FIRST NATIONAL BANK OF SWAZILAND LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

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for the year ended 30 June 2016

FIRST NATIONAL BANK OF SWAZILAND LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

To the Shareholder of the First National Bank of Swaziland Limited

The directors of First National Bank of Swaziland Limited are responsible for the preparation and fair presentation of the annual financial statements comprising the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and the notes to the annual financial statements. These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and in the manner required by the Financial Institutions Act of 2005.

In discharging this responsibility, the directors rely on management to prepare the annual financial statements and for keeping adequate accounting records in accordance with the bank's system of internal control. Siboniso Edison Mdluli, CA (SA) supervised the preparation of the annual financial statements for the year.

In preparing the annual financial statements, suitable accounting policies in accordance with IFRS have been applied and reasonable judgements and estimates have been made by management. The directors approve significant changes to accounting policies. There were, however, no changes to accounting policies during the financial year. The annual financial statements incorporate full and responsible disclosure in line with the bank's philosophy on corporate governance.

The directors are responsible for the bank's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the bank is on identifying, assessing, managing and monitoring all known forms of risk across the bank.

Effective risk management requires various points of control. The directors and management are the risk owners, assisted by enterprise risk management and internal audit. Enterprise risk management is responsible for independent oversight and monitoring of controls and reports to the risk, capital and compliance committee, who oversees the bank's risk governance structures and processes. Internal audit provides independent assurance on the adequacy effectiveness of controls and report to the audit committee.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the annual financial statements and maintaining accountability for the bank's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the bank, during the year and up to the date of this report.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS (*continued)*

To the Shareholder of the First National Bank of Swaziland Limited *(continued)*

Based on the effective internal controls implemented by management, the directors are satisfied that the annual financial statements fairly present the state of affairs of the bank at the end of the financial year and the net income and cash flows for the year.

The directors have reviewed the bank's budget and flow of funds forecast and the assumptions underlying these and considered the bank's ability to continue as a going concern in light of current and anticipated economic conditions. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the bank's independent external auditors, PricewaterhouseCoopers, to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29 of the Financial Institutions Act of 2005. Their unmodified report appears on page 3.

The annual financial statements of the bank, which appear on pages 4 to 96, were approved by the board of directors on **12 August 2016** and are signed on its behalf by:

CHAIRMAN
DR. D M J VON WISSELL

CHIEF EXECUTIVE OFFICER
D T MBINGO

Mbabane

27th September 2016

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF SWAZILAND FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

We have audited the annual financial statements of the First National Bank of Swaziland which comprise the directors' report, the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 96.

Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Financial Institutions Act of 2005. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the bank as of 30 June 2016 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Financial Institutions Act of 2005.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Partner: *Theo Mason*
Chartered Accountant (Swaziland)
Mbabane
Date: **28th September 2016**

Partner in charge T Mason
Resident partner M Fakudze
PricewaterhouseCoopers, RHUS Office Park, Kal Grant Street, Mbabane, Swaziland
P O Box 569, Mbabane H100, Swaziland Telephone +268 2404 2861/3 or 2404 3143, Facsimile +268 2404 5015, www.pwc.com

DIRECTORS' REPORT
for the year ended 30 June 2016

The directors have pleasure in submitting this report, which forms part of the financial statements of the bank for the year ended 30 June 2016.

Nature of Business

The bank is incorporated in Swaziland and operates as a commercial bank.

Financial Results

Full details of the financial results for the period are set out on pages 7 to 96.

Events subsequent to reporting date

The directors are not aware of any events that have occurred subsequent to year end that could impact the amounts presented in the financial statements and:

(a) have been fully taken into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;
(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the statement of financial position; and
(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

Dividend

During the year the directors approved and paid a dividend distribution of E60 000 000 (2015: E100 000 000).

Share Capital

The authorised and issued share capital of the bank remained unchanged during the year. In terms of the Financial Institutions Act of 2005, section 20 (1) (a) (i), a financial institution is required to maintain capital of at least 5% of its liabilities to the public in Swaziland in terms of the most recent published statement of financial position. As at 30 June 2016, the bank's liabilities to the public in Swaziland totalled E3.0 billion (2015: E2.8 billion) requiring a minimum capital of E151 million (2015: E138 million). The requirement of the Financial Institutions Act of 2005 ("the Act") in this regard has been met.

A further requirement under section 20 (1) (a) (iii) of the Act is that the sum of capital and reserves together shall not be less than 8% of the sum of the bank's Risk Weighted Assets (RWA) computed in the manner prescribed by the Central Bank of Swaziland from time to time by notice in the Gazette. As at 30 June 2016, the bank complied with this requirement.

Transfer to Statutory Reserve

In terms of Section 20 (1) (a) (ii) of the Act, the bank is required to transfer not less than 10% of its post tax profit to a statutory reserve account until the balance in this reserve account is equal to its minimum required capital. In accordance with this requirement an amount of E20.165 million (2015: E17.049 million) has been transferred to the statutory reserve in the current financial year.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2016

Appointment of Auditors

At the annual general meeting the shareholders will be asked to determine the remuneration of the auditors, PwC, in respect of the past audit and to re-appoint them in office.

Corporate Governance

The First National Bank of Swaziland Limited board of directors is committed to good corporate citizenship practices and organisational integrity in the direction, control and stewardship of the bank's affairs. This commitment provides stakeholders with the comfort that the bank's affairs are managed in an ethical and disciplined manner. The bank subscribes to a philosophy of providing meaningful, timely and accurate communication to its primary stakeholders, based on transparency, accountability and integrity. The bank regards its shareholder, customers, employees, suppliers, regulators and the communities in which it operates as its key stakeholders.

Directors

The directors of the bank during the year were:

		Appointed	**Resigned**
Dr D M J Von Wissell	(Chairman)	08 November 2013	
D T Mbingo	(Chief Executive Officer)	01 April 2015	
R J Cloete		07 November 2014	
D D Dlamini		08 November 2013	
S De Sousa		07 November 2014	
M R Arthur		11 April 2014	30 October 2015
L E Boakgomo-Ntakhwana		07 November 2014	15 April 2016
E S Motala		07 November 2014	30 October 2015
G Usher		30 October 2015	
D E Wright		03 February 2016	
J V Ndlangamandla		03 February 2016	
J W Adams		15 April 2016	

Holding Company

The bank's immediate holding company is FirstRand EMA Holdings Limited, registered in South Africa.

Registered office and postal address of the bank

The address of is as follows:

Business Address (Head Office)
2nd Floor
Sales House Building
Swazi Plaza
Mbabane
Swaziland

Postal Address
P.O. Box 261
Eveni
Mbabane
Swaziland

DIRECTORS' REPORT (continued)
for the year ended 30 June 2016

Auditors

Business Address	Postal Address
PricewaterhouseCoopers	P O Box 569
RHUS Office Park	Mbabane
Karl Grant Street	Swaziland
Mbabane	H100
Swaziland	

FIRST NATIONAL BANK OF SWAZILAND LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Notes	2016 E'000	2015 E'000
Interest and similar income	1	**337 418**	264 642
Interest expense and similar charges	2	**(77 954)**	(53 753)
Net interest income before impairment of advances		**259 464**	210 889
Impairment of advances	9.2	**(28 431)**	(14 276)
Net interest income after impairment of advances		**231 033**	196 613
Non-interest revenue-Net	3	**318 046**	277 850
Other losses	4	**-**	(1 016)
Income from operations		**549 079**	473 447
Operating and administration expenses	5	**(259 631)**	(228 966)
Income before tax		**289 448**	244 481
Indirect tax	6	**(10 932)**	(8 648)
Profit before tax		**278 516**	235 833
Income tax expense	7.1	**(77 240)**	(65 351)
Profit for the year		**201 276**	170 482
OTHER COMPREHENSIVE INCOME			
Items that may not subsequently be reclassified to profit or loss			
Re-measurement on defined benefit post-employment plans gains/(losses)			
Actuarial gains/(losses) for the year	18	**4 981**	(3 315)
Deferred income tax on (gains)/losses arising during the year	7.2	**(1 370)**	912
		3 611	(2 403)
Total other comprehensive income for the year		**204 887**	168 079

FIRST NATIONAL BANK OF SWAZILAND LIMITED

STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	**2016 E'000**	2015 E'000
ASSETS			
Cash and cash equivalents	8	**636 967**	418 971
Advances	9.1	**2 555 986**	2 321 597
Investment securities	10	**456 553**	316 090
Derivative financial instruments	11	**8 432**	4 473
Accounts receivable	12	**43 552**	21 858
Amounts due from related parties	24.2	**830 078**	620 430
Deferred income tax asset	7.2	**24 146**	16 051
Property and equipment	13	**60 480**	27 286
Total assets		**4 616 194**	3 746 756
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	14	**27 642**	27 642
Share premium	14	**2 686**	2 686
Other reserves	15	**142 602**	123 503
Retained earnings		**560 516**	441 950
Total equity		**733 446**	595 781
LIABILITIES			
Deposits	16	**3 017 185**	2 753 336
Share based payments liability	17	**5 700**	8 555
Derivative financial instruments	11	**12 029**	4 586
Defined benefit post-employment liability	18	**27 786**	21 244
Accounts payable	19	**162 073**	62 503
Provision for other liabilities and charges	20	**25 151**	20 394
Current income tax liability	7.3	**6 529**	5 507
Amounts due to related parties	24.2	**626 295**	274 850
Total liabilities		**3 882 748**	3 150 975
Total equity and liabilities		**4 616 194**	3 746 756

FIRST NATIONAL BANK OF SWAZILAND LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Share capital E'000	Share premium E'000	General risk reserve E'000	Available-for-sale reserve E'000	Statutory reserves E'000	Defined benefit post employment reserve E'000	Distributable reserves E'000	Total Equity E'000
Year Ended 30 June 2016								
Balance at 30 June 2015	**27 642**	**2 686**	**23 454**	**822**	**96 973**	**2 254**	**441 950**	**595 781**
Profit for the year	-	-	-	-	-	-	**201 276**	**201 276**
Other comprehensive income	-	-	-	-	-	**(3 611)**	-	**(3 611)**
Transfer to general risk reserve	-	-	**2 545**	-	-	-	**(2 545)**	-
Transfer to statutory reserve	-	-	-	-	**20 165**	-	**(20 165)**	-
Dividends paid	-	-	-	-	-	-	**(60 000)**	**(60 000)**
Balance as at 30 June 2016	**27 642**	**2 686**	**25 999**	**822**	**117 138**	**(1 357)**	**560 516**	**733 446**
Year Ended 30 June 2015								
Balance at 30 June 2014	27 642	2 686	20 541	822	79 924	4 657	391 430	527 702
Profit for the year	-	-	-	-	-	-	170 482	170 482
Other comprehensive income	-	-	-	-	-	(2 403)	-	(2 403)
Transfer to general risk reserve	-	-	2 913	-	-	-	(2 913)	-
Transfer to statutory reserve	-	-	-	-	17 049	-	(17 049)	-
Dividends paid	-	-	-	-	-	-	(100 000)	(100 000)
Balance as at 30 June 2015	27 642	2 686	23 454	822	96 973	2 254	441 950	595 781

FIRST NATIONAL BANK OF SWAZILAND LIMITED

STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Notes	2016 E '000	2015 E '000
Cash flows from operating activities	22.1	**317 077**	264 047
Cash received from customers		**656 202**	542 744
Interest & similar income	1	**337 418**	264 642
Fee and commission income	3	**318 046**	277 850
Recoveries	9.2	**738**	252
Cash paid to customers, suppliers and employees		**(339 125)**	(278 697)
Interest expense and similar charges	2	**(77 954)**	(53 753)
Total other operating expenditure		**(261 171)**	(224 944)
Income tax paid	22.2	**(82 943)**	(65 624)
Net cash flow from operating activities before changes in operating asset and liabilities		**234 134**	198 423
Cash flow from changes in operating assets and liabilities			
Net increase in advances		**(262 820)**	(294 479)
Net (increase)/decrease in amounts due from related parties		**(209 648)**	296 308
Net increase in accounts receivable		**(21 694)**	(9 493)
Net (decrease)/increase in term deposits		**(317 871)**	73 940
Net increase/(decrease) in current deposit accounts		**467 764**	(367 603)
Net (decrease)/increase in savings deposit accounts		**(16 688)**	10 721
Net increase/(decrease) in other deposits-off shore		**130 644**	(23 950)
Net increase in amounts due to related parties		**351 445**	65 197
Net increase/(decrease) in accounts payable		**99 570**	(35)
Net (decrease)/increase in share based payments		**(2 855)**	1 219
Net increase in provisions for other liabilities and charges		**4 756**	4 753
Net cash flow from changes in operating assets and liabilities		**222 604**	(243 422)
Net cash inflow/(outflow) from operating activities		**456 738**	(44 999)
Cash flows from investing activities			
Acquisition of capital expenditure	13	**(41 763)**	(8 910)
Net increase in derivative instruments		**3 484**	478
Net decrease in investment securities		**(140 463)**	142 612
Net cash (outflow)/inflow from investing activities		**(178 742)**	134 180
Cash flows from financing activities			
Dividends paid		**(60 000)**	(100 000)
Net cash outflow from financing activities		**(60 000)**	(100 000)
Net increase/(decrease) in cash and short term funds		**217 996**	(10 819)
Cash and cash equivalents at beginning of the year		**418 971**	429 790
Cash and cash equivalents at end of the year	8	**636 967**	418 971

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2016

1. Introduction

First National Bank of Swaziland Limited ("the bank") adopts the following accounting policies in preparing its financial statements.

In the current year, the bank has not applied any new or revised International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The policies have been consistently applied to all the years presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of the bank have been prepared in accordance with IFRS.

The financial statements have been prepared in accordance with the going concern principal using the historical cost basis except for the following asset and liabilities:

- Financial assets classified as available-for-sale;
- Derivative financial instruments;
- Financial instruments designated as at fair value through profit or loss; and
- Employee benefit liabilities, valued using the projected unit credit method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in part 2.18 of these accounting policies.

