funding position. As part of this assessment, the Board considered a variety of scenarios, taking into account:

- the possible impacts on profit due to recent and forecast interest rate changes, changes in growth rates of customer deposits and loan balances, potential reductions in revenues derived from assets under management and administration, and potential increases in loan loss provisions;
- the sufficiency of the Group's capital base throughout the going concern period, including by reference to the results of stress testing which is performed as an integral part of the ICAAP;
- the adequacy of the Group's liquidity;
- the status of the parent Nedbank group and the financial and operational linkages that exist with the Company; and
- the operational resilience of the Groups priority business functions, dependencies on suppliers, and the ability to provide continuity of service to its customers.

Based on the current financial forecasts and stress test analysis, the Group's capital, funding, and operational capabilities support the Board's assessment that they have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

Audit Opinion

The audit opinion from the signed financial statements has been included within this report.

Directors

The present Board and those Directors who served during the year are shown on page 1.

On behalf of the Board

Director

CRAIG BLENKINSOP

St Mary's Court
20 Hill Street
Douglas
Isle of Man
IM1 1EU

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NEDBANK PRIVATE WEALTH LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Nedbank Private Wealth Limited (the "Company") and together with its subsidiaries (together the "Group"):

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs)
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss;
- the consolidated statement of other comprehensive income;
- the consolidated statement of financial position;
- the company statement of financial position;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated statement of cash flows;
- the company statement of cash flows;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF NEDBANK PRIVATE WEALTH LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the group's member. Our audit work has been undertaken so that we might state to the group's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's member as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP
Douglas, Isle of Man
27 April 2020

Note: The maintenance and integrity of the Nedbank Private Wealth Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.


Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents		85,310	73,002
Government treasury bills		248,994	154,962
Certificates of deposit		447,847	401,915
Floating rate notes		254,091	317,031
Loans and advances to other banks		44,633	64,007
Loans and advances to related parties		68,212	47,391
Derivatives and forward exchange contracts		443	369
Loans and advances to customers		423,379	456,618
Accrued interest receivable		3,560	3,366
Other assets		9,517	5,284
Deferred tax assets		617	496
Investments		2,351	1,822
Property and equipment		942	541
Right of use asset		7,262	0
Total assets		1,597,158	1,526,804
Liabilities			
Derivatives and forward exchange contracts		884	374
Deposits from customers		1,478,177	1,430,651
Deposits by related parties		5,398	1,145
Accrued interest payable		1,143	1,181
Other liabilities		8,434	7,710
Current tax liability		1,589	1,323
Deferred tax liability		52	37
Provisions		4,475	93
Pension scheme liability		6,595	4,896
Right of use lease liability	3	7,584	0
Total liabilities		1,514,331	1,447,410
Shareholder's equity			
Issued capital	4	11,000	11,000
Fair value and share option reserves		1,994	949
Retained earnings		69,833	67,445
Total shareholder's equity		82,827	79,394
Total liabilities and shareholder's equity		1,597,158	1,526,804

The notes on pages 7 to 10 form part of the financial statements.

These financial statements were approved by the Board of Directors on 21st April 2020 and were signed on their behalf by:


 Director
 STUART CUMMINS


 Director
 CRAIG BLENKINSOP

ABRIDGED COMPANY STATEMENT OF FINANCIAL POSITION
 as at 31 December 2019.

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents		84,611	71,517
Government treasury bills		248,994	154,962
Certificates of deposit		447,847	401,915
Floating rate notes		254,091	317,031
Loans and advances to banks		44,633	64,007
Loans and advances to related parties		70,248	47,475
Derivatives and forward exchange contracts		443	369
Loans and advances to customers		423,379	456,618
Accrued interest receivable		3,560	3,366
Other assets		6,668	3,716
Deferred tax assets	5	488	367
Investments		2,351	1,822
Investments in subsidiaries		5,004	5,004
Property and equipment		883	474
Right of use asset		6,924	0
Total assets		1,600,134	1,528,643
Liabilities			
Derivatives and forward exchange contracts		884	374
Deposits from customers		1,478,152	1,430,651
Deposits by related parties		11,126	4,298
Due to subsidiary companies		4	4
Accrued interest payable		1,143	1,181
Other liabilities		5,896	6,324
Current tax liability		1,565	1,226
Deferred tax liability		52	37
Provisions		4,475	93
Pension scheme liability		6,595	4,896
Right of use lease liability	3	7,287	0
Total liabilities		1,517,179	1,449,084
Shareholder's equity			
Issued capital	4	11,000	11,000
Fair value and share option reserves		1,994	949
Retained earnings		69,961	67,610
Total shareholder's equity		82,955	79,559
Total liabilities and shareholder's equity		1,600,134	1,528,643

The notes on pages 7 to 10 form part of the financial statements.

