FNB Eswatini Annual Financial Statements

for the year ended 30 June 2021

CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

To the Shareholder of the First National Bank of Eswatini Limited

The directors of First National Bank of Eswatini Limited ("bank" or "FNB" or "FNB Eswatini") 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, statement of cash flows, and the notes to the financial statements as at 30 June 2021. These 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 financial statements, suitable accounting policies in accordance with IFRS have been applied and reasonable judgements and estimates have been made by management. The annual financial statements incorporate full and responsible disclosure in line with the bank's philosophy on corporate governance. None of the new or amended IFRS that became effective in the current financial year had an impact on the bank's accounting policies.

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

To the Shareholder of the First National Bank of Eswatini 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 pages 9 to 10.

The annual financial statements of the bank, which appear on pages 11 to 135, were approved by the board of directors on 25 August 2021 and are signed on its behalf by:

CHAIRMAN
J V NDLANGAMANDLA

CHIEF EXECUTIVE OFFICER
D T MBINGO

Mbabane, 24 September 2021

DIRECTORS' REPORT
for the year ended 30 June 2021

The directors have pleasure in submitting this report, which forms part of the financial statements of the bank for the year ended 30 June 2021.

Nature of Business

licensed commercial bank. First National Bank of Eswatini Limited is a full-service Retail, Commercial and Corporate bank in Eswatini. FNB Eswatini has operated in Eswatini since 1995 and has over the years been a leading proponent of technological innovation as a basis for providing accessible and affordable banking services. The bank has a culture of entrepreneurial thinking that seeks to lead in the different areas it has chosen to participate in. The Bank remains a customer-focused, relationship-based, and technology led business which aims to put the customer at the centre of everything it does.

Financial Results

Full details of the financial results for the period are set out on pages 11 to 135.

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.

Dividend

During the year the directors approved and paid a dividend distribution of E175.683 million (2020: E100 million).

In line with the bank's dividend policy, capital management framework (incorporating targeted capital levels) and an internal capital generation outlook which remains accretive, the dividend declarations were made during the year: -

- **Final dividend** – On the 21st August 2020, the Board approved a dividend of E100 million.
- **Interim dividend** – On the 08th June 2021, the Board approved a dividend of E75.683 million.

Holding Company

The bank's immediate holding company is FirstRand EMA Holdings Proprietary Limited ("FREMA") registered in the Republic of South Africa. The bank is a wholly owned subsidiary of FREMA. The ultimate shareholder of First National Bank of Eswatini Limited is FirstRand Limited incorporated in the Republic of South Africa.

Regulatory Developments

The board of directors' notes that there have been no communications from regulatory agencies concerning non-compliance with or deficiencies in the bank's compliance to laws and regulations that may impact the operations of the bank.

Civil unrest

A series of protests in Eswatini covering social and political issues began in May 2021. Whilst initially peaceful, the protests escalated to incidences of high levels of violence by late June 2021 that led to major disruptions of normal business, serious damage to property through acts of arson, theft and vandalism. Authorities responded by implementing movement restrictions through curfews, suspension of internet services, placing a ban on further protests, and several arrests. As of the date of the issuance of these audited financial statements, the situation remains calm and mostly conducive to the conduct of normal business in the short term. Uncertainty over the medium to long term remains fairly high.

The bank was not spared damage from the unrest as 10 Automated Teller Machines (ATMs) were lost due to vandalism or fire damage, and some cash in ATMs was destroyed or stolen. Disrupted network connectivity also created materialdelays in processing some client transactions.

As at 30th June 2021, in response to the unrest, the bank raised several provisions that included E59 million to cover credit loss risk (Advances), E10.4m for operational losses and E12m for expected credit losses in specific financial instruments.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2021

COVID-19 Pandemic

Since the outbreak of the coronavirus (COVID-19) pandemic, the country,like the rest of the sub-region and the world, has experienced the first, second and third wave of infections. The most severe impact of the spread of COVID-19 has been in the loss of lives, many of which were still economically productive. The long periods of lockdowns and maintenance of curfews have also limited the normal operations of many sectors of the economy, especially hospitality and entertainment, leading to job losses. Despite such heavy circumstances, the economy has shown some resilience as can be seen in growing demand for credit and strong liquidity positions across the financial sector.

The roll-out of vaccines is critical to enabling a return to some level of normalcy and we applaud the efforts of the Government, non-governmental organizations and partners in the business community for working hard to accelerate the national vaccination program. The bank continues to collaborate with different partners to help achieve national vaccination rates.

Listing of the Bank in the Local Stock Exchange

In June 2018, agreement was reached to localise 24.99% of the business in 2020 and to list the entire shareholding on the Eswatini Stock Exchange (ESX). These plans were deferred in April 2019, to ensure that regulatory considerations were all addressed. The COVID-19 global pandemic in 2020 and the disruptions it caused to the business, its client base and the financial markets meant that this could not take place in 2020 as had been scheduled. The intent remains the same and the Board of Directors expects the localisation of shareholding and the listing on the Eswatini Stock Exchange to resume as soon as conditions permit.

Capital and Reserve Account

i) Share Capital

The bank Share Capital comprises of Ordinary Shares and non-cumulative non-redeemable Preference Shares. Details on the Share Capital have been disclosed in note 17 of the financial statements.

ii) Minimum required capital

In terms of the Financial Institutions Act of 2005 ("the Act"), section 20 (1) (a) (i), a financial institution is required to maintain capital of at least 5% of its liabilities to the public in Eswatini in terms of the most recent published statement of financial position.

As at 30 June 2021, the bank's liabilities to the public in Eswatini totalled E6.204 billion (2020: E4.755 billion) requiring a minimum capital of E310 million (2020: E238 million). Furthermore, the requirement of the Financial Institutions Act of 2005 (the Act") in this regard has been met as the bank reported a solid financial position with total capital of E1.011 billion (2020: E1.061 billion)

iii) 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.

As at 30 June 2021, in accordance with this requirement of the Act, an amount of E12.990 million (2020: E17.380 million) has been transferred to the statutory reserve in the current financial year.

iv) Risk Weighted Assets (RWA) and Capital Adequacy

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 Eswatini from time to time by notice in the Gazette.

As at 30 June 2021, the bank complied with this requirement of the Act reporting a Capital Adequacy Ratio (CAR) of 20.37% (2020: 22.22%).

Liquid Asset Requirement

In terms of Section 23 (1) of the Act of 2005, the bank is required to maintain liquid assets amounting to not less than a prescribed percentage or percentages, not exceeding twenty-five percent (25%), of the total, or specified categories, of its liabilities to the public in Eswatini.

Liquid Asset Requirement (continued)

As at 30 June 2021, the bank's liabilities to the public in Eswatini totalled E6.204 billion (2020: E4.755 billion) requiring a minimum liquid asset requirement of E1.241 billion (2020: E0.951 billion). The requirement of the Act in this regard has been met.

During the March 2020 MPCC meeting, as part of the COVID-19 pandemic response, the Central Bank of Eswatini made the following adjustments: -

- The liquidity asset requirement was reduced from 25 per cent to 20 per cent for commercial banks.
- The statutory reserve requirement was reduced from 6 per cent to 5 per cent

The total Bank's liquid assets were: -

	2021 E'000	2020 E'000
Cash and cash equivalent	**2 750 815**	2 110 922
Investment in securities	**1 808 085**	1 132 264
Total liquid assets	**4 558 900**	3 243 186

Corporate Governance

The First National Bank of Eswatini 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.

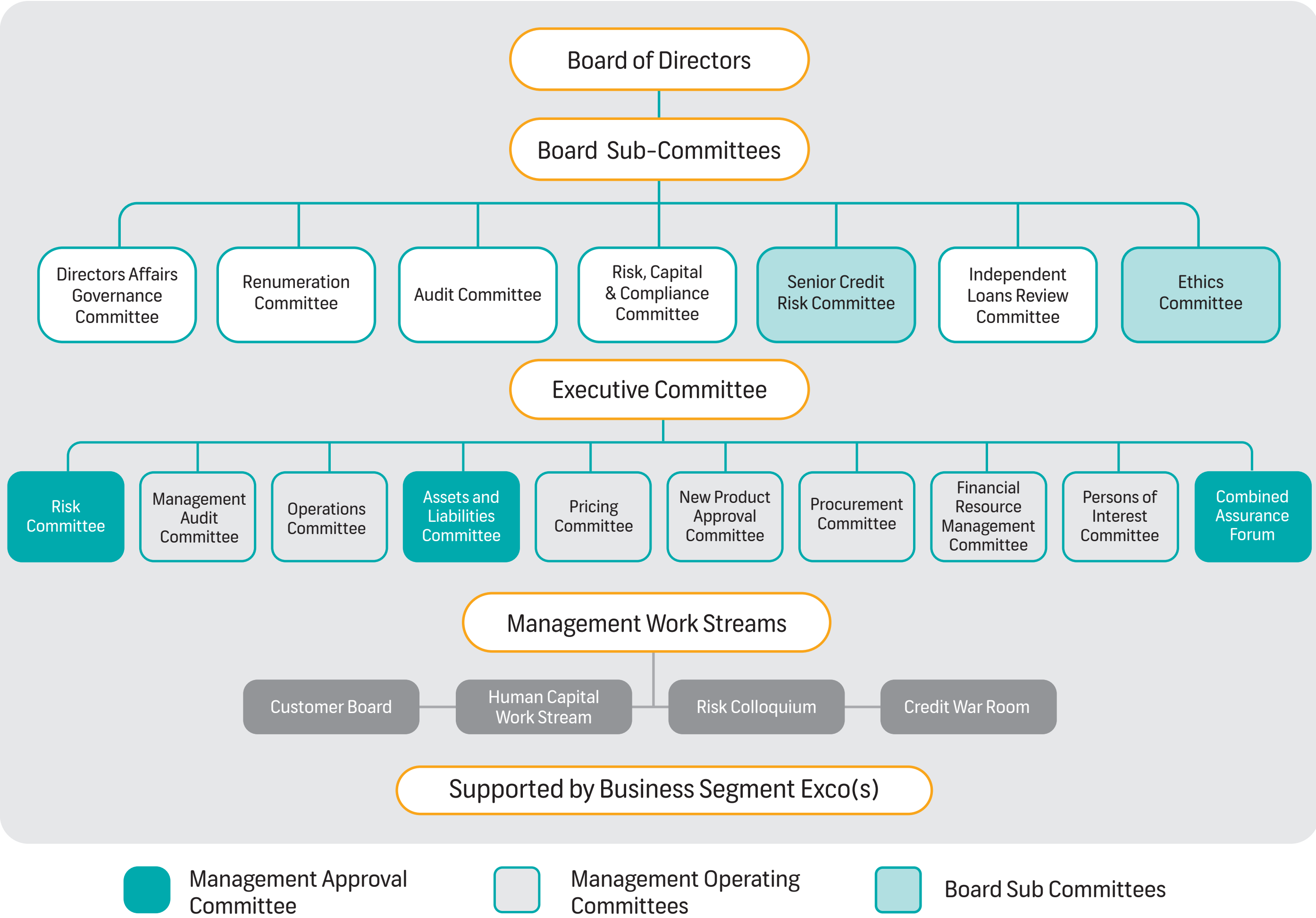
The governance structure is as follows:

The Board and Executive sub-committees have Charters which sets out the role, powers, responsibilities, and composition of the Board and/or executive sub-committees.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2021

Corporate Governance

FNB Eswatini Governance Structure



Board of Directors

Director		Appointed	Retired
J V Ndlangamandla	Independent Non-Executive - Chairman	03 February 2016	
D T Mbingo	Executive - Chief Executive Officer	06 February 2015	
D D Dlamini	Independent Non-Executive	19 August 2002	30 October 2020
D E Wright	Independent Non-Executive	03 February 2016	
S L Balsdon	Non-Executive	21 April 2017	
S de Sousa	Independent Non-Executive	05 February 2010	
E B Arden	Independent Non-Executive	24 April 2019	
J Mouton	Non-Executive	30 April 2019	
J M Gule	Independent Non-Executive	11 February 2021	

FNB Eswatini has 8 board members, seven (7) of whom are non-executive and the majority (5) being independent and one (1) executive director.
The bank also has a Company Secretary, who provide professional corporate governance services to the Board.
The director's remuneration has been disclosed in detail in Note 4 and Note 28 of the financial statements.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2021

Board Subcommittees and composition

Committee Chairperson	Committee Member	Permanent Invitee	Not a Member
◉	○	◉	

	Main Board	Directors' Affairs & Governance Committee	Audit Committee	Risk, Capital & Compliance Committee	Independent Loans Review Committee	Remuneration Committee
Independent Non-Executive						
J V Ndlangamandla	●	●		○		○
S de Sousa	○	○	○		◉	
D E Wright	○	○	○	○	○	
E B Arden	○	○	◉			○
J M Gule	○	○	○			○
Non-Executive						
S L Balsdon	○	◌	◉	○		◉
J Mouton	○	○	◉	◉	○	
Executive						
D T Mbingo	○	◉	◉	○	○	◉

The Board and Board subcommittees are chaired by independent non-executive directors, except for Renumeration Committee which is chaired by a non-executive director and meet on a quarterly basis.

The Board and Board subcommittees attendance

Type of meeting	Main Board	Directors' Affairs & Governance Committee	Audit Committee	Risk, Capital & Compliance Committee	Independent Loan Review Committee	Remuneration Committee
Total Meetings	4	4	4	4	4	2
Board Members Attendance of Meetings per Board Member						
Independent Non-Executive						
J V Ndlangamandla	4	4		4		2
S de Sousa	4	4	4		4	
D E Wright	4	4	4			2
E B Arden						
J M Gule	1/2	1/2	1/2			1/2
Non-Executive						
S Balsdon	4	4		4		2
J A Mouton	3/4	2/4			3/4	
Executive						
D T Mbingo		4			4	

The Board Sub-committees' responsibilities

Committee	Responsibilities as per Charter
Main Board	The Board is responsible for FNB Eswatini's business strategy and financial soundness, key personnel decisions, internal organisation and governance structures and practices, and risk management and compliance obligations. The Board may delegate some of its functions, though not its responsibilities, to Board sub-committees where appropriate, but the Board retains full and effective control.
Audit Committee	The committee oversees the Bank's overall financial reporting process, monitoring the integrity and appropriateness of the Bank's financial statements; evaluating the adequacy of the Bank's financial, operational and compliance, internal controls and risk management processes and the selection, compensation, independence and performance of the Bank's external auditors.
Risk and Compliance Committee	The role of the committee is to provide oversight responsibility with respect to the bank's risk management, compliance management and information security/privacy programs.
Independent Loan Review Committee	The Independent Loans Review Committee assesses compliance of the loan book with the lending policy and the Banking Regulations. The committee conducts loan reviews independent of any person or committee responsible for sanctioning credit.
Remuneration Committee	The role of the committee is to assist the board to ensure that the Bank's remunerates directors, senior management and staff fairly and responsibly and ensure that the Bank is able to attract the best talents in the market in order to maximise shareholder value.
Directors' Affairs & Governance Committee	The Committee assists the board with its corporate governance and assist the Board in discharging its responsibilities and acts as the board's expert monitor and sounding board.

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.

Registered Offices and Postal Addresses

The Bank

Business Address (Head Office)	Postal Address
2nd Floor Sales House Building Swazi Plaza Mbabane, Eswatini	P O Box 261 Eveni Mbabane Eswatini

Auditors

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

Independent auditor's report

To the Shareholders of First National Bank of Eswatini Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First National Bank of Eswatini Limited (the bank) as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Eswatini.

What we have audited

First National Bank of Eswatini Limited's financial statements set out on pages 11 to 141 comprise:

- the statement of financial position as at 30 June 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Eswatini. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Eswatini.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "First National Bank of Eswatini Limited Audited Annual Financial Statements for the year ended 30 June 2020", which includes the Directors' Report as required by the Companies Act of Eswatini. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Eswatini, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

- conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

- statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based

- on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

PricewaterhouseCoopers
Partner: Theo Mason
Registered Auditor
P.O. Box 569
Mbabane
28 October 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Notes	2021 E'000	2020 E'000
Interest and similar income	1	**404 546**	452 400
Interest expense and similar charges	2	**(103 353)**	(128 541)
Net interest income before impairment of advances		**301 193**	323 859
Expected credit (losses)/gains on investment securities	13	**(19 384)**	16 084
Impairment of Advances	12.2	**(59 949)**	(25 232)
Net interest income		**221 860**	314 711
Non-interest revenue	3	**393 173**	352 778
Net fee and commission income	3.1	**369 615**	329 693
Fee and commission income		**375 386**	332 536
Fee and commission expense		**(5 771)**	(2 843)
Insurance income	3.2	**4 160**	2 197
Fair value gains or losses	3.3	**21 248**	20 290
Other (losses)/gains non-interest income	3.4	**(1 850)**	598
Income from operations		**615 033**	667 489
Operating and administration expenses	4	**(427 549)**	(413 614)
Income before indirect tax		**187 484**	253 875
Indirect tax	5	**(26 980)**	(22 363)
Profit before income tax		**160 504**	231 512
Income tax expense	6.1	**(38 581)**	(57 655)
Profit for the year		**121923**	173 857
OTHER COMPREHENSIVE INCOME			
Defined benefit post-employment reserve		**3 625**	10 058
Defined benefit post-employment– actuarial gain		**5 000**	13 873
Deferred income tax on defined benefit post-employment- actuarial gain		**(1 375)**	(3 815)
Total Comprehensive Income		**125 548**	183 915

STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

	Notes	2021 E'000	2020 E'000
ASSETS			
Cash and cash equivalents	11	**2 750 815**	2 110 922
Advances	12.1	**2 668 258**	2 433 019
Investment securities and other investments	13	**1 808 085**	1 132 264
Derivative financial instruments	14	**4 472**	32 618
Accounts receivable	15	**283 386**	89 243
Current income tax asset	10	**11 661**	10 901
Amounts due from related parties	28.2	**313 068**	253 153
Deferred income tax asset	9	**54 121**	39 100
Property and equipment	16	**92 291**	86 791
Total assets		**7 986 157**	6 188 011
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	17.2	**27 642**	27 642
Share premium	17.3	**2 686**	2 686
Other reserves	18	**245 070**	225 494
Retained earnings		**736 055**	805 766
Total equity		**1 011 453**	1 061 588
LIABILITIES			
Deposits	19	**6 204 598**	4 754 850
Derivative financial instruments	14	**2 142**	36 216
Defined benefit post-employment liability	20.2	**8 913**	13 913
Lease liability	23.2	**24 097**	21 186
Accounts payable	21	**602 603**	174 557
Provision for other liabilities and charges	22	**37 174**	34 776
Amounts due to related parties	28.2	**95 177**	90 925
Total liabilities		**6 974 704**	5 126 423
Total equity and liabilities		**7 986 157**	6 188 011

