FNB Eswatini Annual Financial Statements

for the year ended 30 June 2023

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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

The directors of First National Bank of Eswatini Limited ("bank" or "FNB" or "FNB Eswatini") are responsible for the preparation and fair presentation of the annual financial statements comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes to the financial statements as at 30 June 2023. 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. Njabulo Mphumelelo Dlamini, 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 143, were approved by the Board of Directors on **18 August 2023** and are signed on its behalf by:

CHAIRMAN
J V NDLANGAMANDLA

CHIEF EXECUTIVE OFFICER
D T MBINGO

Ezulwini
30 October 2023

DIRECTORS' REPORT
for the year ended 30 June 2023

The directors have pleasure in submitting this report, which forms part of the financial statements of the bank for the year ended 30 June 2023.

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 143.

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

In 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 E157.944 million (2022: E138.897 million) was approved during the year as follows:

- Interim dividend – On the 9th of February 2023, the Board approved a dividend of E74.206 million.
- Final dividend – On the 10th May 2023, the Board approved a dividend of E83.788 million.

Holding Company

The bank's immediate holding company is FirstRand EMA Holdings Proprietary Limited ("FREMA") registered in the Republic of South Africa. 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.

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 2023, the bank's liabilities to the public in Eswatini totalled E5.171 billion (2022: E6.587 billion) requiring a minimum capital of E258 million (2022: E329 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 E1.169 billion (2022: E1.082 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.

Once this threshold has been met, the transfer to the reserve is required to be 6% of the bank's post-tax profit.

As at 30 June 2023, in accordance with this requirement of the Act, an amount of E25.275 million (2022: E21.983 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 2023, the bank complied with this requirement of the Act reporting a Capital Adequacy Ratio (CAR) of 21.80 (2022: 24.78%).

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 of 22.5%, not exceeding twenty-five percent (25%), of the total, or specified categories, of its liabilities to the public in Eswatini.

As at 30 June 2023, the bank's liabilities to the public in Eswatini totalled E5.171 billion (2022: E6.587 billion) requiring a minimum liquid asset requirement of E1.293 billion (2022: E1.647 billion). The requirement of the Act in this regard has been met.

Liquid Asset Requirement (continued)

Effective 1st December 2022 , the Central Bank of Eswatini made the following adjustments: -

- The liquidity asset requirement was increased from 20 per cent to 22.5 per cent for commercial banks.
- The statutory reserve requirement was increased from 5 per cent to 6 per cent

The total Bank's liquid assets were: -

	2023 E'000	2022 E'000
Cash and cash equivalent	**1 129 540**	2 695 858
Investment in securities	**1 171 238**	2 001 993
Total liquid assets	**2 300 778**	4 697 851