All monetary information and figures presented in these financial statements are stated in thousands of SZL Lilangeni (E), rounded to the nearest thousand, unless otherwise stated.

2.1.1 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted.

The following new and revised standards and interpretations are applicable to the business of the bank and may have a significant impact on future financial statements. The bank will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IAS 7 (amended)	**Amendments to IAS 7 under the Disclosure Initiative** The amendments to IAS 7 require additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are applicable prospectively and will have no impact on the bank but introduce additional disclosures.	Annual periods commencing on or after 1 January 2017
IAS 12 (amended)	**Amendments to IAS 12 for the recognition of deferred tax assets for unrealised losses** The amendments clarify that unrealised losses on debt instruments that are measured at fair value for accounting purposes but at cost for tax purposes, can give rise to deductible temporary differences and consequently a deferred tax asset may need to be recognised. The carrying amount of the asset does not limit the estimation of probable future taxable profits. These amendments are to be applied retrospectively in the 2018 financial year. The bank is in the process of assessing the impact on the bank; however, a significant impact is not anticipated as a result of Swaziland tax laws.	Annual periods commencing on or after 1 January 2017
IFRS 11 (amended)	**Accounting for acquisitions of Interests in Joint Operations** The IASB has issued an amendment to IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations that constitutes a business. The amendment indicates that the acquirer of an interest in a joint operation, in which the activity constitutes a business in terms of IFRS 3, is required to apply all the principles on business combinations accounting in IFRS 3. The amendment is not expected to have an impact on the bank as the bank does not presently have any interests in joint operations.	Annual periods commencing on or after 1 January 2016

2.1.1 Changes in accounting policy and disclosures (continued)

a) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted.*

Standard	Impact assessment	Effective date
IAS 28 (amended) and IFRS 10	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	
	The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires: ➢ full recognition in the investor's financial statements of the gains or losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3); and ➢ the partial recognition of gains or losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' share in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendments are applicable prospectively and the bank will assess the impact of the amendment on each transaction as and when they occur.	Annual periods commencing on or after 1 January 2016 – The effective date is currently being reviewed by the IASB and will most likely be deferred indefinitely until the completion of a research project on the equity method of accounting conducted by the IASB.
IFRS 10, IFRS 12 and IAS 28 (amended)	**Investment Entities: Applying the Consolidation Exception** The amendments introduce clarifications to the requirements when applying the consolidation exemption for entities that meet the definition of an investment entity. The amendments will not impact the bank as neither the bank nor its subsidiaries meet the definition of an investment entity.	Annual periods commencing on or after 1 January 2016

2.1.1 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted (continued)

Standard	Impact assessment	Effective date
IFRS 15	**Revenue**	
	IFRS 15 provides a single, principle based model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also provides guidance for transactions that were not previously comprehensively addressed and improves guidance for multiple-element arrangements. The standard also introduces enhanced disclosures about revenue. The bank is in the process of assessing the impact that IFRS 15 will have on the financial statements. Until the process has been completed, the bank is unable to quantify the expected impact.	Annual periods commencing on or after 1 January 2018.
IFRS 16	**Leases**	
	IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The bank is in the process of assessing the impact that IFRS 16 will have on the financial statements. Until the process has been completed, the bank is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2019
Annual Improvements	**Improvements to IFRS**	
	The IASB issued the Annual Improvements 2012-2014 Cycle. The annual improvements project includes amendments to IFRS 5, IFRS 7, IAS19 and IAS 34. The annual improvement project's aim is to clarify and improve accounting standards. The amendments have been assessed and are not expected to have a significant impact on the bank.	Annual periods commencing on or after 1 January 2016

2.1.1 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted (continued)

Standard	Impact assessment	Effective date
IFRS 9	**Financial Instruments**	
	IFRS 9 was issued on 24 July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as accounting requirements for impairment of financial assets measured at amortised cost and the general hedge accounting model. These elements of the final standard are discussed in detail below: • The classification and measurement of financial assets under IFRS 9 is based on both the business model and the rationale for holding the instruments as well as the contractual characteristics of the instruments. • Impairments in terms of IFRS 9 will be determined based on an expected loss model that considers the significant changes to the asset's credit risk and the expected loss that will arise in the event of default. • The classification and measurement of financial liabilities is effectively the same as under IAS 39 i.e. IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. However, if fair value is elected then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income. • The general hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80%-125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of costs of hedging. IFRS 9 does not include requirements that address the accounting treatment of macro hedges. The bank is well positioned to implement IFRS 9 for the financial year ending 30 June 2019. In order to prepare for the implementation the group has constituted a Steering Committee which is supported by a number of working groups. The working groups have made sound progress in setting, inter alia, the accounting policies; determining the classification of instruments under IFRS 9; developing pilot models for credit modelling; and designing reporting templates. The impact is expected to be significant however the development of models is still in the early stages and subject to validation it is therefore not possible to provide an accurate indication of what the amount will be.	Annual periods commencing on or after 1 January 2018.

2.1.1 Changes in accounting policy and disclosures (continued)

a) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2015 and not early adopted (continued)

<table>
<tr><th>Standard</th><th>Impact assessment</th><th>Effective date</th></tr>
<tr><td>IFRS 2</td><td>Share-Based Payment amendments
As a result of work by the IFRS Interpretations Committee, several amendments have been made to IFRS 2 to clarify how to account for certain share-based payment transactions. The amendments to IFRS 2 are related to the following areas:-
Accounting for the effects of vesting and non-vesting conditions on the measurement of the liability for cash-settled share-based payment transactions;
The classification of share-based payment transactions with net settlement features for withholding tax obligations; and
Accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled.
The bank currently only has cash-settled share-based payment schemes. The first two amendments will be applied retrospectively while the third amendment will be applied prospectively to any modifications made on or after the adoption date. The bank does not expect the retrospective amendments to have a material impact on the schemes currently in place.</td><td>Annual periods commencing on or after 1 January 2018</td></tr>
</table>

2.2 Interest income and expense

The bank recognises interest income and expense in profit or loss for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability by allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities as appropriate. Where these instruments are measured at amortised cost, dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument.

2.3 Fair value gains and losses

The bank includes profits or losses, fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39), as well as financial instruments designated at fair value through profit or loss, as fair value income in non interest revenue.

2.4 Net fee and commission income

2.4.1 Fee and commission income

The bank recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments and not as non-interest revenue.

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows:

- fees for services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example, banking fee and commission income and asset management and related fees;
- fees earned on the execution of a significant act, for example knowledge-based fee and commission income and non-banking fee and commission income when the significant act has been completed; and
- Commission income on acceptances, bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instrument on a time apportionment basis.

2.4 Net fee and commission income (continued)

2.4.2 Fee and commission expenses

Fee and commission expenses are expenses that are incremental or directly attributable to the generation of fee and commission income and are recognised in non-interest revenue.

Fee and commission expenses include transaction and service fees, which are expensed as the services are received. Fee and commission expenses that form an integral part of the effective interest rate of a financial instrument are recognised as part of net interest income.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

The financial statements are presented in SZL Lilangeni (E), which is the functional and presentation currency of the bank.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies and recognised on the statement of financial position at reporting date are translated into the functional currency as follows:

- monetary assets and liabilities are translated at the year-end exchange rates;
- non-monetary assets and liabilities carried at historical cost are translated at the historical transaction date rate; and
- non-monetary assets and liabilities carried at fair value are translated at the rate at the date the fair value is determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss , except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on both monetary and non-monetary items that are recognised at fair value through profit or loss are reported as part of the fair value income in non-interest revenue. Translation differences on non- monetary items, such as equities classified as available-for-sale, are reported as part of the fair value adjustment and are included in other comprehensive income. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost and other changes in the fair value of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the fair value are recognised in other comprehensive income.

Foreign exchange gains or losses on monetary items measured at amortised cost are included in a separate line item, while foreign exchange differences, within non-interest revenue are recognised in profit or loss for the year.

2.6 Taxation

2.6.1 Indirect tax

Indirect taxes are disclosed separately from income taxes in the statement of comprehensive income. Indirect taxes include other taxes paid to central and local governments, and include value added and securities transfer tax

2.6.2 Income tax

Income tax includes Swaziland and foreign jurisdiction corporate tax payable.

The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates and laws that have been enacted or substantively enacted at the reporting date.

2.7 Recognition of assets

2.7.1 Assets

The bank recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

2.7.2 Contingent assets

The bank discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to the bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the bank’s control.

2.8 Liabilities and provisions

The bank recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item, included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre–tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

An onerous contract is considered to exist where the bank has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

2.8 Liabilities, provisions and contingent liabilities (continued)

2.8.1 Contingent liabilities

The bank discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- it has a present obligation that arises from past events but is not recognised because:
    - it is not probable that an outflow of resources will be required to settle an obligation, or
    - the amount of the obligation cannot be measured with sufficient reliability.

2.9 Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice;
- balances with the Central Bank; and
- balances with other banks, including banks controlled by FirstRand Bank Holdings Limited.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

2.10 Financial instruments

2.10.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivative instruments, but exclude property and equipment, deferred income tax, tax payable, intangible assets and post-employment benefit liabilities. The bank recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The bank classifies its financial assets in the following categories:

- loans and receivables and;
- available-for-sale financial assets; and
- financial assets at fair value through profit or loss.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2016

2.10 Financial instruments (continued)

2.10.1 General (continued)

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently measured at fair value. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

The bank recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset, is delivered or received.

2.10.1.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

This category also includes purchased loans and receivables, where the bank has not designated such loans and receivables in any of the other financial asset categories.

2.10.1.2 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The bank recognises gains and losses arising from changes in the fair value of available-for- sale financial assets, in other comprehensive income. It recognises interest income on these assets as part of interest income, based on the instrument's original effective rate using the effective interest rate method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in gains less losses from investing activities within non-interest revenue.

When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are reclassified from other comprehensive income and included in profit or loss.

2.10 Financial instruments (continued)

2.10.1 General (continued)

2.10.1.3 Classification of financial liabilities and equity instruments

The bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. If a financial instrument includes a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms, such as redeemable preference shares, the financial instrument is classified as a financial liability.

An instrument is classified as equity if it evidences a residual interest in the assets of the bank after the deduction of liabilities.

2.10.1.4 Measurement of financial liabilities

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated at fair value through profit or loss. Interest paid is recognised in profit or loss over the period of the borrowing using the effective interest method. Refer to accounting policies 2.2 and 2.3 for the accounting treatment applied to interest expense and fair value gains and losses.

2.10.2 Offsetting financial instruments

The bank offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where:
-there is a currently enforceable legal right to set off, and
-there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The right of set-off is considered to be currently enforceable if the following conditions are met:
-the right is not contingent on a future event; and
-it is legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- in the event of insolvency or bankruptcy of the entity and all of the counterparties.

2.10.3 Embedded Instruments

The bank treats derivatives embedded in other financial instrument or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value through profit and loss.

Where embedded derivatives meet the criteria for hedge accounting, these are accounted for in terms of the applicable hedge accounting rules.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 30 June 2016

2.10 Financial instruments (continued)

2.10.4 Derecognition

The bank derecognises a financial asset when:

- the contractual rights to the asset expire; or
- there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- The bank retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

Where the bank retains substantially all the risks and rewards of ownership of the financial asset, the bank continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the bank determines whether it has retained control of the financial asset. In this case:

- if the bank has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The bank derecognises a financial liability when it is extinguished, i.e. when the obligation is discharged or cancelled or expires. A substantial modification to the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

Where the bank purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income within non-interest revenue.

2.10.5 Impairments of financial assets

2.10.5.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

2.10.5.2 Assets carried at amortised cost

The bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.10.5 Impairments of financial assets (continued)

2.10.5.2 Assets carried at amortised cost (continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the bank about the following events:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as a default or delinquency in payments of principal or interest;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organization;
- the disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the bank, including:
  – adverse changes in the payment status of issuers or debtors in the bank; or
  – national or local economic conditions that correlate with defaults on the assets in the bank.

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the bank elect to foreclose or not.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the bank and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

2.10.5 Impairments of financial assets (continued)

2.10.5.2 Assets carried at amortised cost (continued)

Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Past due advances

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans etc) and consumer loans repayable by regular instalments (e.g. mortgage loans, personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid at the reporting date; or

Loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction. In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

The past due analysis is performed for advances with specific expiry dates or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is done with reference to the counterparty ratings of the exposures and reported as such.

Renegotiated advances

Financial assets that would otherwise be past due that have been renegotiated, are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the bank granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired, and remain classified as such until the terms of the renegotiated contract expire. Advances are only renegotiated if the terms if the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired, the adherence to the new terms and conditions are closely monitored.

2.10.5 Impairments of financial assets (continued)

2.10.5.2 Assets carried at amortised cost (continued)

Renegotiated advances (continued)

Renegotiated advances exclude advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original. Non performing advances cannot be reclassified as renegotiated unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost or net realisable value. The bank recognises repossessed assets as part of accounts receivable in the statement of financial position.

2.10.5.3 Available-for-sale financial assets

The bank assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset or a group of available-for-sale financial assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost. If any such objective evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any previously recognised impairment loss on that financial asset, is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed.

In the case of a debt instrument classified as available-for-sale the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.11 Derivative financial instruments and hedging

The bank initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the statement of financial position at fair value. Derivatives are subsequently measured at fair value with all movements in fair value recognised in profit or loss, unless it is a designated and effective hedging instrument.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The bank designates certain derivatives as either a:

2.11 Derivative financial instruments and hedging (continued)

- hedge of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or,
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.11.1 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges are recorded in profit or loss , together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The interest accrued or paid relating to interest rate swaps and the hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non-interest revenue. Other gains or losses, including the ineffective portion of all fair value hedges, are recorded in fair value income in non-interest revenue.