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2021

	Share capital E'000	Share premium E'000	General risk 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 2021							
Balance as at 30 June 2020	**27 642**	**2 686**	**25 713**	**191 080**	**8 701**	**805 766**	**1 061 588**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**121 923**	**121 923**
Other comprehensive income	**-**	**-**	**-**	**-**	**3 625**	**-**	**3 625**
Transfer to general risk reserve	**-**	**-**		**12 990**	**-**	**(12 990)**	**-**
Transfer to statutory reserve	**-**	**-**	**2 961**	**-**	**-**	**(2 961)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(175 683)**	**(175 683)**
Balance as at 30 June 2021	**27 642**	**2 686**	**28 674**	**204 070**	**12 326**	**736 055**	**1 011 453**
Year Ended 30 June 2020							
Balance as at 30 June 2019	27 642	2 686	27 404	173 695	(1 357)	747 603	977 673
Profit for the year	-	-	-	-	-	173 857	173 857
Other comprehensive income	-	-	-	-	10 058	-	10 058
Transfer to general risk reserve	-	-	(1 691)	-	-	1 691	-
Transfer to statutory reserve	-	-	-	17 385	-	(17 385)	-
Dividends paid	-	-	-	-	-	(100 000)	(100 000)
Balance as at 30 June 2020	27 642	2 686	25 713	191 080	8 701	805 766	1 061 588

STATEMENT OF CASH FLOWS
for the year ended 30 June 2021

	Notes	2021 E '000	2020 E '000
Cash flows from operating activities	25.1	**254 609**	248 550
Cash received from customers		**780 949**	785 441
Interest and similar income	1	**404 546**	452 401
Fee and commission income		**371 977**	332 279
Recoveries	12.2	**4 426**	762
Cash paid to customers, suppliers and employees		**(526 340)**	(536 891)
Interest expense and similar charges		**(101 996)**	(127 495)
Total other operating expenditure		**(397 570)**	(387 033)
Indirect tax paid		**(26 774)**	(22 363)
Income tax paid	25.2	**(55 737)**	(88 531)
Net cash flow from operating activities before changes in operating asset and liabilities		**198 872**	160 019
Cash flow from changes in operating activities			
Net (increase)/decrease in advances		**(299 614)**	135 640
Net (increase)/decrease in amounts due from related parties		**(59 914)**	517 368
Net increase in accounts receivable		**(195 360)**	(58 944)
Net (decrease)/increase in term deposits		**(8 115)**	76 822
Net increase in current and call deposit accounts		**1 453 630**	48 094
Net increase in savings deposit accounts		**4 520**	23 700
Net (decrease)/increase in other deposits-offshore		**(287)**	106
Net increase in amounts due to related parties		**5 311**	75 224
Net increase in accounts payable		**352 479**	142 111
Net decrease in share-based payments		**-**	(4 517)
Net increase in provisions for other liabilities and charges		**4 252**	24 756
Net cash flow from changes in operating assets and liabilities		**1 256 902**	980 360
Net cash inflow from operating activities		**1 455 774**	1 140 379
Cash flows from investing activities			
Acquisition of capital expenditure		**(20 374)**	(14 021)
Net (decrease)/increase in derivative instruments		**(5 927)**	4 902
Net increase in investment securities		**(675 821)**	(530 113)
Net cash outflow from investing activities		**(702 122)**	(539 232)
Cash flows from financing activities			
Dividends paid to shareholder		**(100 000)**	(100 000)
Lease liability payments		**(13 759)**	(9 476)
Net cash outflow from financing activities		**(113 759)**	(109 476)
Net increase in cash and short-term funds		**639 893**	491 671
Cash and cash equivalents at beginning of the year		**2 110 922**	1 619 251
Cash and cash equivalents at end of the year	11	**2 750 815**	2 110 922

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1. Introduction and basis of preparation

1.1 Introduction

The First National Bank of Eswatini Limited's ("the bank") 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 the Financial Reporting Standards Council and the requirements of the Financial Institutions Act of 2005 and the Eswatini Companies Act, 2009.

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2021, the statements of comprehensive income (also referred to as the income statement), statements of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory notes.

The bank adopts the following significant accounting policies in preparing its financial statements. Except for policies related to IFRS 16, these policies have been consistently applied to all years presented:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	Related parties	Related party transactions (section 2)		
3	Income, expenses and taxation	Income and expenses (section 3)		
4	Financial instruments IFRS 9	Classification and measurement (section 4.1)	Impairment of financial assets (section 4.2)	Transfers, modifications and derecognition (section 4.3)
		Offsetting of financial instruments and collateral (section 4.4)	Derivatives (section 4.5)	
5	Other assets and liabilities	Classification and measurement (section 5.1)	Leases (section 5.2)	
6	Capital and reserves	Share capital and issues costs	Dividends paid/ Declared	Distribution of non-cash asset to owners
		Other Reserves		
7	Transactions with employees	Employee benefits (section 7.1)	Share based payments (section 7.2)	
8	Critical accounting estimates, assumptions and judgements	Taxation (section 8.1)	Impairment of financial assets (section 8.2)	Share capital and issues costs (section 8.3)
		Share capital and issues costs (section 8.4)		

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.1 Introduction *(continued)*

The following new standards were adopted in the current year:

New /revised IFRS	Description of change	Impact on FNB Eswatini
Conceptual framework	The amendments revise the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements and the following provides additional clarification of the following principles - prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards as a result of the amendments to the Conceptual Framework.	The amendments did not have a significant impact on the bank's accounting policies.
IFRS 3	Business Combinations – Amendments to clarify The definition of a business The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	This amendment will be applied by the bank for any future business combination transaction.
IAS 1 and IAS 8	Amendments regarding the definition of material The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively.	The amendments did not have a significant impact on the bank's accounting policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.1 Introduction *(continued)*

new standards were adopted in the current year ***(continued)***

New /revised IFRS	Description of change	Impact on FNB Eswatini
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Phase One The IASB issued amendments to the following standards as part of the interest rate (IBOR) benchmark reform that has a direct impact on the Bank's hedging relationships. These impacts are – • The highly probable requirement under IFRS 9 and IAS 39 - when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. • Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based are not altered as a result of the interest rate benchmark reform. • Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships. These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new ARRs. The bank has evaluated the impact of these amendments and concluded that the amendments the amendment is not expected to have a significant impact on the annual financial statements. This will benefit future hedging transactions the bank is likely to enter into.	The amendments did not have a significant impact on the bank's accounting policies. The bank's derivative instruments do not qualify for hedge accounting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation

The bank prepares annual financial statements which include the assets, liabilities and results of the operations at 30 June each year. 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:

- Derivative financial instruments.
- Financial instruments designated as at fair value through profit or loss and fair value through other comprehensive income; and
- Employee benefit liabilities valued using the projected unit credit method.

To compile the annual financial statements the following information is used:

i) Use of judgements and estimates

The preparation of financial statements in conformity with IFRS and requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in accounting policy note 8.

ii) COVID-19 Impact

Since the outbreak of the coronavirus (COVID-19) pandemic, the world has experienced both a first and second wave of infections. The impact of the spread of COVID-19 continues to be felt across the global economy, with many governments across the world reinstituting national lockdowns which has resulted in extensive travel restrictions and quarantine measured being maintained, all of which impacts on the current state of the global economy.

Although the successful rollout of vaccines is expected to boost global economic growth, it is still not possible to accurately predict the full extent and duration of COVID-19 and its economic impact.

Contained within the specific areas of judgement detailed in note 8 of the accounting policies, are additional judgements relating to the impact of COVID-19.

iii) Pro-democracy Protest

A series of ongoing protests in Eswatini for democratisation began in May 2021. Starting as a peaceful protest on 20th June, the pro-democracy protests escalated and turned violent, leading to business disruptions, damage to property, looting, and the implementation of strict laws including curfews and the ban on protests to restore calm.

Contained within the specific areas of judgement detailed in note 8 of the accounting policies, are additional judgements relating to the impact of pro-democracy protest.

Noting the fluidity of events and uncertainty around the extent of escalation in protests probabilities may change based on future developments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

iv) Significant estimates, judgements and assumptions

The table below provides an overview of the areas where additional judgement has been applied and includes references to the relevant sections in the notes to the annual financial statements, where additional information has been included.

Description of change	Additional information
Impairment provisions on advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the bank's forward-looking assumptions for the purposes of its Expected Credit Loss (ECL) calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of pro-democracy protest, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Accounting policy note 8.4 Impairment of financial assets -Forward-looking information.
Significant increase in credit risk	
The Bank has not followed an overall blanket approach to the ECL impact of pro-democracy protest (where pro-democracy protest is seen as a Significant Increase in Credit Risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of pro-democracy protest on the customer base is being undertaken rather, which is in line with the Bank's existing policy documented in the Bank Credit Impairment Framework.	Accounting policy note 8.4 Impairment of financial assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

iv) Significant estimates, judgements and assumptions

The key statement of financial position items and related disclosures that have been impacted by pro-democracy protest.

In addition to the key areas where additional judgement has been applied, the following balances and related disclosures have also been impacted by pro-democracy protest.

Description of change	Additional information
Overall application of the going concern principle	
The directors reviewed the Bank's budgets and flow of funds forecasts for the next three years and considered the Bank's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the pro-democracy protest into consideration, including projections of the impact on the Bank's capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements. As part of this assessment, the Board considered the sufficiency of the Bank's financial resources throughout the pandemic. The management of the Bank's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the Bank's stated growth and return targets and is driven by the Bank's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the Bank sets targets through different business cycles and scenarios. 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.	Director's report pages 3 -7. Note 26.2 Financial Risk – Capital Management
Financial risks	
The Bank's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continues to monitor the impact of COVID-19 on the Bank's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers are being identified, assessed, managed and governed through timely application of the Bank's risk management framework.	Note 26 Financial and Insurance Risk

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

iv) Significant estimates, judgements and assumptions

Description of change	Additional information
Fair value measurement	
The valuation techniques for fair value measurement of financial instruments has been assessed by the management at a business unit and Bank level to determine the impact that the market volatility introduced by pro-democracy rotest has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to Bank-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid offer, counterparty and own credit spreads was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.	Note 27 Fair Value Measurement

v) Significant estimates, judgements and assumptions

As part of this assessment, the directors considered the sufficiency of the bank's financial resources throughout the pandemic and the pro-democracy protest. The management of the bank's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the bank's stated growth and return targets and is driven by the bank's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the bank's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the bank sets targets through different business cycles and scenarios.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

vi) Presentation of financial statements, functional and foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the bank operates (the functional currency).

Presentation	The bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the bank offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS disclosure is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.
Functional and presentation currency of the bank	SZL Lilangeni (E)
Level of rounding	All amounts are presented in thousands of SZL Lilangeni (E). The bank has a policy of rounding in increments of E500. Amounts less than E500 will therefore round down to Enil and are presented as a dash.
Foreign currency transactions of the bank	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

vii) Standards and interpretations issued but not yet effective.

The following new and revised standards and interpretations are applicable to the business of the bank. The bank will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
Annual improvements 2016 – 2018	Improvements to IFRS The IASB issued the Annual improvements to IFRS standards 2016-2018 Cycle. These annual improvements include amendments to the following standards. IFRS 9 – The amendment clarifies that fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is not expected to have a significant impact on the annual financial statements	Annual periods commencing on or after 1 January 2022
Annual improvements 2016 – 2018	The IASB issued the Annual improvements to IFRS standards 2018-2020 cycle. These annual improvements include amendments to the following standards. IFRS 9 - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment will be applied when a modification of a financial liability occurs. This amendment is not expected to have a significant impact on the bank. IFRS 16 - The amendment removes the illustration of payments from the lessor relating to leasehold improvements in illustrative example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. This amendment is not expected to have a significant impact on the bank.	Annual periods commencing on or after 1 January 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

vii) Standards and interpretations issued but not yet effective *(continued)*

Standard	Impact assessment	Effective date
IFRS 3	Reference to the Conceptual Framework – Amendment to IFRS 3 The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendment is not applicable to the Bank does not apply equity accounting and does not prepare consolidated annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 16	Property, plant and equipment: Proceeds before intended use – Amendment to IAS 16 The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	Onerous contracts – cost of fulfilling a contract. Amendment to IAS 37 The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

1.2 Basis of preparation *(continued)*

vii) Standards and interpretations issued but not yet effective *(continued)*

Standard	Impact assessment	Effective date
IAS 1	Insurance contracts IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: • fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders; and • the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid).	Annual periods commencing on or after 1 January 2023
IAS 1	Amendments to classification of liabilities as current or non-current The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The Bank presents its assets and liabilities in order of liquidity in its statement of financial position. This amendment will only affect the disclosures and the Bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023

2. Related parties

i) Related party transactions

Related parties of the bank, as defined, include:

Parent company	Fellow subsidiaries	Associates and joint ventures of the bank's parent and fellow subsidiaries	Post-employment benefit funds (pension funds)
Entities that have significant influence over FirstRand Limited and its subsidiaries	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

The parent of First National Bank of Eswatini Limited is FirstRand EMA Holdings (Pty) Ltd incorporated in the Republic of South Africa. The ultimate parent of First National Bank of Eswatini Limited is FirstRand Limited incorporated in South Africa.

The KMP of the bank are the board of directors and prescribed officers, including any entities which provide key management personnel services to the bank. Their close family members include spouse/domestic partner and children, domestic partner's children and any other dependants of the individual or their domestic partner

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

3. Income, expenses and taxation

3.1 Income and expenses

Net interest revenue recognised in profit or loss
Interest Income includes: • interest on financial instruments measured at amortised cost. Interest is calculated using the effective interest rate which includes fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument. The original effective interest rate is applied to: i. the gross carrying amount of financial assets which are not credit-impaired; and ii. the amortised cost of financial assets from the month after the assets become credit-impaired (refer to section 4.2 on the impairment of financial assets). • Modified advances (derecognition not achieved) - the unamortised portion of origination fees and capitalised transaction costs on financial assets that are modified and derecognised are included as part of interest income. The interest income on the modified financial asset (refer to policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount. • Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. • interest on compound instruments. Where instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities and 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; • Interest on financial asset debt instruments measured at amortised cost that are held by and managed as part of the bank's funding operations; The total interest expense includes: • Interest on debt instruments measured at amortised cost; and • interest on financial liability debt instruments measured at fair value through profit or loss that are held by and managed as part of the bank's funding operations.
Non-interest and financial instrument revenue recognised in profit or loss Non-interest revenue from contracts with customers
IFRS 15 – Revenue from contracts with customers replaced all existing revenue recognition criteria under IFRS and was applied for all contracts with clients, unless the contracts are in the scope of the standard on leases, insurance contracts and financial instruments. The bank has applied IFRS 15 retrospectively. The application of the revised requirements had no impact on the bank's results. Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the bank assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the bank can identify the contract; the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. The revenue is then recognised as and when the performance obligation is satisfied, which may be over time or at a point in time.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

3.1 Income and expenses *(continued)*

Fee and commission income	The fee and commission income that the bank earns from providing customers with services and selling products and services provided by external entities, consists of the following main categories: • Banking fees and commissions; and • Other non-banking fees and commissions. Fees and commission income is earned on the execution of a significant performance obligation, which may be over time as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). For fees earned on the execution of a significant act, the performance obligation is satisfied when the significant act or transaction takes place. These fees typically include transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and commission income. Fees for services rendered are recognised on an accrual basis as the service is rendered and the bank's performance obligation is satisfied, e.g. annual card fees and related fees. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent, this includes commission earned at the point when sale has been executed from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels as well insurance commission. Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available. for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid).
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

3.1 Income and expenses *(continued)*

Non-interest revenue recognised in profit or loss Fair value gains or losses
Fair value gains or losses of the bank recognised in non-interest revenue includes the following: • fair value adjustments and interest on trading financial instruments including derivative instruments and adjustments relating to deposits (except where the bank owns the commercial paper issued by the conduits); • a component of interest expense that relates to interest paid on liabilities which fund the bank's funding operations. The interest expense is reduced by the amount that is included in fair value income.

Gains less losses from investing activities
The following items are included in gains less losses from investing activities: • any gains or losses on disposals of financial assets held at amortised cost; and • impairments and reversal of impairments of investment securities measured at amortised cost.

Expenses	
Expenses of the bank, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments including value added tax, levies and stamp duties. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

3.2 Income tax expense

Income tax includes Eswatini income tax payable.

Current income tax	
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 that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the bank operates.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences in the bank that deferred tax is provided for	• Provision for loan impairment. • Depreciation of property and equipment. • Revaluation of certain financial assets and liabilities, including derivative contracts. • Provisions for pensions and other post-retirement benefits. • Share-based payment liabilities. • Tax losses carried forward.
Measurement	Using the liability method under IAS 12 and applying 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.
Presentation	Deferred Income tax is recognised in profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • the issue or buy back of share capital; and • re-measurements of defined benefit post-employment plans Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The bank recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the bank's budget and forecast information. 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.

4. Financial instruments - IFRS 9

4.1 Classification and measurement

4.1.1 Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 3, depending on the underlying nature of the income. Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised.

4.1.2 Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the bank's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model

The bank distinguishes three main business models for managing financial assets:

- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done at least at a franchise level, although franchises will perform the assessment on a portfolio or sub-portfolio level depending on the manner in which groups of financial assets are managed in each franchise.

The main consideration in determining the different business models across the bank is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the bank only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repo transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.1 Classification and measurement *(continued)*

4.1.1 Classification and subsequent measurement of financial assets *(continued)*

Business Model (continued)
If sales of financial assets are infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows but rather the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant. A change in business model of the bank only occurs on the rare occasion when the bank changes the way in which it manages financial assets. Any changes in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.
Cash flow characteristics
In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test. For corporate advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.1 Classification and measurement *(continued)*

4.1.2 Classification and subsequent measurement of financial assets *(continued)*

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost		
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the bank as well as certain investment securities utilised for liquidity risk management of the bank. For purchased or originated credit-impaired financial assets, the bank applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.		
Retail advances	The FNB and WesBank franchises divisions hold retail advances to collect contractual cash flows. The business model focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business models include: • residential mortgages; • vehicle and asset finance; • personal loans and other retail products such as overdrafts. The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.1 Classification and measurement *(continued)*

4.1.2 Classification and subsequent measurement of financial assets *(continued)*

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost *(continued)*		
Corporate and Commercial Advances	This business model focuses on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under this business model include: • trade and working capital finance; • specialised finance; • commercial property finance; and • asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.	The cash flows on these corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.
Investment securities	The Treasury division within the bank holds investment securities with lower credit risk (typically with counterparties such as the government) that are convertible into cash within a short time period as and when required for liquidity risk management purposes. The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills.	The cash flows on these investment securities are solely payments of principal and interest.
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Accounts receivable	Financial accounts receivable are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.1 Classification and measurement *(continued)*

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities and compound financial 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.