Corporate Governance

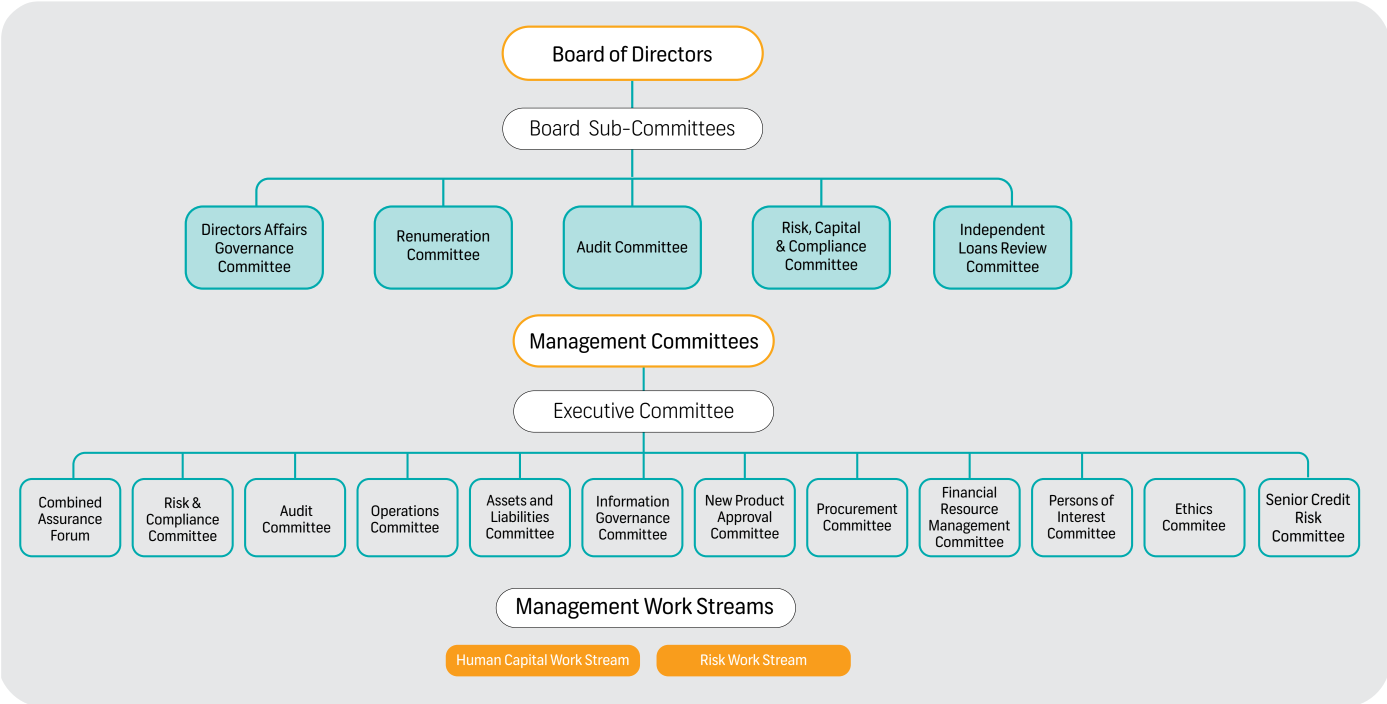
The First National Bank of Eswatini Limited Board of Directors is committed to good corporate governance practices and organisational integrity in the direction and control of the bank's affairs. This commitment serves to provide stakeholders with the comfort that the bank's affairs are managed in an 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 2023

Corporate Governance



* Operational Credit Committee that meets weekly and reports into the Board of Directors through the CEO as a Board member.

Board of Directors

Director		Status	Appointed
J V Ndlangamandla	Board Chairperson	Independent Non-Executive	03 February 2016
D T Mbingo	Chief Executive Officer	Executive	06 February 2015
S de Sousa	Member and Chair (Independent Loan Review)	Independent Non-Executive	05 February 2010
D E Wright	Member and Chair (Risk, Capital and Compliance)	Independent Non-Executive	03 February 2016
S L Balsdon	Member	Non-Executive	21 April 2017
E B Arden	Member and Chair (Audit Committee)	Independent Non-Executive	24 April 2019
J M Gule	Member and Chair (Remuneration Committee)	Independent Non-Executive	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
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 4.2 and Note 28.1 of the financial statements.

Board Subcommittees and composition

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

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

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

Board and Board sub-committees 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	3	4	4	4	2
Board Members Attendance of Meetings per Board Member						
Independent Non-Executive						
J V Ndlangamandla	4	3		4		2
S de Sousa	4	3	4	3/4	4	
D E Wright	4	3	4	4	4	
E B Arden	4	3	4			2
J M Gule	4	3	4			2
Non-Executive						
S Balsdon	3/4	3		2/4		2
L J Haynes	4	3			4	
Executive						
D T Mbingo	4	3	4	4	4	2

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

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
The Offices Complex Corner MR103 Road & Swaki Street Ezulwini 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 Shareholder 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 2023, 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 143 comprise:

- the statement of financial position as at 30 June 2023;
- 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 2023", 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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