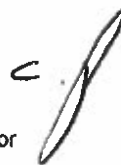
These financial statements were approved by the Board of Directors on 21st April 2020 and were signed on their behalf by:

Director



STUART CUMMINS

Director



CRAIG BLENKINSOP

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

(forming part of the abridged consolidated financial statements for the year ended 31 December 2019)

1 Basis of preparation

These abridged financial statements are derived from the audited annual financial statements of the Group and Parent Company for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2 Accounting policies

These abridged financial statements incorporate accounting policies that are consistent with those adopted in the Group and Parent Company financial statements for the year ended 31 December 2019 and with those of previous years.

2.1 Changes in accounting policies

IFRS 16 Leases

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019.

Transitional Approach

The group has elected to apply IFRS 16 retrospectively, using the modified approach. The modified approach allows for comparatives under the previously effective accounting requirements of IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease' not be restated. As at 1 January 2019, corresponding transitional adjustments were made through opening retained earnings.

On adoption of IFRS 16, the group recognised a right-of-use asset and accompanying lease liability in relation to the following:

- Enforceable leases as at 31 December 2018; and
- Those enforceable leases which had previously been classified as operating leases under the principles of IAS 17.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time on exchange for a consideration. Under IAS 17, the group assessed whether arrangements contained a lease based on establishing whether fulfilment of the arrangement was subject to the use of a specific asset and conveyed a right to use the asset.

In applying IFRS 16 for the first time, the Group applied the following practical expedients permitted by the standard:

- The Group did not account for operating leases with a remaining lease term of less than 12 months at 1 January 2019 as short term leases; and
- The Group did not include the initial direct costs for the measurement of the right-of-use asset at the date of initial application;

In determining the right-of-use asset and lease liability values, the group has made judgements, estimation techniques and assumptions surrounding lease terms, the economic substance of lease payments and inputs made in constructing discounting rates.

The group recognised lease liabilities upon adoption of £8,218,000 and accompanying right-of-use assets of £7,993,000. The retained earnings impact is £256,000.

3 Commitments (Group and Company)

There were no capital commitments at 31 December 2019 (2018: £nil).

There are commitments outstanding that have been entered into during the normal course of business. These comprise unutilised client loan facilities of £30,178,265 (2018: £14,635,922).

The Group has issued guarantees of £1,851,868 (2018: £2,380,656) during the year. All guarantees are related party guarantees.

**NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

(forming part of the abridged consolidated financial statements for the year ended 31 December 2019)

3 Commitments (Group and Company) (Continued)

Lease liabilities reconciliation

	Group	Company
	£'000	£'000
Balance at 1 January 2019	8,233	7,769
Interest expense	285	272
Lease payments	(934)	(754)
	<u>7,584</u>	<u>7,287</u>
Balance at 31 December 2019	<u><u>7,584</u></u>	<u><u>7,287</u></u>

Lease liabilities: Current vs Non-Current

	Group	Company
	£'000	£'000
Current	871	710
Non-Current	6,713	6,577
	<u>7,584</u>	<u>7,287</u>
Total	<u><u>7,584</u></u>	<u><u>7,287</u></u>

4 Share capital

	Issued any fully paid	
	2019	2018
	£'000	£'000
11,000,000 Ordinary equity shares of £1 each	11,000	11,000
	<u>11,000</u>	<u>11,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

5 Subsidiary undertakings

Name	Activity	Holding	Place of incorporation	Cost £'000
Nedgroup Trust Limited	Trust	100%	Guernsey	5,000
Nedgroup Private Wealth Nominees (Jersey) Limited	Nominee	100%	Jersey	-
Nedgroup Private Wealth Nominees (IOM) Limited	Nominee	100%	Isle of Man	2
Nedgroup Private Wealth Nominees (UK) Limited	Nominee	100%	Isle of Man	2
				<u><u>5,004</u></u>

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(forming part of the abridged consolidated financial statements for the year ended 31 December 2019)

6 Ultimate holding company

As at 31 December 2019 Nedbank Private Wealth Limited was a wholly-owned subsidiary of Nedgroup International Holdings Limited which is incorporated in the Isle of Man. Following a Managed Separation which concluded on 15th October 2018, the ultimate parent undertaking changed from Old Mutual plc to Nedbank Group Limited, a company incorporated in South Africa.