If the hedge of an instrument carried at amortised cost no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognised, in which case it is released to profit or loss immediately. However if the hedge of an equity instrument carried at fair value no longer meets the criteria for hedge accounting, the cumulative adjustment of the carrying amount of a hedged equity instrument remains in retained earnings until disposal.

2.11.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments in effective cash flow hedges are recognised in the cash flow hedge reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value income in non-interest revenue in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the cash flow hedge reserve at that time remains in other comprehensive income and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods in which the hedged item affects profit or loss.

2.11 Derivative financial instruments and hedging (continued)

2.11.2 Cash flow hedges (continued)

Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in other comprehensive income are reclassified from other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability. For financial assets and liabilities, if the risk being hedged is interest rate risk the amounts are included in interest income or interest expense when reclassified to profit or loss. The amount recognised in profit or loss for other risks relating to financial assets and liabilities is recognised in non-interest revenue as fair value income.

2.12 Property and equipment

The bank carries property and equipment at historical cost less accumulated depreciation and impairment losses, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. The carrying amount of any replacement part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Leasehold improvements are all improvements made to property which the bank leases under an operating lease in order to prepare the property for its intended use and from which the bank is expected to benefit for more than one year. Leasehold improvements are capitalised as property and equipment.

Property and equipment is depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Freehold properties and properties held under finance leases are broken down into significant components and depreciation calculated based on the expected useful lives of these components.

The periods of depreciation used are as follows:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property	40 years
Computer equipment	5 years
Furniture and fittings	10 years
Motor vehicles	5 years
Office equipment	5 years

The assets' residual values and expected useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss on disposal.

2.13 Leases

2.13.1 The bank is the lessee

(a) Finance leases
The bank classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The bank allocates each lease payment between the liability and finance charges to achieve a constant rate on the balance outstanding.

The interest component of the finance charge is recognised in profit or loss over the lease period in interest expense. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the bank will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

(b) Operating leases
The bank classifies leases as operating leases, where the lessor effectively retains the risks and rewards of ownership of the leased asset. It recognises operating lease payments as an operating expense in profit or loss on a straight-line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year-end are disclosed as commitments.

The bank recognises as an expense any penalty payment to the lessor for early termination of an operating lease in the period in which termination takes place.

2.13.2 The bank is the lessor

(a) Finance leases
The bank recognises as advances, assets sold under a finance lease at the present value of the lease payments receivable. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

(b) Operating leases
The bank includes in a separate category as assets held under operating lease property and equipment assets leased out under operating leases. It depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.

2.13.3 Instalment credit agreements

The bank regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances.

The bank calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest income in proportion to capital balances outstanding.

2.14 Deferred income tax

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not provided on temporary differences that arise on the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit or loss nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The bank recognises deferred income tax assets if it probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-employment benefits and tax losses carried forward. The bank reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets and derivatives designated as hedging instruments in effective cash flow hedges, which are recognised directly in other comprehensive income, is also recognised directly in other comprehensive income. Deferred income tax recognised directly in other comprehensive income is subsequently reclassified to profit or loss at the same time as the related gain or loss.

Current and deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and these relate to income taxes levied by the same tax authority on the same taxable entity. If the balances relate to the same tax authority but different tax entities, the bank will offset only if it has a legally enforceable right and, the entities intend to settle on a net basis or the tax assets and liabilities will be realised simultaneously.

2.15 Employee benefits

(a) Post-employment benefits

The bank operates defined benefit plan, the assets of which are held in separate trustee administered funds. A defined contribution plan is one under which the bank pays a fixed contribution and has no legal or constructive obligation to pay further contributions. All post-employment plans that do not meet the definition of a defined contribution plan are defined benefit plans. The Fund is registered in terms of the Retirement Funds Act, 2005, and membership of the pension fund is compulsory for all Bank employees.

2.15 Employee benefits (continued)

(a) Post-employment benefits (continued)

For defined contribution plans the bank recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

The defined benefit plans are funded by contributions from employees and the bank, taking into account the recommendations of independent qualified actuaries.

The amount recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments required to settle the obligation resulting from employee service in current and prior periods. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. In the absence of a deep and liquid bond market the rates on government bonds are used.

The fair value of the plan assets is calculated using the bank's accounting policies and estimates and assumptions for similar assets. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.

The following items are included in profit or loss as part of staff costs:

- Current service costs calculated on the projected unit credit method;
- Past service costs relating to plan amendments made in the current period;
- Gains or losses on curtailments that took place in the current period; and
- Net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability.

All other re-measurements in respect of the obligation and the plan assets, including actuarial gains or losses are recognised in other comprehensive income. The re-measurements recognised in other comprehensive income will not be reclassified to profit or loss.

2.15 Employee benefits (continued)

(b) Termination benefits

The bank recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation at the earlier of when the bank can no longer withdraw the offer of the termination benefit and when the bank recognises any related restructuring costs.

(c) Leave pay provision

The bank recognises a liability for the employees' rights to annual leave in respect of past service.

(d) Bonus

The bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

2.16 Share capital

(a) Share issue costs

Instruments issued by the bank are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

(b) Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable preference shares are recognised against equity and a corresponding liability is recognised when they have been appropriately approved by the bank's shareholders and are no longer at the discretion of the entity. Dividends declared after the reporting date are not recognised but disclosed as a post-reporting date event.

(c) Distribution of non-cash assets to owners

The bank measures the liability to distribute the non-cash assets as a dividend to owners at the fair value of the asset to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and the settlement date, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of IFRIC 17 *Distribution of Non-Cash Assets to Owners* and are measured at the carrying amount of the assets to be distributed.

2.17 Share-based payment transactions

The bank's ultimate holding company, FirstRand Limited, operates equity and cash settled share-based compensation plans that incorporate the bank's employees.

2.17 Share-based payment transactions (continued)

2.17.1 Equity settled share-based compensation plans

The bank expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair values of the options are determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each statement of financial position date, the bank revises its estimate of the number of options expected to vest. The bank recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share-based payment reserve.

If the options granted do not vest because of failure to satisfy a vesting condition, amounts recognised for services received are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share-based payment reserve and credited against retained earnings in the statement of changes in equity.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The share-based payment reserve is reclassified to retained earnings upon vesting

2.17.2 Cash settled share-based compensation plans

The bank measures the services received and liability incurred in respect of cash settled share based payment plans at the current fair value of the liability. The bank remeasures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

2.18 Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, the bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year.

(a) Credit impairment losses - advances

The bank assesses its credit portfolios for impairment continuously. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

2.18 Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Performing loans

The impairment provision of the performing portfolio is split into two parts:

- The first part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. An incurred but not reported (IBNR) provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period.

  Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months.

- The second part consists of the portfolio specific impairment (PSI) to reflect the decrease in estimated future cash flows for the sub-segment of the performing portfolio where there is objective evidence of impairment. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub-segments of the portfolio.

  The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolios, the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event.

In the commercial portfolios other indicators such as the existence of high risk accounts, based on internally assigned risk ratings and management judgement. The wholesale portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

(c) Non performing loans

Retail loans are individually impaired if three or more instalments are due and unpaid, or if there is evidence before this that the customer is unlikely to repay its obligations in full. Commercial and Wholesale loans are analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 9.2 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

2.18 Critical accounting estimates and judgements in applying accounting policies (continued)

(d) Impairment of available-for-sale equity instruments

The bank determines that available-for-sale equity instruments are impaired and the impairment recognised in profit or loss, when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the bank evaluates factors such as, *inter alia*, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(e) Income taxes

The bank is subject to income tax. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business.

The bank recognises liabilities based on objective estimates of the amount of taxation that may be due. Where the final taxation determination is different from the amounts that were initially recorded, such difference will impact the income taxation and deferred taxation provisions in the period in which such determination is made.

Refer to note 7 for more information regarding the income tax and deferred income tax charges, assets and liabilities.

(f) Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, the discount rate and the expected salary and pension increase rates.

Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

The assumptions related to the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimations of long-term investment returns. The bank determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the expected cash outflows required to settle the pension and post-retirement obligations. In determining the appropriate discount rate, the bank considers the interest rate on high quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

2.18 Critical accounting estimates and judgements in applying accounting policies (continued)

Additional information is provided in the note 18.

(g) Revenue recognition

Management needs to apply judgement to determine whether the bank acts as a principal or agent in certain revenue-generating transactions. If the bank acts as an agent, the gross economic benefits include amounts collected on behalf of the principal and do not result in increases in the equity of the bank. The amount collected on behalf of the principal is not recognised as revenue, instead the bank recognises the fee or commission that it earns while acting as an agent as non-interest revenue.

An entity is acting as a principal when it has exposure to significant risks and rewards associated with selling the goods or providing the services. The bank considers the following as indicators when assessing whether the bank is acting as a principal in a transaction:

- the bank has the primary responsibility of providing the goods or services;
- the bank carries the inventory risk;
- the bank has the ability to establish the price, either directly or indirectly; and
- the bank bears the customer’s credit risk.

3 Financial risk management

The bank's risk management policies are disclosed in note 23 of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

		2016	2015
		E'000	E'000
1	**Interest and similar income**		
	Interest and similar income is earned on financial assets held:		
	At amortised cost		
	Advances	**264 759**	214 664
	Accrued on impaired advances (suspended interest)	**(2 985)**	699
	Cash and cash equivalents	**48 805**	26 112
	Designated at fair value		
	Investment securities – available-for-sale	**26 839**	23 167
		337 418	264 642
2	**Interest expense and similar charges**		
	Interest expense and similar charges are paid on the following financial liabilities carried at amortised cost:		
	Current accounts	**60 792**	29 066
	Savings accounts	**2 240**	1 551
	Term deposit accounts	**14 922**	23 136
		77 954	53 753
3	**Non interest revenue**		
	Fee and commission income comprises of banking fee and commission income categorised as follows :		
	Banking fee and commission income		
	Card commissions	**9 408**	8 389
	Cash deposit fees	**74 032**	61 945
	Commissions - bills, drafts & cheques	**4 799**	4 865
	Service fees	**198 785**	176 413
	Exchange commissions	**18 256**	16 540
		305 280	268 152
	Other fee and commission income	**17 344**	19 389
	Total fee and commission income	**322 624**	287 541
	Fee and commission expenses		
	Cash sorting handling and transportation charges	**(3 815)**	(3 357)
	Card and cheque book related	**(726)**	(1 011)
	Customer Loyalty	**1 092**	(2 800)
	Transactional Processing fees	**(1 129)**	(2 523)
	Total fee and commission expenses	**(4 578)**	(9 691)
	Non-interest revenue	**318 046**	277 850

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

		2016 E'000	2015 E'000
4	**Other losses**		
	Scrapping of items of property and equipment	**-**	(1 016)
		-	(1 016)
5.	**Operating and administration expenses**		
	Operating expenses comprise the following:		
	Auditors' remuneration		
	Audit fees – statutory audit current year provision	**1 936**	1 697
	Audit fees – BA returns	**143**	136
	Fees for other services – current year provision	**372**	354
		2 451	2 187
	Depreciation of property and equipment (note 13)		
	Freehold buildings	**50**	51
	Leasehold premises	**1 608**	1 622
	Computer equipment	**1 785**	951
	Furniture and fittings	**615**	497
	Motor vehicles	**265**	250
	Office equipment	**4 246**	3 272
		8 569	6 643
	Operating lease charges		
	Land and buildings	**10 819**	9 950
	Equipment	**1 202**	1 017
		12 021	10 967
	Professional fees – Technical	**472**	587
	Directors' fees		
	Services as directors	**1 057**	847
	Other services	**2 004**	1 777
		3 061	2 624

		2016 E'000	2015 E'000
5.	**Operating and administration expenses** (continued)		
	Employee benefit expenses		
	Salaries, wages and allowances	**99 974**	84 833
	Defined benefit obligation expense	**1 561**	6 279
	Contributions to employee defined benefit plan	**7 931**	6 207
	Share-based payments (note 26)	**1 876**	6 327
	Other employee benefit expenses	**3 506**	3 139
		114 849	106 785

The number of employees employed by the bank at year end was 352 (2015: 348).

