FNB Eswatini Annual Financial Statements

for the year ended 30 June 2022

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DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

To the Shareholder of the First National Bank of Eswatini Limited

he 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 2022. 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 137, were approved by the Board of Directors on **12 August 2022** and are signed on its behalf by:

CHAIRMAN
J V NDLANGAMANDLA

CHIEF EXECUTIVE OFFICER
D T MBINGO

Mbabane, 24 September 2022

DIRECTORS' REPORT
for the year ended 30 June 2022

The directors have pleasure in submitting this report, which forms part of the financial statements of the bank for the year ended 30 June 2022.

Nature of Business

The bank is incorporated in Eswatini and operates as a 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

DIn line with the bank's dividend policy, capital management framework (incorporating targeted capital

levels) and an internal capital generation outlook which remains accretive, a total dividend of E138.897 million (2021: E175.683 million) was approved during the year as follows:

- **Interim dividend** – On the 11th of February 2022, the Board approved a dividend of E56.926 million.

- **Final dividend** – On the 12th of August 2022, the Board approved a dividend of E81.971 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, also incorporated in the Republic of South Africa.

Regulatory Developments

The Board of Directors' notes that there has been no communication 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.

Recovery from COVID-19 Pandemic and Social Unrest

The year under review saw near normalisation of business activity, supported by the continuing recovery of the majority of our customers. Whilst we take some confidence in this, we recognise that global events continue to present material uncertainty and that our economy is in a transitional state. It is the bank's observation that any performance recovery we have observed this financial year is still likely to be tested in the near term by developments outside the bank's control and volatility risk remains high.

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 (ESE). These plans were deferred in April 2019, to ensure that regulatory considerations were all addressed. The COVID-19 global pandemic in 2020 and 2021 meant that this could not take place as had been scheduled. The intent remains the same and the Board of Directors has supported the resumption of this exercise.

Capital and Reserve Account

i) Share Capital
The bank's 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 2022, the bank's liabilities to the public in Eswatini totalled E6.587 billion (2021: E6.204 billion) requiring a minimum capital of E329 million (2021: E310 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 E1.082 billion (2021: E1.011 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 2022, in accordance with this requirement of the Act, an amount of E21.983 million (2021: E 12.990 million) has been transferred to the statutory reserve in the current financial year.

iv) Risk Weighted Assets 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 2022, the bank complied with this requirement of the Act reporting a Capital Adequacy Ratio (CAR) of 24.78% (2021: 20.37%).

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.

As at 30 June 2022, the bank's liabilities to the public in Eswatini totalled E6.587 billion (2021: E6.204 billion) requiring a minimum liquid asset requirement of E1.647 billion (2021: E1.241 billion). The requirement of the Act in this regard has been met.

Liquid Asset Requirement (continued)

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: -

	2022 E'000	2021 E'000
Cash and cash equivalent	**2 695 858**	2 750 815
Investment in securities	**2 001 993**	1 808 085
Total liquid assets	**4 697 851**	4 558 900

Corporate Governance

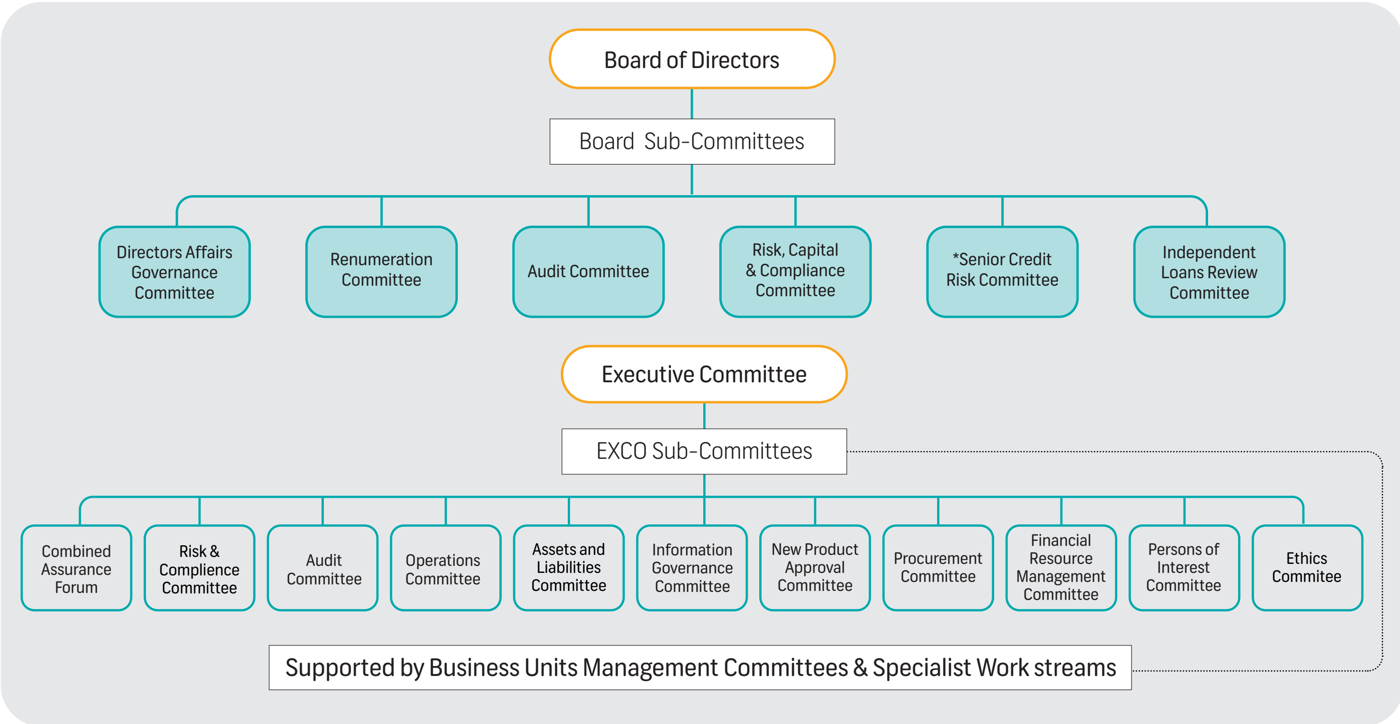
The First National Bank of Eswatini Limited Board of Directors is committed to good corporate governance practices and organisational integrity in the direction and control of the bank's affairs. This commitment serves to provide stakeholders with the comfort that the bank's affairs are managed in an 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 Board 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 2022

Corporate Governance



Board of Directors

Director		Status	Appointed	Retired
J V Ndlangamandla	Board Chairpeson	Independent	03 February 2016	
D T Mbingo	Chief Executive Officer	Executive	06 February 2015	
S de Sousa	Member and Chair (Independent Loan Review)	Independent	05 February 2010	
D E Wright	Member and Chair (Risk, Capital and Compliance)	Independent	03 February 2016	
S L Balsdon	Member	Non-Executive	21 April 2017	
E B Arden	Member and Chair (Audit Committee)	Independent	24 April 2019	
J Mouton	Retired	Non-Executive	30 April 2019	28 October 2021
J M Gule	Member and Chair (Remuneration Committee)	Independent	11 February 2021	
L J Haynes	Member	Non- Executive	11 November 2021	

Executive – Executive Director, fully employed in the bank and operates as part of executive management of FNB Eswatini
Independent - Independent Non-Executive, no role within the FirstRand Group except for Direct
Non- Executive - Non-Executive Director, engaged in other assignments by the FirstRand Group

The bank also has a Company Secretary, who provides professional corporate governance services to the Board.
The directors' 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 2022

Board Subcommittees and composition

Committee Chairperson	Committee Member	Permanent Invitee	Not a Member
● (dark)	● (grey)	● (teal)	

	Main Board	Directors' Affairs & Governance Committee	Audit Committee	Risk, Capital & Compliance Committee	Independent Loans Review Committee	Remuneration Committee
Independent Non-Executive						
J V Ndlangamandla	Chairperson	Chairperson		Member		Member
S de Sousa	Member	Member	Member		Chairperson	
D E Wright	Member	Member	Member	Member	Member	
E B Arden	Member	Member	Chairperson		Member	Member
J M Gule	Member	Member	Member			Chairperson
Non-Executive						
S L Balsdon	Member	Member	Permanent Invitee	Member		Member
L J Haynes	Member	Member		Member	Member	
Executive						
D T Mbingo	Member	Permanent Invitee	Permanent Invitee	Member	Member	Permanent Invitee

The Board and Board sub-committees are chaired byand Independent Non-Executive directors, except for the Remuneration Committee which is chaired by a Non-Executive Director.

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	4	4	
E B Arden	4	4	4			2
J M Gule	4	4	4			2/2
Non-Executive						
S Balsdon	4	4		4		2
L J Haynes	4	3/4			4	
Executive						
D T Mbingo	4			4		

The Board Sub-committees' responsibilities

Committee	The Board and its Sub-Committee's responsibilities
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 remunerates directors, senior management and staff fairly and responsibly and ensure that the Bank is able to attract the best talent in the market in order to maximise shareholder value.
Directors' Affairs & Governance Committee	The Committee assists the Board with its corporate governance and 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 2022, 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 136 comprise:

- the statement of financial position as at 30 June 2022;
- 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 2022", 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.