Compound instruments are those financial instruments that have components of both financial liabilities and equity such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components and accounted for as a financial liability or equity in terms of the definitions and criteria of IAS 32.

Financial liabilities measured at amortised cost

The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss:

- deposits; and
- creditors

Financial liabilities measured mandatory at fair value through profit or loss

Held for trading derivative liabilities are measured at fair value through profit or loss

These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

Financial liabilities designated at fair value through profit or loss

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the bank's documented risk management or investment strategy, and information about the banking is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

The bank does not have any liabilities which are designated through profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.2 Impairment of financial assets

This policy applies to:

- financial assets measured at amortised cost including financial accounts receivable and cash;
- loan commitments; and
- finance lease debtors where the bank is the lessor

IFRS 9 establishes a three-stage approach for impairment of financial assets.

- Stage 1 - at initial recognition of a financial asset, the asset is classified as stage 1 and 12-month expected credit losses are recognised, which are credit losses related to default events expected to occur within the next 12 months;
- Stage 2 - if the asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as stage 2 and lifetime expected credit losses are recognised; and
- Stage 3 - non-performing assets are classified as stage 3, with expected credit losses measured and recognised on a lifetime basis.

Refer to accounting policy note 8 whereby all risk parameters, scenarios and sources of estimating are detailed more extensively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.2 Impairment of financial assets *(continued)*

<table>
<tr><th colspan="4">Expected credit losses
Loss allowance on financial assets</th></tr>
<tr><td>Credit risk has not increased significantly since initial recognition
(Stage 1)</td><td>Credit risk has increased significantly since initial recognition, but asset is not credit-impaired
(Stage 2)</td><td>Asset has become credit-impaired since initial recognition
(Stage 3)</td><td>Purchased or originated credit impaired</td></tr>
<tr><td>12-month expected credit losses</td><td>Lifetime expected credit losses (LECL)</td><td>LECL</td><td>Movement in LECL since initial recognition</td></tr>
<tr><th colspan="4">Advances</th></tr>
<tr><td>Significant increase in credit risk since initial recognition (SICR)</td><td colspan="3">In order to determine whether an advance has experienced a significant increase in credit risk, the Probability of Default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the bank re-prices an advance/facility. A change in terms result in derecognition of the original advance/facility and recognition of a new advance/facility.

SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis.

Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.

In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of corporate and commercial SME facilities on a credit watch list.

Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk.

The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from Stage 2 back to Stage 1 is applied, with the exception of distressed restructured exposures that are required to remain in Stage 2 for a minimum period of 6 months before re-entering Stage 1.</td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.2 Impairment of financial assets *(continued)*

Advances	
Low credit risk	The bank does not use the low credit risk assumption.
Credit-impaired financial assets	Advances are considered credit impaired if they meet the definition of default. The bank's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, more than 3 unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the bank to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on IFRS 9 guidance. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defined rates.
Purchased or originated credit-impaired	Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.2 Impairment of financial assets *(continued)*

Advances	
Write-offs	Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised). • By implication, in both retail and corporate, for secured as well as unsecured, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account; and • Within Retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries; and • Within Corporate portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. • Partial write-offs are not performed within credit portfolios. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Other financial assets	
Cash and cash equivalents	All physical cash is classified as Stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case due to the nature of these assets are classified immediately as Stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach. In applying the loss rate approach, loss-rate statistics on the basis of the amount written off over the life of the financial assets rather than using separate probability of default and loss given default statistics is calculated. The bank then adjusts these historical credit loss statistics to reflect current conditions and expectations about the future.
Accounts receivable	ECL for accounts receivable is calculated using the loss rate approach. This results LECL being recognised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.2 Impairment of financial assets *(continued)*

Other financial assets	
Investment securities	Impairment parameters for investment securities (PDs, LGDs and EADs) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the Corporate credit portfolio to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. This does not use the low credit risk assumption for investment securities, including government bonds.
Intercompany balances	Expected credit losses are calculated using PD, LGD and EAD parameters that are determined through application of expert credit judgement and approved through appropriate governance structures. All intercompany balances are classified as Stage 1, unless there is evidence of impairment, in which case exposures are moved directly to Stage 3.

ii) 4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the bank has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IFRS 9).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the bank determines whether this is a substantial modification, following which could result in the derecognition of the existing asset, and the recognition of a new asset. If the change is simply a non-substantial modification of the existing terms, it does not result in derecognition.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.3 Transfers, modifications and derecognition *(continued)*

A modification of a financial asset is substantial, and thus results in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. 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.

The following transactions are entered into by the bank in which it modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

Modifications without derecognition		
Modification of contractual cash flows	Modified contractual terms are not priced to reflect current conditions and are thus not substantial. For retail advances, this includes debt restructuring accounts where the new terms of the contract (such as a lower interest rate) is mandated by law and do not have the same commercial terms as a new product that the bank would be willing to offer a customer with a similar risk profile. The same principle is applied for corporate advances on a case-by-case basis.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying a non-distressed advance is substantially the same as the process for raising a new advance, including re-assessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	The existing asset is derecognised, and a new asset is recognised at fair value based on the modified contractual terms.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the bank offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the bank are set out in the following table:

Derivative financial instruments	The bank's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the bank has a legally enforceable right to offset the amounts and the bank has the intention to settle the net amount.

It is the bank's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For corporate and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

4.5 Derivatives

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value through profit or loss with movements in fair value recognised in fair value gains or losses within non-interest revenue in the income statement. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><td colspan="2">The advances and deposits that are offset relate to transactions where the bank has a legally enforceable right to offset the amounts and the bank has the intention to settle the net amount.</td></tr>
<tr><th colspan="2">Property and equipment</th></tr>
<tr><td>Property and equipment of the bank includes:
assets utilised by the bank in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied);
assets which are owned by the bank and leased to third parties under operating leases as part of the bank's revenue generating operations;
capitalised leased assets; and
other assets utilised in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.</td><td>Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated.

Depreciation is on a straight-line basis over the useful life of the asset, except for assets capitalised under finance leases where the bank is the lessee, in which case depreciation is over the life of the lease (refer to policy 5.2).

The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out below.

<table><tr><th>Asset category</th><th>Useful life</th></tr><tr><td>Leasehold premises</td><td>Shorter of estimated life or period of lease</td></tr><tr><td>Right of use of asset (ROUA)</td><td>Shorter of estimated life or period of lease</td></tr><tr><td>Freehold property</td><td>40 years</td></tr><tr><td>Motor vehicle</td><td>5 years</td></tr><tr><td>Office equipment (ATMs)</td><td>5 years</td></tr><tr><td>Computer equipment</td><td>5 years</td></tr><tr><td>Furniture and fittings</td><td>10 years</td></tr></table></td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

5.1 Classification and measurement *(continued)*

Provisions
The bank will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the bank will recognise the amount as an accrual. The most significant provisions recognised relate to litigation and claims. The bank recognises a provision when a reliable estimate of the outflow required can be made and the outflow is more reliable than not.

Other assets that are subject to depreciation are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and fair value less costs to sell. The impairment loss is calculated as the difference between the assets' carrying amounts and their recoverable amounts.

Other assets are derecognised when they are disposed. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received and are recorded in profit or loss as part of non-interest revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

5.2 Leases

The bank classifies leases of property and equipment where the lessee assumes substantially all the risks and rewards of ownership as finance leases. The bank classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The bank regards instalment sale agreements as financing transactions.

	Bank is the lessee	Bank is the lessor
At inception	The bank recognises a right of use asset (ROUA) and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as lease assets with a replacement value of E100 000 or less at the inception of the lease). The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual group lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from the Group Treasury function. The ROUA's are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUA's are treated in line with other property and equipment. Variable payments that do not depend on an index or rate are not included in the measurement the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the income statement.	The existing asset is derecognised, and a new asset is recognised at fair value based on the modified contractual terms.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

5.2 Leases *(continued)*

	Bank is the lessee	Bank is the lessor
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2.
Presentation	The lease liability is presented separately in statement of financial position. The ROUA's are not presented as a separate line in the statement of financial position, but rather disclosed as ROUA in the property and equipment note.	The bank regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, as finance lease receivables presented as part advances in in the consolidated statement of financial position.
Operating leases	For short-term and low value leases, which the bank has defined as all other leases except for property and vehicles leases, the lease payments are recognised as operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.
Instalment credit sale agreements where the bank is the lessor	The bank regards instalment credit sale 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 revenue in proportion to capital balances outstanding.	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

5.2 Leases *(continued)*

Contracts where the bank is the lessee (IAS 17)

The bank classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases. The Bank classifies as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset.

	Bank is the lessee
At inception – Finance lease	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.
Over the life of the lease – Finance lease	The asset is depreciated – refer to accounting policy 5.1.
Operating leases	Recognised as an operating expense in profit or loss on a straight-line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability or asset of the bank in creditors and accruals.

6. CAPITAL AND RESERVES

Transaction	Equity
Shares issued and issue costs	Ordinary shares and any preference shares which meet the definition of equity including non-cumulative non-redeemable (NCNR) preference shares issued by the bank are recognised as equity. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/declared	Dividends on ordinary shares and NCNR preference shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the bank's shareholders and distribution is no longer at the discretion of the bank.
Distribution of non-cash assets to owners	The carrying amount of the dividend payable is re-measured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Other reserves	Other reserves recognised by the bank include general risk reserves, statutory reserves and defined benefit post-employment reserve. The general risk reserves and statutory reserves are required by legislation governing financial institutions and are calculated based on the requirements outlined in the applicable legislation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

7. TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The bank operates defined benefit scheme, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Retirement Funds Act, 2005 in Eswatini and membership of the pension fund is compulsory for all permanent bank employees. The defined benefit plans are funded by contributions from employees and the bank, taking into account the recommendations of independent qualified actuaries.

Defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised 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 a reduction in the future payments is available.
	Measurement Upon 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, gender, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at the time of purchase (inflation-linked bond yields available). A benefit on withdrawal and retrenchment is determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund, the fair value of plan assets and liabilities is increased by the amount of the contribution on that date.
Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e. 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.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of long-term government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Plan assets	The plan assets are carried at fair value. 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.
Profit or loss	Included as part of staff costs: • current and past service costs calculated using the projected unit credit method; • gains or losses on curtailments and settlements that took place in the current period; • net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and • actuarial gains or losses on long term employee benefits.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

7.1 Employee benefits *(continued)*

Defined contribution plans	
Other comprehensive income	All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.
Termination benefits	
The bank recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The bank has a present obligation at the earlier of when the bank can no longer withdraw the offer of the termination benefit or when the bank recognises any related restructuring costs.	
Leave pay	The bank recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the bank is based on current salary of employees and the contractual terms between the employee and the bank. The expense is included in staff costs.
Bonuses	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.

7.2 Share-based payment transactions

The bank operates a cash-settled and an immaterial equity-settled share-based incentive plans for employees.

Awards granted under cash-settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

Awards granted under equity-settled plans result in an expense to be recognised in profit or loss at the fair value of the employee services received in exchange for the grant of the options over the vesting period of the options. A corresponding credit to a share-based payment reserve in the statement of changes in equity is recognised when the expense is recognised.

8. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

In preparing the annual financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions 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. Included below are all the critical accounting estimates, assumptions and judgements made by the bank, except those related to fair value measurement which are included in note 27.

8.1 Taxation

The bank is subject to direct tax. As such 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 tax that may be due. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the bank, the bank seeks, where relevant, expert advice to determine whether the unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability. The bank recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.2 Impairment of financial assets

Impairment of financial assets
In determining whether an impairment loss should be recognised, 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.
The objective of the measurement of an impairment loss is to produce a quantitative measure of the Bank's credit risk exposure. The bank adopted the PD/LGD approach for the calculation of ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.
Forward-looking information (FLI)
Forward-looking macro-economic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based adjustments. Quantitative techniques applied estimate the impact of forecasted macro-economic factors on expected credit losses using regression techniques. The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. These scenarios are overseen by the FirstRand macro forum, which is responsible for oversight and is independent from credit and modelling functions. To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The bottom-up process is conducted by teams of economists both locally and within the various subsidiaries. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent are noted and explained. ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process. Where the impact of forward-looking macro-economic information on ECL is usually determined based on historical relationships between macro-economic movements and default rates, and it is not expected for these relationships to hold under current macro-economic conditions, judgemental adjustments have been made through post-model adjustments to ensure that relationships between macro-economic forecasts and ECL estimates are intuitive, with ECL increasing where macro-economic conditions are expected to worsen.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.2 Impairment of financial assets *(continued)*

The following scenarios were applied at 30 June 2021

Baseline regime	Assumes that global growth slows below trend, developed market (DM) inflation remains benign and interest rates turn more accommodative while domestic policy uncertainty reduces relative to 2020 and meaningful economic reform remains absent.
Upside regime	Assumes that the global economy expands at a solid pace whilst DM inflation and interest rates lift gradually, and domestic policy certainty improves substantially, opening the door for positive economic reforms to drive growth higher.
Downside regime	Assumes that the global economy slows down whilst DM inflation and interest rates lift. Increased policy uncertainty. The country is unable to fund substitute markets for sugar and ancillary industries suffer; and/or Rainfall is low driving food and sugar production lower, therefore the government abandons fiscal consolidation and significantly increases public sector wages and social spending.

The macro forum currently assigns a 52% probability to the baseline macroeconomic regime. The probability of the downside regime has diminished marginally while the probability of the upside regime has remained flat.

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the FLI on the ECL provisions.

Eswatini – June 2021	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	2.50	0.80	0.70
CPI Inflation (%)	4.50	4.50	4.50
Policy interest rate (%)	3.75	3.75	3.75
Foreign exchange rate (USD/SZL)	15.10	15.10	15.10

Eswatini – June 2020	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	-1	-1	-1
CPI Inflation (%)	2.8	2.8	2.8
Policy interest rate (%)	5.5	4.5	4.5
Foreign exchange rate (USD/SZL)	14.2	16	16

In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, are taken into account in ECL estimates when required. Furthermore, where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macro-economic events, additional provisions via post model adjustments are made.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.2 Impairment of financial assets *(continued)*

The following table reflects the impact on the IFRS 9 impairment provisions on Advances, if the probability weighting assigned to each of the scenarios were increased to 100%.

	E' 000	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2021	**187 249**	
Scenarios		
Baseline	**187 030**	(0.1)
Upside	**181 077**	(3)
Downside	**190 807**	2

	E' 000	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2021	**151 496**	-
Scenarios		
Baseline	**154 573**	2
Upside	**94 395**	(38)
Downside	**216 900**	43

In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, is taken into account in ECL estimates when required. Furthermore, where there is uncertainty in respect of the respective model's ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macro-economic events, additional provisions via post model adjustments are made. The following table summarises the reasons for material post-model adjustments made:

Post-model adjustment	Description	Portfolios impacted
COVID-19 Macro-economic adjustment	Post-model adjustment made on the basis of constrained expert judgement to allow for macro-economic impacts not adequately captured by existing statistical models. Adjustment calculated through application of expert-judgement based weightings to macro-economic factors within the existing FLI methodology.	Retail and commercial credit portfolios.
Adjustment for COVID-19 relief	Adjustments made to coverage held for COVID-19 relief to allow for impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour and to provide accordingly where payment relief is offered.	Retail and commercial credit portfolios.
Political Unrest	Post-model adjustment made on the basis of constrained expert judgement to allow for macro-economic impacts not adequately captured by existing statistical models. Adjustment calculated through application of expert-judgement based weightings to macro-economic factors within the existing FLI methodology.	Retail, commercial, corporate and treasury portfolios.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.2 Impairment of financial assets *(continued)*

<table>
<tr><th>Judgement or estimate</th><th>Retail and retail SME</th><th>Corporate and commercial SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and ECL</td><td>Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour as well as behavioural and demographic information related to individual exposures currently on book.

PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates.

EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour.

LGDs are determined by estimating expected future cash flows, including costs and proceeds from sale of collateral, based on historically observed outcomes.

The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.</td><td>Parameters are determined based on the application of statistical models that produce estimates on the basis of counterparty-specific financial information and transaction characteristics including the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses and are required to be signed off by a committee of Corporate credit experts who can motivate adjustments to modelled parameters.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the entire remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, with the exception of instruments with an undrawn commitment such as where no limit is placed on the length of the remaining lifetime.

Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable ap-proximation thereof.</td></tr>
</table>

8.2 Impairment of financial assets *(continued)*

<table>
<tr><th>Judgement or estimate</th><th>Retail and retail SME</th><th>Corporate and commercial SME</th></tr>
<tr><td rowspan="2">Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</td><td colspan="2">Although COVID-19 and pro-democracy unrest has had a negative impact on the economy in which the bank operates, in isolation COVID-19 and the pro-democracy unrest initially reflected a liquidity constraint more so than an inherent increase in credit risk for the entire portfolio of advances held by the bank and as such the bank did not impose a blanket downgrade to all ECL stages.

Rather a more systematic and targeted approach to the impact of COVID-19 and pro-democracy unrest on the bank's customer base was undertaken, following the bank's existing credit framework, which allowed for a well-balanced and consistent decisions that considered not only the impact of COVID-19 and pro-democracy unrest, but existing economic trends as well. As such, the bank did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances.

IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group views that where the customer and the group have agreed to a deferral of payment for a specified period, that such an extension will not trigger the counting of days past due.</td></tr>
<tr><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk (SICR) at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are client behavioural based and are derived from client behavioural scores as well as judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default on that portfolio.

The bank uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products and anticipated changes in legislation.

Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19 and the pro-democracy unrest.</td><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are client behavioural based and are derived from a client FR rating or risk score, as well as judgemental factors which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are tested at a deal and client level and the former is calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.

Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19 and the pro-democracy unrest.

The bank uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client's watch list status at a point in time. These levels are monitored and validated on a continuous basis.</td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.2 Impairment of financial assets (IFRS 9) *(continued)*

Judgement or estimate	Retail and retail SME	Corporate and commercial SME
Sensitivity staging	As outlined above, when there is a SICR since initial recognition, the exposure is moved from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses.	

			30 June 2021*	
E'000	Carrying amount	Stage 1 Coverage ration	5% Increase in gross carrying amount of exposure	Increase in the loss allowance
Retail	835 446	5.1%	41 772	2 119
Commercial	1 139 242	3.9%	56 962	2 221
WesBank	563 032	6.3%	28 151	1 914
Corporate	317 787	2.7%	15 889	429
Total	2 855 507	4.5%	142 774	6 683

			30 June 2020*	
E'000	Carrying amount	Stage 1 Coverage ration	5% Increase in gross carrying amount of exposure	Increase in the loss allowance
Retail	803 561	3.4%	40 178	1 366
Commercial	950 299	2.6%	47 515	1 239
WesBank	540 537	4.3%	27 027	1 162
Corporate	290 118	1.9%	14 506	276
Total	2 584 515	3.1%	129 226	4 043

As indicated, the bank did not apply a blanket downgrade to all ECL stages due to COVID-19. However, post-model adjustments were made to coverage held for COVID-19 relief to allow for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour.