		2016 E'000	2015 E'000
	Other operating costs		
	Insurance	**3 249**	2 870
	Advertising and marketing	**5 897**	4 353
	Property and other maintenance	**10 896**	8 695
	Computer	**1 613**	586
	Stationery	**3 111**	5 551
	Telecommunication	**7 794**	7 856
	Training and business travel	**2 835**	786
	Bank charges	**3 462**	3 260
	Donations	**1 705**	1 373
	Entertainment	**1 220**	2 229
	Stationery and storage	**2 756**	2 949
	Legal	**233**	107
	Other operating expenses	**2 537**	4 783
		47 308	45 398
	Intercompany expenses		
	IT support services	**18 115**	17 442
	IT development and maintenance	**17 007**	16 751
	FNB branded stationary	**8 489**	2 387
	Internal audit	**1 221**	1 516
	Management fees	**26 069**	15 679
		70 901	53 775
	Total operating and administration expenses	**259 631**	228 966
6.	**Indirect tax**		
	Indirect taxation paid comprise of:		
	Stamp duties and value added tax reverse charge	**10 932**	8 648
	Total indirect taxation	**10 932**	8 648

	2016	2015
	E'000	E'000

7. Taxation

7.1. Income tax expense

Income taxation comprises of:		
Income tax expense	**83 965**	70 698
Deferred income tax (note 7.2)	**(6 725)**	(5 347)
Total income tax expense	**77 240**	65 351

Taxation rate reconciliation - Swaziland normal taxation

	%	%
Standard taxation rate	**27.5**	27.5
Total taxation has been affected by:		
Expense not deductible for tax purposes	**0.2**	0.2
Effective taxation rate	**27.7**	27.7

7.2 Deferred income tax asset

The movement on the deferred income taxation account is as follows:

Balance at the beginning of the year	**16 051**	9 792
Credit to the statement of comprehensive income (note 7.1)	**6 725**	5 347
Deferred tax on amounts charged/transferred directly to equity	**1 370**	912
Balance at the end of the year	**24 146**	16 051
Deferred taxation-Net	**24 146**	16 051

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority and there is a legal right to set-off. Deferred tax assets and liabilities and deferred taxation credit to the statement of comprehensive income are attributable to the following items:

7. Taxation (continued)

7.2 Deferred income tax asset (continued)

The following are the detailed items giving rise to deferred tax balances and the movement in each during the year:

At 30 June 2016

	Opening balance E'000	**Taxation charge/ (release) E'000**	**Other Comprehensive Income E'000**	**Closing Balance E'000**
Impairment of advances	**4 742**	**4 350**	**-**	**9 092**
Provision for other liabilities and charges	**2 034**	**593**	**-**	**2 627**
Deferred revenue	**1 518**	**2 237**	**-**	**3 755**
Post retirement benefit liability	**5 842**	**429**	**1 370**	**7 641**
Share based payments liability	**2 353**	**(785)**	**-**	**1 568**
Prepayments	**(125)**	**(99)**	**-**	**(224)**
securities to other comprehensive income	**(313)**	**-**	**-**	**(313)**
Net- deferred tax assets	**16 051**	**6 725**	**1 370**	**24 146**

At 30 June 2015

	Opening balance E'000	Taxation charge/ (release) E'000	Other Comprehensive Income E'000	Closing Balance E'000
Provision for Aperta	580	(580)	-	-
Impairment of advances	2 581	2 161	-	4 742
Provision for other liabilities and charges	1 136	898	-	2 034
Deferred revenue	674	844	-	1 518
Post retirement benefit liability	3 204	1 726	912	5 842
Share based payments liability	2 018	335	-	2 353
Prepayments	(88)	(37)	-	(125)
Revaluation of available for sale securities to other comprehensive income	(313)	-	-	(313)
Net- deferred tax assets	**9 792**	**5 347**	**912**	**16 051**

Deferred income tax assets are recognised in respect of deductible temporary differences; unused tax losses and unused tax credits to the extent that the realisation of the related tax benefit is probable.

7. Taxation (continued)

7.3 Current income tax liabilities

	2016 E'000	2015 E'000
Balance at the beginning of the year	**5 507**	433
Income tax expense for the year (note 7.1)	**83 965**	70 698
Income tax paid during the year (note 22.2)	**(82 943)**	(65 624)
At the end of the year	**6 529**	5 507

8. Cash and cash equivalents

	2016 E'000	2015 E'000
Coins and bank notes	**108 633**	119 455
Balances with the Central Bank	**284 922**	243 769
Balances with other banks	**243 412**	55 747
	636 967	418 971

Valuation committees comprising representatives from key management have been established within each franchise and at an overall Group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Mandatory reserve balances included in above	**244 471**	171 610

9. Advances and impairment of advances

9.1 Advances

Advances comprises of loans classified as loans and receivables and measured on amortised cost in terms of IFRS 7.

	2016 E'000	2015 E'000
Sector analysis		
Agriculture	**343 587**	449 873
Building and property development	**400 088**	373 451
Government and public authority	**104 745**	-
Individuals	**839 251**	339 439
Manufacturing and commerce	**595 311**	1 073 441
Mining	**81 184**	10 681
Transport and communication	**227 242**	97 706
Other services	**8 666**	-
Gross advances	**2 600 074**	2 344 591
Impairment of loans and advances (note 9.2)	**(44 088)**	(22 994)
Advances	**2 555 986**	2 321 597
Geographic analysis (based on credit risk)		
Swaziland	**2 600 074**	2 344 591
Category analysis		
Overdrafts and managed accounts	**569 183**	518 012
Lease payments receivable	**730 283**	630 702
Home loans	**427 487**	379 334
Property Finance	**140 378**	182 001
Corporate loans	**408 853**	409 773
Personal loans	**253 566**	166 245
Floor Plans	**70 324**	58 524
Gross loans and advances	**2 600 074**	2 344 591
Impairment of advances (note 9.2)	**(44 088)**	(22 994)
Net loans and advances	**2 555 986**	2 321 597

The maturities of advances are disclosed in Note 23.3 (c).

The fair values of advances are disclosed in Note 23.4.

9. Advances and impairment of advances (continued)

9.1 Advances (continued)

Analysis of instalment sales and lease payments receivable

	Within 1 year E'000	Between 1 and 5 years E'000	More than 5 years E'000	Total E'000
At 30 June 2016				
Lease payments receivable	**25 742**	**807 885**	**53 838**	**887 465**
Less : Unearned finance charges	**(1 005)**	**140 615)**	**(14 411)**	**(156 031)**
	24 737	**667 270**	**39 427**	**731 434**
At 30 June 2015				
Lease payments receivable	24 348	687 745	36 378	748 471
Less : Unearned finance charges	(832)	(107 585)	(8 704)	(117 121)
	23 516	580 160	27 674	631 350

9.2 Impairment of advances

Significant loans and advances are monitored by the credit committee and impaired according to the bank's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

Where objective evidence of impairment exists, impairment testing is performed based on the loss given default (LGD), probability of default (PD) and exposure at default (EAD).

Analysis of movement in impairment of advances per category

	Total Impairment E'000	Specific Impairment E'000	Portfolio Impairment E'000	Income Statement E'000
At 30 June 2016				
Opening balance	**22 994**	**12 127**	**10 867**	**-**
Amounts written off	**(8 075)**	**(8 075)**	**-**	**-**
Recoveries made during the year	**-**	**-**	**-**	**(738)**
Reclassifications	**-**	-	**-**	**-**
Net new impairments created	**29 169**	**19 503**	**9 666**	**29 169**
Closing balance	**44 088**	**23 555**	**20 533**	**28 431**

9. Advances and impairment of advances (continued)

9.2 Impairment advances (continued)

	Total Impairment	Specific Impairment	Portfolio Impairment	Income Statement
	E'000	E'000	E'000	E'000
At 30 June 2015				
Opening balance	12 519	2 061	10 458	-
Amounts written off	(4 053)	(4 053)	-	-
Recoveries made during the year	-	-	-	(252)
Reclassifications	-	-	-	-
Net new impairments created	14 528	14 119	409	14 528
Closing balance	22 994	12 127	10 867	14 276

	Security Held	**Contractual interest suspended**	**Specific Impairments**
	E'000	**E'000**	**E'000**
At 30 June 2016			
Non-performing lending by sector			
Agriculture	**3 675**	**113**	**-**
Building and property development	**4 747**	**1 026**	**6 143**
Government and public authority	**(569)**	**569**	**-**
Individuals	**18 448**	**762**	**6 774**
Manufacturing and commerce	**701**	**1 648**	**-**
Mining	**2 221**	**230**	**4 313**
Other Service	**(3 002)**	**546**	**6 248**
Transport and communication	**345**	**160**	**77**
	26 566	**5 054**	**23 555**
Non performing lending by category			
Overdrafts and managed account debtors	**6 117**	**3 243**	**13 069**
Lease payments receivable	**10 685**	**1 131**	**5 228**
Home loans	**8 302**	**347**	**104**
Personal loans	**1 462**	**333**	**5 154**
Total non-performing lending	**26 566**	**5 054**	**23 555**
Geographic analysis			
Swaziland	**26 566**	**5 054**	**23 555**

9. Advances and impairment of advances (continued)

9.2. Impairment advances (continued)

	Security Held E'000	Contractual interest suspended E'000	Specific Impairments E'000
At 30 June 2015			
Non-performing lending by sector			
Agriculture	-	-	-
Building and property development	3 257	678	4 309
Government and public authority	-	-	-
Individuals	2 368	404	5 064
Manufacturing and commerce	1 147	144	529
Mining	5 690	649	1 000
Other Service		-	-
Transport and Communication	550	165	1 226
	13 012	2 040	12 128
Non performing lending by category			
Overdrafts and managed account debtors	6 390	1 149	5 481
Lease payments receivable	5 396	648	4 539
Home loans	779	23	57
Personal loans	447	220	2 050
Total non-performing lending	13 012	2 040	12 127
Geographic analysis			
Swaziland	13 012	2 040	12 127

10 Investment securities and other investments

	2016 E'000	2015 E'000
Investment securities: Available-for-sale financial assets comprise the following:		
Treasury bills	**185 375**	160 872
Government and Government guaranteed stock	**271 178**	155 218
Total investment securities and other investments	**456 553**	316 090
Maturity analysis		
Less than 1 year	**185 375**	180 258
Between 1 and 5 year	**206 743**	96 978
More than 3 years	**64 435**	38 854
Total	**456 553**	316 090

	2016 **E'000**	2015 E'000
10 Investment securities and other investments *(Continued)*		
The financial instruments available for sale form part of the bank's liquid asset portfolio in terms of the Central Bank of Swaziland requirements.		
Analysis of investment securities		
Listed		
Debt – Government and Government guaranteed stock	**271 178**	155 218
Unlisted		
Debt – Treasury bills	**185 375**	160 872
	456 553	316 090
Aggregate fair value of listed securities	**271 178**	155 218
Aggregate directors' valuation of unlisted investments	**185 375**	160 872
	456 553	316 090

The details of the investments and their maturity are as follows:

Listed – Government Guaranteed Stock

Security Name	Nominal Value	Cost	Rate	Start date	Maturity date
Swd Government Bond SG 016	20 000 000	20 284 589	7.90%	30-Aug-13	31-Aug-18
Swd Government Bond SG016	5 000 000	5 060 908	7.95%	30-Aug-13	31-Aug-18
Swd Government Bond SG016	20 000 000	20 366 814	7.80%	30-Aug-13	31-Aug-18
Swd Government Bond SG017	9 852 000	10 045 869	8.25%	29-Nov-13	31-Oct-20
Swd Government Bond SG018	5 706 000	5 731 983	9.00%	31-Jan-14	31-Jan-24
Swd Government Bond SG020	25 000 000	25 253 465	8.00%	20-Oct-14	20-Oct-19
Swd Government Bond SG018	10 000 000	9 848 499	9.25%	30-Jan-15	31-Jan-24
Swd Government Bond SG018	10 000 000	9 997 543	9.25%	30-Jan-15	31-Jan-24
Swd Government Bond SG021	15 000 000	14 941 408	8.40%	30-Jun-15	30-Jun-18
Swd Government Bond SG021	10 000 000	9 935 003	8.25%	30-Jun-15	30-Jun-18
Swd Government Bond SG022	10 000 000	9 948 636	8.85%	25-Sep-15	30-Sep-22

10 Investment securities and other investments (continued)

Listed – Government Guaranteed Stock

Security Name	Nominal Value	Cost	Rate	Start date	Maturity date
Swd Government Bond SG022	20 000 000	20 000 000	8.75%	25-Sep-15	25-Sep-22
Swd Government Bond SG022	7 000 000	7 054 374	8.60%	25 -Sep-15	25-Sep-22
Swd Government Bond SG023	31 000 000	31 000 000	8.75%	30-Nov-15	30-Nov-20
Swd Government Bond SG023	10 369 600	10 227 431	9.00%	20-Nov-15	30-Nov-20
Swd Government Bond SG023	15 000 000	13 832 988	11.25%	1-Feb-16	30-Nov-20
Swd Government Bond SG023	7 000 000	6 577 430	10.75%	1-Feb-16	30-Nov-20
Swd Government Bond SG025	38 000 000	38 000 000	10.00%	20-Jun-16	20-Jun-21

Unlisted - Treasury bills

Security Name	Nominal Value	Cost	Rate	Start date	Maturity date
Treasury Bill SGTB000654	20 000 000	19 678 596	6.45%	06/05/2016	05/08/2016
Treasury Bill SGTB000652	40 000 000	39 367 913	6.34%	21/04/2016	21/07/2016
Treasury Bill SGTB000649	7 350 000	7 233 144	6.38%	01/04/2016	01/07/2016
Treasury Bill SZG1820223	5 000 000	4 834 393	6.64%	18/03/2016	16/09/2016
Treasury Bill SZG27301984	38 090 000	35 949 684	7.51%	17/06/2016	17/03/2017
Treasury Bill SZG2730195	35 500 000	33 448 550	7.73%	06/05/2016	03/02/2017
Treasury Bill SZG3640158	23 540 000	21 666 051	7.98%	10/06/2016	09/06/2017
Treasury Bill SZG3640157	23 448 000	21 615 699	7.84%	13/05/2016	12/05/2017

The director’s valuation of unlisted investments is considered to be fair value.

The fair values of listed securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the listed securities.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

None of these financial assets is either past due or impaired.

11. Derivative financial instruments

Use of derivatives

The bank transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the bank's own risk. For accounting purposes, derivative instruments are classified as either held for trading or hedging.

Derivatives that are classified as hedging instruments are formally designated as hedging instruments as defined in IAS 39. All other derivatives are classified as held for trading. The held for trading classification includes two types of derivative instruments: those used in sales activities and those that are economic hedges but do not meet the criteria to qualify for hedge accounting. The latter includes derivatives managed in conjunction with financial instruments designated at fair value.

The bank's derivative activities do not give rise to open positions in portfolios of derivatives. Currency derivative exposures are held on behalf of the bank's customers and are matched by counter exposures taken out with the holding company. The bank does not hold exposures on its own accord. The difference between the asset and the liability represents the commission charged by the bank for the provision of the service. All derivative transactions are settled over the counter. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

The bank's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in Note 23 of the financial statements.