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 2022

	Notes	2022 E'000	2021 E'000
Interest and similar income	1	**463 809**	404 546
Interest expense and similar charges	2	**(122 172)**	(103 353)
Net interest income before impairment of advances		**341 637**	301 193
Expected credit gains/(losses) on investment securities	13	**(2 604)**	(19 384)
Impairment of Advances	12.2	**32 338**	(59 949)
Net interest income		**371 371**	221 860
Non-interest revenue	3	**428 087**	393 173
Net fee and commission income	3.1	**393 372**	369 615
Fee and commission income		**397 619**	375 386
Fee and commission expense		**(4 247)**	(5 771)
Insurance income	3.2	**4 412**	4 160
Fair value gains or losses	3.3	**24 623**	21 248
Other (losses)/gains non-interest income	3.4	**5 680**	(1 850)
Income from operations		**799 458**	615 033
Operating and administration expenses	4	**(479 803)**	(427 549)
Income before indirect tax		**319 655**	187 484
Indirect tax	5	**(32 333)**	(26 980)
Profit before income tax		**287 322**	160 504
Income tax expense	6.1	**(78 106)**	(38 581)
Profit for the year		**209 216**	121 923
OTHER COMPREHENSIVE INCOME			
Defined benefit post-employment reserve		**-**	3 625
Defined benefit post-employment– actuarial gain		**-**	5 000
Deferred income tax on defined benefit post-employment- actuarial gain		**-**	(1 375)
Total Comprehensive Income		**209 216**	125 548

STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

	Notes	2022 E'000	2021 E'000
ASSETS			
Cash and cash equivalents	11	**2 695 858**	2 750 815
Advances	12.1	**2 838 201**	2 668 258
Investment securities and other investments	13	**2 001 993**	1 808 085
Derivative financial instruments	14	**18 503**	4 472
Accounts receivable	15	**69 070**	283 386
Current income tax asset	10	**-**	11 661
Amounts due from related parties	28.2	**786 494**	313 068
Deferred income tax asset	9	**48 622**	54 121
Property and equipment	16	**164 945**	92 291
Total assets		**8 623 686**	7 986 157
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	**268 349**	245 070
Retained earnings		**783 096**	736 055
Total equity		**1 081 773**	1 011 453
LIABILITIES			
Deposits	19	**6 586 885**	6 204 598
Derivative financial instruments	14	**21 685**	2 142
Defined benefit post-employment liability	20.1	**8 913**	8 913
Lease liability	23.2	**20 438**	24 097
Accounts payable	21	**264 886**	602 603
Current income tax liability	10	**4 928**	-
Provision for other liabilities and charges	22	**39 026**	37 174
Amounts due to related parties	28.2	**595 152**	95 177
Total liabilities		**7 541 913**	6 974 704
Total equity and liabilities		**8 623 686**	7 986 157

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2022

	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 2022							
Balance as at 30 June 2021	**27 642**	**2 686**	**28 674**	**204 070**	**12 326**	**736 055**	**1 011 453**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**209 216**	**209 216**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to general risk reserve	**-**	**-**	**1 295**	**21 984**	**-**	**(23 279)**	**-**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(138 896)**	**(138 896)**
Balance as at 30 June 2022	**27 642**	**2 686**	**29 969**	**226 054**	**12 326**	**783 096**	**1 081 773**
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

STATEMENT OF CASH FLOWS
for the year ended 30 June 2022

	Notes	2021 E '000	2020 E '000
Cash flows from operating activities	25.1	**275 746**	254 609
Cash received from customers		**876 547**	780 949
Interest and similar income	1	**463 808**	404 546
Fee and commission income		**403 887**	371 977
Recoveries	12.2	**8 852**	4 426
Cash paid to customers, suppliers and employees		**(600 801)**	(526 340)
Interest expense and similar charges		**(120 839)**	(101 996)
Total other operating expenditure		**(447 629)**	(397 570)
Indirect tax paid		**(32 333)**	(26 774)
Income tax paid	25.2	**(56 018)**	(55 737)
Net cash flow from operating activities before changes in operating asset and liabilities		**219 728**	198 872
Cash flow from changes in operating activities			
Net (increase)/decrease in advances		**(146 461)**	(299 614)
Net (increase)/decrease in amounts due from related parties		**(473 426)**	(59 914)
Net increase/(decrease) in accounts receivable		**214 315**	(195 360)
Net increase /(decrease) in term deposits		**57 924**	(8 115)
Net increase in current and call deposit accounts		**292 591**	1 453 630
Net increase in savings deposit accounts		**31 773**	4 520
Net (decrease)/increase in other deposits-offshore		**-**	(287)
Net (decrease)/increase in amounts due to related par-ties		**(1 808)**	5 311
Net (decrease)/increase in accounts payable		**(432 018)**	352 479
Net increase in provisions for other liabilities and charges		**499 975**	4 252
Net cash flow from changes in operating assets and liabilities		**42 865**	1 256 902
Net cash inflow from operating activities		**262 593**	1 455 774
Cash flows from investing activities			
Acquisition of capital expenditure		**(56 258)**	(20 374)
Net increase/(decrease) in derivative instruments		**5 511**	(5 927)
Acquisition of Investment securities		**(10 599 109)**	(2 170 061)
Investment securities matured		**10 402 597**	1 494 240
Proceeds from sale of fixed assets		**473**	-
Net cash outflow from financing activities		**(246 786)**	(702 122)
Cash flows from financing activities			
Dividends paid to shareholder		**(56 926)**	(100 000)
Lease liability payments		**(13 838)**	(13 759)
Net cash outflow from financing activities		**(70 764)**	(113 759)
Net increase in cash and short-term funds		**(54 957)**	639 893
Cash and cash equivalents at beginning of the year		**2 750 815**	2 110 922
Cash and cash equivalents at end of the year	11	**2 695 858**	2 750 815

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

1. Introduction and basis of preparation

1.1 Introduction

The Bank's 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 2022, 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.

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 2022

1.1 Introduction *(continued)*

New standards adopted in the current year

There were no new or amended IFRS standards which became effective for the year ended 30 June 2022 that impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

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) Persistent global and local economic uncertainty

The impact of the coronavirus (Covid-19) epidemic and Russia's invasion of Ukraine required management to apply significant judgements and estimates to quantify the impact on the annual financial statements.

The transition of Covid-19 from global pandemic to an epidemic in the past financial year due to the successful rollout of vaccines globally has resulted in stabilisation of the global economy with growth being noted early in the financial year, due to the gradual resumption of economic activity within various affected sectors. Russia's invasion of Ukraine however dampened these positive gains, as evidenced by inflation increasing globally, mostly attributable to high food and energy prices. As such, interest rates are expected to increase to bring inflation back to target levels across the globe after a prolonged period of support from central banks during the Covid-19 pandemic. Commodity prices are expected to remain at elevated levels with some associated volatility.

Increasing inflation poses material risk to the global economy's recovery. As such, management judgement has been applied to quantify the impact of inflation and Russia's invasion of Ukraine on the existing and developing stressors on the global and local economy.

For more details refer to accounting policy note 8.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

1.2 Basis of preparation (continued)

iii) 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 above-mentioned economic uncertainty 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 directors considered the sufficiency of the bank's financial resources throughout the epidemic. 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 2022

1.2 Basis of preparation (continued)

iv) 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 2022

1.2 Basis of preparation *(continued)*

v) 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
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 2022

1.2 Basis of preparation *(continued)*

v) Standards and interpretations issued but not yet effective (continued)

<table>
<tr><th>Standard</th><th>Impact assessment</th><th>Effective date</th></tr>
<tr><td>IFRS 17</td><td>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).</td><td>Annual periods commencing on or after 1 January 2023</td></tr>
<tr><td>IAS 1</td><td>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.</td><td>Annual periods commencing on or after 1 January 2023</td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

1.2 Basis of preparation *(continued)*

v) Standards and interpretations issued but not yet effective (continued)

Standard	Impact assessment	Effective date
IAS 1	**Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 Making Materiality Judgements to help preparers provide useful accounting policy disclosures. **The key amendments to IAS 1 include:** • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. 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
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

1.2 Basis of preparation *(continued)*

v) Standards and interpretations issued but not yet effective (continued)

Standard	Impact assessment	Effective date
Annual improvements 2018 - 2020	Improvements to IFRS IFRS 9 Financial Instruments. Fees in the '10 per cent' test for derecognition of financial liabilities • 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. There is no similar amendment proposed for IAS 39. • 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. Lease incentives • 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. The amendments are not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

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 2022

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 which represents the net carrying amount 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; • 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; • interest on capitalised leases where the bank is the lessee; and • the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.
Non-interest and financial instrument revenue recognised in profit or loss Non-interest revenue from contracts with customers
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 2022

3.1 Income and expenses *(continued)*

Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers. The fee and commission income that the bank earns from providing customers with services and selling 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.
Fee and commission expenses	Fee and commission expenses are those 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 2022

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; and
- any difference between the carrying amount of the liability and the consideration paid, when the bank repurchases debt instruments that it has issued.

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 2022

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 (including ECL movements) 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 cost.

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 2022

4.1 Classification and measurement (continued)

4.1.2 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 2022

4.1 Classification and measurement (continued)

4.1.2 Classification and subsequent measurement of financial assets (continued)

<table>
<tr><th>Classes of financial assets</th><th>Business model considerations</th><th>Cash flow characteristics</th></tr>
<tr><td colspan="3">Amortised cost</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>Retail advances</td><td>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.</td><td>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.</td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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 2022

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 2022

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.

Expected credit losses Loss allowance on financial assets			
Credit risk has not increased significantly since initial recognition (Stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (Stage 2)	Asset has become credit-impaired since initial recognition (Stage 3)	Purchased or originated credit impaired
12-month expected credit losses	Lifetime expected credit losses (LECL)	LECL	Movement in LECL since initial recognition

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

4.2 Impairment of financial assets *(continued)*

Advances	
Significant increase in credit risk since initial recognition (SICR)	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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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 2022

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.

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.