The following table sets out the impact on the staging and total ECL provisions recognised, if non-distressed restructures were considered to be a blanket indicator of SICR.

E'000	30 June 2020		
	Stage 1	Stage 2	Stage 3
Total ECL provisions as at 30 June 2020	74 199	20 098	57 199
Additional provisions recognised due to exposures moving into stage 1 from stage 2		3 003	-
Additional provisions recognised due to exposures moving into stage 2 from stage 3			414
Potential total ECL provisions as at 30 June 2020	74 199	23 101	57 613

The total ECL provisions as at 30 June 2020 already includes post-model adjustments for COVID-19 relief. These adjustments relate to changes made to the coverage held for COVID-19 relief to allow for impact of delayed arrears recognition and as a result of the increased risk of default. The additional ECL provisions disclosed above is over and above these adjustments

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.2 Impairment of financial assets (IFRS 9) *(continued)*

<table>
<tr><th>Judgement or estimate</th><th>Retail and retail SME</th><th>Corporate and commercial SME</th></tr>
<tr><td>Sensitivity staging</td><td colspan="2">The table below sets out the impact of a 10% increase in the post model adjustments for COVID-19 relief.

<table>
<tr><th>E'000</th><th colspan="3">30 June 2020</th></tr>
<tr><th></th><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th></tr>
<tr><td>Total ECL provisions as at 30 June 2020</td><td>74 199</td><td>20 098</td><td>57 199</td></tr>
<tr><td>Additional provisions</td><td>3 851</td><td>1 926</td><td>642</td></tr>
<tr><td>Potential total ECL provisions as at 30 June 2020</td><td>78 050</td><td>22 024</td><td>57 841</td></tr>
</table>

No comparative disclosure for 2021 as</td></tr>
<tr><td>Determination of whether a financial asset is a credit-impaired financial asset</td><td colspan="2">Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the bank to action such as the realisation of security.

Distressed restructures of accounts in stage 2 are also considered to be default events.

For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments.

For corporate exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee.

A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.</td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2021

8.3 Other assets and liabilities

Other assets and liabilities
Provisions
The bank has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of legal risk of potential litigation on the bank's litigation database.

8.4 Transactions with employees

Employee benefits - defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	Upon 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 and pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund on that date the fair value of plan assets and the value of plan liabilities on the defined benefit plan are increased by the amount of the initial contribution.
Determination of required funding levels	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 fund target 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 fund (during October 2015), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, on that date the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution.
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key 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, discount rate and 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

	2021	2020
	E'000	E'000

1 INTEREST AND SIMILAR INCOME

Interest and similar income is earned on financial assets held at amortised cost

Advances	**214 447**	281 361
- Property finance	**38 754**	56 171
- Home loans	**34 481**	44 956
- Commercial property finance	**4 273**	11 215
- Personal loans	**45 344**	54 580
- Lease payments receivable	**45 079**	60 280
- Overdrafts and cash management accounts	**39 264**	53 405
- Term loans	**44 273**	54 554
- Off market loans	**1 733**	2 371
Cash and cash equivalents	**70 323**	100 372
Investment securities	**119 776**	70 667
Total interest income and similar charges	**404 546**	452 400

2 INTEREST EXPENSE AND SIMILAR CHARGES

Interest expense and similar charges are paid on the following financial liabilities carried at amortised cost:

Current accounts	**7 808**	6 640
Call accounts	**76 825**	99 915
Savings accounts	**819**	698
Term deposit accounts	**16 545**	20 242
Lease liability (IFRS 16) – (note 23)*	**1 356**	1 046
Total interest expense and similar charges	**103 353**	128 541

3 NON- INTEREST REVENUE

Analysis of non-interest revenue is as follows: -
Fee and Commission Income

Instruments at amortised cost	**373 965**	330 869
Non-financial instruments	**1 421**	1 667
Fee and Commission Expenses	**(5 771)**	(2 843)
Net fee and commission income (Note 3.1)	**369 615**	329 693
Insurance income		
Non-financial instruments (Note 3.2)	**4 160**	2 197
Fair value gains or (losses) (Note 3.3)		
Foreign Currency commissions	**21 248**	20 290
Other non-interest income		
Other non-interest income (Note 3.4)	**(1 850)**	598
Total non-interest revenue	**393 173**	352 778

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000
3.1 Net fee and commission income		
Banking fee and commission income		
- Card commissions	**22 639**	18 315
- Cash and cheque deposit fees	**19 327**	6 759
- Commissions - bills, drafts & cheques	**4 400**	4 367
- Commitment fees	**12 772**	10 247
- Acceptance guarantees and indemnities	**55**	491
Total banking fee and commission income	**59 193**	40 179
Service fees		
- Exchange commissions	**7 331**	7 789
- Bank charges	**307 441**	282 901
- Transaction and service fees	**171 460**	152 488
- Documentation and administration fees	**73 869**	66 938
- Cash handling fees	**62 112**	63 475
Service fees	**314 772**	290 690
Other non-banking fee and commission income		
- Other non-banking fee and commission income	**1 421**	1 667
Total fee and commission income	**375 386**	332 536
Fee and Commission Expenses		
- Cash sorting handling and transportation charges	**(3 140)**	(2 843)
- Card fees	**(2 631)**	-
Total fee and commission expenses	**(5 771)**	(2 843)
Net fee and commission income	**369 615**	329 693
3.2 Insurance income		
Commissions	**2 714**	2 197
Profit share income	**1 446**	-
Total insurance income	**4 160**	2 197
3.3 Fair value gains and losses		
Foreign exchange dealing gains	**21 248**	20 290
Other non-interest income	**21 248**	20 290
3.4 Other non-interest income		
Income/(Loss) from the disposal of property and equipment	**(52)**	54
Other fees and income	**(1 798)**	544
Other non-interest income	**(1 850)**	598

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000

4 OPERATING AND ADMINISTRATIVE EXPENSES

Operating expenses comprise the following:-

4.1 Auditors' remuneration

Audit fees – statutory audit current year provision	**2 223**	1 946
Audit fees – BA statutory returns	**87**	94
Fees for other services – current year provision	**-**	480
Total Auditors' remuneration	**2 310**	2 520

4.2 Directors' fees

- For Services rendered as a director	**1 800**	1 301
Total Directors costs (note 28.1)	**1 800**	1 301

4.3 Employee benefit expenses

Salaries, wages and allowances	**167 310**	162 006
Contributions to employee defined benefit plan	**13 069**	12 404
Conditional share plan (note 29)	**-**	239
Share-based payments – unwinding (note 29)	**4 430**	4 165
Off-market loans (note 1)	**1 733**	2 371
Other employee benefit expenses	**1 761**	3 297
Total employee benefit expenses	**188 303**	184 482

The number of employees (including fixed contract) employed by the bank at year end was 433 (2020: 398).

4.4 Other operating costs

Technical and operational support costs (note 28.1)	**130 459**	118 129
Insurance	**4 297**	4 074
Subscriptions	**904**	1 050
Advertising and marketing	**5 513**	8 771
Business travel	**1 428**	3 508
Low valued assets	**281**	1 162
Depreciation of property and equipment (note 16)	**30 186**	26 581
Operating lease charges*	**2 101**	7 750
Repairs and maintenance	**7 588**	6 478
Computer expenses	**4 110**	3 452
Property expenses (including utilities)	**10 841**	9 236
Communication costs	**11 063**	11 774
Training expenses	**906**	1 320
Bank charges	**3 644**	3 494
Donations	**1 791**	1 845
Entertainment	**1 806**	2 489
Stationery and printing	**3 920**	5 358
Storage and delivery	**2 241**	1 872
Legal	**367**	1 267
Operational losses	**8 687**	347
Professional fees	**1 372**	664
Other operating expenses	**1 632**	4 690
	235 136	225 311
Total operating and administration expenses	**427 549**	413 614

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000

5 INDIRECT TAX

Indirect taxation comprises of:

Stamp duties and value added tax reverse charge	**26 980**	22 363
Total indirect taxation	**26 980**	22 363

6 TAXATION

6.1. Income tax expense

Income taxation comprises of:

Total current tax expense (note 10)	**54 977**	52 349
- Current tax on profits for the year	**54 977**	52 349
Total deferred tax expense (note 9)	**(16 396)**	5 306
- Decrease in deferred tax assets	**(16 396)**	5 306
Total income tax expense	**38 581**	57 655
Taxation rate reconciliation – Eswatini normal taxation	**%**	%
Standard taxation rate	**27.50**	27.50
Total taxation has been affected by:		
Profit/(loss) on disposal of assets	**0.03**	(0.02)
Expense not deductible for tax purposes	**2.12**	1.71
- Assets less than E7 000	**0.10**	0.50
- Marketing and advertising	**2.00**	1.19
- Depreciation of freehold land and buildings	**0.02**	0.02
Effective taxation rate	**29.15**	29.19

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

7. EARNINGS AND DIVIDENDS PER SHARE

Income taxation comprises of:

	2021 E'000	2020 E'000
7.1 Earnings attributable to ordinary equity holders		
- Basic	**121 923**	173 857
- Diluted	**-**	-
Earnings attributable to ordinary equity holders	**121 923**	173 857
7.2 Dividends Declared and paid		
Ordinary Shares		
- Interim	**72 830**	-
- Final declared/paid	**96 230**	96 230
Preference Shares		
- Interim	**2 853**	-
- Final declared/paid	**3 770**	3 770
Total Dividends Declared and paid	**175 683**	100 000
7.3 Dividends per share (cents)		
- Interim	**54.76**	-
- Final declared/paid	**72.36**	72.63
Dividends per share	**127.12**	72.63

7.3 Weighted average number of shares	2021 E'000	2020 E'000
Weighted average number of shares before treasury shares	**138 210**	138 210
- Ordinary shares	**133 000**	133 000
- Preference shares	**5 210**	5 210
Less: Treasury shares		
- Shares for client trading	**-**	-
Weighted average number of shares in issue	**138 210**	138 210
Add: Share options as a result of equity settled share scheme	**-**	-
Diluted weighted average number of shares in issue	**138 210**	138 210

During the year, there were no issued ordinary shares and preference shares. An issued preference share of 100 cents is entitled to five times the ordinary share with a par value of 20cents each.

8 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

	2021		
E'000	Amortised cost	At fair value through profit or loss	
		Mandatory	Designated
ASSETS			
Cash and cash equivalents	**2 750 815**	**-**	**-**
Derivative financial instruments	**-**	**4 472**	**-**
Investment securities	**1 808 085**	**-**	**-**
Advances	**2 668 258**	**-**	**-**
Current income tax	**11 661**	**-**	**-**
Accounts receivable	**283 386**	**-**	**-**
Amounts due from related parties	**313 068**	**-**	**-**
Total assets	**7 835 273**	**4 472**	**-**

**Non-financial assets are excluded*

	2020		
	Amortised cost	At fair value through profit or loss	
		Mandatory	Designated
ASSETS			
Cash and cash equivalents	2 110 922	-	-
Derivative financial instruments	-	32 618	-
Investment securities	1 132 264	-	-
Advances	2 433 019	-	-
Current income tax	10 901	-	-
Accounts receivable	89 243	-	-
Amounts due from related parties	253 153	-	-
Total assets	6 029 502	32 618	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

8 Analysis of assets and liabilities *(continued)*

	2021				
	Financial Assets	Non- financial instruments	Total carrying value	Current	Non-Current
E'000					
Cash and cash equivalents	**2 750 815**	**-**	**2 750 815**	**2 750 815**	**-**
Derivative financial instruments	**-**	**4 472**	**4 472**	**4 472**	**-**
Investment securities	**1 808 085**	**-**	**1 808 085**	**933 888**	**874 197**
Advances	**2 668 258**	**-**	**2 668 258**	**1 280 391**	**1 387 867**
Accounts receivable	**266 435**	**16 951**	**283 386**	**283 386**	**-**
Amounts due from related parties	**313 068**	**-**	**313 068**	**313 068**	**-**
Current tax asset	**11 661**	**-**	**11 661**	**11 661**	**-**
Non-financial assets	**-**	**146 412**	**146 412**	**-**	**146 412**
Total	**7 818 322**	**167 835**	**7 986 157**	**5 577 681**	**2 408 476**

	2020				
E'000	Financial Assets	Non-financial instruments	Total carrying value	Current	Non-current
Cash and cash equivalents	2 110 922	-	2 110 922	2 110 922	-
Derivative financial instruments	-	32 618	32 618	32 618	-
Investment securities	1 132 264	-	1 132 264	862 302	269 962
Advances	2 433 019	-	2 433 019	1 100 515	1 332 504
Accounts receivable	89 243	-	89 243	89 243	-
Current tax assets	10 901	-	10 901	10 901	-
Amounts due from related parties	253 153	-	253 153	253 153	-
Non-financial assets	-	125 891	125 891	-	125 891
Total	6 029 502	158 509	6 188 011	4 459 654	1 728 357

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

8 Analysis of assets and liabilities *(continued)*

	2021			
	Amortised cost	At fair value through profit or loss	Non-Financial Liabilities	Current
E'000		Mandatory		
LIABILITIES				
Deposits	**6 204 598**	**–**	**–**	**6 204 598**
Derivative financial instruments	**–**	**2 142**		**2 143**
Defined benefit post-employment liability	**–**	**–**	**8 913**	**8 913**
Lease Liabilities	**–**	**–**	**24 097**	**24 097**
Accounts payable	**602 603**	**–**	**–**	**602 603**
Provision for other liabilities and charges	**–**	**–**	**37 174**	**37 174**
Amounts due to related parties	**95 177**	**–**	**–**	**95 177**
Total liabilities	**6 902 378**	**2 142**	**70 184**	**6 974 704**

	2020			
	Amortised cost	At fair value through profit or loss	Non-Financial Liabilities	Total
E'000		Mandatory		
LIABILITIES				
Deposits	4 754 850	–	–	4 754 850
Derivative financial instruments	-	36 216		36 216
Defined benefit post-employment liability	-	-	13 913	13 913
Lease Liabilities	-	-	21 186	21 186
Accounts payable	174 557	-	–	174 557
Provision for other liabilities and charges	-	-	34 776	34 776
Amounts due to related parties	90 925	-	–	90 925
Total liabilities	5 020 332	36 216	69 975	5 126 513

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

8 Analysis of assets and liabilities *(continued)*

	2021					
E'000	Fair value through profit or loss – mandatory	Non-financial instruments	Amortised Cost	Total carrying value	Current	Non-Current
Deposits	–	–	**6 204 598**	**6 204 598**	**6 204 598**	–
Derivative financial instruments	**2 142**	–	–	**2 142**	**2 142**	–
Defined benefit post-employment liability	–	**8 913**	–	**8 913**	–	**8 913**
Lease liability	–	**24 097**	–	**24 097**	**13 944**	**10 153**
Accounts payables	–	–	**602 603**	**602 603**	**602 603**	–
Provision for other liabilities	–	**37 174**	–	**37 174**	**37 174**	–
Amounts due to related parties	–	–	**95 177**	**95 177**	**95 177**	
Total liabilities	**2 142**	**70 184**	**6 902 378**	**6 974 704**	**6 955 638**	**19 066**

	2020					
E'000	Fair value through profit or loss – mandatory	Non-financial instruments	Financial liabilities	Total carrying value	Current	Non-Current
Deposits	–	–	4 754 850	4 754 850	4 754 850	–
Derivative financial instruments	36 216	–	–	36 216	36 216	–
Defined benefit post-employment liability	–	13 913	–	13 913	–	13 913
Accounts payables	–	21 186	–	21 186	12 650	8 536
Provision for other liabilities	–	–	174 557	174 557	174 557	–
Current income tax	–	34 776	–	34 776	34 776	–
Amounts due to related parties	–	–	90 925	90 925	90 925	–
Total liabilities	36 216	69 875	5 020 332	5 126 423	5 103 974	22 449

	2021 E'000	2020 E'000

9 DEFERRED INCOME TAX ASSETS

The movement on the deferred income tax asset account is as follows:		
Balance at the beginning of the year	**39 100**	48 221
Release to profit or loss (Note 6.1)	**16 396**	(5 306)
Charged to other comprehensive income	**(1 375)**	(3 815)
Balance at the end of the year	**54 121**	39 100
Deferred Taxation-Net	**54 121**	39 100

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.

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

	2021			
E'000	Opening Balance	Taxation charge/ (release)	Other Comprehensive income	Closing Balance
Impairment of advances	**31 246**	**7 374**	**-**	**38 620**
Fair value losses – Investment in securities	**2 003**	**3 999**	**-**	**6 002**
Provision for other liabilities and charges	**3 554**	**(568)**	**-**	**2 986**
Operational losses	**-**	**2 393**	**-**	**2 393**
Deferred revenue	**2 226**	**445**	**-**	**2 671**
Post-retirement benefit liability	**3 826**	**-**	**(1 375)**	**2 451**
Prepayments	**(3 755)**	**2 753**	**-**	**(1 002)**
Net- deferred tax assets	**39 100**	**16 396**	**1 375**	**54 121**

	2020			
E'000	Opening Balance	Taxation charge/ (release)	Other Comprehensive income	Closing Balance
Impairment of advances	31 375	(129)	-	31 246
Fair value losses – Investment in securities	5 321	(3 317)	-	2 004
Provision for other liabilities and charges	2 877	677	-	3 554
Deferred revenue	2 099	127	-	2 226
Post-retirement benefit liability	7 641	-	(3 815)	3 826
Share based payments liability	1 555	(1 555)	-	-
Prepayments	(2 647)	(1 108)	-	(3 755)
Net- deferred tax assets	48 221	(5 305)	(3 815)	39 100

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000

10 CURRENT INCOME TAX ASSETS

Current income tax liabilities reconciliation		
Balance at the beginning of the year	**(10 901)**	25 281
Income tax expense for the year (note 6.1)	**54 977**	52 349
Income tax paid during the year (note 25.2)	**(55 737)**	(88 531)
Balance at the end of the year	**(11 661)**	(10 901)

11 CASH AND CASH EQUIVALENTS

Current income tax liabilities reconciliation		
Coins and bank notes	**168 837**	175 393
Balances with the Central Bank	**2 149 870**	1 737 239
Balances with other banks	**432 108**	198 290
Total cash and cash equivalents*	**2 750 815**	2 110 922
Mandatory reserve balances included in above	**341 080**	251 919

loss rate approach and is immaterial

The bank is required to deposit a minimum average balance, calculated monthly, with the Central Bank of Eswatini, which is available for use by the bank subject to certain restrictions and limitations levelled by the Central Bank of Eswatini. These deposits bear little or no interest.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000

12 ADVANCES AND IMPAIRMENT OF ADVANCES

Advances comprises of loans classified as financial assets held at amortised cost in terms of IFRS 9.