The fair value of derivatives is recognised on the statement of financial position and is only netted to the extent that a legal set off exists and there is an intention to settle on a net basis

	Assets Notional value	**Assets Fair value**	**Liabilities Notional value**	**Liabilities Fair value**
Held for trading – 2016				
Currency derivatives - Forward rate agreements	**539 213**	**8 432**	**307 082**	**12 029**
Held for trading – 2015				
Currency derivatives - Forward rate agreements	242 136	4 473	169 048	4 586

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

	2016	2015
	E'000	E'000
12 Accounts receivable		
Items in transit	**35 205**	14 740
Other receivables	**8 347**	6 589
Sundry debtors	**-**	529
	43 552	21 858
Analysis of accounts receivable:-		
Financial	**4 133**	529
Non-financial	**39 419**	21 329
Total accounts receivable	**43 552**	21 858

13 Property and equipment

	Cost	**Accumulated depreciation and impairments**	**Net Book Value**	Cost	Accumulated Depreciation And Impairments	Net Book Value
	2016	**2016**	**2016**	2015	2015	2015
	E '000	**E '000**	**E '000**	**E '000**	**E '000**	**E '000**
Property						
Freehold land and buildings	**11 554**	**(576)**	**10 978**	834	(526)	308
Leasehold premises	**32 770**	**(23 382)**	**9 388**	28 151	(21 774)	6 377
	44 324	**(23 958)**	**20 366**	28 985	(22 300)	6 685
Equipment						
Computer equipment	**29 898**	**(15 962)**	**13 936**	17 519	(14 177)	17 519
Furniture and fittings	**9 439**	**(5 466)**	**3 973**	7 422	(4 851)	7 422
Motor vehicles	**2 774**	**(2 089)**	**685**	2 774	(1 824)	2 774
Office equipment	**41 484**	**(23 786)**	**17 698**	31 466	(19 540)	31 466
Work in progress	**3 822**	**-**	**3 822**	1 812	-	1 812
	87 417	**(47 303)**	**40 114**	60 993	(40 392)	20 601
Total	**131 741**	**(71 261)**	**60 480**	89 978	(62 692)	27 286

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

13 Property and equipment (continued)

Reconciliation of property and equipment - net book value

	Freehold land and Buildings	Leasehold Premises	Computer Equipment	Furniture and fittings	Work in Progress	Motor Vehicles	Office Equipment	Total
	E '000	E '000	E '000	E '000	E '000	E '000	E '000	E '000
For the year ending 30 June 2016								
Net book value at 30 June 2015	**308**	**6 377**	**3 342**	**2 571**	**1 812**	**950**	**11 926**	**27 286**
Additions	**10 720**	**4 619**	**10 567**	**2 017**	**3 822**	**-**	**10 018**	**41 763**
Depreciation charge for the period	**(50)**	**(1 608)**	**(1 785)**	**(615)**	**-**	**(265)**	**(4 246)**	**(8 569)**
Disposals								
Transfers to /(from) WIP	**-**	**-**	**1 812**	**-**	**(1 812)**	**-**	**-**	**-**
Net book value at 30 June 2016	**10 978**	**9 388**	**13 936**	**3 973**	**3 822**	**685**	**17 698**	**60 480**
For the year ending 30 June 2015								
Net book value at 30 June 2014	360	8 053	1 113	2 603	1 841	689	11 376	26 035
Additions	-	77	1 409	545	1 812	547	4 520	8 910
Depreciation charge for the period	(52)	(1 622)	(951)	(497)		(250)	(3 271)	(6 643)
Disposals	-	(131)	(70)	(80)	-	(36)	(699)	(1 016)
Transfers to /(from) WIP	-	-	1 841	-	(1 841)	-	-	-
Net book value at 30 June 2015	308	6 377	3 342	2 571	1 812	950	11 926	27 286

Freehold land and buildings comprise property situated in Portion 71 of Farm 188, Dalriach, Mbabane in the Hhohho district, and Lot No.2 of the Offices Township, situated in the district of Hhohho Swaziland.

A schedule of the bank’s properties is maintained at the bank’s registered office and is available to the member for inspection.

At 30 June 2016 included in property, plant and equipment are fully depreciated items of property, plant and equipment with an initial cost of **E50 622 515 (**2015: E44 039 882).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

14. Ordinary shares and preference shares	**2016 E'000**	2015 E'000
Ordinary shares		
Authorised		
30 million shares with a par value of 100 cents per share	**30 000**	30 000
1,042 million non-cumulative non-redeemable preference shares with a par value of 100 cents per share	**1 042**	1 042
Issued - fully paid up		
26.6 million (2015: 26.6 million) ordinary shares with a par value of 100 cents per share	**26 600**	26 600
1,042 million non-cumulative non-redeemable preference shares with a par value of 100 cents per share The non-cumulative non-redeemable preference shares were issued at a nil interest rate.	**1 042**	1 042
Total issued share capital	**27 642**	27 642
Non-cumulative non-redeemable preference shares		
Ordinary share premium	**2 686**	2 686
Total issued share capital and share premium	**30 328**	30 328

14.1 Capital adequacy

Core capital		
Share capital	**27 642**	27 642
Share premium	**2 686**	2 686
Statutory reserve	**117 138**	96 973
Retained earnings	**560 516**	441 950
	707 982	569 251

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

	2016	2015
14. Ordinary shares and preference shares (continued)	**E'000**	E'000
14.1 Capital adequacy (continued)		
Supplementary capital		
Revaluation and fair value reserves subject to 25% risk adjustment	**822**	822
General Risk Reserve	**25 999**	23 454
Actuarial gains on defined benefit fund	**(1 357)**	2 254
Total qualifying capital	**25 464**	26 530
Risk adjusted assets - statement of financial position Items	**2 584 923**	2 461 798
- off-statement of financial position items	**340 912**	282 796
	2 925 835	2 744 594
Capital adequacy ratios		
Core capital (%)	**24.20**	20.74
Supplementary capital (%)	**0.87**	0.96
Total (%)	**25.07**	21.70

15. Other reserves

Non distributable reserves		
Defined benefit plan reserves	**(1 357)**	2 254
Fair value reserves - available for sale instruments	**822**	822
General risk reserve (impaired capital reserve)	**25 999**	23 454
Central Bank of Swaziland - Statutory Reserve	**117 138**	96 973
	142 602	123 503

A detailed reconciliation of the movements in the respective non-distributable reserve balances is set out in the statement of changes in equity.

Statutory Reserve

In terms of Section 20 (1) (a) (ii) of the Act, the bank is required to transfer not less than 10% of its post tax profit to a statutory reserve account until the balance in this reserve account is equal to its minimum required capital. In accordance with this requirement an amount of E20.165 million (2015: E17.049 million) has been transferred to the statutory reserve in the current financial year.

15. Other reserves (continued)

General risk reserve

This is a provision calculated for regulatory purposes, in accordance with Circular 8, which states that the bank has to transfer to non-distributable reserve at 1% of the balance of loans and advances.

The IAS 39 impairment provision may differ than the regulatory provision. In case of a shortfall, an additional general credit risk reserve has been created and maintained to eliminate the possible shortfall in impairment provision/losses.

16 Deposits

	2016 E'000	2015 E'000
Call and current accounts	**2 252 556**	1 977 636
Savings account	**235 991**	252 678
Term deposits accounts	**348 624**	473 652
	2 837 171	2 703 966
Other deposits	**180 014**	49 370
	3 017 185	2 753 336

Classification analysis of deposits held

	At amortised cost E'000	**Designated at fair value E'000**	**Total E'000**
At 30 June 2016			
Deposits	**2 824 342**	**192 843**	**3 017 185**
At 30 June 2015			
Deposits	2 656 246	97 090	2 753 336

The fair values of deposits and current accounts are disclosed in Note 23.4

Geographic analysis

Swaziland	**3 017 185**	2 753 336

Sector analysis

Banks	**14 308**	93 723
Financial sector customers	**48 682**	140 274
Non-financial corporate customers	**1 722 744**	1 696 893
Other	**117 015**	-
Public Sector	**501 015**	192 217
Retail customers	**613 421**	630 229
	3 017 185	2 753 336

The maturities of deposits and current accounts are disclosed in Note 23.3 (c).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

		2016	2015
		E'000	E'000
17	**Share based payment liability**		
	Share appreciation obligations	**5 700**	8 555
		5 700	8 555
	Analysis of movement in share based payment liability:-		
	Balance at the beginning of the year	**8 555**	7 336
	Transfers	**198**	-
	Charged in statement of comprehensive income (note 5 and 26)	**1 876**	6 327
	Vested and settled	**(4 929)**	(5 108)
	Balance at the end of the year	**5 700**	8 555

Refer to note 26 for detailed disclosures on conditional share plan and share appreciation plan.

18 Defined benefit post employment liability

Nature of benefits

The bank operates a defined benefit plan, a plan that provides post employment pension plan. The pension plan provides retired employees with annuity income after their service. In terms of the plan, the bank is liable to the employees for specific payments on retirement and for any deficit in the provision of the benefits from the plan assets. The liabilities and assets of these pension plans are reflected as a net asset or liability in the statement of financial position. For current pensioners the Fund pays a pension to the members and dependants' pension to the spouse and eligible children payable on death of the member. On retirement of current defined contribution active members, the Fund provides a pension that can be purchased with the Member's Share. The pension so purchased, is determined based on the purchasing member's demographic details (age, sex, age of spouse), the pension structure (guarantee period, spouse's reversion, pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available).The liability in respect of contributing defined contribution members is equal to the Member's Share of Fund, which is determined as the accumulation of the member's contributions and employer's contributions (net of deduction for Fund expenses and cost of death benefits) as well as any amounts transferred into the Fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets.

In terms of the small number of defined benefit contributing members in the pension Fund, the Bank is liable for any deficit in the value of accrued benefits exceeding the assets in the Fund earmarked for these liabilities. In terms of the existing pensioners in the pension Fund, the Trustees are responsible for setting the Pension Increase Policy and granting of pension increases subject to the assets of the Fund supporting such increases. Should the Pension Account in the pension Fund be in a deficit to the extent that current pensions in payment cannot be maintained, the bank is liable to maintain the nominal value of pensions in payment. The liabilities and assets of these defined benefit plans are reflected as a net asset or liability in the statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

18 Defined benefit post employment liability (continued)

Regulatory framework
The plan is governed by the office of the Registrar of Insurance and Retirements Funds through the Retirement Funds Act 2005 in Swaziland.

Governance of the plan
Responsibility for governance of the plan - including investment decisions and contribution schedules lies jointly with the bank and the board of trustees. The board of trustees must be composed of representatives of the bank and plan participants in accordance with the Retirement Fund Act 2005 in Swaziland and related regulations. The board consists of 3 representatives of the bank and 3 representatives of the plan participants in accordance with the Rules of the Fund. The trustees serve the board for 5 years and may be re-elected. An external auditor performs an audit of the Fund on an annual basis and such Annual Financial Statements are submitted to the Registrar of Insurance and Retirement Funds. A full actuarial valuation of the pension fund submission to the Registrar of Insurance and Retirement Funds is done every 3 years, with the last valuation being in 2014. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date the fund was financially sound.

Funding policy
Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% of pensionable salaries (in excess of the minimum recommended contribution rate set by the Fund actuary). The bank considers the recommended contribution rate as advised by the Fund actuary with each actuarial valuation.

In addition, the Trustees of the pension Fund targets a funding position on the pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions.

As at the last statutory actuarial valuation of the pension Fund (30 June 2014), all categories of liabilities was at least 100% funded. The Fund actuary also confirmed that all liability categories was also at least 100% funded as at the last interim actuarial valuation of the pension Fund (30 June 2014).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

18 Defined benefit post employment liability (continued)

Asset-liability matching strategies
The bank ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. Within this framework, the bank`s ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets.

The Trustees of the pension Fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows a 70% exposure in fixed interest instruments to immunize the interest rate and inflation risk, and 30% exposure to local growth assets. The fixed interest instruments mainly consists of long dated inflation linked bonds, while the growth assets are allocated to selected local asset managers. The Trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level.

The Trustees of the pension Fund have also adopted a “Lifestage” investment strategy in respect of the Defined Benefit active member assets. This strategy aims to apportion an appropriate level of Balanced portfolio, Conservative portfolio, Inflation Linked, and Money Market assets to match the maturing Defined Benefit active member liabilities. It should be noted that this is an approximate matching strategy as elements such as salary inflation and decrement rates cannot be matched. This is however an insignificant liability compared against the pensioner liability of the pension Fund.

Risk associated with the plan
Through its defined benefit pension plan, the bank is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: Assets are held in order to provide a return to back the plans obligations, therefore any volatility in the value of these assets would create a deficit.

Inflation risk: The plan benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and health care cost inflation for part of the financial assumptions used in the valuation.

Life expectancy: The plans obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans liabilities.

Demographic movements: The plan liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. Should less eligible employees withdraw and/or should more eligible employees retire early than assumed, the liabilities could be understated.

The financial implication to the bank in the event of deficit of the pension plan has been discussed in the nature of the benefits section above.

18 Defined benefit post employment liability (continued)

Pensioners: The pensioners of the Fund were outsourced to the Swaziland Royal Insurance Corporation with effect from 01 April 2015, through the purchase of annuities in the individual pensioners' name, thereby extinguishing the Fund's pensioner liability.