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 2022

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 2022

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 2022

5. OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><td colspan="2">Information regarding land and buildings is kept at the bank's registered office and is open for inspection.
.</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></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 2022

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 2022

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.	Where the bank is the lessor under a finance lease, the bank recognises assets sold under a finance lease as advances and impair the advances, as required, in line with the impairment of financial assets accounting policy in section 4.2. No practical expedients are applied, and fully compliant IFRS 9 models are used for impairment calculation on advances.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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 2022

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 2022

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.

<table>
<tr><th colspan="2">Defined contribution plans</th></tr>
<tr><td rowspan="2">Determination of purchased pension on retirement from defined contribution plan</td><td>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.</td></tr>
<tr><td>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.</td></tr>
<tr><th colspan="2">Defined benefit plans</th></tr>
<tr><td rowspan="2">Defined benefit obligation liability</td><td>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.</td></tr>
<tr><td>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.</td></tr>
<tr><td>Plan assets</td><td>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.</td></tr>
<tr><td>Profit or loss</td><td>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.</td></tr>
</table>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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 2022

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 2022

8.2 Impairment of financial assets *(continued)*

The following scenarios were applied at 30 June 2022

Baseline regime	• Global economic growth slows towards trend level and developed market (DM) inflation remains high but does not spiral out of control. • South Africa struggles to lift the potential growth rate meaningfully over the forecast horison. • Confidence normalises from depressed levels inducing a normalisation in credit and savings growth. • Social unrest remains elevated but does not significantly impair confidence or operating conditions. • The climate transition progresses slowly and negotiations on the detail of the climate change deal at the United Nations Climate Change conference (COP26 deal) takes a long time with lack of meaningful implementation progress. • Russia's invasion of Ukraine contributes to higher headline inflation which limits potential upside to real disposable income growth.
Upside regime	• Global growth remains elevated keeping commodity prices elevated through the forecast horison. • Social unrest abates and the inflationary impact of Russia's invasion of Ukraine moderates significantly. • Broader fiscal and economic reforms lift the potential growth rate meaningfully over the forecast horizon. • Private sector confidence and related investment lift, resulting in higher credit extension and a draw down in precautionary savings.
Downside regime	• The country fails to implement growth-enhancing economic reforms. • The epidemic resurges resulting in increased economic restrictions. • Real credit extension falls and savings lift. • Global inflation lifts above central banks' comfort levels resulting in significant policy tightening with negative knock-on consequences for global financial conditions and risk appetite. • Russia's invasion of Ukraine drives headline inflation significantly higher and real disposable income growth significantly lower.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

8.2 Impairment of financial assets *(continued)*

Significant macroeconomic factors

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

Eswatini - June 2022	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	2.20	2.20	2.20
CPI Inflation (%)	3.70	3.70	3.70
Policy interest rate (%)	3.75	4.25	4.25
Foreign exchange rate (USD/SZL)	15.30	15.30	15.30

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

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 2022

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 2022	**158 769**	
Scenarios		
Baseline	**158 550**	(0.1)
Upside	**152 598**	(3)
Downside	**162 327**	2

	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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

8.2 Impairment of financial assets *(continued)*

Judgement or estimate	Retail and retail SME	Corporate and commercial SME
Measurement of the 12-month and ECL	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.	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.
	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 approximation thereof.	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

8.2 Impairment of financial assets *(continued)*

Judgement or estimate	Retail and retail SME	Corporate and commercial SME
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)	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.	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. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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

Judgement or estimate	Retail and retail SME	Corporate and commercial SME
Sensitivity staging	The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the group would recognise if 5% of the gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2022. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.	

			30 June 2022*	
E'000	Carrying amount	Stage 1 Coverage ration	5% Increase in gross carrying amount of exposure	Increase in the loss allowance
Retail	888 551	4.51	44 427	2 004
Commercial	1 142 224	2.12%	57 111	1 211
WesBank	560 296	4.41%	28 015	1 235
Corporate	405 899	1.46%	20 295	296
Total	2 996 970	3.085	149 848	4 623

			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

Judgement or estimate	Retail and retail SME	Corporate and commercial SME
Determination of whether a financial asset is a credit-impaired financial asset	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.	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2022

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 2022

	2022 E'000	2021 E'000

1 INTEREST AND SIMILAR INCOME

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

	2022 E'000	2021 E'000
Advances	**240 360**	214 447
- Property finance	**49 740**	38 754
- Home loans	**37 106**	34 481
- Commercial property finance	**12 634**	4 273
- Personal loans	**51 890**	45 344
- Lease payments receivable	**47 165**	45 079
- Overdrafts and cash management accounts	**44 787**	39 264
- Term loans	**45 651**	44 273
- Off market loans	**1 127**	1 733
Cash and cash equivalents	**80 672**	70 323
Investment securities	**142 777**	119 776
Total interest income and similar charges	**463 809**	404 546

2 INTEREST EXPENSE AND SIMILAR CHARGES

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

	2022 E'000	2021 E'000
Current accounts	**7 417**	7 808
Call accounts	**94 389**	76 825
Savings accounts	**710**	819
Term deposit accounts	**16 296**	16 545
Intergroup repurchase agreements	**2 028**	-
Lease liability (IFRS 16) – (note 23)*	**1 332**	1 356
Total interest expense and similar charges	**122 172**	103 353

3 NON- INTEREST REVENUE

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

	2022 E'000	2021 E'000
Instruments at amortised cost	**396 205**	373 965
Non-financial instruments	**1 414**	1 421
Fee and Commission Expenses	**(4 247)**	(5 771)
Net fee and commission income (Note 3.1)	**393 372**	369 615
Insurance income		
Non-financial instruments (Note 3.2)	**4 412**	4 160
Fair value gains or (losses) (Note 3.3)		
Foreign Currency commissions	**24 623**	21 248
Other non-interest income		
Other non-interest income (Note 3.4)	**5 680**	(1 850)
Total non-interest revenue	**428 087**	393 173

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

	2022 E'000	2021 E'000
3.1 Net fee and commission income		
Banking fee and commission income		
- Card commissions	**27 345**	22 639
- Cash and cheque deposit fees	**20 309**	19 327
- Commissions - bills, drafts & cheques	**7 084**	4 400
- Commitment fees	**14 119**	12 772
- Acceptance guarantees and indemnities	**11**	55
Total banking fee and commission income	**68 868**	59 193
Service fees		
- Exchange commissions	**8 238**	7 331
- Bank charges	**319 098**	307 441
- Transaction and service fees	**175 235**	171 460
- Documentation and administration fees	**79 029**	73 869
- Cash handling fees	**64 834**	62 112
Service fees	**327 336**	314 772
Other non-banking fee and commission income		
- Other non-banking fee and commission income	**1 415**	1 421
Total fee and commission income	**397 619**	375 386
Fee and Commission Expenses		
- Cash sorting handling and transportation charges	**(3 304)**	(3 140)
- Card fees	**(943)**	(2 631)
Total fee and commission expenses	**(4 247)**	(5 771)
Net fee and commission income	**393 372**	369 615
3.2 Insurance income		
Commissions	**4 182**	2 714
Profit share income	**230**	1 446
Total insurance income	**4 412**	4 160
3.3 Fair value gains and losses		
Foreign exchange dealing gains	**24 623**	21 248
Other non-interest income	**24 623**	21 248
3.4 Other non-interest income		
Income/(Loss) from the disposal of property and equipment	**428**	(52)
Other fees and income	**5 252**	(1 798)
Other non-interest income	**5 680**	(1 850)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

4 OPERATING AND ADMINISTRATIVE EXPENSES

Operating expenses comprise the following:-

	2022 E'000	2021 E'000
4.1 Auditors' remuneration		
Audit fees – statutory audit current year provision	**2 430**	2 223
Audit fees – BA statutory returns	**90**	87
Total Auditors' remuneration	**2 520**	2 310
4.2 Directors' fees		
– For Services rendered as a director	**1 800**	1 800
Total Directors costs (note 28.1)	**1 800**	1 800
4.3 Employee benefit expenses		
Salaries, wages and allowances	**177 380**	167 310
Contributions to employee defined benefit plan	**13 862**	13 069
Share-based payments – unwinding (note 29)	**4 972**	4 430
Off-market loans (note 1)	**1 127**	1 733
Other employee benefit expenses	**(713)**	1 761
Total employee benefit expenses	**196 628**	188 303

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

	2022 E'000	2021 E'000
4.4 Other operating costs		
Technical and operational support costs (note 28.1)	**159 353**	130 459
Insurance	**5 143**	4 297
Subscriptions	**598**	904
Advertising and marketing	**8 772**	5 513
Business travel	**1 903**	1 428
Low valued assets	**1 180**	281
Depreciation of property and equipment (note 16)	**32 175**	30 186
Operating lease charges*	**2 909**	2 101
Repairs and maintenance	**10 676**	7 588
Computer expenses	**9 194**	4 110
Property expenses (including utilities)	**10 416**	10 841
Communication costs	**12 314**	11 063
Training expenses	**1 530**	906
Bank charges	**4 253**	3 644
Donations	**1 065**	1 791
Entertainment	**855**	1 806
Stationery and printing	**2 989**	3 920
Storage and delivery	**2 410**	2 241
Legal	**325**	367
Operational losses	**6 283**	8 687
Professional fees	**884**	1 372
Fuel costs	**944**	547
Credit Investigations	**990**	733
Other operating expenses	**1 694**	351
	278 855	235 136
Total operating and administration expenses	**479 803**	427 549

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

	2022 E'000	2021 E'000

5 INDIRECT TAX

Indirect taxation comprises of:

	2022 E'000	2021 E'000
Stamp duties and value added tax reverse charge	**32 333**	26 980
Total indirect taxation	**32 333**	26 980

6 TAXATION

6.1. Income tax expense

Income taxation comprises of:

	2022 E'000	2021 E'000
Total current tax expense (note 10)	**72 607**	54 977
– Current tax on profits for the year	**72 607**	54 977
Total deferred tax expense (note 9)	**5 499**	(16 396)
– Decrease in deferred tax assets	**5 499**	(16 396)
Total income tax expense	**78 106**	38 581

Taxation rate reconciliation – Eswatini normal taxation	**%**	%
Standard taxation rate	**27.5**	27.50
Total taxation has been affected by:		
Profit/(loss) on disposal of assets	**0.16**	0.03
Expense not deductible for tax purposes	**1.41**	2.12
– Assets less than E7 000	**0.4**	0.10
– Marketing and advertising	**1.00**	2.00
– Depreciation of freehold land and buildings	**0.01**	0.02
Effective taxation rate	**29.07**	29.15

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

7. EARNINGS AND DIVIDENDS PER SHARE

Income taxation comprises of:

	2022 E'000	2021 E'000
7.1 Earnings attributable to ordinary equity holders		
- Basic	**209 216**	121 923
- Diluted	**-**	-
Earnings attributable to ordinary equity holders	**209 216**	121 923
7.2 Dividends Declared and paid		
Ordinary Shares		
- Interim	**54 780**	72 830
- Final declared/paid	**78 880**	96 230
Preference Shares		
- Interim	**2 146**	2 853
- Final declared/paid	**3 090**	3 770
Total Dividends Declared and paid	**138 896**	175 683
7.3 Dividends per share (cents)		
- Interim	**41.19**	54.76
- Final declared/paid	**59.31**	72.36
Dividends per share	**100.50**	127.12

7.3 Weighted average number of shares	2022	2021
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.

	2022		
E'000	Amortised cost	At fair value through profit or loss	
		Mandatory	Designated
ASSETS			
Cash and cash equivalents	**2 695 858**	-	-
Derivative financial instruments	-	**18 503**	-
Investment securities	**2 001 993**	-	-
Advances	**2 838 201**	-	-
Accounts receivable	**69 070**	-	-
Amounts due from related parties	**786 494**	-	-
Total assets	**8 391 616**	**18 503**	-

	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*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

8 Analysis of assets and liabilities *(continued)*

	2022				
E'000	Financial Assets	Non-financial instruments	Total carrying value	Current	Non-current
Cash and cash equivalents	**2 695 858**	**-**	**2 695 858**	**2 695 858**	**-**
Derivative financial instruments	**-**	**18 503**	**18 503**	**18 503**	**-**
Investment securities	**2 001 993**	**-**	**2 001 993**	**102 089**	**1 899 904**
Advances	**2 838 201**	**-**	**2 838 201**	**2 161 615**	**676 586**
Accounts receivable	**69 070**	**-**	**69 070**	**69 070**	**-**
Amounts due from related parties	**786 494**	**-**	**786 494**	**781 477**	**5 017**
Non-financial assets	**-**	**213 567**	**213 567**	**-**	**213 567**
Total	**8 391 616**	**232 070**	**8 623 686**	**5 828 612**	**2 795 074**

	2021				
E'000	Financial Assets	Non- financial instruments	Total carrying value	Current	Non-Current
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

8 Analysis of assets and liabilities *(continued)*

E'000	2022			
	Amortised cost	At fair value through profit or loss	Non-Financial Liabilities	Total
		Mandatory		
LIABILITIES				
Deposits	**6 586 885**	**-**	**-**	**6 586 885**
Derivative financial instruments	**-**	**21 685**	**-**	**21 685**
Defined benefit post-employment liability	**-**	**-**	**8 913**	**8 913**
Lease Liabilities	**-**	**-**	**20 438**	**20 438**
Accounts payable	**264 886**	**-**	**-**	**264 886**
Provision for other liabilities and charges	**-**	**-**	**39 026**	**39 026**
Current tax liability	**-**	**-**	**4 928**	**4 928**
Amounts due to related parties	**595 152**	**-**	**-**	**595 152**
Total liabilities	**5 020 332**	**36 216**	**69 975**	**5 126 513**

E'000	2021			
	Amortised cost	At fair value through profit or loss	Non-Financial Liabilities	Current
		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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

8 Analysis of assets and liabilities *(continued)*

E'000	2022 Fair value through profit or loss – mandatory	Non-financial instruments	Amortised Cost	Total carrying value	Current	Non-Current
Deposits	**-**	**-**	**6 586 885**	**6 586 885**	**6 586 885**	**-**
Derivative financial Instruments	**21 685**	**-**	**-**	**21 685**	**21 685**	**-**
Defined benefit post-employment liability	**-**	**8 913**	**-**	**8 913**	**-**	**8 913**
Lease liability	**-**	**20 438**	**-**	**20 438**	**13 925**	**6 513**
Accounts payables	**-**	**-**	**264 886**	**264 886**	**219 094**	**45 792**
Current tax liability	**-**	**4 928**	**-**	**4 928**	**4 928**	**-**
Provision for other liabilities	**-**	**39 026**	**-**	**39 026**	**39 026**	**-**
Amounts due to related parties	**-**	**-**	**595 152**	**595 152**	**595 152**	**-**
Total liabilities	**21 685**	**73 305**	**7 446 923**	**7 541 913**	**7 480 695**	**61 218**

E'000	2021 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

	2022 E'000	2021 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	**54 121**	39 100
Release to profit or loss (Note 6.1)	**(5 499)**	16 396
Charged to other comprehensive income	**-**	(1 375)
Balance at the end of the year	**48 622**	54 121
Deferred Taxation-Net	**48 622**	54 121

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:

	2022		
E'000	Opening Balance	Taxation charge/ (release)	Closing Balance
Impairment of advances	**38 620**	**(5 874)**	**32 746**
Fair value losses – Investment in securities	**6 002**	**537**	**6 539**
Provision for other liabilities and charges	**2 986**	**1 507**	**4 493**
Operational losses	**2 393**	**(2 393)**	**-**
Deferred revenue	**2 671**	**614**	**3 285**
Post-retirement benefit liability	**2 451**	**-**	**2 451**
Prepayments	**(1 002)**	**110**	**(892)**
Net- deferred tax assets	**54 121**	**(5 499)**	**48 622**

	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

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 2022

10 CURRENT INCOME TAX ASSETS

Current income tax liabilities reconciliation	2022 E'000	2021 E'000
Balance at the beginning of the year	**(11 661)**	(10 901)
Income tax expense for the year (note 6.1)	**72 607**	54 977
Income tax paid during the year (note 25.2)	**(56 018)**	(55 737)
Balance at the end of the year	**4 928**	(11 661)

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of: -	2022 E'000	2021 E'000
Coins and bank notes	**191 188**	168 837
Balances with the Central Bank	**1 994 852**	2 149 870
Balances with other banks	**509 818**	432 108
Total cash and cash equivalents*	**2 695 858**	2 750 815
Mandatory reserve balances included in above	**394 091**	341 080

**ECL for physical cash is zero. ECL for cash equivalents is calculated using 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 set 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 2022

	2022 E'000	2021 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	**2 996 970**	2 855 507
Category analysis		
Overdrafts and managed accounts	**750 696**	754 214
Term loans	**601 895**	546 499
Lease payments receivable	**549 603**	518 467
Home loans	**549 148**	537 090
Property Finance	**213 521**	166 019
Personal loans	**321 450**	288 654
Floor Plans	**10 657**	44 564
Gross loans and advances	**2 996 970**	2 855 507
Impairment of loans and advances (note 12.2)	**(158 769)**	(187 249)
Net Advances	**2 838 201**	2 668 258

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 2022				
Lease payments receivable	**243 098**	**176 003**	**219 796**	**638 897**
Less: Unearned finance charges	**(26 811)**	**(24 427)**	**(38 056)**	**(89 294)**
Net lease payments receivable	**216 287**	**151 576**	**181 740**	**549 603**
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

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 E40.7 million (2021: E49.7 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

12.1 Advances *(continued)*

Analysis of advances per class

R million	2022		
	Total	Amortised cost	Loss allowance
Residential mortgages	**524 238**	**552 210**	**(27 972)**
WesBank VAF	**181 738**	**208 713**	**(26 975)**
Total retail secured	**705 976**	**760 923**	**(54 947)**
Personal loans	**285 126**	**322 402**	**(37 276)**
Retail other	**8 131**	**13 940**	**(5 809)**
Total retail unsecured	**293 257**	**336 342**	**(43 085)**
FNB commercial	**1 101 101**	**1 142 224**	**(41 123)**
WesBank commercial	**337 895**	**351 582**	**(13 687)**
RMB corporate banking	**399 972**	**405 899**	**(5 927)**
Total corporate and commercial	**1 838 968**	**1 899 705**	**(60 737)**
Total advances	**2 838 201**	**2 996 970**	**(158 769)**

R million	2021		
	Total	Amortised cost	Loss allowance
Residential mortgages	520 423	537 090	(16 667)
WesBank VAF	181 062	213 887	(32 825)
Total retail secured	701 485	750 977	(49 492)
Personal loans	193 256	288 654	(95 398)
Retail other	7 910	9 702	(1 792)
Total retail unsecured	201 166	298 356	(97 190)
FNB commercial	1 119 052	1 139 242	(20 190)
WesBank commercial	332 235	349 145	(16 910)
RMB corporate banking	314 320	317 787	(3 467)
Total corporate and commercial	1 765 607	1 806 174	(40 567)
Total advances	2 668 258	2 855 507	(187 249)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

12.1 Advances *(continued)*

	2022 E'000	2021 E'000
The Advances sector analysis is as follows: -		
Agriculture	**696 568**	701 342
Financial Institutions	**13 002**	16 645
Building and property management	**55 370**	67 717
Public Sector	**51 667**	56 835
Individual	**1 088 264**	1 028 065
Manufacturing	**875 453**	746 224
Transport and communication	**167 182**	170 904
Other services	**49 019**	67 110
Mining	**445**	665
Total Advance	**2 996 970**	2 855 507