Analysis of Advances		
Gross value of Advances	**2 855 507**	2 584 515
Category analysis		
Overdrafts and managed accounts	**754 214**	613 365
Term loans	**546 499**	463 792
Lease payments receivable	**518 467**	499 222
Home loans	**537 090**	508 163
Property Finance	**166 019**	179 398
Personal loans	**288 654**	279 260
Floor Plans	**44 564**	41 315
Gross loans and advances	**2 855 507**	2 584 515
Impairment of loans and advances (note 12.2)	**(187 249)**	(151 496)
Net Advances	**2 668 258**	2 433 019

Analysis of 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 2021				
Lease payments receivable	**235 978**	**354 482**	**3 107**	**593 567**
Less: Unearned finance charges	**(22 887)**	**(51 542)**	**(612)**	**(75 041)**
Net lease payments receivable	**213 091**	**302 940**	**2 495**	**518 526**
At 30 June 2020				
Lease payments receivable	46 160	487 130	36 173	569 463
Less: Unearned finance charges	(1 228)	(59 148)	(7 844)	(68 220)
Net lease payments receivable	44 932	427 982	28 329	501 243

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is E49.7 million (2020: E48 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.1 Advances *(continued)*

Analysis of advances per class

R million	2021 Total	2021 Amortised cost	2021 Loss allowance
Residential mortgages	**525 597**	**537 090**	**(11 493)**
WesBank VAF	**209 932**	**213 887**	**(3 955)**
Total retail secured	**735 529**	**750 977**	**(15 448)**
Personal loans	**279 710**	**288 654**	**(8 944)**
Retail other	**7 910**	**9 702**	**(1 792)**
Total retail unsecured	**287 620**	**298 356**	**(10 736)**
FNB commercial	**1 123 282**	**1 139 242**	**(15 960)**
WesBank commercial	**338 585**	**349 145**	**(10 560)**
RMB corporate banking	**317 787**	**317 787**	**-**
Total corporate and commercial	**1 779 654**	**1 806 174**	**(26 520)**
Total advances	**2 802 803**	**2 855 507**	**(52 704)**

R million	2020 Total	2020 Amortised cost	2020 Loss allowance
Residential mortgages	499 144	508 163	(9 019)
WesBank VAF	221 383	225 750	(4 367)
Total retail secured	720 527	733 913	(13 386)
Personal loans	265 547	279 260	(13 713)
Retail other	8 494	16 138	(7 644)
Total retail unsecured	274 041	295 398	(21 357)
FNB commercial	937 989	950 299	(12 310)
WesBank commercial	304 641	314 787	(10 146)
RMB corporate banking	290 118	290 118	-
Total corporate and commercial	1 532 748	1 555 204	(22 456)
Total advances	2 527 316	2 584 515	(57 199)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.1 Advances *(continued)*

	2021 E'000	2020 E'000
The Advances sector analysis is as follows: -		
Agriculture	**701 342**	621 440
Financial Institutions	**16 645**	51 615
Building and property management	**67 717**	57 268
Public Sector	**56 835**	32 288
Individual	**1 028 065**	998 627
Manufacturing	**746 224**	663 592
Transport and communication	**170 904**	126 726
Other services	**67 110**	29 759
Mining	**665**	3 200
Total Advance	**2 855 507**	2 584 515

Analysis of advances per category

	2021		
E '000	Total	Amortised cost	Loss allowance
Overdrafts and managed accounts	**754 214**	**754 214**	**(13 081)**
Term loans	**546 499**	**546 499**	**(4 671)**
Lease payments receivable	**518 467**	**518 467**	**(14 515)**
Home loans	**537 090**	**537 090**	**(11 493)**
Property Finance	**166 019**	**166 019**	**-**
Personal loans	**288 654**	**288 654**	**(8 944)**
Floor Plans	**44 564**	**44 564**	**-**
Total advances	**2 855 507**	**2 855 507**	**(52 704)**

	2020		
E '000	Total	Amortised cost	Impairment
Overdrafts and managed accounts	613 365	613 365	(14 659)
Term loans	463 792	463 792	(3 649)
Lease payments receivable	499 322	499 322	(14 513)
Home loans	508 163	508 163	(9 019)
Property Finance	179 398	179 398	(1 646)
Personal loans	279 260	279 260	(13 713)
Floor Plans	41 315	41 315	-
Total advances	2 584 515	2 584 515	(57 199)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.1 Advances *(continued)*

Reconciliation of the Gross Advances

E '000	2021 Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2020	**2 584 515**	**2 349 407**	**137 163**	**97 945**
Transfers to stage 1	**-**	**(64 510)**	**64 510**	**-**
Transfers to stage 2	**-**		**(13 311)**	**13 311**
Transfers to stage 3	**-**	**(10 245)**		**10 245**
Transfers from stage 2				
Bad debts written off	**(38 712)**			**(38 712)**
Increase/(decrease) in impairment	**309 704**	**231 712**	**65 168**	**12 824**
- New business	**1 143 432**	**1 032 723**	**84 464**	**26 245**
- Stage 1	**(801 011)**	**(801 011)**	**-**	**-**
Stage 2 > Change in measurement	**(1 309)**	**-**	**(1 309)**	**-**
- Stage 2 > 1 Instalment/watchlist	**(2 092)**	**-**	**(2 092)**	**-**
- Stage 2 > 1 Instalment	**(15 896)**	**-**	**(15 896)**	**-**
- Stage 3 – Tech cures	**(952)**	**-**	**-**	**(952)**
- Stage 3 – Operational NPL	**(12 469)**	**-**	**-**	**(12 469)**
Amount as at 30 June 2021	**2 855 507**	**2 506 364**	**253 529**	**95 614**

E '000	2020 Total	Stage 1	Stage 2	Stage 3
Amount as at 30 June 2019	2 749 362	2 486 385	169 191	93 786
Transfers to stage 1	-	99 587	(99 587)	-
Transfers to stage 2	-	(128 702)	128 702	-
Transfers to stage 3	-	(6 527)	-	6 527
Bad debts written off	(30 043)	-	-	(30 043)
Increase/(decrease) in impairment	(134 804)	(101 336)	(61 118)	27 675
- New business	412 459	389 400	20 602	2 458
- Stage 1	(490 736)	(490 736)	-	
- Stage 2 > 1 Instalment/watchlist	(97 328)	-	(97 328)	-
- Stage 2 > 1 Instalment/watchlist	15 608	-	15 608	-
- Stage 3 – Operational NPL	25 217	-	-	25 217
Amount as at 30 June 2020	2 584 515	2 349 407	137 163	97 945

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is E29.734million (2020: E11.330million)

12.2 Impairment of advances

Impairment recognised during the year	**2021 E'000**	2020 E'000
Increase in loss allowance	**64 376**	25 995
Recoveries of bad debts	**(4 427)**	(762)
Impairment of advances recognised during the period	**59 949**	25 233

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.2 Impairment advances *(continued)*

Reconciliation of the loss allowance on gross advances

	2021			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2020	151 496	74 199	20 098	57 199
Transfers to stage 1	-	(616)	616	-
Transfers to stage 2	-	-	(1 578)	1 578
Transfers to stage 3	-	(140)	-	140
Transfers from stage 2	-	5 339	(5 339)	-
Bad debts written off	(38 712)	-	-	(38 712)
Increase/(decrease) in impairment	64 376	36 194	5 772	22 410
- New business	26 564	7 750	8 229	10 585
- Stage 1	(11 360)	(11 360)	-	-
- Stage 2 – change in measurement period	174	-	174	-
- Stage 2 > 1 Instalment/watchlist	(709)	-	(709)	
- Stage 2 > 1 Instalment/watchlist	(1 515)	-	(1 515)	
- Stage 3 – Tech Cures	3 772	-	-	3 772
- Stage 3 – Operational NPL	8 060	-	-	8 060
- Overlays	39 390	39 804	(407)	(7)
Interest on stage 3 advances*	10 089	-	-	10 089
Amount as at 30 June 2021	187 249	114 976	19 569	52 704
Residential mortgages	16 667	782	4 392	11 493
Vehicle and asset finance	49 735	28 657	6 563	14 515
Total retail secured	66 402	29 439	10 955	26 008
Personal loans	18 675	3 907	5 824	8 944
Other retail	78 515	63 699	(1 034)	15 849
Total retail unsecured	97 190	67 606	4 790	24 793
FNB commercial	20 190	14 465	3 822	1 903
RMB corporate banking	3 467	3 466	2	-
Total corporate and commercial	23 657	17 931	3 824	1 903
Total Advances loss allowances	187 249	114 976	19 569	52 704

** Interest on stage 3 advances is recognised based on the net carrying amount. The amount is reflective on the interest not recognised on stage 3 assets.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.2 Impairment advances *(continued)*

Reconciliation of the loss allowance on gross advances *(continued)*

	2020			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2019	154 710	64 944	28 116	61 650
Transfers to stage 1	–	(4 191)	4 191	–
Transfers to stage 2	–	3 487	(3 487)	–
Transfers to stage 3	–	(100)	–	100
Transfers from/(to) other divisions	(4 346)	(4 346)	–	–
Bad debts written off	(30 043)	–	–	(30 043)
Increase/(decrease) in impairment	25 232	14 407	(8 747)	19 572
- New business	(12 147)	5 632	9 327	(2 812)
- Stage 1	8 775	8 775	–	
- Stage 2 > 1 Instalment/watchlist	(1 447)	–	(1 447)	–
- Stage 2 > 1 Instalment/watchlist	(74 199)	–	(74 199)	–
- Stage 3 – Operational NPL	22 384	–	–	22 384
- Overlays	57 572	–	57 572	
Interest on stage 3 advances*	5 865	–	–	5 865
Modification (gains)/losses*	80	–	25	55
Amount as at 30 June 2020	151 496	74 199	20 098	57 199
Residential mortgages	15 486	883	5 584	9 019
Vehicle and asset finance	39 166	22 308	3 459	13 399
Total retail secured	54 652	23 191	9 043	22 418
Personal loans	26 274	3 237	8 216	14 821
Other retail	27 429	18 448	1 331	7 650
Total retail unsecured	53 703	21 685	9 547	22 471
FNB commercial	38 158	24 340	1 508	12 310
RMB corporate banking	4 983	4 983	–	–
Total corporate and commercial	43 141	29 323	1 508	12 310
Total Advances loss allowances	151 496	74 199	20 098	57 199

** Interest on stage 3 advances is recognised based on the net carrying amount. The amount is reflective on the interest not recognised on stage 3 assets.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.3 Stage 3 Advances

At 30 June 2021	Total Advances	Security Held E'000	Stage 3 Impairments E'000	Interest on Stage 3 Advances E'000
Non-performing lending by sector				
Agriculture	7 487	1 928	5 559	1 407
Building and property development	4 624	125	4 499	3 729
Other financial services	38	38	-	12
Government and public authority	1 023	442	581	253
Individuals	55 094	28 725	26 369	7 617
Manufacturing and commerce	18 257	9 336	8 921	6 253
Other Service	844	519	325	412
Transport and communication	8 247	1 797	6 450	2 316
Total non-performing Advances	95 614	42 910	52 704	21 999
Non-performing lending by category				
Overdrafts and managed account debtors	17 773	4 692	13 081	9 871
Lease payments receivable	5 694	1 023	4 671	1 676
Home loans	22 585	8 070	14 515	3 326
Personal loans	34 949	23 455	11 494	6 017
Term loans	11 384	2 441	8 943	1 109
Commercial Property Finance	3 229	3 229	-	-
Total non-performing lending	95 614	42 910	52 704	21 999
Geographic analysis				
Eswatini	95 614	42 910	52 704	21 999

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

12.3 Stage 3 Advances *(continued)*

At 30 June 2020	Total Advances	Security Held E'000	Stage 3 Impairments E'000	Interest on Stage 3 Advances E'000
Non-performing lending by sector				
Agriculture	9 485	7 444	2 041	1 229
Building and property development	7 175	5 091	2 084	332
Other financial services	-	-	-	-
Government and public authority	396	259	137	-
Individuals	55 560	21 404	34 156	8 517
Manufacturing and commerce	10 164	3 425	6 739	3 674
Other Service	6 899	(1 233)	8 132	6 140
Transport and communication	8 266	4 355	3 911	771
Total non-performing Advances	97 945	40 745	57 200	20 663

Non-performing lending by category

Overdrafts and managed account debtors	22 884	8 225	14 659	9 586
Lease payments receivable	25 250	10 737	14 513	3 848
Home loans	23 418	14 399	9 019	4 165
Personal loans	16 798	3 084	13 714	1 368
Term loans	5 408	1 759	3 649	1 696
Commercial Property Finance	4 187	2 541	1 646	-
Geographic analysis				
Eswatini	97 945	40 745	57 200	20 663

	2021	2020
	E'000	E'000

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS

Investment securities are financial assets held at amortised cost for purposes of IFRS 9 in the current year. These balances comprise of the following:

Investment securities comprises of:-		
Treasury bills	**904 858**	721 606
Government Private Placement	**500 000**	-
Government and Government guaranteed stock	**432 327**	420 374
Total gross carrying amount of investment securities	**1 837 185**	1 141 980
Loss allowance on investment securities	**(29 100)**	(9 716)
Total investment securities	**1 808 085**	1 132 264

The financial instruments held at amortised cost form part of the bank's liquid asset portfolio in terms of the Central Bank of Eswatini requirements.

Analysis of investment securities		
Listed		
Debt – Government and Government guaranteed stock	**432 327**	420 374
Government Private Placement	**500 000**	-
Unlisted		
Debt – Treasury bills	**904 858**	721 606
Total investment securities	**1 837 185**	1 141 980

Reconciliation of the gross carrying amounts of Investment securities

E'000	Total	Stage 1
Amount as at 30 June 2020	**1 132 264**	**1 132 264**
Transfers to stage 1	**19 384**	**19 384**
New business and other changes in exposures	**656 437**	**656 437**
Amount as at 30 June 2021	**1 808 085**	**1 808 085**

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS (continued)

Reconciliation of the gross carrying amounts of Investment securities

E'000	Total	Stage 1
Amount as at 30 June 2019	588 012	588 012
Transfers to stage 1	(16 084)	(16 084)
New business and other changes in exposures	560 336	560 336
Amount as at 30 June 2021	1 132 264	1 132 264

14 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 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.

Held for trading activities

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 26 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Assets Notional value	Assets Fair value	Liabilities Notional value	Liabilities Fair value
Held for trading – 2021				
Currency derivatives - Forward rate agreements	**280 391**	**4 472**	**237 415**	**2 142**
Held for trading – 2020				
Currency derivatives - Forward rate agreements	**531 135**	**32 618**	**531 135**	**36 216**

15 ACCOUNTS RECEIVABLE

	2021 E'000	2020 E'000
Account receivables comprises of:		
Items in transit	**212 890**	66 928
Other receivables	**66 851**	8 659
Sundry debtors	**3 645**	13 656
Total gross carrying amount of accounts receivable	**283 386**	89 243
Analysis of accounts receivable: -		
Financial	**266 434**	389
Non-financial	**16 952**	88 854
Total accounts receivable	**283 386**	89 243
Total gross carrying amount of accounts receivable	**283 386**	89 243

16 PROPERTY AND EQUIPMENT

	Freehold and leasehold Property	Right-of-Use Property*	Motor Vehicles	Assets held under leasing	Furniture and Fittings	Computer equipment	Other equipment	Work in Progress	Total
Net book value 1 July 2019	11 469	-	2 792	13 986	7 547	9 068	17 055	6 560	68 477
Cost	12 118	-	5 562	39 403	15 233	41 732	61 680	6 560	182 288
Accumulated depreciation	(649)	-	(2 770)	(25 417)	(7 686)	(32 664)	(44 625)	-	(113 811
IFRS 16 opening balance adjustment	-	11 351	-	-	-	-	-	-	11 351
Movement for the year	136	8 407	(530)	4 319	512	327	(2 822)	(3 386)	6 963
Acquisitions		35 546	-			-	7	15 946	51 499
Disposals	-	-	(8)		(12)	(21)	-	-	(41)
Early terminations	-	(17 915)			-	-	-	-	(17 915)
Depreciation charge for the year	136	(9 224)	(816)	(3 029)	(1 189)	(5 350)	(7 509)	-	(26 580)
Transfer to/(from) WIP	-	-	294	6 947	1 713	5 698	4 680	(19 332)	-
Net book value at 30 June 2020	11 605	19 758	2 262	18 305	8 059	9 395	14 233	3 174	86 791
Cost	12 118	28 716	5 693	46 350	16 789	39 901	66 367	3 174	219 108
Accumulated depreciation	(513)	(8 958)	(3 431)	(28 045)	(8 730)	(30 506)	(52 134)	-	(132 317)

Net book value 1 July 2020	11 605	19 758	2 262	18 305	8 059	9 395	14 233	3 174	86 791
Cost	12 118	28 716	5 693	46 350	16 789	39 901	66 367	3 174	219 108
Accumulated depreciation	(513)	(8 958)	(3 431)	(28 045)	(8 730)	(30 506)	(52 134)	-	(132 317)
Movement for the year	**(35)**	**2 465**	**(810)**	**884**	**733**	**4 652**	**(3 999)**	**1 610**	**5 500**
Acquisitions	**-**	**17 444**	**-**	**-**	**-**	**-**	**-**	**20 318**	**37 762**
Disposals	**-**	**-**	**-**	**(4)**	**(11))**	**(26)**	**(81)**	**-**	**(122)**
Early terminations	**-**	**(1 954))**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 954)**
Depreciation charge for the year	**(35)**	**(13 025)**	**(810)**	**(3 029)**	**(1 368)**	**(5 233)**	**(6 686)**	**-**	**(30 186)**
Transfer to/(from) WIP	**-**	**-**	**-**	**3 917**	**2 112**	**9 911**	**2 768**	**(18 708)**	**-**
Net book value at 30 June 2021	**11 570**	**22 223**	**1 452**	**19 189**	**8 792**	**14 047**	**10 234**	**4 784**	**92 291**
Cost	**12 118**	**42 109**	**5 693**	**50 259**	**18 879**	**49 394**	**69 016**	**4 784**	**254 979**
Accumulated depreciation	**(548)**	**(19 886)**	**(4 241)**	**(31 070)**	**(10 087))**	**(35 347)**	**(58 782)**	**-**	**(162 058)**

- 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 Eswatini.
- 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 2021 included in property and equipment are fully depreciated items of property, plant and equipment with an initial cost of E99 667 277 (2020:80 089 384).
- Right of Use Assets (ROUA) comprise of operating leases on properties accounted in accordance to IFRS 16. Refer to note 23 for details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

17. ORDINARY SHARES AND PREFERENCE SHARES

E '000	2021		2020	
	Authorised Share Capital	Issued Share Capital	Authorised Share Capital	Issued Share Capital
Number of Authorised Ordinary Shares				
-Ordinary Shares	**300 000**	**133 000**	300 000	133 000
Number of Non-cumulative non-redeemable preference shares				
- Non-cumulative non-redeemable preference shares	**1 042**	**1 042**	1 042	1 042
	301 042	**134 042**	301 042	134 042

17.2 Total value of share capital

Ordinary Share Capital	**60 000**	**26 600**	60 000	26 600
- Ordinary shares with a par value of 20 cents per share	**60 000**	**26 600**	60 000	26 600
- Ordinary shares with a par value of 100 cents per share	**-**	**-**	-	-
Preference Shares	**1 042**	**1 042**	1 042	1 042
- 1,042 million non-cumulative non-redeemable preference shares with a par value of 100 cents per share	**1 042**	**1 042**	1 042	1 042
Total issued share capital and share premium	**61 042**	**27 642**	61 042	27 642

The non-cumulative non-redeemable preference shares were issued at a nil interest rate.