PricewaterhouseCoopers

Partner: Makhosazana Mhlanga

Registered Auditor

P.O. Box 569

Mbabane

Date: **30 October 2023**

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Notes	2023 E'000	2022 E'000
Interest and similar income	1	**730 568**	463 809
Interest expense and similar charges	2	**(281 377)**	(122 172)
Net interest income before impairment of advances		**449 191**	341 637
Expected credit gains/(losses) on investment securities	13	**2 118**	(2 604)
(Impairment)/Reversals of impairment Advances	12.2	**(10 555)**	32 338
Net interest income		**440 754**	371 371
Non-interest revenue	3	**464 813**	428 087
Net fee and commission income	3.1	**422 710**	390 696
Fee and commission income		**432 594**	397 619
Fee and commission expense		**(9 884)**	(6 923)
Insurance commission earned	3.2	**6 786**	4 412
Fair value gains and losses	3	**27 683**	24 623
Other non-interest income	3.3	**7 634**	8 356
Income from operations		**905 567**	799 458
Operating and administration expenses	4	**(542 395)**	(479 803)
Income before indirect tax		**363 172**	319 655
Indirect tax	5	**(36 455)**	(32 333)
Profit before income tax		**326 717**	287 322
Income tax expense	6.1	**(81 392)**	(78 106)
Profit for the year		**245 325**	209 216
Attributable to: *			
Ordinary equity holders		**239 370**	203 980
Other equity holders - preference shares		**5 955**	5 236
Total Comprehensive Income		**245 325**	209 216

Earnings per share			
Basic earnings per `share		**1.80**	1.53
Diluted earnings per share		**1.80**	1.53

*Profit attributable to ordinary and other equity holders as well as earnings per share was disclosed for the first time during the year.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

	Notes	2023 E'000	2022 E'000
ASSETS			
Cash and cash equivalents	11	**1 129 540**	2 695 858
Derivative financial instruments	14	**12 055**	18 503
Accounts receivable	15	**156 907**	69 070
Investment securities and other investments	13	**1 171 238**	2 001 993
Advances	12.1	**3 485 911**	2 838 201
Amounts due from related parties	28.2	**2 116 239**	786 494
Property and equipment	16	**295 341**	164 945
Deferred income tax asset	9	**47 284**	48 622
Total assets		**8 414 515**	8 623 686
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	**300 010**	268 349
Retained earnings		**838 816**	783 096
Total equity		**1 169 154**	1 081 773
LIABILITIES			
Derivative financial instruments	14	**14 548**	21 685
Accounts payable	21	**341 513**	264 886
Current income tax liability	10	**9 573**	4 928
Deposits	19	**5 171 237**	6 586 885
Lease liability	23.2	**1 644 253**	595 152
Provision for other liabilities and charges	22	**12 941**	20 438
Amounts due to related parties	28.2	**42 383**	39 026
Defined benefit post-employment liability	20.1	**8 913**	8 913
Total liabilities		**7 245 361**	7 541 913
Total equity and liabilities		**8 414 515**	8 623 686

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2023

	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 2023							
Balance as at 30 June 2022	**27 642**	**2 686**	**29 969**	**226 054**	**12 326**	**783 096**	**1 081 773**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**245 325**	**245 325**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to general risk reserve	**-**	**-**	**6 386**	**-**	**-**	**(6 386)**	**-**
Transfer to statutory reserve	**-**	**-**	**-**	**25 275**	**-**	**(25 275)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(157 944)**	**(157 944)**
Balance as at 30 June 2023	**27 642**	**2 686**	**36 355**	**251 329**	**12 326**	**838 816**	**1 169 154**
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