	2016	2015
	E'000	E'000
Details of the defined benefit plan assets and fund liability are as follows:		
Pension and post-retirement benefits		
Pension liability		
Present value of funded liability	**147 104**	129 163
Fair value of plan assets	**(119 318)**	(107 919)
Liability on statement of financial position	**27 786**	21 244
Other comprehensive income		
The amounts recognised in the profit of loss for the year are as follows		
Current service costs	**6 825**	8 572
Net interest costs	**2 540**	1 687
Settlement cost	**-**	2 540
Total included in staff costs	**9 365**	12 799
Other Comprehensive Income (OCI)		
Current year (Losses) / Gains	**4 981**	(3 315)
Change in Paragraph 65 Limit	**-**	-
Re-measurements recognised in Other Comprehensive Income	**4 981**	(3 315)

18 Defined benefit post employment liability (continued)

	2016	2015
	E'000	E'000
Movement in post retirement benefit liability		
Present value at the beginning of the year	**129 163**	112 414
Current service cost	**6 825**	8 572
Member contributions	**3 977**	3 225
Interest cost	**12 067**	11 455
Re-measurements- actuarial losses	**4 981**	4 963
Benefits paid	**(8 038)**	(3 143)
Risk premiums	**(1 136)**	(1 087)
Expenses	**(735)**	(655)
Liabilities settled	**-**	(6 581)
Defined benefit obligation at the end of the year	**147 104**	129 163

Movement in the fair value of plan assets		
Assets at fair market value at the beginning of the year	**107 919**	100 764
Interest income on assets	**9 676**	9 768
Remeasurements: actuarial gains	**122**	1 648
Risk Premiums	**(1 136)**	(1 087)
Member contributions	**3 977**	3 225
Employee contributions	**8 038**	6 520
Expenses	**(734)**	(655)
Benefits paid	**(8 544)**	(3 143)
Amount settled	**-**	(9 121)
At the end of the year	**119 318**	107 919

The plan assets of the fund were invested as follows:

Cash	**13 507**	14 546
Equity	**5 310**	24 314
Bonds	**18 423**	21 055
Property	**-**	77
International	**82 078**	47 927
	119 318	107 919

18 Defined benefit post employment liability (continued)

	2016 E'000	2015 E'000
The principal actuarial assumptions used for accounting purposes were:		
Pension increase allowance (%)	**6.38**	3.71
Discount rate before retirement (%)	**11.7**	8.90
Expected return on plan assets (%)	**11.7**	8.90
Salary inflation (%)	**10.3**	7.70
Long term price inflation (%)	**9.3**	6.70
Net interest rate used to value pensions, allowing for pension increases (%)	**-**	-
Number of employees covered	**324**	301
Average future working life	**37.80 years**	[illegible]
Assumptions regarding future mortality experience are set based on the following;		
Pension fund		
- Normal retirement age	60	60
- Mortality table rate used pre retirement	SA85-90	SA85-90
- Mortality table used post retirement (Rated down 1 year)	PA (90)	PA (90)

Sensitivity analysis

	Main Result (E'000)	**+1% (E'000)**	**-1% (E'000)**
Discount rate			
Defined Benefit Obligation	**147 104**	**118 172**	**185 638**
%Change		**(19.7%)**	**26.2%**
Inflation rate			
Defined Benefit Obligation	**147 104**	**167 895**	**129 508**
%Change		**14.1%**	[illegible]

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

		2016	2015
19	**Accounts payable**	**E'000**	E'000
	Accounts payable	**162 049**	49 772
	Other creditors	**24**	12 731
		162 073	62 503

All amounts are expected to be settled within twelve months.

The carrying value approximates the fair value.

	2016	2015
Analysis of accounts payables:-		
Financial	**142 495**	36 267
Non-financial	**19 578**	26 236
Total accounts payables	**162 073**	62 503

		2016	2015
20	**Provision for other liabilities and charges**		
	Provisions	**25 151**	20 394
	Staff related (Bonus, leave and 13th cheque)		
	Opening Balance	**16 419**	13 693
	Raised during the year	**17 033**	14 410
	Utilised during the year	**(13 237)**	(11 684)
		20 215	16 419
	Audit fees		
	Opening Balance	**2 237**	1 948
	Raised during the year	**2 452**	2 186
	Utilised during the year	**(2 010)**	(1 897)
	Closing Balance	**2 679**	2 237
	Other provision		
	Opening balance	**1 738**	-
	Raised during the year	**1 861**	1 738
	Reversed during the year	**(1 342)**	-
	Closing balance	**2 257**	1 738
	Total provisions	**25 151**	20 394

All of the above amounts are expected to be settled within the next twelve months.

20 Provision for other liabilities and charges (continued)

Leave provision
This provision is in respect of the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount provided is in the near future.

Bonus pay provision & 13 cheque
This provision consists of bonuses for the management team and employees based on the bank’s formal bonus plan.

21. Contingent liabilities and capital commitments

	2016	2015
	E	E
Contingencies		
Guarantees and acceptances	**156 115**	106 319
Irrevocable unutilised facilities	**525 689**	484 724
	681 804	591 043

Guarantees consist predominantly of endorsements and performance guarantees

Legal proceedings
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or bank basis. Provision is made for all liabilities which are expected to materialise.

Claims
The bank has contingent liabilities in respect of certain outstanding claims received in the normal course of business.

The bank has reciprocal claims against other institutions. These claims qualify as contingent assets.

	2016	2015
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by directors		
Not contracted for	**69 414**	62 172
Contracted for	**2 760**	2 212
Contracted for	**72 174**	64 384

Funds to meet these commitments will be provided from the bank's resources.

21. Contingent liabilities and capital commitments (continued)

Assets pledged

Mandatory reserve deposits are held with the local Central Bank of Swaziland in accordance with statutory requirements. These deposits are not available to finance the bank's day-to-day operations.

	Restricted assets		**Liabilities to the Public**	
	2016 E'000	2015 E'000	**2016 E'000**	2015 E'000
Restricted assets and liabilities	**244 471**	171 610	**3 017 185**	2 753 336

The bank's commitments under operating leases

	Within 1 year E'000	**1-5 years E'000**
At 30 June 2016		
Office premises	**13 033**	**24 074**
	13 033	**24 074**
At 30 June 2015		
Office premises	**7 836**	**14 684**
Equipment	**794**	**-**
	8 630	**14 684**

22 Cash flow information

22.1 Reconciliation of operating profit to cash flow from operating activities

	2016 E'000	2015 E'000
Profit before tax	**278 516**	235 833
Adjusted for:		
- Depreciation for property, plant and equipment (note 13)	**8 569**	6 643
- Impairment of advances (note 9.2)	**28 431**	14 276
- Defined benefit obligation expenses (note 5)	**1 561**	6 279
- Other losses (note 4)	**-**	1 016
Cash generated from operating activities	**317 077**	264 047

	2016	2015
	E'000	E'000
22 Cash flow information (continued)		
22.2 Taxation paid		
Amounts unpaid at beginning of the year	**5 507**	433
Taxation charge per statement of comprehensive income (note 7.1)	**83 965**	70 698
Amounts unpaid at end of the year (note 7.3)	**(6 529)**	(5 507)
Total taxation paid during the year (note 7.3)	**82 943**	65 624

23. Risk management

23.1 General

Risk control policies and exposure limits for the key risk areas of the bank are approved by the Board, while operational policies and control procedures are approved by the relevant risk committees.

Strategy in using financial instruments

By its nature the bank's activities are principally related to the use of financial instruments including derivatives. The bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The bank also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency, interest rate and commodity prices. The Board of the bank places trading limits on the level of exposure than can be taken in relation to both overnight and intra-day positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions.

Financial risk management

The board acknowledges its responsibility for establishing and communicating appropriate risk and control policies and ensuring that adequate risk management processes are in place. The bank has a number of committees which deal with the various aspects on the policies for accepting risks, including selection and approval of loans and advances, use of limits and avoiding concentrations of risk, etc. as detailed below:

Responsibility for audit committee

An audit committee appointed by the bank's board is in place to assist the board in discharging its risk management obligations.

23. Risk management (continued)

23.1 General (continued)

Responsibility for audit committee (continued**)**

The principal objectives of the bank's risk management committee are to:

- Review the bank's risk philosophy, strategy, policies and processes recommended by executive management;

- Review compliance with risk policies and with the overall risk profile of the bank;

- Review and assess the integrity of the process and procedures for identifying, assessing, recording and monitoring of risk;

- Review the adequacy and effectiveness of the bank's risk management function and its implementation by management;

- Ensure that material corporate risks have been identified, assessed and receive attention; and

- Provide the board with an assessment of the state of risk management within the bank.

A significant part of the bank's business involves the acceptance and management of risk. Primary responsibility for risk management at an operational level rests with the executive management. The bank's risk management processes, of which the systems of internal financial and operating controls are an integral part, are designed to control and monitor risk throughout the bank. For effectiveness, these processes rely on regular communication, sound judgement and a thorough knowledge of the products and markets by the people closest to them. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the bank.

In particular:

Bank's Audit Committee

The bank audit committee's principal objectives (pertaining to risk) are as follows:

- Act as an effective communication channel between the board on one hand and the external auditors and the head of internal audit on the other;

- Satisfy the board that adequate internal, financial and operating controls are being identified, addressed and monitored by management and that material corporate risks have been identified and are being contained and monitored through the bank risk committee ; and

- Enhance the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation of a financial nature issued by the bank, with focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as appropriate to the bank's life insurance activities.

23. Risk management (continued)

23.1 General

Risk Committee

The purpose of the Risk Committee (the "Committee") is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to (a) the risks inherent in the business of the bank and the control processes with respect to such risks, (b) the assessment and review of credit, market, fiduciary, liquidity, reputational, operational, fraud, strategic, technology, data-security and business-continuity risks, (c) the risk management activities of the, and (d) fiduciary activities of the bank.

Committee will have the responsibility to:

- review significant financial and other risk exposures and the steps management has taken to monitor, control and report such exposures, including, without limitation, credit, market, fiduciary, liquidity, reputational, operational, fraud, strategic, technology, data-security and business-continuity risks;

- evaluate risk exposure and tolerance and approve appropriate transactional or trading limits;
review and evaluate the bank's policies and practices with respect to risk assessment and risk management and annually present to the Audit Committee of the Board a report summarizing the Committee's review of the bank's methods for identifying and managing risks;

- review the scope of work of the Risk Manager and its planned activities with respect to the risk management activities of the bank and review the bank's technology risk management programs;

- escalate to the Audit Committee for discussion at a joint session of the Audit and Risk Committees any items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; and

- escalate other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary by the Committee to a joint session of the Audit and Risk Committees.

The risk committee is responsible for the bank’s risk management thereof. The responsibility of risk management resides at all levels throughout the bank, from member of the board to all employees. The risk committee therefore is fundamental to the bank’s business and plays a crucial role in enabling management to operate more effectively in a changing environment. Overtime it has evolved into one of the bank’s core capabilities. It is integral to the evaluation of strategic alternative and setting objectives all within a risk management framework that ensures alignment with the banks appetite and overall strategy.

Internal audit

It is the policy of the bank board to maintain an independent internal audit function to undertake internal audit work within the bank. The objective of internal audit is to provide reliable, valued and timely assurance to the board and executive management over effectiveness of controls mitigating current and evolving high risks and in doing so enhancing the controls culture of the bank

23.2 Strategy in using hedges

The bank strategy for using hedges is set out in note 11 and is also dealt with in the Risk Report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management

a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the bank to incur a financial loss.

	2016	2015
	E'000	E'000
Assets		
Gross loans and advances (note 9.1)	**2 600 074**	2 344 591
Contingencies (note 21)	**681 804**	591 043
	3 281 878	2 935 634

Economic sector risk concentrations in respect of advances are set out in note 9.

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk of statement of financial position and off statement of financial position financial instruments, before taking into account any collateral held.

Maximum exposure to credit risk:

Cash and cash equivalents (note 8)		
- Balances with other banks	**243 412**	**55 747**
- Balances with the Central Bank	**284 922**	**243 769**
Advances (note 9.1)	**2 600 074**	**2 344 591**
Financial and other guarantees (note 21)	**156 115**	**106 319**
Loan commitments not drawn (note 21)	**525 689**	**484 724**
Other (note 10) and (note 12)	**500 105**	**337 948**
	4 310 317	**3 573 098**

23. Risk management (continued)

23.3. Financial risk management (continued)

a) Credit risk (continued)

Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired advances:

Total neither past due nor impaired

E'000	**2016**	2015
FR 1 - 14	**359 111**	12 617
FR 15 - 25	**40 640**	59 579
FR 26 - 32	**328 647**	242 420
FR 33 - 39	**93 954**	199 124
FR 40 - 53	**509 052**	566 540
FR 54 - 83	**967 118**	750 739
FR 84 - 90	**42 402**	67 992
FR 91 - 99	**65 121**	24 699
FR 100	**-**	-
Total	**2 406 045**	1 923 710

Credit quality of financial assets other than advances neither past due nor impaired

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

a) Credit risk (continued)

	Treasury Bills	Other Government And Government Guaranteed Stock	Cash and Short Term Funds	Accounts Receivable	Derivatives	Total
	E'000	**E'000**	**E'000**	**E'000**	**E'000**	**E'000**
At 30 June 2016						
International scale mapping (National equivalent):						
AAA,AA,A (AAA,AA+)	-	-	**241 448**	-	-	**241 448**
BBB (AA,AA-)	-	-	-	-	-	-
BB+,BB(A)	-	-	-	-	-	-
BB-(BBB)			**1 963**		-	**1 963**
B+(BB)	-	-	-	-	-	-
B(B+)	-	-	-	-	-	-
B- (B)	-	-	-	-	-	-
CCC	**185 375**	**271 177**	**284 923**	**4 133**		**745 608**
Unrated	-	-	-	-	**8 432**	**8 432**
Total	**185 375**	**271 177**	**528 334**	**4 133**	**8 432**	**997 451**

	Treasury Bills	Other Government And Government Guaranteed Stock	Cash and Short Term Funds	Accounts Receivable	Derivatives	Total
	E'000	E'000	E'000	E'000	E'000	E'000
At 30 June 2015						
International scale mapping (National equivalent):						
AAA,AA,A (AAA,AA+)	-	-	51 315	-	-	51 315
BBB (AA,AA-)	-	-	-	-	-	-
BB+,BB(A)	-	-	-	-	-	-
BB-(BBB)	-	-	-	-	4 114	4 114
B+(BB)	-	-	-	-	-	-
B(B+)	-	-	-	-	-	-
B- (B)	-	-	-	-	-	-
CCC	160 872	155 218	248 201	-	-	564 291
Unrated	-	-	-	529	359	888
Total	160 872	155 218	299 516	529	4 473	620 608

23. Risk management (continued)

23.3 Financial risk management (continued)

a) Credit risk (continued)

FR rating mapping to international and national rating scales.