17.3 Share Premium

- Ordinary shares	**-**	**2 686**	-	2 686

	2021 E'000	2020 E'000
17.4 Capital adequacy		
Core capital		
Share capital (note 17.2)	**27 642**	27 642
Share premium (note 17.3)	**2 686**	2 686
Statutory reserve	**204 070**	191 081
Retained earnings	**736 055**	805 766
Total Core capital	**970 453**	1 027 174

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000

17.4 Capital adequacy *(continued)*

	2021 E'000	2020 E'000
Supplementary capital		
General Risk Reserve	**28 674**	25 713
Actuarial gains on defined benefit fund	**12 556**	8 701
Total qualifying capital	**41 230**	34 414

	2021 E'000	2020 E'000
Risk adjusted assets -statement of financial position Items	**2 734 476**	2 562 804
- off-statement of financial position items	**506 032**	556 019
- operational risk	**1 275 160**	1 237 979
- Market risk	**307 838**	131 314
	4 823 506	4 488 116

Capital Adequacy Ratios

	2021	2020
- Core capital (%)	**19.61**	21.23
- Supplementary capital (%)	**0.76**	0.89
Total (%)	**20.37**	22.12

Capital Adequacy

The bank must comply with Central Bank of Eswatini regulations and circulars and Prudential Authority (PA) (South Africa) regulatory requirements, with primary focus placed on Tier 1 capital and total adequacy ratios. Based on the outcome of detailed stress testing, the bank targets a capital level in excess of the regulatory minimum. Adequate controls and processes are in place to ensure that the bank is adequately capitalised to meet both local and PA regulatory requirements. Where the bank is carrying excess capital, a dividend shall be declared by the Board of Directors, in line with the bank's dividend policy, as incorporated in Capital Management Framework that considers the current and forecast capital position, as well as the macroeconomic outlook.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

Financial Resource Management

The management of the bank's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the bank's stated growth and return targets and is driven by the bank's overall risk appetite.

Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the bank's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the bank sets targets for different business cycles and scenarios to enable the bank to deliver on its commitments to its stakeholders at a defined confidence level.

The risk, capital and compliance (RCC) committee is a board-designated committee mandated to provide oversight of risk and capital management. Its role includes to:
- Have ultimate responsibility for the stress test framework;
- Retain effective oversight of the overall stress test programme; and
- Consider the results of the stress test results on the business and strategic direction of the bank.

The RCC delegates some of its responsibilities to its sub-committee, Asset, Liability and capital committee (ALCCO) , which is responsible to:
- Consider the results of the stress tests and assess them against capital targets and capital adequacy ratios;
- Based on the results, approve buffers over regulatory capital and monitor capital adequacy ratios; and
- Recommend management actions for capital adequacy purposes.

The stress testing function is further delegated to treasury, enterprise risk management, finance, internal audit and franchises, segments and business units.

Stress testing and scenario planning serve a number of regulatory and internal business purposes and are conducted for the bank across different risk types, factors and indicators. With the support of the group, the bank employs a comprehensive, consistent and integrated approach to stress testing and scenario analysis. The bank evaluates the impact of various macroeconomic scenarios on the business and considers the need for adjustment to origination and takes appropriate actions. More severe macroeconomic scenarios are run less frequently, but are critical to determine or test capital buffers and other risk appetite measures, enhance capital and liquidity planning, validate existing quantitative risk models and improve the understanding of required management actions/responses.

The stress test processes is supported by a robust and holistic framework, underpinned by principles and sound governance, and aligned to regulatory requirements and best practice.

Stress testing and scenario analysis provide the board and management with useful insight into the bank's financial position, level of earnings volatility, risk profile and future capital position. Results are used to challenge and review certain of the bank's risk appetite measures, which, over time, influence the allocation of financial resources across businesses and impact performance measurement.

From a regulatory perspective, stress testing and scenario analysis feed into the bank's internal capital adequacy assessment process (ICAAP) and recovery plan. The ICAAP stress test is an enterprise-wide, macroeconomic stress test covering material risks that the bank is exposed to. It typically covers a three-year horizon. The severity of the macroeconomic scenarios' ranges from a mild downturn to severe stress scenarios. In addition to macroeconomic scenarios, the bank incorporates event risks and reverse stress test scenarios that highlight contagion between risk types. Techniques and methodologies range from multi-factor and regression analyses for macroeconomic stress tests to single-factor sensitivities and qualitative impact analysis for event risks and reverse stress tests.

The bank regularly runs additional ad hoc stress tests for both internal and regulatory purposes.

18 OTHER RESERVES

	2021 E'000	2020 E'000
Non-distributable reserves		
- Defined benefit plan reserves	**12 326**	8 700
- General risk reserve (impaired capital reserve)	**28 674**	25 713
- Central Bank of Eswatini - Statutory Reserve	**204 070**	191 081
Total non-distributable reserves	**245 070**	225 494

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 E12.990 million (2020: E217.385 million) has been transferred to the statutory reserve in the current financial year.

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 IFRS 9impairment 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000

19 DEPOSITS

Deposits comprised of: -		
- Call accounts	**3 102 740**	1 977 359
- Current accounts	**2 651 371**	2 323 121
- Savings account	**79 255**	74 735
Term deposits accounts	**371 232**	379 348
Other deposits	**-**	287
Total deposits	**6 204 598**	4 754 850

Geographic analysis		
Eswatini	**6 204 598**	4 754 850

Sector analysis		
Public Sector	**267 099**	322 813
Banks	**18 337**	42 325
Non-financial corporate customers	**3 812 970**	2 498 021
Financial sector customers	**525 064**	363 902
Small medium enterprises	**311 317**	363 961
Retail customers	**1 269 811**	1 163 828
Total deposits	**6 204 598**	4 754 850

The maturities of deposits and current accounts are disclosed in Note 26.3.1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

		2021	2020
		E'000	E'000

20 EMPLOYEE LIABILITIES AND RELATED COSTS

Employee liabilities and related costs analysis			
Defined benefit post-employment liability	20.2	**204 413**	179 094
Other long-term employee benefit liability		**5 703**	3 490
Other short-term employee benefit liability			
- Provisions for leave pay		**8 292**	8 449
- Provisions for bonuses		**21 222**	20 066
Total employee liabilities		**209 874**	211 099
Defined benefit post-employment asset	20.2	**(195 500)**	(165 181)
Net amount due to employees		**44 131**	45 918

20.1 Share based payment liability

Share appreciation obligations	**-**	-

Analysis of movement in share-based payment liability: -		
Balance at the beginning of the year	**-**	4 517
Transfer between bank entities	**-**	-
Charged in statement of comprehensive income (Note 4.3 and 29)	**-**	239
Vested and settled	**-**	(4 755)
Balance at the end of the year	**-**	-

Refer to note 29 for detailed disclosures on conditional share plan and share appreciation plan.

20.2 Defined benefit post-employment liability

Nature of benefits – Pension

The bank operates a defined benefit plan, a plan that provides a post-employment pension plan. The pension plan provides retired employees with annuity income after their service.

A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners the fund pays a pension to the members and a dependants' pension to the spouse and eligible children on death of the pensioner.

There are also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed in the rules of the fund.

For the small number of defined benefit contributing members in the pension plan, the bank is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities.

The liability in respect of retiring defined contribution members is equal to the member's share of the 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 existing pensioners in the pension plan, 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 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 fund also provides death, retrenchment and withdrawal benefits. The fund provides a pension that can be purchased with the member's fund credit (equal to member and employer contributions of 7.5% of pensionable salary each year, plus net investment returns).

Regulatory framework

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

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 Eswatini and related regulations. The board consists of four representatives of the bank and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve the board for 5 years and may be re-elected a number of times.

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 2017. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date, the fund was financially sound.

20.2 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 immunise the interest rate and inflation risk, and 30% exposure to local growth assets.

The fixed interest instruments mainly consist 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 fund aim 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 to the liability of the pension fund.

Risks 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 plans' 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.

Pensioners: The pensioners of the Fund were outsourced to the Eswatini Royal Insurance Corporation with effect from 1 April 2015, through the purchase of annuities in the individual pensioners' name, thereby extinguishing the Fund's pensioner liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

20.2 Defined benefit post-employment liability *(continued)*

	2021 E'000	2020 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	**204 413**	179 094
Fair value of plan assets	**(195 500)**	(165 181)
- Equity instruments	**(8 602)**	(8 589)
- Cash and cash equivalents	**(60 312)**	(61 877)
- International	**(60 370)**	(43 410)
- Debt instruments	**(24 926)**	(24 480)
- Other	**(41 290)**	(26 825)
Total pension liability	**8 913**	13 913

The plan assets of the fund were invested as follows:		
Equity instruments	**4.40%**	5.20%
Cash and cash equivalents	**30.85%**	37.46%
International	**12.75%**	14.82%
Debt instruments	**30.88%**	26.28%
Other	**21.12%**	16.24%
	100.00%	100.00%

Statement of Comprehensive income

Total included in the income statement (included in staff costs)

Current service costs	**10 705**	14 053
Net interest costs	**757**	4 488
Total included in staff costs	**11 462**	18 541

Movement in post-retirement benefit liability		
Present value at the beginning of the year	**13 913**	27 786
Current service cost	**10 705**	14 053
Interest cost	**757**	4 488
Benefits paid	**(3 389)**	(13 703)
Remeasurements: recognised in OCI	**(13 073)**	(18 711)
Defined benefit obligation at the end of the year	**8 913**	13 913

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

20.2 Defined benefit post-employment liability *(continued)*

	2021 E'000	2020 E'000
Other comprehensive income		
The movement in the defined benefit post-employment reserve is as follows:		
Defined benefit post-employment reserve at the beginning of the year	**8 701**	(1 357)
Movement in Defined benefit post-employment reserve	**3 625**	10 058
- Defined benefit post-employment reserve- actuarial gain	**5 000**	13 873
- Deferred income tax on defined benefit post-employment reserve – actuarial gain	**(1 375)**	(3 815)
-		
Defined benefit post-employment reserve at the end of the year	**12 326**	8 701

20.2 Defined benefit post-employment liability (continued)

	2021 E'000	2020 E'000
Movement in fair value of plan assets:		
Opening balance	**165 181**	119 318
Interest income	**24 532**	29 992
Employer contributions	**14 643**	26 448
Employee contributions	**7 244**	13 084
Remeasurements: recognised in OCI	**(12 711)**	(2 747)
Benefits paid and settlements	**(3 389)**	(20 914)
Closing balance	**195 500**	165 181

	2021 E'000	2020 E'000
The plan assets of the fund were invested as follows:		
Equity instruments	**8 602**	8 589
Cash and cash equivalents	**60 312**	61 877
International	**60 370**	43 410
Debt instruments	**24 926**	24 480
Other	**41 290**	26 825
Total plan asset	**195 500**	165 181

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

20.2 Defined benefit post-employment liability *(continued)*

	2021 E'000	2020 E'000

The principal actuarial assumptions used for accounting purposes were:

Financial assumptions:		
Pension increase allowance (%)	**7.6**	8.76
Discount rate before retirement (%)	**13.0**	14.2
Expected return on plan assets (%)	**13.0**	14.2
Inflation	**7.9**	8.6
Salary increase (%)	**8.9**	9.6

Demographic assumptions:		
Net interest rate used to value pensions, allowing for pension increases (%)	**-**	-
Number of employees covered	**377**	367
Average future working life	**39.80**	39.20

Assumptions regarding future mortality experience are set based on the following:

Pension fund		
Normal retirement age	**60**	60
Mortality table rate used pre-retirement	**SA56-62**	SA85-90
Mortality table used post retirement (Rated down 1 year)	**PA (90)**	PA (90)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021 E'000	2020 E'000
21 ACCOUNTS PAYABLE		
Accounts payables		
Accounts payable	**602 477**	174 040
Other creditors	**126**	517
Total Accounts payables	**602 603**	174 557
All amounts are expected to be settled within twelve months.		
Analysis of accounts payables: -		
Financial	**511 315**	151 373
Non-financial	**91 288**	23 184
Total accounts payables	**602 603**	174 557
22 PROVISION FOR OTHER LIABILITIES AND CHARGES		
Staff related (Bonus, leave and 13th cheque)		
Opening Balance	**28 515**	27 002
Additional provision raised during the year	**28 140**	25 497
Utilised amount reversed	**-**	(607)
Utilised during the year	**(27 141)**	(23 377)
Closing balance	**29 514**	28 515
Audit fees		
Opening Balance	**2 771**	2 197
Additional provision raised during the year (note 4.1)	**2 099**	2 520
Utilised during the year	**(2 913)**	(1 946)
Closing Balance	**1 957**	2 771
Other provision		
Opening balance	**3 490**	2 006
Utilised during the year	**2 213**	1 484
Closing balance	**5 703**	3 490
Total provisions for other liabilities and charges	**37 174**	34 776

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

i) 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.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

	2021	2020
	E'000	E'000

23 LEASES

The bank leases various real estate for its head office, branches, warehouse and ATMs across the country. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The bank elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 9 for details.

i) Amounts recognised in the in the statement of financial position

23.1. Right of use Asset

	2021	2020
Leased building (Note 16)	**23 074**	19 758

23.2. Lease Liabilities

	2021	2020
Lease Liabilities	**22 223**	21 186
The reconciliation of lease liabilities is as follows:		
Balance at the beginning of the year	**21 186**	-
Adjustment - IFRS 16 adoption	**-**	11 351
Balance at the beginning of the year – IFRS 16 adoption	**21 186**	11 351
Acquisition	**17 349**	35 512
Early terminations	**(2 035)**	(17 979)
Payments made during the year	**(13 759)**	(8 744)
Interest expense (included in finance cost) – (note 2)	**1 356**	1 046
Balance st the end of the year	**24 097**	21 186

	2021	2020
The maturity analysis of lease payments is as follows:		
Current	**13 945**	12 650
Non-Current	**10 152**	8 536
Total Lease Liabilities	**24 097**	21 186

i) **Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets	**13 025**	9 224
Interest expense (included in finance cost)	**1 356**	1 046
Expense relating to short-term leases	**2 542**	4 652
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**(203)**	3 098
Total expenses for leases	**16 720**	18 020

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2021 E'000	2020 E'000
Contingencies		
Guarantees (endorsements and performance guarantees)	**140 255**	131 766
Irrevocable unutilised facilities	**462 903**	645 961
Letters of credit	**-**	766
Total Contingencies	**603 158**	778 493

i) 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.

ii) Commitments

	2021 E'000	2020 E'000
Commitments in respect of capital expenditure and long-term investments approved by directors not contracted for	**33 848**	128 663

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

iii) Assets pledged

Mandatory reserve deposits are held with the local Central Bank of Eswatini 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	
	2021 E'000	2020 E'000	**2021 E'000**	2020 E'000
Restricted assets and liabilities	**285 342**	237 743	**6 204 598**	4 754 850

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

The bank's commitments under operating leases

The bank's significant operating leases relate to property rentals of office premises and the various branch network channels represented by full-service branches, agencies, mini branches and ATM lobbies. The rentals have fixed monthly payments. Escalation clauses are based on market related rates and vary between 5% and 10%.

The leases are usually for a period of one to five years. The leases are cancellable and certain of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

	2021 E'000	2020 E'000

25 CASH FLOW INFORMATION

25.1 Reconciliation of operating profit to cash flow from operating activities

	2021 E'000	2020 E'000
Profit before tax	**160 504**	231 512
Adjusted for non-financial:		
- Depreciation for property and equipment (note 16)	**30 186**	26 581
- Impairment of advances (note 12.2)	**64 375**	25 994
- ECL adjustments of investment in securities (note 3)	**19 384**	(16 084)
- Fair value from banking activities	**(21 248)**	(20 290)
- Leases – interest expense (note 23)	**1 357**	1 046
- Other gains	**51**	(209)
Cash generated from operating activities	**254 609**	248 550

25.2 Taxation paid

	2021 E'000	2020 E'000
Amounts (prepaid)/unpaid at beginning of the year	**(10 901)**	25 281
Taxation charge per statement of comprehensive income (note 6.1)	**54 977**	52 350
Amounts prepaid at end of the year (note 10)	**11 661**	10 901
Total taxation paid during the year (note 10)	**55 737**	88 531

26 RISK MANAGEMENT

26.1 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.

26.2 Financial risk

Overview

The financial instruments recognised on the bank's statement of financial position, expose the bank to various financial risks.

The information presented in this note represents the quantitative information required by IFRS 7 and sets out the bank's exposure to these financial risks.

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
• Advances; and
• Certain investment securities.

Other sources of credit risk are:
• Cash and cash equivalents;
• Accounts receivable;
• Derivative balances; and
• Off-balance sheet exposures</td><td>The following information is presented for these assets:
• Summary of all credit assets (26.2.2);
• Information about the quality of credit assets (26.2.3);
• Exposure to concentration risk (26.2.5);
• Credit risk mitigation techniques and collateral held (26.2.6)</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">Liquidity risk is the risk that the bank is unable to meet its obligations when they fall due and payable. It is also the risk of not being able to realise assets when required to do so to meet repayment obligations in a stress scenario.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the bank to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
• Undiscounted cash flow analysis of financial liabilities (26.3.1);
• Discounted cash flow analysis of all assets and liabilities (26.3.2); and
• Concentration analysis of deposits (26.3.3).</td></tr>
</table>

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The bank distinguishes between market risk in the trading book and non-traded market risk. For non-traded market risk, the bank distinguishes between interest rate risk in the banking book and structural foreign exchange risk.