STATEMENT OF CASH FLOWS
for the year ended 30 June 2023

	Notes	2023 E '000	2022 E '000
Profit before tax with non-cash adjustments	25.1	**318 783**	275 746
Cash received from customers		**1 140 466**	849 718
Interest and similar income	1	**700 274**	438 180
Fee and commission income		**437 980**	403 041
Recoveries	12.2	**2 212**	8 497
Cash paid to customers, suppliers and employees		**(821 683)**	(599 736)
Interest expense and similar charges		**(278 978)**	(119 774)
Total other operating expenditure		**(506 249)**	(447 629)
Indirect tax paid		**(36 456)**	(32 333)
Income tax paid	25.2	**(75 408)**	(56 018)
Net cash flow from operating activities before changes in operating asset and liabilities		**243 375**	193 964
Cash flow from changes in operating activities			
Net increase in advances		**(647 710)**	(138 645)
Net increase in amounts due from related parties		**(1 329 745)**	(473 426)
Net (increase) /decrease in accounts receivable		**(87 837)**	214 315
Net increase in term deposits*		**(1 415 648)**	382 288
Net increase in amounts due to related parties		**1 049 101**	499 975
Net decrease in accounts payable		**(7 110)**	(319 806)
Net increase/(decrease) in provisions for other liabilities and charges		**3 357**	(1 808)
Net (decrease)/increase in derivative instruments		**(689)**	5 511
Net increase/(decrease) in provisions for other liabilities and charges		**3 235**	(432 018)
Net (decrease)/increase in derivative instruments		**(689)**	499 975
Net cash flow from changes in operating assets and liabilities		**(2 436 281)**	168 404
Net cash inflow from operating activities		**(2 198 966)**	262 593
Cash flows from investing activities			
Acquisition of assets		**(160 120)**	(96 227)
Acquisition of Investment securities	13	**(861 497)**	(2 383 808)
Investment securities matured	13	**1 742 126**	2 132 856
Proceeds from sale of fixed assets		**349**	50
Net cash outflow from financing activities		**720 858**	(347 129)
Cash flows from financing activities			
Dividends paid to shareholder		**(74 206)**	(56 926)
Lease liability payments		**(14 210)**	(13 838)
Net cash outflow from financing activities		**(88 416)**	(70 764)
Net increase in cash and short-term funds		**(1 566 318)**	(54 957)
Cash and cash equivalents at beginning of the year		**2 695 858**	2 750 815
Effect of exchange rate changes on cash and cash equivalents		**(5 854)**	567
Cash and cash equivalents at end of the year	11	**1 129 540**	2 695 858

* In prior year, deposits were disaggregated into term deposits, current and call account deposits and savings deposits. This has since been collapsed and presented into one line in the current year in line with the statement of financial position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2023

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 statement of financial position (also referred to as the balance sheet) as at 30 June 2023, the statement of comprehensive income (also referred to as the income statement), statement 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.

Segmental analysis

The segmental analysis included in the segment report is based on the information reported to the bank's chief operating decision maker (CODM) for the respective segments under the current operating business management structures. The information is prepared in terms of IFRS and certain adjustments are made to the segment results in order to eliminate the effect of other segment-specific items that impact certain key ratios reviewed by the CODM when assessing the operating segments' performance.

The bank adopts the following significant accounting policies in preparing its financial statements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2023

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 2023 that impacted the group'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 and the requirements of the Eswatini Companies Act, 2009.

The accounting policies and other methods of computation applied in the preparation of the financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2023.

The financial statements have been prepared in accordance with the going concern principle 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) 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. Based on the 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.

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 2023

1.2 Basis of preparation (continued)

iii) 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 2023

1.2 Basis of preparation *(continued)*

iv) 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
IAS 1	**Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current** The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.	Annual periods beginning on or after 1 January 2024 (Published Jan 2020)
IAS 12	**Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction** The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.
IAS 1	**Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'** The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)

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 dependent children, domestic partner's dependent children and any other dependants of the individual or their domestic partner's dependent children and any other dependants of the individual or their domestic partner.

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: o the gross carrying amount of financial assets which are not credit-impaired; and o 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. 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 2023

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 2023

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); • 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 2023

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.

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 2023

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.

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 principal 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 2023

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 counter parties such as the government) that are convertible into cash within a short time period as and when required for liquidity risk management purposes. The market is generally not liquid to enable sale of these assets as such timing of maturity of these instruments is staggered to ensure these no liquidity issues are encountered. The types of instruments used for liquidity risk management purposes are generally government bonds and treasury bills. The bank's intention is always to hold these to maturity and not sell before the maturity date.	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 and intercompany balances	Financial accounts receivable and intercompany balances are short-term financial and long-term 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 2023

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.

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 2023

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. The Minimum period for transition from Stage 2 back to Stage 1 of 12 consecutive payments is applied, with the exception of distressed restructured exposures. Distressed restructures without defaults cure back after 6 months of consecutive payments while all other distressed restructures cure back after 12 months of consecutive payments.

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.

4.2 Impairment of financial assets *(continued)*

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2023

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 significant increase in credit risk in which case exposures are moved to stage 2 and then to Stage 3 when they become credit impaired.

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.