The bank categorises current exposures according to an internal rating scale, the FR ratings, ranging from FR1 to FR100, with FR1 being the best rating with the lowest probability of default. The FR ratings have been mapped to default probabilities as well as external rating agency international rating scales.

The ratings and associated probability of default (PD) reflect two different conventions. The "point in time" PDs reflect the default expectations under the current economic cycle whereas the "through the cycle" PDs reflect longer term average over the economic cycle.

The FR scale is summarised in the following table, together with a mapping to international scale rating from external agencies:

FR Rating	Mid point PD	International scale mapping*
FR 28 -91	3.73%	AAA to B-
Above FR 92		Below B-

*Indicative mapping to international rating scale of Fitch and S&P.

Debt collection procedures are vigorously carried out on defaulters. Full provision is made for non-recoverability as soon as management is uncertain as to the recovery.

There were no credit limits that were exceeded during the reporting period and management does not expect any losses from non performance from counterparties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

a) Credit risk (continued)

Age analysis of loans and advances was as follows:

	Neither past due nor impaired E'000	Renegotiated but current E'000	1 full instalment past due E'000	2 instalments past due E'000	Impaired E'000	Total E'000
At 30 June 2016						
Loans and advances	**2 391 274**	**14 772**	**103 754**	**40 153**	**50 121**	**2 600 074**
Total	**2 391 274**	**14 772**	**103 754**	**40 153**	**50 121**	**2 600 074**
At 30 June 2015						
Loans and advances	1 923 709	11 778	366 297	17 667	25 140	2 344 591
Total	1 923 709	11 778	366 297	17 667	25 140	2 344 591

The above assets are managed with reference to the instalments in arrears and include assets where monthly payments are due as residential mortgages, instalment sale products and personal loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

(b) Market risk

Market risk includes currency risk, interest rate risk and equity price risk. From time to time derivative financial instruments are entered into to reduce this exposure to market risk.

The bank takes on exposure to market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The bank applies a "value at risk" methodology to estimate the market risk positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The primary risk control mechanism used for risk control purposes are stress loss test and limits.

(i) Interest rate risk

Interest rate risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The bank continuously assesses the market expectations within South Africa and Swaziland interest rate environments.

The following financial instruments will be directly impacted by changes in market interest rates: advances, cash and cash equivalents and amounts due from FirstRand Holdings Limited.

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant. The analysis is performed on the same basis as for 2015:

	2016 E'000	2015 E'000
Base asset		
Cash with Central Bank and other banks (note 8)	**528 334**	299 516
Advances (note 9.1)	**2 600 074**	2 344 591
Amounts due from FirstRand Holding Limited (note 24.2)	**830 078**	620 430
Total assets base	**3 958 486**	3 264 537
Increase in 50 basis points	**19 792**	16 323
Decrease in 50 basis points	**(19 792)**	(16 323)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Interest sensitivity of assets, liabilities and off statement of financial position items - repricing analysis

The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the bank's exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

The table below summarises the bank's exposure to interest rate risk, categorised by contractual repricing date.

	Interest sensitivity gap analysis						
				Term to maturity			
2016 E '000's	**Carrying Amount**	**Demand**	**1-3 months**	**4-12 Months**	**1-5 years**	**Over 5 Years**	**Non-Interest earning/ bearing**
ASSETS							
Cash and cash equivalents	**636 967**	**636 967**	-	-	-	-	-
Advances	**2 555 986**	**447 908**	**46 009**	**336 486**	**1 572 898**	**116 457**	**36 228**
Investment securities: Available- for-sale	**456 553**	-	**72 005**	**113 371**	**206 743**	**64 434**	-
Derivative instruments: held for trading	**8 432**	**8 432**	-	-	-	-	-
Amounts due from related companies	**830 078**	**637 233**	-	-	**192 845**	-	-
Other assets	**43 552**	-	-	-	-	-	**43 552**
Deferred income tax asset	**24 146**	-	-	-	-	-	**24 146**
Property and equipment	**60 480**	-	-	-	-	-	**60 480**
	4 616 194	**1 730 540**	**118 014**	**449 857**	**1 972 486**	**180 891**	**164 406**
LIABILITIES							
Deposits	**3 017 185**	**2 222 453**	**478 148**	**112 281**	**204 303**	-	-
Derivative instruments: held for trading	**12 029**	**12 029**	-	-	-	-	-
Amounts due to related companies	**626 295**	-	-	-	-	-	**626 295**
Accounts payable	**162 073**	-	-	-	-	-	**162 073**
Share based payments liability	**5 700**	-	-	-	-	-	**5 700**
Defined benefit post-employment liability	**27 786**	-	-	-	-	-	**27 786**
Provision for other liabilities and charges	**25 151**	-	-	-	-	-	**25 151**
Current income tax liability	**6 529**	-	-	-	-	-	**6 529**
Shareholders' equity	**733 446**	-	-	-	-	-	**733 446**
	4 616 194	**2 234 482**	**478 148**	**112 281**	**204 303**	-	**1 586 980**
Net interest sensitivity gap	-	**(503 942)**	**(360 134)**	**337 576**	**1 768 183**	**180 891**	**(1 422 574)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

	Interest sensitivity gap analysis						
			Term to maturity				
2015	Carrying		1-3	4-12		Over 5	Non-Interest earning/
E '000's	Amount	Demand	months	Months	1-5 years	Years	bearing
ASSETS							
Cash and cash equivalents	418 971	418 971	-	-	-	-	-
Advances	2 321 597	515 395	38 267	100 805	1 272 273	380 584	14 273
Investment securities: Available- for-sale	316 090	-	142 023	38 235	96 978	38 854	-
Derivative instruments: held for trading	4 473	4 473	-	-	-	-	-
Amounts due from related companies	620 430	523 340	-	-	97 090	-	-
Other assets	21 858	-	-	-	-	-	21 858
Deferred income tax asset	16 051	-	-	-	-	-	16 051
Property and equipment	27 286	-	-	-	-	-	27 286
	3 746 756	1 462 179	180 290	139 040	1 466 341	419 438	79 468
LIABILITIES							
Deposits	2 753 336	2 279 684	101 059	274 572	931	97 090	-
Derivative instruments: held for trading	4 586	4 586	-	-	-	-	-
Amounts due to related companies	274 850	-	-	-	-	-	274 850
Accounts payable	62 503	-	-	-	-	-	62 503
Share based payments liability	8 555	-	-	-	-	-	8 555
Defined benefit post-employment liability	21 244	-	-	-	-	-	21 244
Provision for other liabilities and charges	20 394	-	-	-	-	-	20 394
Current income tax liability	5 507	-	-	-	-	-	5 507
Shareholders' equity	595 781	-	-	-	-	-	595 781
	3 746 756	2 284 270	101 059	274 572	931	97 090	988 834
Net interest sensitivity gap	-	(822 091)	79 231	(135 532)	1 465 410	322 348	(909 366)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3. Financial risk management (continued)

(b) Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the financial instruments that are denominated in foreign currency will fluctuate due to changes in foreign rates.

The bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Foreign currency sensitivity
Other than foreign denominated cash, the bank does not hold open exposures of any significance. All gains and losses on foreign exposure and derivatives are reported in the profit and loss.

The bank manages foreign currency exposure in terms of approved limits. The currency position at 30 June 2016 is set out below:

2016 E'000's	**(SZL)**	**Rand (ZAR)**	**Pula (P)**	**UK£**	**US$**	**Euro**	**Total**
ASSETS							
Cash and cash equivalents	**390 419**	**1 963**	**69**	**10 034**	**224 933**	**9 549**	**636 967**
Advances	**2 555 986**	**-**	**-**	**-**	**-**	**-**	**2 555 986**
Investment securities	**456 553**	**-**	**-**	**-**	**-**	**-**	**456 553**
Amounts due from related companies	**-**	**830 078**	**-**	**-**	**-**	**-**	**830 078**
Other assets	**43 552**	**-**	**-**	**-**	**-**	**-**	**43 552**
Derivative instrument: Held for trading	**-**	**8 432**	**-**	**-**	**-**	**-**	**8 432**
	3 446 510	**840 473**	**69**	**10 034**	**224 933**	**9 549**	**4 531 568**
LIABILITIES							
Deposits	**3 017 185**	**-**	**-**	**-**	**-**	**-**	**3 017 185**
Derivative financial instruments – held for trading	**-**	**12 029**	**-**	**-**	**-**	**-**	**12 029**
Amounts due to related companies	**-**	**626 295**	**-**	**-**	**-**	**-**	**626 295**
Other liabilities	**162 073**	**-**	**-**	**-**	**-**	**-**	**162 073**
Shareholders' equity	**733 446**	**-**	**-**	**-**	**-**	**-**	**733 446**
	3 912 704	**638 324**	**-**	**-**	**-**	**-**	**4 551 028**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Currency risk (continued)

2015 E'000's	(SZL)	Rand (ZAR)	Pula (P)	UK£	US$	Euro	Total
ASSETS							
Cash and cash equivalents	367 026		48	2 330	33 230	16 337	418 971
Advances	2 321 597	-	-	-	-	-	2 321 597
Investment securities	316 090	-	-	-	-	-	316 090
Amounts due from related companies	-	620 430	-	-	-	-	620 430
Other assets	21 858	-	-	-	-	-	21 858
Derivative instrument: Held for trading	-	4 473	-	-	-	-	4 473
	3 026 571	624 903	48	2 330	33 230	16 337	3 703 419
LIABILITIES							
Deposits	2 753 336	-	-	-	-	-	2 753 336
Derivative financial instruments – held for trading	-	4 586	-	-	-	-	4 586
Amounts due to related companies	-	274 850	-	-	-	-	274 850
Other liabilities	62 503	-					62 503
Shareholders' equity	595 781	-	-	-	-	-	595 781
	3 411 620	279 436	-	-	-	-	3 691 056

(iii) Equity price risk

This is the risk that the fair value or future cash flows of a financial investment will fluctuate as a result of changes in market prices.

The bank is not exposed to commodity/ equity price risk as it does not have investment in equities that are traded in the market.

23. Risk management (continued)

23.3 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the bank will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The bank is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan draw-downs and other cash requirements. The bank does not maintain sufficient cash resources to meet all of these liquidity needs, as historical experience indicates a minimum level of reinvestment of maturing funds with a high level of certainty.

The matching and controlled mismatching of maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for banks to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but may also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates and exchange rates.

The table below sets out the maturity analysis of the bank's statement of financial position based on the remaining period from year-end to contractual maturity. "Demand" denotes assets or liabilities with a contractual maturity of 32 days or less.

23. Risk management (continued)

23.3 Financial risk management (continued)

(c) Liquidity risk (continued)

			Term to maturity			
2016	**Carrying**		**1 – 3**	**4-12**		**Over 5**
E '000's	**Amount**	**Demand**	**Months**	**months**	**1-5 years**	**Years**
ASSETS						
Cash and cash equivalents	**636 967**	**636 967**	**-**	**-**	**-**	**-**
Advances	**2 555 986**	**447 908**	**46 009**	**336 486**	**1 572 898**	**152 685**
Investment securities – available-for-sale	**456 553**	**-**	**72 005**	**113 371**	**206 743**	**64 434**
Derivative instruments – held for trading	**8 432**	**8 432**	**-**	**-**	**-**	**-**
Amounts due from related companies	**830 078**	**637 233**	**-**	**-**	**192 845**	**-**
Accounts receivable	**43 552**	**38 325**	**-**	**-**		**5 227**
	4 531 568	**1 768 865**	**118 014**	**449 857**	**1 972 486**	**222 346**
LIABILITIES						
Deposits	**3 017 185**	**2 222 453**	**478 148**	**112 280**	**204 304**	**-**
Derivative instruments: held for trading	**12 029**	**12 029**	**-**	**-**	**-**	**-**
Amounts due to related parties	**626 295**	**626 295**	**-**	**-**	**-**	**-**
Provisions for other liabilities and charges	**25 151**	**-**	**2 679**	**20 215**	**2 257**	
Accounts payable	**162 073**	**9 795**	**78 468**	**54 720**	**9 987**	**9 103**
Income tax liability	**6 529**	**-**	**6 529**	**-**	**-**	**-**
Shareholders' equity	**733 446**	**-**	**-**	**-**		**733 446**
	4 582 708	**2 870 572**	**565 824**	**187 215**	**216 548**	**742 549**
Net liquidity gap	**(51 140)**	**(1 101 707)**	**(447 810)**	**262 642**	**1 755 938**	**(520 203)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.3 Financial risk management (continued)

(c) Liquidity risk (continued)

			Term to maturity			
2015	Carrying		1 – 3	4-12		Over 5
E '000's	Amount	Demand	Months	months	1-5 years	Years
ASSETS						
Cash and cash equivalents	418 971	418 971	-	-	-	-
Advances	2 321 597	515 395	38 267	100 805	1 272 273	394 857
Investment securities – available-for-sale	316 090	-	142 023	38 235	96 978	38 854
Derivative instruments – held for trading	4 473	4 473	-	-	-	-
Amounts due from related companies	620 430	523 340	-	-	97 090	-
Accounts receivable	21 858	17 279	-	212	2 963	1 404
	3 703 419	1 479 458	180 290	139 252	1 469 304	435 115
LIABILITIES						
Deposits	2 753 336	2 279 684	101 059	274 572	931	97 090
Derivative instruments: held for trading	4 586	4 586	-	-	-	-
Amounts due to related parties	274 850	274 850	-	-	-	-
Provisions for other liabilities and charges	20 394	-	3 591	14 950	1 853	-
Accounts payable	62 503	35 435	6 000	13 651	6 934	483
Income tax liability	5 507	-	5 507	-	-	-
Shareholders' equity	595 781	-	-	-	-	595 781
	3 716 957	2 594 555	116 157	303 173	9 718	693 354
Net liquidity gap	13 538	(1 115 097)	64 133	(163 921)	1 459 586	(258 239)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23 Risk management (continued)

23.3 Financial risk management (continued)

(d) Other risks

(i) Legal risk

Legal risk is the risk that the bank will be exposed to contractual obligations which have not been provided for.