Market risk in the trading book is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices and or rates.</td></tr>
<tr><td>Market risk in the trading book (26.4.1)
emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products.</td><td>The following information is presented for market risk in the trading book:

• 1 day 99% value at risk (VaR) analysis; and
• 10 day 99% VaR analysis.</td></tr>
<tr><td>Interest rate risk in the banking book (26.4.2.1)
originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in the banking book products.</td><td>The following information is presented for interest rate risk in the banking book:

• Projected Net Interest Income (NII) sensitivity to interest rate movements; and

• Banking book Net Asset Value (NAV) sensitivity to interest rate movements as a percentage of total bank capital.</td></tr>
<tr><td>Structural foreign exchange risk (26.4.3)
arises from balances denominated in foreign currencies and bank entities with functional currencies other than Eswatini Lilangeni (SZL).</td><td>Information about the bank's net structural foreign exposure and the sensitivity of the exposure is presented.</td></tr>
<tr><td>Tax risk</td><td colspan="2">Tax risk is defined as the risk of:

• financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties;

• sanction or reputational damage due to non-compliance with the various revenue acts; and/or

• the inefficient use of available mechanisms to benefit from tax dispensations.

Accordingly, any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity's tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.</td></tr>
</table>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

Overview of financial risks	
Capital Management	The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the bank's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The bank therefore, maintains capitalisation ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity and a sustainable dividend policy.

26.2.1 Credit risk

Objective
Credit risk management objectives are two-fold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.

- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the bank credit risk management function in Enterprise Risk Management (ERM) and relevant board committees, fulfil this role.

Based on the bank's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the bank, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

Assessment and management
Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the bank is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the bank relies on internally developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:
- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and bank-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The bank employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.1 Credit risk *(continued)*

FirstRand rating	Midpoint PD	RMB external rating (based on S&P)
FR 1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
FR 15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper). LC SOV
FR 26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)
FR 33 - 39	1.44%	BB-, B+(upper)
FR 40 – 53	2.52%	B+
FR 54 – 83	6.18%	B(upper), B, B-(upper)
FR 84 – 90	13.68%	B-
FR 91 – 99	59.11%	Below B-/CCC+, CCC
FR 100	100%	D (Defaulted)

26.2.2 Credit assets

The following assets and off-balance sheet amounts expose the bank to credit risk. For all on-balance sheet exposures, the carrying amount recognised on the statement of financial position represents maximum exposure to credit risk, taking into account collateral and other credit enhancements.

E' 000	**2021**	2020
ON-BALANCE SHEET EXPOSURES	**7 447 979**	5 903 350
Cash and cash equivalents	**2 750 815**	2 110 922
- Cash and short-term funds	**168 836**	175 393
- Money at call and short notice	**432 109**	198 290
- Balances with Central Bank	**2 149 870**	1 737 238
Gross advances	**2 855 507**	2 584 515
FNB		
- Retail	**835 445**	803 561
- Commercial	**1 139 242**	950 299
WesBank	**563 031**	540 537
RMB		
- Corporate banking	**317 787**	290 118
Investment Securities	**1 837 185**	1 141 980
Derivatives	**4 472**	32 618
OFF-BALANCE SHEET EXPOSURES	**603 867**	778 494
Total contingencies	**140 964**	132 532
- Guarantees	**140 964**	132 532
Irrevocable commitments	**462 903**	645 961
Total	**8 051 846**	6 681 844

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR 91-100 relates to technical cures (performing accounts that have previously defaulted but don't meet the 12-month curing definition remain in stage 3) and paying debt-review customers as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the group holds a guarantee against a stage 3 advance, the FR rating would reflect same.

Credit quality of advances

2021				
E '000	Total	Stage 1	Stage 2	Stage 3
FR 1 – 14	**531 168**	**531 128**	**40**	**-**
FR 51 – 25	**105 693**	**105 199**	**353**	**141**
FR 26 – 32	**780 484**	**774 729**	**5 755**	**-**
FR 33 – 39	**271 457**	**259 740**	**10 509**	**1 208**
FR 40 – 53	**635 443**	**618 105**	**17 119**	**219**
FR 54 – 83	**248 258**	**204 353**	**36 710**	**7 195**
FR 84 – 90	**76 061**	**64 210**	**11 459**	**392**
FR 91 – 99	**104 017**	**5 204**	**93 734**	**5 079**
FR 100	**102 926**	**3 517**	**18 029**	**81 380**
Total	**2 855 507**	**2 566 185**	**193 708**	**95 614**

2020				
E '000	Total	Stage 1	Stage 2	Stage 3
FR 1 – 14	81 896	80 543	1 353	-
FR 15 – 25	49 670	49 670	-	-
FR 26 – 32	590 995	577 946	13 049	-
FR 33 – 39	210 000	204 827	5 173	-
FR 40 – 53	664 014	603 462	35 784	24 768
FR 54 – 83	543 048	520 289	22 759	-
FR 84 – 90	305 689	301 822	3 867	-
FR 91 – 99	139 203	10 850	55 177	73 176
Total	2 584 515	2 349409	137 162	97 944

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets

Analysis of impaired advances (Stage 3)

The following table represents an analysis of impaired advances (stage 3) for financial assets measured at amortised cost, and debt instruments measured at both fair value through other comprehensive income and fair value through profit and loss, in line with the manner in which the group manages credit risk.

	2021		
	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
FNB	**73 030**	**34 840**	**38 190**
- Retail	**47 958**	**25 729**	**22 229**
- Commercial	**25 072**	**9 111**	**15 961**
WesBank	**22 584**	**8 070**	**14 514**
Total stage 3	**95 614**	**42 910**	**52 704**

	2020		
Stage 3 by class	Total	Security held and expected recoveries	Stage 3 impairment
FNB	72 696	30 009	42 687
- Retail	47 000	16 623	30 377
- Commercial	25 696	13 386	12 310
WesBank	25 250	10 737	14 513
Total stage 3	97 946	40 746	57 200

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets

Analysis of impaired advances (Stage 3/ NPLs) *(continued)*

	2021		
E'000	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by category			
Overdrafts and cash management accounts	**17 773**	**4 692**	**13 081**
Term loans	**5 694**	**1 023**	**4 671**
Lease payments receivable	**22 584**	**8 070**	**14 514**
Property finance	**3 229**	**3 229**	**-**
Personal loans	**11 385**	**2 441**	**8 944**
Home loans	**34 949**	**23 455**	**11 494**
Total stage 3	**95 614**	**42 910**	**52 704**

	2020		
E'000	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by category			
Overdrafts and cash management accounts	22 884	8 225	14 659
Term loans	5 408	1 759	3 649
Lease payments receivable	25 250	10 737	14 513
Property finance	4 187	2 541	1 646
Personal loans	16 798	3 084	13 713
Home loans	23 418	14 399	9 019
Total stage 3	97 945	40 745	57 199

26.2.4 Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss per external credit rating.

	2021		
E'000	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**-**	**-**	**1 837 185**
Total investment securities	**-**	**-**	**1 837 185**
Accounts receivable			
Stage 1	**-**	**288 689**	**-**
Total accounts receivable	**-**	**288 689**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.4 Quality of credit assets – non-advances *(continued)*

	2021		
E'000	AAA to BBB	BB+ to B-	CCC
Cash and cash equivalents			
Stage 1	**432 108**	**185 613**	**1 964 256**
Total cash and cash equivalents	**432 108**	**185 613**	**1 964 256**
Derivative assets	**–**	**–**	**4 472**
Total accounts receivable	**–**	**288 689**	**–**

	2020		
E'000	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	-	-	1 141 980
Total investment securities	-	-	1 141 980
Accounts receivable			
Stage 1	-	89 243	-
Total accounts receivable	-	89 243	
Cash and cash equivalents			
Stage 1	187 406	14 288	1 733 834
Total cash and cash equivalents	187 406	14 288	1 733 834
Derivative assets	-	-	32 618

26.2.5 Concentration risk

Credit concentration risk is the risk of loss to the bank arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.5 Concentration risk *(continued)*

Concentration risk is managed based on the nature of the credit concentration within each portfolio. The bank's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The bank constantly reviews its concentration levels and sets maximum exposure guidelines to these.

The bank seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

Geographic concentration of significant credit asset exposure

The following tables provide a breakdown of the gross credit exposure across geographical areas.

'000	Eswatini	Rest of Africa	UK	Other Europe	North and South America	Total
On-balance sheet exposures						
Cash and short-term funds	2 747 951	-	91	398	2 375	2 750 815
Total advances	2 855 507	-	-	-	-	2 855 507
Stage 3 advances	95 614	-	-	-	-	95 614
Derivatives	4 472	-	-	-	-	4 472
Debt investment securities	1 808 085	-	-	-	-	1 808 085
Accounts receivable	266 434	-	-	-	-	266 434
Off-balance sheet exposures						
Guarantees, acceptances, and letters of credit	140 964	-	-	-	-	140 964
Irrevocable commitments	462 903	-	-	-	-	462 903

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.5 Concentration risk *(continued)*

'000	Eswatini	Rest of Africa	UK	Other Europe	North and South America	Total
On-balance sheet exposures						
Cash and short-term funds	1 909 228	3 404	21 576	10 884	165 830	2 110 922
Total advances	2 584 515	-	-	-	-	2 584 515
Stage 3 advances/ NPLs	97 945	-	-	-	-	97 945
Derivatives	32 618	-	-	-	-	32 618
Debt investment securities	1 132 264	-	-	-	-	1 132 264
Accounts receivable	389	-	-	-	-	389
Guarantees, acceptances, and letters of credit	132 533	-	-	-	-	132 533
Irrevocable commitments	645 961	-	-	-	-	645 961

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.5 Concentration risk *(continued)*

Sector analysis concentration of advances

Advances expose the bank to concentration risk to the various industry sectors. The tables below set out the bank's exposure to the various industry sectors for total advances and credit-impaired advances

		2021		
		Stage 3		
E'000	Total Advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**701 342**	**7 487**	**1 928**	**5 559**
Financial Institutions	**16 645**	**38**	**38**	**-**
Building and property management	**67 717**	**4 624**	**125**	**4 499**
Public Sector	**56 835**	**1 023**	**442**	**581**
Individual	**1 028 065**	**55 094**	**28 725**	**26 369**
Manufacturing	**746 224**	**18 257**	**9 336**	**8 921**
Transport and communication	**170 904**	**8 247**	**1 797**	**6 450**
Mining	**665**	**-**	**-**	**-**
Other services	**67 110**	**844**	**519**	**325**
Gross carrying amount of advances	**2 855 507**	**95 614**	**42 910**	**52 704**

		2020		
		Stage 3		
E'000	Total Advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	621 440	9 485	7 444	2 041
Financial Institutions	51 615	-	-	-
Building and property management	57 268	7 175	5 092	2 084
Public Sector	32 288	396	259	137
Individual	998 627	55 560	21 404	34 156
Manufacturing	663 593	10 163	3 425	6 739
Transport and communication	126 726	8 266	4 356	3 911
Mining	3 200	-	-	-
Other services	29 758	6 899	(1 233)	8 132
Gross carrying amount of advances	2 584 515	97 944	40 747	57 200

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.6 Credit risk mitigation and collateral held

Mitigation and collateral held

Since taking and managing credit risk is core to its business, the bank aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the bank's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments

- Mortgage and instalment sale finance portfolios are secured by the underlying assets financed;
- FNB commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows; and
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities.

The bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is
reassessed during the annual review of the counterparty's creditworthiness

to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection are performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and credit segment level, in-line with the requirements of the bank credit risk appetite framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.6 Credit risk mitigation and collateral held *(continued)*

The table below sets out the maximum exposure to credit risk for financial assets at amortised cost debt instruments.

	2021			
E'000	Carrying amount	Off balance sheet exposure	Maximum exposure to credit risk	Net exposure to credit risk
Residential mortgages	**516 090**	**22 033**	**538 123**	**538 123**
Vehicle and asset finance	**518 467**	**20 436**	**538 903**	**538 903**
Personal loans	**288 654**	**36 878**	**325 532**	**325 532**
Other retail	**75 267**	**5 049**	**80 316**	**80 316**
Commercial	**1 139 242**	**393 131**	**1 532 373**	**1 532 373**
RMB corporate banking	**317 787**	**125 632**	**443 419**	**443 419**
Total advances	**2 855 507**	**603 159**	**3 458 666**	**3 458 666**
Investment securities	**1 837 185**	**-**	**1 837 185**	**1 837 185**
Cash and cash equivalents	**2 750 815**	**-**	**2 750 815**	**2 750 815**
Accounts receivable	**283 386**	**-**	**283 386**	**283 386**
Derivatives	**4 472**	**-**	**4 472**	**4 472**

	2020			
E'000	Carrying amount	Off balance sheet exposure	Maximum exposure to credit risk	Net exposure to credit risk
Residential mortgages	508 163	41 507	549 670	549 670
Vehicle and asset finance	540 537	36 085	576 622	576 622
Credit card	-	-	-	-
Personal loans	279 260	11 622	290 882	290 882
Other retail	16 138	4 386	20 524	20 524
Commercial	950 299	449 433	1 399 732	1 399 732
RMB corporate banking	290 118	235 461	525 579	525 579
Total advances	2 584 515	778 494	3 363 009	3 363 009
Investment securities	1 141 980	-	1 141 980	1 141 980
Cash and cash equivalents	2 110 922	-	2 110 922	2 110 922
Accounts receivable	89 243	-	89 243	89 243
Derivatives	32 618	-	32 618	32 618

The bank does not hold any collateral that it has the ability to sell or repledge in the absence of default by the owner of the collateral.

Collateral taken possession of
When the bank takes possession of collateral that is not cash or not readily convertible into cash, the bank determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the bank is unable to obtain the pre-set sale amount in an auction, the bank will continue to hold the asset whole actively marketing it to ensure an appropriate value is obtained.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.7 Offsetting of financial assets and financial liabilities

here appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives. In addition, the bank has set up a function to clear OTC derivatives centrally as part of the risk mitigation.

The bank uses International Swaps and Derivatives Association (ISDA) and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

The tables below include information about financial assets and financial liabilities that are:

- offset and the net amount presented in the bank's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNA or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

Structured transactions refer to reverse repurchase, securities borrowing and similar arrangements and repurchase in the asset table and securities lending and similar arrangements on the liability section of the table.

The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements, but no offsetting has been applied.

The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The amount of collateral included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a bank wide level, the amount of collateral included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the amount of financial instruments not subject to set-off or MNA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26 Risk management *(continued)*

26.3 Liquidity risk objective

The bank strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and minimum requirements. The objective is to maintain natural market share, but also to outperform at the margin, which will provide the bank with a natural liquidity buffer.

Given the liquidity risk introduced by its business activities, the bank's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner.

Compliance with the Basel II LCR influences the bank's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. The bank is actively building its deposit franchise through innovative and competitive product and pricing, while also improving the risk profile of its institutional funding. This continues to improve the funding and liquidity profile of the bank.

Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity over the year in line with risk appetite. The bank utilised new market structures, platforms and regulatory programmes to efficiently increase the available liquidity holdings.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

Assessment and management

The bank focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the bank to ensure business activities preserve and improve funding stability. This ensures the bank is able to operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held either to be sold into the market or provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The bank's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis.

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at a reasonable cost	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows	Maintaining a number of contingency funding sources to draw upon in times of economic stress

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26.3 Liquidity risk objective *(continued)*

26.3.1 Undiscounted cash flow

The following table presents the bank's undiscounted cash flows of liabilities and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the balance sheet for the following reasons:

- balances are undiscounted amounts whereas the balance sheet is prepared using discounted amounts;
- table includes cash flows not recognised on the balance sheet;
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

	2021			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
On-balance sheet exposures	**6 363 308**	**6 174 583**	**160 870**	**27 855**
Deposits and current accounts	**6 204 598**	**6 039 970**	**160 870**	**3 758**
Lease liabilities	**24 097**	**-**	**-**	**24 097**
Derivative financial instruments	**2 142**	**2 142**	**-**	**-**
Creditors, accruals and provisions	**37 294**	**37 294**	**-**	**-**
Intragroup liabilities	**95 177**	**95 177**	**-**	**-**
Off-balance sheet exposures	**1 206 316**	**1 206 316**	**-**	**-**
Financial and other guarantees	**140 255**	**140 255**	**-**	**-**
Other contingencies and commitments	**603 158**	**603 158**	**-**	**-**
Facilities not drawn	**462 903**	**462 903**	**-**	**-**

	2020			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
On-balance sheet exposures	5 147 729	4 855 738	169 267	122 724
Deposits and current accounts	4 754 850	4 566 094	147 129	41 627
Lease liabilities	21 186	-	12 650	8 536
Derivative financial instruments	36 216	36 216	-	-
Creditors, accruals and provisions	244 552	162 503	9 488	72 561
Intragroup liabilities	90 925	90 925	-	-
Off-balance sheet exposures	778 493	778 493	-	-
Financial and other guarantees	131 766	131 766	-	-
Operating lease commitments	766	766	-	-
Facilities not drawn	645 961	645 961	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26.3 Liquidity risk objective

26.3.2 Discounted cash flow

The following table represents the bank's expected discounted cash flows of assets, liabilities and equity for the bank. Relying solely on the liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents an absolute worst-case assessment of cash flows at maturity.

Due to Eswatini's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term short-term institutional funds which represent a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis - maturity analysis of assets and liabilities based on the present value of the expected payment.

	2021			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
Total assets	**7 988 907**	**4 058 786**	**396 201**	**3 534 244**
Total equity and liabilities	**7988 907**	**6 480 078**	**160 870**	**1 348 283**
Net liquidity gap	**-**	**(2 421 292)**	**235 331**	**2 185 961**
Cumulative liquidity gap	**-**	**-**	**-**	**-**

	2020			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
Total assets	6 188 011	3 315 874	1 064 440	1 807 698
Total equity and liabilities	6 188 011	4 855 738	156 617	1 175 656
Net liquidity gap	-	(1 539 864)	907 823	632 042
Cumulative liquidity gap	-	-	-	-

As illustrated in the table above, the negative liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress funding buffers both locally and offshore, taking into account prevailing economic and market conditions.

26.3 Liquidity risk objective

26.3.3 Concentration analysis of deposits

E' 000	2021	2020
Sector analysis		
Public sector entities	**267 099**	322 813
Banks	**18 337**	42 325
Corporate customers	**4 338 034**	2 861 925
Retail customers	**1 269 811**	1 163 827
Small and Medium Enterprises (SME's)	**311 317**	363 960
Total deposits	**6 204 598**	4 754 850
Geographical analysis		-
Eswatini	**4 754 850**	4 606 128
Total deposits	**4 754 850**	4 606 128

26.4 Market risk

The bank distinguishes between market risk in the trading book and non-traded market risk

26.4.1 Market risk in the trading book

Objective

The bank's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products. Market risk is managed and contained within the bank's appetite. Overall diversified levels of market risk have remained fairly low during the last few years, with this trend continuing over the year under review. There are no significant concentrations in the portfolio, which also reflects overall lower levels of risk.