Analysis of advances per category

	2022		
E '000	Total	Amortised cost	Loss allowance
Overdrafts and managed accounts	**716 850**	**750 696**	**(33 846)**
Term loans	**582 883**	**601 895**	**(19 012)**
Lease payments receivable	**508 941**	**549 603**	**(40 662)**
Home loans	**521 175**	**549 148**	**(27 973)**
Property Finance	**213 521**	**213 521**	**-**
Personal loans	**284 174**	**321 450**	**(37 276)**
Floor Plans	**10 657**	**10 657**	**-**
Total advances	**2 838 201**	**2 996 970**	**(158 769)**

	2021		
E '000	Total	Amortised cost	Impairment
Overdrafts and managed accounts	737 196	754 214	(17 018)
Term loans	461 345	546 499	(85 154)
Lease payments receivable	468 732	518 467	(49 735)
Home loans	520 423	537 090	(16 667)
Property Finance	166 019	166 019	-
Personal loans	269 979	288 654	(18 675)
Floor Plans	44 564	44 564	-
Total advances	2 668 258	2 855 507	(187 249)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

12.1 Advances *(continued)*

Reconciliation of the Gross Advances

	2022			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2021	**2 855 506**	**2 566 184**	**193 709**	**95 613**
Transfers from stage 1 to stage 2	**-**	**(55 196)**	**55 196**	**-**
Transfers from stage 1 to stage 3	**-**	**(1 273)**	**-**	**1 273**
Transfers from stage 2 to stage 3	**-**	**-**	**(4 469)**	**4 469**
Transfers from stage 2 to stage 1	**-**	**49 457**	**(49 457)**	**-**
Transfers from stage 3 to stage 2	**-**	**-**	**8 208**	**(8 208)**
Transfers from stage 3 to stage 1	**-**	**5 589**	**-**	**(5 589)**
Bad debts written off	**(11 687)**	**-**	**-**	**(11 687)**
Increase/(decrease) in impairment	**153 151**	**184 729**	**(61 278)**	**29 700**
- New business	**900 671**	**850 194**	**53 263**	**(2 786)**
- Stage 1	**(665 465)**	**(665 465)**	**-**	**-**
	(8 976)	**-**	**(8 976)**	**-**
- Stage 2 > 1 Instalment/watchlist	**(32 565)**	**-**	**(32 565)**	**-**
- Stage 2 > 1 Instalment	**(73 012)**	**-**	**(73 015)**	**3**
-Debt review	**15**	**-**	**15**	**-**
- Stage 3 – Tech cures	**-**	**-**	**-**	**-**
- Stage 3 – Operational NPL	**32 483**	**-**	**-**	**32 483**
Amount as at 30 June 2022	**2 996 970**	**2 749 490**	**141 909**	**105 571**

	2021			
E '000	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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

12.1 Advances *(continued)*

Reconciliation of the Gross Advances

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is E11.687million (2021: E38.71million)

12.2 Impairment of advances

Impairment recognised during the year	**2022 E'000**	2021 E'000
Increase in loss allowance	**(23 487)**	64 376
Recoveries of bad debts	**(8 851)**	(4 427)
Impairment of advances recognised during the period	**(32 338)**	59 949

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

12.2 Impairment advances *(continued)*

Reconciliation of the loss allowance on gross advances

	2022			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2021	187 249	114 976	19 569	52 704
Transfers from stage 1 to stage 2	–	(785)	785	–
Transfers from stage 1 to stage 3	–	(21)	–	21
Transfers from stage 2 to stage 3	–	–	(305)	305
Transfers from stage 2 to stage 1	–	3 894	(3 894)	–
Transfers from stage 3 to stage 2	–	–	1 886	(1 886)
Transfers from stage 3 to stage 1	–	5 518	–	(5 518)
Bad debts written off	(11 687)	–	–	(11 687)
Increase/(decrease) in impairment	(23 487)	(38 756)	(4 835)	20 104
- New business	14 286	9 179	4 323	785
- Stage 1	(12 996)	(12 996)	–	–
- Stage 2 – change in measurement period	353	–	353	–
- Stage 2 > 1 Instalment/watchlist	(3 775)	–	(3 775)	–
- Stage 2 > 2 Instalment/watchlist	(7 226)	–	(7 226)	–
- Stage 3 – Tech Cures	111	–	–	111
- Stage 3 – Operational NPL	19 208	–	–	19 208
- Overlays	(33 449)	(34 939)	1 490	–
- Interest on stage 3 advances*	6 694	–	–	6 694
Amount as at 30 June 2022	158 769	84 826	13 206	60 737
Residential mortgages	27 972	10 595	2 464	14 913
Vehicle and asset finance	40 662	25 860	6 087	8 715
Total retail secured	68 634	36 455	8 551	23 628
Personal loans	37 276	16 352	2 166	18 758
Other retail	5 809	2 619	670	2 520
Total retail unsecured	43 085	18 971	2 836	21 278
FNB commercial	41 123	23 473	1 819	15 831
RMB corporate banking	5 927	5 927	–	–
Total corporate and commercial	47 050	29 400	1 819	15 831
Total Advances loss allowances	158 769	84 826	13 206	60 737

** 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 2022

12.2 Impairment advances *(continued)*

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

	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 2022

12.3 Stage 3 Advances

At 30 June 2022	Total Advances	Security Held E'000	Stage 3 Impairments E'000	Interest on Stage 3 Advances E'000
Non-performing lending by sector				
Agriculture	4 420	591	3 829	1 342
Building and property development	9 892	7 106	2 786	1 116
Other financial services	33	5	28	17
Government and public authority	607	327	280	155
Individuals	67 020	31 713	35 307	12 797
Manufacturing and commerce	18 101	4 082	14 019	8 765
Other Service	824	(20)	844	194
Transport and communication	4 674	1 030	3 644	1 424
Total non-performing Advances	105 571	44 834	60 737	25 810
Non-performing lending by category				
Overdrafts and managed account debtors	16 085	3 053	13 033	8 316
Lease payments receivable	27 604	11 828	15 776	4 707
Home loans	35 833	28 251	7 582	9 046
Personal loans	20 581	1 702	18 878	976
Term loans	5 468	-	5 468	2 765
Total non-performing lending	105 571	44 834	60 737	25 810
Geographic analysis				
Eswatini	105 571	44 834	60 737	25 810

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

12.3 Stage 3 Advances *(continued)*

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

	2022 E'000	2021 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:-

	2022 E'000	2021 E'000
Treasury bills	**1 057 437**	904 858
Government Private Placement	**500 000**	500 000
Government and Government guaranteed stock	**476 260**	432 327
Total gross carrying amount of investment securities	**2 033 697**	1 837 185
Loss allowance on investment securities	**(31 704)**	(29 100)
Total investment securities	**2 001 993**	1 808 085

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

	2022 E'000	2021 E'000
Listed		
Debt – Government and Government guaranteed stock	**476 260**	432 327
Government Private Placement	**500 000**	500 000
Unlisted		
Debt – Treasury bills	**1 057 437**	904 858
Total investment securities	**2 033 697**	1 837 185

Reconciliation of the gross carrying amounts of Investment securities

E'000	Total	Stage 1
Amount as at 30 June 2021	1 808 085	1 808 085
Transfers to stage 1	2 604	2 604
New business and other changes in exposures	191 304	191 304
Amount as at 30 June 2022	**2 001 993**	**2 001 993**

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 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

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 2022

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Assets Notional value	Assets Fair value	Liabilities Notional value	Liabilities Fair value
Held for trading – 2022				
Currency derivatives - Forward rate agreements	**525 124**	**18 503**	**620 775**	**21 685**
Held for trading – 2021				
Currency derivatives - Forward rate agreements	280 391	4 472	237 415	2 142

15 ACCOUNTS RECEIVABLE

	2022 E'000	2021 E'000
Account receivables comprises of:		
Items in transit	**46 288**	212 890
Other receivables	**19 536**	66 851
Sundry debtors	**3 246**	3 645
Total gross carrying amount of accounts receivable	**69 070**	283 386
Analysis of accounts receivable: -		
Financial	**53 555**	266 434
Non-financial	**15 515**	16 952
Total accounts receivable	**69 070**	283 386

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	11 605	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	42 015	5 693	50 259	19 010	49 397	68 793	4 784	252 069
Accumulated depreciation	(548)	(19 792)	(4 241)	(31 070)	(10 218)	(35 350)	(58 559)	-	(159 778)

	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 2021	11 570	22 223	1 452	19 189	8 792	14 047	10 234	4 784	92 291
Cost	12 118	42 015	5 693	50 259	19 010	49 397	68 793	4 784	252 069
Accumulated depreciation	(548)	(19 792)	(4 241)	(31 070)	(10 218)	(35 350)	(58 559)	-	(159 778)
Movement for the year	**(35)**	**(4 760)**	**3 418**	**6 971**	**2 526**	**3 705**	**(2 610)**	**63 439**	**72 654**
Acquisitions	**-**	**10 139**	**-**	**-**	**-**	**-**	**-**	**96 227**	**106 366**
Disposals	**-**	**-**	**-**	**(327)**	**(130)**	**(16)**	**-**	**-**	**(473)**
Early terminations	**-**	**(1 064)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1 064)**
Depreciation charge for the year	**(35)**	**(13 835)**	**(1 641)**	**(4 212)**	**(1 793)**	**(5 645)**	**(5 014)**	**-**	**(32 175)**
Transfer to/(from) WIP	**-**	**-**	**5 059**	**11 510**	**4 449**	**9 366**	**2 404**	**(32 788)**	**-**
Net book value at 30 June 2022	**11 535**	**17 463**	**4 870**	**26 160**	**11 318**	**17 752**	**7 624**	**68 223**	**164 945**
Cost	**12 118**	**51 088**	**10 752**	**61 769**	**23 459**	**58 763**	**71 197**	**68 223**	**357 369**
Accumulated depreciation	**(583)**	**(33 627)**	**(5 882)**	**(35 609)**	**(12 141)**	**(41 010)**	**(63 572)**	**-**	**(192 424)**

- 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 2022 included in property and equipment are fully depreciated items of property, plant and equipment with an initial cost of E109 866 857 (2021:99 667 277).
- Right of Use Assets (ROUA) comprise of operating leases on properties accounted for in accordance with IFRS 16. Refer to note 23 for details.