The bank has a policy of ensuring all contractual obligations are documented and by the relevant parties As at 30 June 2016, the directors are not aware of any significant obligations not provided for.

(ii) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

(iii) Taxation risk

Taxation risk is the risk that the bank will incur a financial loss due to an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing structures.

During the development stage of any product and prior to any corporate transactions the taxation resources of the bank, and if required external resources, identify and advise on any material potential taxation impact thereof.

Taxation risk is further mitigated through policy terms and conditions, which enable the risk to be passed back to policyholders. This is the case on all classes of business other than non-participating annuity business.

(iv) Regulatory risk

Regulatory risk is the risk arising from a change in regulations pertaining to the business of the bank.

In order to manage this risk, the bank accordingly report to the Central Bank of Swaziland in the manner required by the Financial Institutions Act of 2005.

Furthermore, the bank is to comply with the Money Laundering (Prevention) Act, 2001.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.4 Fair value of financial instruments

In terms of IFRS, the bank is required to or elects to measure certain assets and liabilities at fair value. The bank has established control frameworks and processes at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements.

Valuation committees comprising representatives from key management have been established within each franchise and at an overall Group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the Group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the Group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including investment properties and commodities that the Group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the Group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the Group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.4 Fair value of financial instruments (continued)

When determining the fair value of a financial liability or the Group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the Group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the Group's investment properties and commodities, the highest and best use of the assets was their current use.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5, where fair value less costs to sell is the recoverable amount; IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date;, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

Government, stocks and Treasury Bills
Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.4 Fair value of financial instruments (continued)

Derivatives
Contracts for difference are valued by using the differential between the market price and the traded price multiplied by the notional amount. Market prices are obtained from applicable trading exchanges.

Credit derivatives are valued using the discounted cash flow model. Where prices are obtained from the market individual credit spreads are added.

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swap is determined in terms of legal documents pertaining to the swap.

Commodity linked instruments are measured by taking into account the price, the location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.

Deposits
Fair value of deposits and current accounts is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account as these are considered to have an immaterial impact on the economic value of the instruments.

Call deposits are valued at the undiscounted amount of the cash balance, this is considered appropriate because of the short term nature of these instruments.

Fair valuation will only be applied to deposits having a maturity profile of longer than 30 days. For all non term products it is assumed that fair value will equal amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.4 Fair value of financial instruments (continued)

The fair value determined are as follows:-

	2016		2015	
	Carrying value	**Fair value**	Carrying value	Fair value
	E'000	**E'000**	E'000	E'000
Assets				
Loans	**2 555 986**	**2 614 981**	2 321 597	2 296 163
Total advances	**2 555 986**	**2 614 981**	2 321 597	2 296 163
Liabilities				
Deposits Balances from customers	**3 017 185**	**3 011 044**	2 753 336	2 748 523
Total deposits	**3 017 185**	**3 011 044**	2 753 336	2 748 523

23.5 Fair value hierarchy and measurements

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The valuation techniques employed by the bank include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out in the tables below.

Where a valuation model is applied and the bank cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. The bank will consider the following in assessing whether a mark-to-model valuation is appropriate:-

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.5 Fair value hierarchy and measurements (continued)

Levels of fair value hierarchy

Level 1
Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category includes listed bonds and equity, exchange-traded derivatives, exchange-traded commodities and short trading positions.

Level 2
Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category includes loans and advances to customers, equities listed in an inactive market, certain debt instruments, over the counter derivatives or exchange-traded derivatives where a market price is not available, deposits, other liabilities, Tier 2 liabilities and commodities which are not exchange-traded.

Level 3
Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities. The assumptions applied by the bank are set out in the table below. This category includes specific loans and advances to customers, over the counter derivatives such as equity options, investments in debt instruments, and deposits such as credit linked notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

23. Risk management (continued)

23.5 Fair value hierarchy and measurements (continued)

An analysis of financial instruments, measured at fair value at the end of the reporting period, by level in the fair value hierarchy into which the fair value measurement is categorised can be found in the notes to the financial statements.

The following table presents the bank's assets and liabilities that are measured at fair value:

At 30 June 2016	**Level 1 E'000**	**Level 2 E'000**	**Level 3 E'000**
Assets			
Derivatives	-	**8 432**	**-**
Advances	-	**549 997**	**2 064 984**
Available-for-sale financial instruments			
- Treasury bills	-	**185 376**	**-**
- Government bonds	-	**271 178**	**-**
Total assets	-	**1 014 983**	**2 064 984**
Liabilities			
Derivatives	-	**12 029**	**-**
Deposits	-	**2 818 201**	**192 845**
Total liabilities	-	**2 830 230**	**192 845**

At 30 June 2015	Level 1 E'000	Level 2 E'000	Level 3 E'000
Assets			
Derivatives	-	4 473	-
Advances	-	523 458	1 772 705
Available-for-sale financial instruments			
- Treasury bills	-	160 872	-
- Government bonds	-	155 218	-
Total assets	-	844 021	1772 705
Liabilities			
Derivatives	-	4 586	-
Deposits	-	2 651 433	97 090
Total liabilities	-	2 656 019	97 090

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

24. Related parties

The bank defines related parties as:

(i) The parent company;

(ii) Subsidiaries and fellow subsidiaries;

(iii) Associate companies;

(iv) Joint ventures;

(v) Associates and joint ventures of the parent company and fellow subsidiaries;

(vi) Groups that have significant influence over the parent. If an investor has significant influence over the parent, it is a related party not only of the parent but also of the subsidiaries, including the bank. If an investor that has significant influence over the parent has subsidiaries, those subsidiaries are also related to the bank;

(vii) Post-retirement benefit funds (pension funds);

(viii) Key management personnel, being the FirstRand Limited board of directors, the bank's board of directors and the bank's executive committee, including any entities which provide key management personnel services to the bank;

(ix) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and

(x) Entities controlled, jointly controlled or significantly influenced by an individual referred to in (viii) and (ix).

The parent of the bank is FirstRand EMA Holding Limited, incorporated in South Africa.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

24. Related parties (continued)

24.1 *Related party transactions*

	2016 E'000	2015 E'000
(i) Interest received		
FirstRand Bank Holdings Limited	**41 196**	22 363
(ii) Fees and commission earned		
FirstRand Bank Holdings Limited	**8 720**	8 075
(iv) Fees and commission paid		
FirstRand Bank Holdings Limited	**70 901**	53 741
(v) Key management personnel		
Key management compensation comprises of the following:		
Salaries and other short-term benefits	**8 796**	12 803
Post-employment benefits	**1 050**	1 041
Share-based payments	**1 876**	3 686
Total compensation	**11 722**	17 530
(vi) Directors' fees		
Services as directors	**1 057**	847
Other services	**2 004**	1 777
	3 061	2 624

A listing of the board of directors of the bank is on page 5 of the financial statements.

24.2 *Year end balances arising from related parties*

	2016 E'000	2015 E'000
(i) Due from related parties		
Due from FirstRand Bank Holdings Limited – deposits	**830 078**	620 430
	830 078	620 430
(ii) Due to related parties		
Due to FirstRand Bank Holdings Limited – loans	**626 295**	274 850
	626 925	274 850
(iii) Loans and advances		
Key management personnel		
Loans and advances in normal course of business by product		
Mortgages	**12 077**	17 441
Overdrafts	**101**	187
Personal	**539**	663
Instalment finance	**1 925**	2 767
	14 642	21 058

No impairment has been recognised for loans granted to key management (2015: nil). Mortgage loans are repayable monthly over 20 years. These loans are collaterised by the properties that were financed.

	2016 E'000	2015 E'000
(iv) Deposits and current accounts at amortised cost		
Key management personnel		
Deposits balances in normal course of business are as follows:		
Current and Savings Accounts	**1 239**	1 147

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

	2016 E'000	2015 E'000
24.3 Post employment benefit plan		
Deposits held with the bank	**3 807**	1 211

26 Remuneration schemes

The amount recognised in profit or loss for share based payments is as follows:

	2016 E'000	2015 E'000
Conditional share plan	**1 876**	6 327
Amount included in profit or loss (note 5 and 17)	**1 876**	6 327

The purpose of the schemes is to appropriately attract, incentivise and retain managers within the Group.

FIRST NATIONAL BANK OF SWAZILAND LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

26 Remuneration schemes (continued)

Conditional share scheme	
IFRS 2 treatment	Cash settled
Description	The conditional award comprises a number of full shares with no strike price.
Vesting conditions	These awards vest conditionally after three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performance set annually by the group's remuneration committee. These corporate performance targets are set out on page 92.
Valuation methodology	The conditional share plan is valued using the Black Scholes option pricing model with a zero strike price. The scheme is cash settled and is therefore repriced at each reporting date.
Valuation assumptions	
Dividend data	Management’s estimates of future discrete dividends.
Market related	Ø Volatility is the expected volatility over the period of the plan and historical volatility was used as a proxy for expected volatility; and Ø The interest rate is the risk free rate of return as recorded on the last day of the financial year, on a swap curve of a term equal to the expected life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data over all schemes and takes cognisance of whether the shares are in or out the money and the vesting date.

26 Remuneration schemes (continued)

Corporate performance targets

The FirstRand Limited group remuneration committee sets the corporate performance targets (CPT's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their long term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the currently open schemes are as follows:

Expired Scheme

2011 (CPTs met- vested in September 2014) - FirstRand's normalised EPS growth must equal or exceed South African nominal GDP plus 1.5%, measured on a cumulative basis from base year end 30 June 2011 to enable 100% vesting. In addition, NIACC must be positive over the three-year performance period. Should nominal GDP plus 1.5% not be achieved, the committee may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.

2012 (CPTs met- vested in September 2015) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 3% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2012 to the financial year end immediately preceding the vesting date. In addition NIACC must be positive over the three-year performance period.

Currently Open

2013 (vests in 2016) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 1.5% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2013 to the financial year-end immediately preceding the vesting date. In addition NIACC must be positive over the three-year performance period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

26 Remuneration schemes (continued)

<u>Currently Open</u>(continued)

2014 (vests in 2017) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 2% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2014 to the financial year end immediately preceding the vesting date. In addition NIACC must be positive over the three-year performance period.

2015 (vests in 2018) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 1% growth on a cumulative basis over a three year period, from base year ended 30 June 2015 to the financial year end immediately preceding the vesting date. In addition, ROE must be equal to or greater than cost of equity plus 5% over the three year performance period. Should nominal GDP plus 1% not be achieved, the remuneration committee may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

26 Remuneration schemes (continued)

The significant weighted average assumptions used to estimate the fair value of options and share awards granted and the IFRS 2 expenses for the year under review are:

	Conditional share plan
2016	
Range of exercise prices (Rand)	**-**
Expected volatility (%)	**25**
Expected option life (years)	**3**
Expected risk free rate (%)	**7.36 - 8.06**
Expected dividend yield (%)	**-**
Expected dividend growth (%)	
2015	
Range of exercise prices (Rand)	-
Expected volatility (%)	25
Expected option life (years)	3
Expected risk free rate (%)	4.82 - 7.07
Expected dividend yield (%)	-
Expected dividend growth (%)	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

26 **Remuneration schemes** (continued)

	2016 Conditional share plan (FSR shares)*	2015 Conditional share plan (FSR shares)*
Number of options and share awards in force at the beginning of the year (million)	**0.292**	0.305
Granted at prices ranging between (cents)	**-**	-
Weighted average (cents)	**-**	-
Number of options and share awards granted during the year (million)	**0.086**	0.114
Fair value per share on grant date	**-**	-
Number of options and share awards transferred (within the Group) during the year (million) **	**(0.011)**	(0.030)
Granted at prices ranging between (cents)	**-**	-
Weighted average (cents)	**-**	-
Number of options and share awards exercised/released during the year (million)	**(0.097)**	(0.097)
Market value range at date of exercise/release (cents)	**5 073 - 5 073**	4 398 - 4 398
Weighted average (cents)	**5 073**	4 398
Number of options and share awards cancelled/lapsed during the year (million)	**(0.047)**	
Granted at prices ranging between (cents)	**-**	
Weighted average (cents)	**-**	
Number of options and share awards in force at the end of the year (million)	**0.223**	0.292
Granted at prices ranging between (cents)	**-**	-
Weighted average (cents)	**-**	-

* The grant date fair value was not determined as these share awards are cash settled and are remeasured to fair value at each reporting date.

** These relate to options and share awards for employees transferred between legal entities within the FirstRand Limited Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2016

26 Remuneration schemes (continued)

	2016		2015	
	Conditional share plan (FSR shares) *		Conditional share plan (FSR shares) *	
Options and share awards outstanding	**Weighted average remaining life (years)**	**Outstanding options (million)**	Weighted average remaining life (years)	Outstanding options (million)
	0.29	**0.071**	0.28	0.086
	1.28	**0.081**	1.29	0.102
	2.31	**0.071**	2.29	0.104
Total Options and share awards outstanding (million)		**0.223**		0.292
Total options and share awards - in the money (million)		**0.223**		0.292
Total options and share awards - out of the money (million)		-		-
Total options and share awards (R million)		**0.223**		-0.292
Value of company loans to share option trust at the beginning of the year (R million)		-		-
Value of company loans to share option trust at the end of the year (R million)		-		-
Number of participants		**9**		13

* The employees are awarded these shares, there is therefore no strike price associated with the awards made under the conditional share plan.