Market risk in the trading book includes interest rate risk in the trading book, credit risk, foreign exchange risk and interest rate risk in the corporate banking book which is managed as part of the trading book.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26.4 Market risk (continued)

26.4.1 Market risk in the trading book (continued)

Assessment and management

Management and monitoring of the banking book is managed through the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the Assets, Liability & Capital Committee (ALCCO) and Risk and Compliance Committee (RCC).

The risk related to market risk-taking activities is measured as the hght of the bank's internal ETL measure (as a proxy for economic capital) and regulatory capital based on Value-at-Risk (VaR) plus stressed VaR (sVaR).

ETL The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress observed in history (2008/2009). The choice of period 2008/2009 is based on the assessment of the most volatile period in recent history.

ETL is liquidity adjusted for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios.

VaR VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

26.4 Market risk *(continued)*

26.4.2 Non-traded market risk

26.4.2.1 Interest rate risk in the banking book (IRRBB)

IRBB originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Assessment and management

The measurement techniques used to monitor IRRBB include NII sensitivity/earnings risk and NAV/economic value of equity (EVE). A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instrument are placed in gap intervals based on repricing characteristics. The repricing gap, however, is not used for management decisions.

The internal funds transfer pricing process is used to transfer interest rate risk from the bank to FirstRand Group Treasury. This process allows risk to be managed centrally and holistically in line with the bank's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through use of derivative transactions.

Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Interest rate risk from the fixed-rate book is managed to low levels with remaining risk stemming from timing and basis risk.

Sensitivity analysis

A change in interest rates impact both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as in the economic value/NAV of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which would cause a change in rates.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes, a constant balance sheet size and product mix over the forecast horizon. Behavioural assumption is applied in relation to non-maturing deposits, which reprice at management of the bank's discretion. This assumption is based on historical product behaviour.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26.4 Market risk *(continued)*

26.4.2 Non-traded market risk *(continued)*

26.4.2.1 Interest rate risk in the banking book (IRRBB) *(continued)*

The following financial instruments will be directly impacted by changes in market interest rates:
advances, cash and cash equivalent and amounts due from FirstRand 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 2021:

	2021 E'000	2020 E'000
Base asset		
Cash with Central Bank and other banks (note 11)	**2 149 870**	1 935 529
Advances (note 12.1)	**2 855 507**	2 584 515
Amounts due from FirstRand Limited (note 28.2)	**313 068**	253 153
Total assets base	**5 318 445**	4 773 197
Increase in 50 basis points	**26 592**	23 866
Decrease in 50 basis points	**(26 592)**	(23 866)

Economic value of equity (EVE)

An EVE sensitivity measure is used to assess the impact on the total NAV of the bank as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves of the entity to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying transactions. As a result, a purely forward-looking EVE sensitivity measure applied to the banking book, be it a 1bps shock or a full stress shock, which is monitored relative to total risk limit, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and is a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios as managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded in the entity as a result of the banking book products which are not recognised at fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26.4.3 Structural foreign exchange risk

Objective

The bank is exposed to foreign exchange risk both as a result of on-balance sheet transactions in a currency other than the Lilangeni.

Reporting and management for the bank's foreign exchange exposure and macro prudential limit utilisation is centrally owned by Group Treasury as the clearer of all currency positions in the bank. Group Treasury is also responsible for oversight of structural foreign exchange risk with reporting to the bank's ALCCO, a subcommittee of the RCC committee.

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 2021 is set out below:

E'000's	(SZL)	(ZAR)	Maluti	UK£	US$	Euro	Total
ASSETS							
Cash and cash equivalents	**2 133 094**	**185 613**	-	**3 088**	**420 471**	**8 549**	**2 750 815**
Advances	**2 855 507**	-	-	-	-	-	**2 855 507**
Investment securities	**1 837 185**	-	-	-	-	-	**1 837 185**
Amounts due from related companies	-	**288 689**	-	-	-	-	**288 689**
Other assets	**283 386**	-	-	-	-	-	**283 386**
Derivative instrument: Held for trading	**4 472**	-	-	-	-	-	**4 472**
	7 113 644	**474 302**	-	**3 088**	**420 471**	**8 549**	**8 020 054**
LIABILITIES							
Deposits	**6 204 598**	-	-	-	-	-	**6 204 598**
Derivative financial instruments – held for trading	**2 143**	-	-	-	-	-	**2 143**
Amounts due to related companies	-	**94 581**	**596**	-	-	-	**95 177**
Other liabilities	**602 603**	-	-	-	-	-	**602 603**
Shareholders' equity	**1 013 973**	-	-	-	-	-	**1 013 973**
	7 823 316	**94 581**	**596**	-	-	-	**7 918 494**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26. Risk management *(continued)*

26.4 Market risk *(continued)*

26.4.3 Structural foreign exchange risk *(continued)*

The bank manages foreign currency exposure in terms of approved limits. The currency position at 30 June 2020 is set out below:

2020								
E'000's	(SZL)	(ZAR)	Pula(P)	Kwacha (ZMK)	UK£	US$	Euro	Total
ASSETS								
Cash and cash equivalents	1 905 536	3 404	-	-	21 799	168 897	11 287	2 110 923
Advances	2 584 515	-	-	-	-	-	-	2 584 515
Investment securities	1 141 980	-	-	-	-	-	-	1 141 980
Amounts due from related companies	-	252 564	30	558	-	-	-	253 152
Other assets	89 243	-	-	-	-	-	-	89 243
Derivative instrument: Held for trading	32 618	-	-	-	-	-	-	32 618
	5 753 892	255 968	30	21 799	21 799	168 897	11 287	6 212 431
LIABILITIES								
Deposits	4 754 850	-	-	-	-	-	-	4 754 850
Derivative financial instruments – held for trading	36 216	-	-	-	-	-	-	36 216
Amounts due to related companies	-	86 742	-	-	-	-	-	87 440
Other liabilities	177 460	-	-	-	-	-	-	177 460
Shareholders' equity	1 061 469	-	-	-	-	-	-	1 061 469
	6 029 995	86 742	-	-	-	-		6 117 435

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (**Lilangeni**) is governed by in-country macro-prudential and regulatory limits. In the bank, additional board limits and management appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of market risk reporting (see market risk in the trading book section). Group Treasury is responsible for consolidated bank reporting and utilisation of these limits against approved limits and appetite levels.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26. Risk management *(continued)*

26.4 Market risk *(continued)*

26.4.3 Structural foreign exchange risk *(continued)*

Foreign exchange risk in the banking book comprises funding and liquidity management, and risk mitigating activities which are managed to low levels. To minimise funding across the bank, foreign currency transactions which are matched where possible, with residual liquidity risk managed centrally by Group Treasury. Structural foreign exchange risk impacts both the current NAV of the bank as well as future profitability and earnings potential. Economic hedging is done where viable, given market constraints and within risk appetite levels. Any open hedges are included as part of market risk in the trading book.

Equity investment 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.

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.

24.5 Governance

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26. Risk management *(continued)*

26.5 Governance *(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.

26. Risk management *(continued)*

26.5 Governance *(continued)*

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: -

(i) the risks inherent in the business of the bank and the control processes with respect to such risks,
(ii) the assessment and review of credit, market, fiduciary, liquidity, reputational, operational, fraud, strategic, technology, data-security and business-continuity risks,
(iii) the risk management activities of the, and
(iv) 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 bank's appetite and overall strategy.

Internal audit

It is the policy of the 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

26. Risk management *(continued)*

26.6 Financial risk management

(a) 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 2020 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 Eswatini in the manner required by the Financial Institutions Act of 2005.

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

27. 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 bank 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 bank 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 bank 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 bank 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 bank uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the bank uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the bank'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 bank 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-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. During the current year there were no items carried at fair values on a non-recurring basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

27. Fair value of financial instruments *(continued)*

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.

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.

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.

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.

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

2021			
E'000	Carrying value	Total fair value	Level 3
Assets			
Advances	2 668 258	2 717 965	2 717 965
Total Assets at amortised cost	2 668 258	2 717 965	2 717 965
Liabilities			
Deposits	6 204 598	6 209 066	6 209 066
Total liabilities at amortised cost	6 204 598	6 209 066	6 209 066

2020			
E'000	Carrying value	Total fair value	Level 3
Assets			
Advances	2 433 019	2 451 469	2 451 469
Total Assets at amortised cost	2 433 019	2 451 469	2 451 469
Liabilities			
Deposits	4 754 850	4 799 092	4 799 092
Total liabilities at amortised cost	4 754 850	4 799 092	4 799 092

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

27. Fair value of financial instruments *(continued)*

Fair value of instruments not carried at fair value: -

There were financial instruments that were classified as category Level 1 and 2 of fair value hierarchy.

27.1 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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

27. Fair value of financial instruments *(continued)*

27.1 Fair value hierarchy and measurements *(continued)*

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 forward contracts, investments in debt instruments, and deposits such as credit linked notes.

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 2021			
	Level 1 E'000	Level 2 E'000	Level 3 E'000
Assets			
Derivatives	-	**4 472**	-
Investment securities and other investments	-	**1 808 085**	-
Total assets	-	**1 812 557**	-
Liabilities			
Derivatives	-	**36 216**	-
Total liabilities	-	**36 216**	-

At 30 June 2020			
	Level 1 E'000	Level 2 E'000	Level 3 E'000
Assets			
Derivatives	-	32 618	-
Investment securities and other investments	-	1 132 264	-
Total assets	-	1 164 882	-
Liabilities			
Derivatives	-	2 142	-
Total liabilities	-	2 142	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

28. RELATED PARTIES

The bank defines related parties as:

(i) The parent company;

(ii) Fellow subsidiary companies of FirstRand Limited;

(iii) Fellow associates and joint venture companies of FirstRand Limited;

(iv) Post-employment benefit funds;

(v) Entities that have significant influence over FirstRand Limited and its subsidiaries;

(vi) 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;

(vii) 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

(viii) 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 Proprietary Limited, incorporated in the Republic of South Africa

		2021 E'000	2020 E'000
(i)	Interest received		
	FirstRand Bank Limited	**10 075**	15 847
(ii)	Fees and commission earned		
	FirstRand Bank Limited	**1 298**	519
(iii)	Technical and operational support costs		
	FirstRand Bank Limited	**130 459**	118 129

(iv) Key management personnel

Key management compensation comprises of the following:

Salaries and other short-term benefits	**18 430**	18 332
Post-employment benefits	**1 858**	1 674
IFRS 2 AOL Amortisation	**4 430**	4 403
Total compensation	**24 718**	24 409

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

28. RELATED PARTIES *(continued)*

	2021 E'000	2020 E'000

(v) Directors' fees

Directors fees comprises of the following

	2021 E'000	2020 E'000
Services as directors	**1 800**	1 301
Total directors' fees	**1 800**	1 301

A listing of the board of directors of the bank is on page 6 of the financial statements.

28.2 Year end balances arising from related parties

(i) Due from related parties

	2021 E'000	2020 E'000
Due from FirstRand Bank Limited – deposits	**313 068**	252 595
Due from First National Bank of Zambia	**-**	558
	313 068	253 153

(ii) Due to related parties

	2021 E'000	2020 E'000
Due to FirstRand Bank Limited – loans	**94 581**	90 048
Due from First National Bank of Lesotho	**596**	179
Due to First National Bank of Zambia	**-**	698
	95 177	90 925

(iii) Loans and Advances

Key management personnel

Loans and advances in normal course of business by product

	2021 E'000	2020 E'000
Mortgages	**16 714**	16 765
Overdrafts	**147**	123
Personal	**453**	659
Instalment finance	**2 870**	2 870
	20 184	19 974

All transactions with related parties are entered into in the normal course of business at fair market terms.

No impairment has been recognised for loans granted to key management (2020: nil). Mortgage loans are repayable monthly over 20 years. These loans are collagenised by the properties that were financed

(iv) Deposits and current accounts at amortised cost

Key management personnel
Deposits balances in normal course of business are as follows:

	2021 E'000	2020 E'000
Deposits held	**548**	731

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

28. RELATED PARTIES *(continued)*

	2021 E'000	2020 E'000
28.3 Post- employment benefit plan		
Deposits held with the bank	**2 085**	3 346

28.4 FNB Foundation Trust

The FNB Foundation Trust was established to spearhead and administer Corporate Social Responsibility initiatives of the First National Bank of Eswatini Limited. The FNB Foundation Trust's vision is to create a better eSwatini through responsible investments in community and welfare projects.

In its endeavour to achieve this vision, the Trust support and fund non-profit making organisations and institutions working towards the social development and empowerment within Eswatini, as well as individuals in a charity arrangement

According to the Trust deed document, the bank Limited is to donate 1% of its after-tax profits to the FNB Foundation Trust annually.

Donations - Contributions by the bank during the year	**1 792**	1 845
Deposits held with the bank	**4 878**	4 445

29 REMUNERATION SCHEMES

The amount recognised in profit or loss for share based payments is as follows:		
Unwinding of share options liability (note 29.1)	**-**	-
Conditional share plan (note 20)	**-**	-
Amount included in profit or loss	**-**	-

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. The performance vesting conditions attached to the 2017 scheme were not met and any credit due is included in the current year.
The performance vesting conditions attached to the 2018 scheme were not met. Due to the nature of the transaction, any credit due will only be affected at the original vesting date, i.e. September 2021.

29. Remuneration schemes *(continued)*

Description of the scheme and vesting conditions:

Conditional share scheme	
Conditional share scheme	Cash settled
Description	The conditional award is a notional share based on the FirstRand Limited share price.
Vesting conditions	These awards vest after three years. The awards vest if the employment and where applicable performance conditions are met. Conditional awards are made annually, and vesting is subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.
Valuation methodology	The conditional incentive plan (CIP) is valued using the Black Scholes option pricing model. 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	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.

Corporate performance targets (CPTs)

The FirstRand Limited group remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions and group earnings forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For the 2017 and 2018 award schemes, the scheme rules allowed the remuneration committee the discretion to determine whether the conditional awards would vest, in full or partially, in circumstances where the performance conditions were not fulfilled. The application of this discretion is limited. For the 2019 award, this discretion is removed and if the performance conditions are not met the award fails. The 2019 scheme introduced graded vesting, the level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables and minimum ROE requirements. For certain non-senior employees eligible for a CIP a portion of the award is not subject to the performance conditions, and only requires continued employment. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee.

In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

29 Remuneration schemes *(continued)*

The criteria for the expired and currently open schemes are set out below:

Expired schemes

2017 (Did not vest at the expected vesting date of September 2020) – FirstRand Limited must achieve growth in normalised EPS, adjusted for CPI, which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year-end, being 30 June 2017, to the year-end immediately preceding the vesting date, and the company must deliver a ROE of at least 18% over the performance period. Real GDP and CPI are advised by the Group Treasury macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the current year, the company failed to achieve the targets set for the cumulative growth in normalised earnings per share and Remco notified qualifying employees that the scheme would consequently not vest.

Currently open

2018 (Not vesting at the expected date of September 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2018, to the year-end immediately preceding the vesting date, and the company must deliver ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP and CPI are advised by the Treasury, macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled.

2019 (vests in 2022) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below

The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the awards remain subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch, and a super stretch target with linear grading between targets. The minimum ROE and earnings growth conditions will vest at 70% and if these are not met the award will lapse.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

29 Remuneration schemes *(continued)*

	Performance conditions		
	Vesting level should both conditions be met	ROE target (average over the 3-year performance period)	Normalised earnings per share growth requirement (3-year compound annual growth rate) FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the performance period from the base year-end, being 30 June 2019, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	70%	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >0% or CPI where real GDP growth is negative.
On target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%.
Stretch target	120%	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%.
Super stretch target	150% (maximum vesting)	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >7% to 10%.

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on NAV without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves.

2020 (Vesting in 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. The Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control.

Examples would include issues that materially damaged the group's franchise, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the RCCC; and concerns regarding the adherence to the liquidity and capital management strategies in place.

The performance conditions include prudential targets relating to liquidity and capital ratios, an earnings growth target and a ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below is assessed.

29 Remuneration schemes *(continued)*

Vesting level *	Performance conditions	
	Minimum ROE requirement at 30 June 2023 **	Normalised earnings per share growth requirement (3-year compound annual growth rate)
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Grading based on minimum compound annual growth rate of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum compound annual growth rate of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% and 119.9%	ROE of at least 18%	Minimum compound annual growth rate of 17.5% up to <22%
120%	ROE of at least 20%	Minimum compound annual growth rate of 22%
120.1% and 150%. (Maximum vesting of 150%)	ROE of at least 22%	Minimum compound annual growth rate above 22% and up to 28.2% to calculate linear grading up to 150% vesting.

** Linear grading between these vesting levels based on the growth achieved.*

*** In the event that the ROE target is not met, the required growth condition will not be considered.*

Impact of COVID-19 on existing schemes

As noted, due to the impact of COVID-19, the 2018 scheme has failed and will not vest. As such Remco is considering mechanism to mitigate the increased retention risk resulting from the COVID-19 impact.

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	Conditional incentive plan	
	2021	2020
Award life (years)	**2 - 3**	2 - 3
Risk-free rate (%)	**3.67 - 5.74**	3.91 - 5.32

	Conditional incentive plan (FSR shares)	
Share awards outstanding	**2021**	2020
Number of awards in force at the beginning of the year (millions)	**0.271**	0.250
Number of awards granted during the year (millions)	**0.241**	0.110
Number of awards transferred (within the group) during the year (millions)		(0.016)
Number of awards exercised/released during the year (millions)	**-**	(0.073)
- Market value range at date of exercise/release (cents)*	**-**	6 520 – 6 520
- Weighted average (cents)	**-**	6 520
Number of share cancelled/lapsed during the year (millions)	**(0.164)**	-
Number of awards in force at the end of the year (millions)	**0.348**	0.271

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2021

29 Remuneration schemes *(continued)*

	Conditional share plan (FSR shares)			
	2021		2020	
Share awards outstanding**	Weighted average remaining life (years)	Outstanding awards (millions)	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2020#			0.30	0.084
Vesting during 2021	**0.31**	**0.015**	1.20	0.077
Vesting during 2022	**1.30**	**0.107**	2.29	0.110
Vesting during 2023	**2.31**	**0.226**		
Total conditional awards		**0.348**		0.271
Number of participants		**15**		18

** Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

*** Years referenced in the rows relate to calendar years and not financial years.*

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