17. ORDINARY SHARES AND PREFERENCE SHARES

E '000	2022		2021	
	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

17.4 Capital adequacy

	2022 E'000	2021 E'000
Core capital		
Share capital (note 17.2)	**27 642**	27 642
Share premium (note 17.3)	**2 686**	2 686
Statutory reserve	**226 054**	204 070
Retained earnings	**778 524**	736 055
Total Core capital	**1 034 906**	970 453

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

	2022 E'000	2021 E'000
17.4 Capital adequacy *(continued)*		
Supplementary capital		
General Risk Reserve	**29 970**	28 674
Actuarial gains on defined benefit fund	**12 556**	12 556
Total qualifying capital	**42 526**	41 230
Risk adjusted assets -statement of financial position Items	**2 705 074**	2 734 476
- off-statement of financial position items	**260 868**	506 032
- operational risk	**1 302 845**	1 275 160
- Market risk	**351 301**	307 838
	4 620 088	4 823 506
Capital Adequacy Ratios		
- Core capital (%)	**24.07**	19.61
- Supplementary capital (%)	**0.71**	0.76
Total (%)	**24.78**	20.37

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 the Capital Management Framework that considers the current and forecast capital position, as well as the macroeconomic outlook.

Financial Resource Management

The management of the bank's financial resources, which it defines as capital, funding, 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 the Management Level 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 other 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

18 OTHER RESERVES

	2022 E'000	2021 E'000
Non-distributable reserves		
- Defined benefit plan reserves	**12 326**	12 326
- General risk reserve (impaired capital reserve)	**29 969**	28 674
- Central Bank of Eswatini - Statutory Reserve	**226 054**	204 070
Total non-distributable reserves	**268 349**	245 070

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 E 21 984 million (2021: E12.990 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 9 impairment provision may differ than the regulatory provision. In case of a shortfall, an additional general credit risk reserve has been created and maintained to eliminate the possible shortfall in impairment provision/losses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

19 DEPOSITS

	2022 E'000	2021 E'000
Deposits comprised of: -		
Call accounts	**3 259 924**	3 102 740
Current accounts	**2 786 777**	2 651 371
Savings account	**111 028**	79 255
Term deposits accounts	**429 156**	371 232
Total deposits	**6 586 885**	6 204 598
Geographic analysis		
Eswatini	**6 586 885**	6 204 598
Sector analysis		
Public Sector	**622 974**	267 099
Banks	**9 859**	18 337
Non-financial corporate customers	**3 391 133**	3 812 970
Financial sector customers	**672 982**	525 064
Small medium enterprises	**493 989**	311 317
Retail customers	**1 395 948**	1 269 811
Total deposits	**6 586 885**	6 204 598

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

		2022	2021
		E'000	E'000

20 EMPLOYEE LIABILITIES AND RELATED COSTS

Defined benefit post-employment liability	20.1	**200 418**	204 413
Other long-term employee benefit liability		**5 583**	5 703
Other short-term employee benefit liability			
- Provisions for leave pay		**10 022**	8 292
- Provisions for bonuses		**20 894**	21 222
Total employee liabilities		**236 917**	239 630
Defined benefit post-employment asset	20.1	**(191 505)**	(195 500)
Net amount due to employees		**45 412**	44 130

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 2022

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

	2022	2021
	E'000	E'000

Details of the defined benefit plan assets and fund liability are as follows:
Pension and post-retirement benefits

Pension liability		
Present value of funded liability	**200 418**	204 413
Fair value of plan assets	**(191 505)**	(195 500)
- Equity instruments	**(8 139)**	(8 602)
- Cash and cash equivalents	**(28 553)**	(60 312)
- International	**(81 734)**	(60 370)
- Debt instruments	**(26 906)**	(24 926)
- Other	**(46 173)**	(41 290)
Total pension liability	**8 913**	13 913

The plan assets of the fund were invested as follows:		
Equity instruments	**4.24%**	4.40%
Cash and cash equivalents	**14.91%**	30.85%
International	**42.68%**	12.75%
Debt instruments	**15.05%**	30.88%
Other	**23.12%**	21.12%
	100.00%	100.00%

Statement of Comprehensive income

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

Current service costs	**12 236**	10 705
Net interest costs	**204**	757
Total included in staff costs	**12 440**	11 462

Movement in post-retirement benefit liability		
Present value at the beginning of the year	**8 913**	13 913
Current service cost	**12 236**	10 705
Interest cost	**205**	757
Benefits paid	**(17 819)**	(3 389)
Remeasurements: recognised in OCI	**5 378**	(13 073)
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 2022

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

	2022 E'000	2021 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	**12 326**	8 701
Movement in Defined benefit post-employment reserve	**-**	3 625
- Defined benefit post-employment reserve- actuarial gain	**-**	5 000
- Deferred income tax on defined benefit post-employment reserve – actuarial gain	**-**	(1 375)
-		
Defined benefit post-employment reserve at the end of the year	**12 326**	12 326

20.2 Defined benefit post-employment liability (continued)

Movement in fair value of plan assets:

Opening balance	**195 500**	165 181
Interest income	**25 547**	24 532
Employer contributions	**15 454**	14 643
Employee contributions	**7 645**	7 244
Remeasurements: recognised in OCI	**(34 822)**	(12 711)
Benefits paid and settlements	**(17 819)**	(3 389)
Closing balance	**191 505**	195 500

The plan assets of the fund were invested as follows:

Equity instruments	**8 139**	8 602
Cash and cash equivalents	**28 553**	60 312
International	**81 734**	60 370
Debt instruments	**26 906**	24 926
Other	**46 173**	41 290
Total plan asset	**191 505**	195 500

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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

	2022 E'000	2021 E'000

The principal actuarial assumptions used for accounting purposes were:

Financial assumptions:		
Pension increase allowance (%)	**7.24**	7.6
Discount rate before retirement (%)	**12.6**	13.0
Expected return on plan assets (%)	**12.6**	13.0
Inflation	**7.8**	7.9
Salary increase (%)	**8.8**	8.9

Demographic assumptions:		
Net interest rate used to value pensions, allowing for pension increases (%)		
Number of employees covered	**382**	377
Average future working life	**40.1**	39.80

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**	SA56-62
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 2022

	2022 E'000	2021 E'000

21 ACCOUNTS PAYABLE

Accounts payables		
Accounts payable	**264 705**	602 477
Other creditors	**181**	126
Total Accounts payables	**264 886**	602 603

All amounts are expected to be settled within twelve months.

Analysis of accounts payables: -		
Financial	**262 456**	511 315
Non-financial	**2 430**	91 288
Total accounts payables	**264 886**	602 603

22 PROVISION FOR OTHER LIABILITIES AND CHARGES

Total provisions for other liabilities and charges	**39 026**	37 174

Staff related (Bonus, leave and 13th cheque)		
Opening Balance	**29 514**	28 515
Additional provision raised during the year	**24 049**	28 140
Utilised during the year	**(22 647)**	(27 141)
Closing balance	**30 916**	29 514

Audit fees		
Opening Balance	**1 957**	2 771
Additional provision raised during the year (note 4.1)	**2 520**	2 099
Utilised during the year	**(1 830)**	(2 913)
Closing Balance	**2 647**	1 957

Other provision		
Opening balance	**5 703**	3 490
Utilised during the year	**(240)**	2 213
Closing balance	**5 463**	5 703
Total provisions for other liabilities and charges	**39 026**	37 174

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 for 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 Reward framework.

	2022	2021
	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.

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

23.1. Right of use Asset

	2022	2021
Leased building (Note 16)	**17 462**	22 223

23.2. Lease Liabilities

	2022	2021
Lease Liabilities	**20 438**	24 097
The reconciliation of lease liabilities is as follows:		
Balance at the beginning of the year	**24 097**	21 186
Acquisition	**9 015**	17 349
Early terminations	**(126)**	(2 035)
Payments made during the year	**(13 880)**	(13 759)
Interest expense (included in finance cost) – (note 2)	**1 332**	1 356
Balance at the end of the year	**20 438**	24 097
The maturity analysis of lease payments is as follows:		
Current	**13 926**	13 945
Non-Current	**6 512**	10 152
Total Lease Liabilities	**20 438**	24 097

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

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

	2022	2021
Depreciation charge of right-of-use assets	**13 836**	13 025
Interest expense (included in finance cost)	**1 332**	1 356
Expense relating to short-term leases	**3 243**	2 542
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**(195)**	(203)
Total expenses for leases	**18 216**	16 720

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

	2022 E'000	2021 E'000
24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS		
Contingencies		
Guarantees (endorsements and performance guarantees)	**95 353**	140 255
Irrevocable unutilised facilities	**642 872**	462 903
Letters of credit	**30 000**	-
Total Contingencies	**768 225**	603 158

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

Commitments in respect of capital expenditure and long-term investments approved by directors not contracted for	**195 893**	33 848

F 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	
	2022 E'000	2021 E'000	**2022 E'000**	2021 E'000
Restricted assets and liabilities	**353 078**	285 342	**6 686 885**	6 204 598

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.