7 Contingent liability

Claims in the Normal Course of Business

During the normal course of business the Group occasionally receives claims related to services which have been provided. There are no claims that have not been provided for as per note 8.

Depositors' Compensation Scheme

The Company is licensed by the Isle of Man Financial Services Authority ("IOMFSA") to conduct deposit-taking activities. All retail deposit-taking institutions in the Isle of Man are members of the statutory Isle of Man Depositors' Compensation Scheme under the Compensation of Depositors Regulations 2008 as amended by the Compensation of Depositors (Amendment) Regulations 2008 ("the Scheme").

The Scheme provides compensation to a maximum of 100% of the first £50,000 or currency equivalent of individual depositors and £20,000 in any other case, subject to a maximum of £200,000,000 for all participants, in the event of the failure of a participant institution to meet its obligations to depositors.

Such a failure triggers the payment of a levy by each participant calculated at 0.125% of average deposit liabilities over such period preceding the levying of the contribution as deemed appropriate by the Scheme Manager, with a minimum annual contribution of £35,000 and a maximum annual contribution of £350,000. During the year the Company paid contributions of £nil (2018: £nil) to the Scheme.

The Jersey branch operation of the Company is licensed by the JFSC to conduct deposit-taking activities. All retail deposit-taking institutions in Jersey are members of the statutory Jersey Depositors' Compensation Scheme under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009.

The Jersey Scheme provides compensation to a maximum of 100% of the first £50,000 or currency equivalent of individual depositors, subject to a maximum of £100,000,000 in any five year period. During the year the Company paid contributions of £nil (2018: £nil) to the Scheme.

The London branch operation is licenced by the UKFCA, and therefore participates in the Financial Services Compensation Scheme ('FSCS'). The FSCS has provided compensation to consumers following the collapse of a number of deposit takers. The compensation paid out to consumers is currently funded through loans from the Bank of England and HM Treasury. In order to repay the loan principal that is not expected to be recovered, the FSCS levies participating financial institutions.

In 2019 the Bank paid contributions of £80,076 (2018: £57,483) to the FSCS. The bank could be liable to pay a further proportion of the outstanding borrowings that the FSCS has borrowed from HM Treasury. The ultimate FSCS levy to the industry as a result of the collapses cannot currently be estimated reliably as it is dependent on various uncertain factors including the potential recoveries of assets by the FSCS and changes in the level of protected deposits and the population of FSCS members at the time.

**NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)**

(forming part of the abridged consolidated financial statements for the year ended 31 December 2019)

8 Provisions

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Opening balance	93	59	93	59
Utilised in the year	-	-	-	-
Released in the year	(93)	-	(93)	-
New provision	4,475	34	4,475	34
Closing balance	<u>4,475</u>	<u>93</u>	<u>4,475</u>	<u>93</u>

These amounts relate to legal fees and operating provisions incurred in the normal course of business. Of the £4,475k outstanding, £4,139k is covered by professional indemnity insurance and included within Other assets.

9 Subsequent event disclosure

The existence of coronavirus (COVID-19) in the UK was confirmed in February 2020, followed by announcements in the UK and British Offshore Islands that there would be lockdown periods in each territory, causing disruptions to businesses and economic activity. Nedbank Private Wealth Limited considers this outbreak to be a non-adjusting event after the reporting date.

The impact of COVID 19 is expected to have a negative impact on revenues generated from assets under management and administration, and potentially increase loan loss provisions. As the situation is fluid and rapidly evolving, Nedbank Private Wealth Limited does not consider it practical to provide a quantitative estimate of the potential impact of this outbreak as at the date when the financial statements were authorized for issue.

10 Audited Financial Statements

A copy of the audited financial statements of Nedbank Private Wealth Limited for the year ended 31 December 2019 is available on request at the Company's registered office.