	2022 E'000	2021 E'000

25 CASH FLOW INFORMATION

25.1 Reconciliation of operating profit to cash flow from operating activities

	2022 E'000	2021 E'000
Profit before tax	**287 320**	160 504
Adjusted for non-financial:		
- Depreciation for property and equipment (note 16)	**32 175**	30 186
- Impairment of advances (note 12.2)	**(23 486)**	64 375
- ECL adjustments of investment in securities (note 3)	**2 604**	19 384
- Fair value from banking activities	**(24 623)**	(21 248)
- Leases – interest expense (note 23)	**1 332**	1 357
- Other gains	**424**	51
Cash generated from operating activities	**275 746**	254 609

25.2 Taxation paid

	2022 E'000	2021 E'000
Amounts (prepaid)/unpaid at beginning of the year	**(11 661)**	(10 901)
Taxation charge per statement of comprehensive income (note 6.1)	**72 607**	54 977
Amounts (owing)/prepaid at end of the year (note 10)	**(4 928)**	11 661
Total taxation paid during the year (note 10)	**56 018**	55 737

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>

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 2022

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	**2022**	2021
ON-BALANCE SHEET EXPOSURES	**7 745 028**	7 447 979
Cash and cash equivalents	**2 695 858**	2 750 815
- Cash and short-term funds	**191 188**	168 836
- Money at call and short notice	**509 818**	432 109
- Balances with Central Bank	**1 994 852**	2 149 870
Gross advances	**2 996 970**	2 855 507
FNB		
- Retail	**888 552**	835 445
- Commercial	**1 142 224**	1 139 242
WesBank	**560 295**	563 031
RMB		
- Corporate banking	**405 899**	317 787
Investment Securities	**2 033 697**	1 837 185
Derivatives	**18 503**	4 472
OFF-BALANCE SHEET EXPOSURES	**768 225**	603 867
Total contingencies	**125 353**	140 964
- Guarantees	**95 353**	140 964
- Letters of Credit	**30 000**	-
Irrevocable commitments	**642 872**	462 903
Total	**8 513 253**	8 051 846

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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

2022				
E '000	Total	Stage 1	Stage 2	Stage 3
FR 1 – 14	**424 879**	**416 883**	**7 996**	**-**
FR 51 – 25	**280 118**	**276 235**	**3 883**	**-**
FR 26 – 32	**105 410**	**103 793**	**1 617**	**-**
FR 33 – 39	**758 769**	**747 206**	**11 563**	**-**
FR 40 – 53	**734 775**	**717 556**	**17 219**	**-**
FR 54 – 83	**471 876**	**444 091**	**27 785**	**-**
FR 84 – 90	**51 688**	**34 962**	**16 726**	**-**
FR 91 – 99	**60 994**	**8 764**	**52 207**	**23**
FR 100	**108 461**	**-**	**2 913**	**105 548**
Total	**2 996 970**	**2 749 490**	**141 909**	**105 571**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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.

	2022		
	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
FNB	**77 967**	**33 006**	**44 961**
- Retail	**59 147**	**30 017**	**29 130**
- Commercial	**18 820**	**2 989**	**15 831**
WesBank	**27 604**	**11 828**	**15 776**
Total stage 3	**105 571**	**44 834**	**60 737**

	2021		
Stage 3 by class	Total	Security held and expected recoveries	Stage 3 impairment
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets

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

	2022		
E'000	Total	Security held and expected recoveries	Stage 3 impairment
Overdrafts and cash management accounts	**16 085**	**3 052**	**13 033**
Term loans	**27 604**	**11 828**	**15 776**
Lease payments receivable	**35 833**	**28 251**	**7 582**
Personal loans	**20 580**	**1 702**	**18 878**
Home loans	**5 469**	**1**	**5 468**
Total stage 3	**105 571**	**44 834**	**60 737**

	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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

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

	2022		
E'000	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**-**	**-**	**2 033 697**
Total investment securities	**-**	**-**	**2 033 697**
Accounts receivable			
Stage 1	**-**	**69 070**	**-**
Total accounts receivable	**-**	**69 070**	**-**
Cash and cash equivalents			
Stage 1	**-**	**191 188**	**-**
Total cash and cash equivalents	**-**	**191 188**	**-**
Derivative assets	**-**	**-**	**18 503**

	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	-	283 386	-
Total accounts receivable	-	283 386	-
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

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.

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	**2 173 840**	**12 198**	**3 710**	**16 434**	**489 676**	**2 695 858**
Total advances	**2 996 970**	**–**	**–**	**–**	**–**	**2 996 970**
Stage 3 advances	**105 571**	**–**	**–**	**–**	**–**	**105 571**
Derivatives	**18 503**	**–**	**–**	**–**	**–**	**18 503**
Debt investment securities	**2 001 993**	**–**	**–**	**–**	**–**	**2 001 993**
Accounts receivable	**69 070**	**–**	**–**	**–**	**–**	**69 070**
Off-balance sheet exposures						
Guarantees, acceptances, and letters of credit	**95 353**	**–**	**–**	**–**	**–**	**95 353**
Irrevocable commitments	**642 872**	**–**	**–**	**–**	**–**	**642 872**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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	2 747 951	-	91	398	2 375	2 750 815
Total advances	2 855 507	-	-	-	-	2 855 507
Stage 3 advances/ NPLs	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 2022

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

		2022		
		Stage 3		
E'000	Total Advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**696 568**	**4 420**	**591**	**3 829**
Financial Institutions	**13 002**	**32**	**4**	**28**
Building and property management	**55 370**	**9 892**	**7 106**	**2 786**
Public Sector	**51 667**	**607**	**327**	**280**
Individual	**1 088 264**	**67 020**	**31 713**	**35 307**
Manufacturing	**875 453**	**18 101**	**4 082**	**14 019**
Transport and communication	**167 182**	**4 674**	**1 030**	**3 644**
Mining	**49 019**	**-**	**-**	**-**
Other services	**445**	**825**	**(19)**	**844**
Gross carrying amount of advances	**2 996 970**	**105 571**	**44 834**	**60 737**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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 2022

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.

	2022			
E'000	Carrying amount	Off balance sheet exposure	Maximum exposure to credit risk	Net exposure to credit risk
Residential mortgages	**552 210**	**24 864**	**577 074**	**577 074**
Vehicle and asset finance	**560 295**	**2 434**	**562 729**	**562 730**
Personal loans	**322 402**	**40 606**	**363 008**	**363 008**
Other retail	**13 940**	**4 085**	**18 025**	**18 025**
Commercial	**1 142 224**	**148 023**	**1 290 247**	**1 290 247**
RMB corporate banking	**405 899**	**548 213**	**954 112**	**954 112**
Total advances	**2 996 970**	**768 225**	**3 765 195**	**3 765 195**
Investment securities	**2 033 697**	**-**	**2 033 697**	**2 033 697**
Cash and cash equivalents	**2 695 858**	**-**	**2 695 858**	**2 695 858**
Accounts receivable	**69 070**	**-**	**69 070**	**69 070**
Derivatives	**18 503**	**-**	**18 503**	**18 503**

	2021			
E'000	Carrying amount	Off balance sheet exposure	Maximum exposure to credit risk	Net exposure to credit risk
Residential mortgages	537 090	22 033	559 123	559 123
Vehicle and asset finance	563 032	20 436	583 468	583 468
Personal loans	288 654	36 878	325 532	325 532
Other retail	9 702	5 049	14 751	14 751
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

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 2022

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.7 Offsetting of financial assets and financial liabilities

Where 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 2022

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 2022

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.

	2022			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
On-balance sheet exposures	**7 475 693**	**7 131 409**	**236 864**	**107 420**
Deposits and current accounts	**6 592 569**	**6 373 119**	**219 450**	**-**
Lease liabilities	**20 438**	**3 482**	**10 444**	**6 512**
Derivative financial instruments	**21 685**	**21 685**	**-**	**-**
Creditors, accruals and provisions	**251 533**	**198 770**	**6 970**	**45 793**
Intragroup liabilities	**589 468**	**534 353**	**-**	**55 115**
Off-balance sheet exposures	**768 225**	**768 225**	**-**	**-**
Financial and other guarantees	**95 353**	**95 353**	**-**	**-**
Other contingencies and commitments	**30 000**	**30 000**	**-**	**-**
Facilities not drawn	**642 872**	**642 872**	**-**	**-**

	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	603 158	603 158	-	-
Financial and other guarantees	140 255	140 255	-	-
Facilities not drawn	462 903	462 903	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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.

	2022			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
Total assets	**8 623 686**	**4 459 286**	**403 042**	**3 761 358**
Total equity and liabilities	**8 623 686**	**7 147 408**	**241 792**	**1 234 486**
Net liquidity gap	**-**	**(2 688 122)**	**161 250**	**2 526 872**
Cumulative liquidity gap	**-**	**-**	**-**	**-**

	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	-	-	-	-

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

26.3 Liquidity risk objective

26.3.3 Concentration analysis of deposits

E' 000	2022	2021
Sector analysis		
Public sector entities	**622 974**	267 099
Banks	**9 859**	18 337
Corporate customers	**4 064 115**	4 338 034
Retail customers	**1 395 948**	1 269 811
Small and Medium Enterprises (SME's)	**493 989**	311 317
Total deposits	**6 586 885**	6 204 598
Geographical analysis Eswatini	**6 586 885**	6 204 598
Total deposits	**6 586 885**	6 204 598

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 2022

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 highest 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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.

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 2022:

	2022 E'000	2021 E'000
Base asset		
Cash with Central Bank and other banks (note 11)	**1 994 852**	2 149 870
Advances (note 12.1)	**2 996 970**	2 855 507
Amounts due from FirstRand Limited (note 28.2)	**786 494**	313 068
Total assets base	**5 778 316**	5 318 445
Increase in 50 basis points	**28 891**	26 592
Decrease in 50 basis points	**(28 891)**	(26 592)

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 2022

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 2022 is set out below:

E'000's	(SZL)	(ZAR)	Maluti	UK£	US$	Euro	Total
ASSETS							
Cash and cash equivalents	**2 173 840**	**12 198**	**-**	**3 710**	**489 676**	**16 434**	**2 695 858**
Advances	**2 996 970**	**-**	**-**	**-**	**-**	**-**	**2 996 970**
Investment securities	**2 033 697**	**-**	**-**	**-**	**-**	**-**	**2 033 697**
Amounts due from related companies	**-**	**786 494**	**-**	**-**	**-**	**-**	**786 494**
Other assets	**69 070**	**-**	**-**	**-**	**-**	**-**	**69 070**
Derivative instrument: Held for trading	**18 503**	**-**	**-**	**-**	**-**	**-**	**18 502**
	7 292 080	**798 692**	**-**	**3 710**	**489 676**	**16 434**	**8 600 591**
LIABILITIES							
Deposits	**6 586 885**	**-**	**-**	**-**	**-**	**-**	**6 586 885**
Derivative financial instruments – held for trading	**21 685**	**-**	**-**	**-**	**-**	**-**	**21 685**
Amounts due to related companies	**-**	**786 178**	**316**	**-**	**-**	**-**	**786 494**
Other liabilities	**264 886**	**-**	**-**	**-**	**-**	**-**	**264 886**
Shareholders' equity	**1 081 771**	**-**	**-**	**-**	**-**	**-**	**1 081 771**
	7 955 227	**786 178**	**316**	**-**	**-**	**-**	**8 741 721**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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 2021 is set out below:

2021								
E'000's	(SZL)	(ZAR)	Pula(P)	Kwacha (ZMK)	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
	7 823 317	94 581	596	-	-	-		7 918 494

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 leve

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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.

26.4 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 of the Risk, Capital and Compliance Committee (RCCC)

The Risk, Capital and Compliance Committee appointed by the bank's Board is in place to assist the Board in discharging its risk management obligations. 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;

26. Risk management *(continued)*

26.5 Governance *(continued)*

Responsibility of the Risk, Capital and Compliance Committee (RCCC) *(continued)*

- 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.

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 Chief Risk Officer and thier planned activities with respect to the risk management activities of the bank and review the bank's technology risk management programs;
- escalate to the RCCC 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 Committee

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

26. Risk management *(continued)*

26.5 Governance *(continued)*

Responsibility of the Risk, Capital and Compliance Committee (RCCC) (continued)

The RCCC 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 RCCC 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.

Responsibility of the 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.

Internal Audit Function

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 2022

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 2021 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.

IIn 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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.

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.

2022			
E'000	Carrying value	Total fair value	Level 3
Assets			
Advances	**2 838 201**	**2 822 538**	**2 822 538**
Total Assets at amortised cost	**2 833 201**	**2 822 538**	**2 822 538**
Liabilities			
Deposits	**6 586 885**	**6 763 030**	**6 763 030**
Total liabilities at amortised cost	**6 586 885**	**6 763 030**	**6 763 030**

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		2 717 965	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

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.

- 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 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;

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;

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
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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 2022			
	Level 1	Level 2	Level 3
	E'000	E'000	E'000
Assets			
Derivatives	-	-	**18 503**
Investment securities and other investments	-	-	**2 001 993**
Total assets	-	-	**2 020 496**
Liabilities			
Derivatives	-	-	**21 685**
Total liabilities	-	-	**21 685**

At 30 June 2021			
	Level 1	Level 2	Level 3
	E'000	E'000	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

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for the year ended 30 June 2022

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 bank's Board of Directors and the bank's executive committee and FirstRand Limited Board of Directors, 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

		2022 E'000	2021 E'000
(i)	Interest received		
	FirstRand Bank Limited	**14 009**	10 075
(ii)	**Fees and commission earned**		
	FirstRand Bank Limited	**1 898**	1 341
(iii)	**Technical and operational support costs**		
	FirstRand Bank Limited	**159 353**	130 459

(iv) Key management personnel

Key management compensation comprises of the following:

	2022 E'000	2021 E'000
Salaries and other short-term benefits	**17 775**	18 430
Post-employment benefits	**1 416**	1 858
IFRS 2 AOL Amortisation	**4 972**	4 430
Total compensation	**24 163**	24 718

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

28. RELATED PARTIES *(continued)*

	2022 E'000	2021 E'000

(v) Directors' fees

Directors fees comprises of the following

	2022 E'000	2021 E'000
Services as directors	**1 800**	1 800
Total directors' fees	**1 800**	1 800

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

	2022 E'000	2021 E'000
Due from FirstRand Bank Limited – deposits	**257 838**	313 068
Loans granted under resale agreements	**528 656**	-
	786 494	313 068

(ii) Due to related parties

	2022 E'000	2021 E'000
Due to FirstRand Bank Limited – loans	**66 694**	94 581
Deposits received under repurchase agreements	**528 142**	-
Due from First National Bank of Lesotho	**316**	596
	595 152	95 177

(iii) Loans and Advances

Key management personnel

Loans and advances in normal course of business by product

	2022 E'000	2021 E'000
Mortgages	**17 212**	16 714
Overdrafts	**338**	147
Personal	**143**	453
Instalment finance	**2 279**	2 870
	19 972	20 184

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 (2021: 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:

	2022 E'000	2021 E'000
Deposits held	**1 401**	548

28. RELATED PARTIES *(continued)*

	2022 E'000	2021 E'000

28.3 Post- employment benefit plan

Deposits held with the bank	**3 141**	2 085

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 is limited to donate 1% of its after-tax profits to the FNB Foundation Trust annually.

Donations - Contributions by the bank during the year	**1 065**	1 792
Deposits held with the bank	**3 622**	4 878

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	**-**	-

29. Remuneration schemes *(continued)*

Description of the scheme and vesting conditions:

Conditional and Deferred incentive plans (awards)		
IFRS 2 treatment	Cash settled*	
Description	The conditional award is a notional share based on the FirstRand Limited share price.	The award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest up to three years after the initial award. The awards vest if the employment and, where applicable, performance conditions are met. Awards which include performance conditions have vesting conditions 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 awards are valued using the Black Scholes option pricing model. The awards are cash settled and are repriced at each reporting date.	The awards are valued using the Black Scholes option pricing model. The awards are equity settled and measured using the price at grant 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 2022

29 Remuneration schemes *(continued)*

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

Expired schemes

2018 (Did not vest at the expected vesting date of September 2021) – 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 2018, 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

2019 (Not vesting at the expected date of September 2022) – 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 2019, 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.

2020 (vests in 2023) – The vesting conditions of the 2020 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.

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	120.1 to 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

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.*

2021 (Vesting date in 2024) – From 2021, all CIP awards have performance conditions applied to 100% of the award. The group implemented a DIP without performance conditions for certain employees and no longer issues CIP awards with only employment as a condition for vesting. Graded vesting applies to all CIP awards. 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 correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 50% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level downwards 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 businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the RCCC, as well as concerns regarding the adherence to the liquidity and capital management strategies in place. Lack of compliance with the group's climate roadmap over the three-year period was included as an additional potential downwards adjustment item relating to non-financial measures for the 2021 awards.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

29 Remuneration schemes *(continued)*

Performance conditions			
	Vesting level should both conditions be met	ROE target (30 June 2024)*	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 three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	50%	≥ 17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1% or CPI where real GDP growth is negative
On target performance	100%	≥ 18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch	120%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch**	150%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

* The ROE target is measured at 30 June 2024. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves. In the event that the ROE target is not met, the outcome will be constrained to the ROE target even if the earnings growth measured could result in higher vesting outcomes.

** For vesting at 120% or above, ROE ≥ 20% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 8% over the three-year period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

29 Remuneration schemes *(continued)*

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

	Conditional share plan (FSR shares)	
	2022	2021
Award life (years)	**2 - 3**	2 – 3
Risk-free rate (%)	**5.03 - 8.44**	3.67 – 5.74

	Conditional share plan (FSR shares)	
Share awards outstanding	**2022**	2021
Number of awards in force at the beginning of the year (millions)	**0.348**	0.271
Number of awards granted during the year (millions)	**0.181**	0.241
Number of awards transferred (within the group) during the year (millions)	**(0.023)**	
Number of awards exercised/released during the year (millions)	**(0.015)**	-
- Market value range at date of exercise/release (cents)*	**6 139 - 6 139**	-
- Weighted average (cents)	**6 139**	-
Number of share cancelled/lapsed during the year (millions)	**(0.072)**	(0.164)
Number of awards in force at the end of the year (millions)	**0.419**	0.348

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2022

29 Remuneration schemes *(continued)*

	Conditional share plan (FSR shares)			
	2022		2021	
Share awards outstanding**	Weighted average remaining life (years)	Out-standing awards (millions)	Weighted average remaining life (years)	Out-standing awards (millions)
Vesting during 2021			0.31	0.015
Vesting during 2022	**0.32**	**0.049**	1.30	0.107
Vesting during 2023	**1.32**	**0.234**	2.31	0.226
Vesting during 2024	**2.32**	**0.136**		
Total conditional awards		**0.419**		0.348
Number of participants		**18**		15

** 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.*
 # Scheme vesting during 2022(i.e. the 2019 award) failed to vest due to the performance conditions attached to the scheme not being achieved.

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