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 2023

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.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the bank are covered by master agreements with netting terms similar to those of the ISDA MNAs. Where the Bank has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are offset in the statement of financial position only if they are due on a single day, denominated in the same currency and the Bank has the intention to settle these amounts on a net basis. The bank receives and accepts collateral for these transactions in the form of cash and other investment securities.

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.

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.

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

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

5.1 Classification and measurement *(continued)*

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.

5.1.1 Classification and measurement

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.

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 Bank 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 Bank 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 2023

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.
Finance lease agreements	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.	

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.

7. TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

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

Defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
	Measurement Upon retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, gender, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at the time of purchase (inflation-linked bond yields available). A benefit on withdrawal and retrenchment is determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund, the fair value of plan assets and liabilities is increased by the amount of the contribution on that date.
Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e., the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of long-term government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Plan assets	The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.
Profit or loss	Included as part of staff costs: • current and past service costs calculated using the projected unit credit method; • gains or losses on curtailments and settlements that took place in the current period; • net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2023

7.1 Employee benefits *(continued)*

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.	
Liability for short term employee benefits	
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 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.

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 2023

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 is 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.

8.2 Impairment of financial assets *(continued)*

The following scenarios were applied at 30 June 2023

Baseline regime 56.4%	• Global economic growth slows towards trend level and developed market (DM) inflation remains high but does not spiral out of control. • The Kingdom of Eswatini struggles to lift the potential growth rate meaningfully over the forecast horizon. • 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 8.90%	• Global growth remains elevated keeping commodity prices elevated through the forecast horizon. • 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 34.70%	• 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 56.4% % 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.

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 2023	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	**4.00**	**2.00**	**0.50**
CPI Inflation (%)	**3.80**	**5.60**	**7.10**
Policy interest rate (%)	**3.10**	**1.70**	**0.10**
Foreign exchange rate (USD/SZL)	**14.60**	**17.70**	**24.0**

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	3.75
Foreign exchange rate (USD/SZL)	15.30	15.30	15.30

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 2023

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 2023	**149 689**	
Scenarios		
Baseline	**151 883**	1.47
Upside	**146 880**	(1.88)
Downside	**154 243**	3.04

	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

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.

8.2 Impairment of financial assets *(continued)*

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2023

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 Bank'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 2023

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 bank 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 2023. 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 2023*				
E'000	Carrying amount	Stage 1 Coverage ration	5% Increase in gross carrying amount of exposure	Increase in the loss allowance
Retail	899 700	3.66%	44 985	1 646
Commercial	1 338 265	1.03%	66 913	688
WesBank	573 220	3.32%	28 661	953
Corporate	824 414	0.25%	41 221	101
Total	3 635 599	1.83%	181 780	3 388

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	4 746

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2023

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

<table>
<tr><th>Judgement or estimate</th><th>Retail and retail SME</th><th>Corporate and commercial SME</th></tr>
<tr><td>Determination of whether a financial asset is a credit-impaired financial asset</td><td colspan="2">Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the bank to action such as the realisation of security.

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

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

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

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

<table>
<tr><th colspan="2">Employee benefits - defined contribution plans</th></tr>
<tr><td>Determination of present value of defined benefit plan obligations</td><td>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.</td></tr>
</table>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

	2023 E'000	2022 E'000

1 INTEREST AND SIMILAR INCOME

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

	2023 E'000	2022 E'000
Advances	**361 423**	240 360
- Property finance	**71 045**	49 740
- Home loans	**50 859**	37 106
- Commercial property finance	**20 186**	12 634
- Personal loans	**64 025**	51 890
- Lease payments receivable	**61 207**	47 165
- Overdrafts and cash management accounts	**77 417**	44 787
- Term loans	**86 929**	45 651
- Off market loans	**800**	1 127
Cash and cash equivalents	**110 192**	78 050
Intergroup repurchase agreements	**108 846**	2 622
Investment securities	**150 107**	142 777
Total interest income and similar charges	**730 568**	463 809

2 INTEREST EXPENSE AND SIMILAR CHARGES

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

	2023 E'000	2022 E'000
Deposits from customers	**173 456**	118 812
Current accounts	**9 076**	7 417
Call accounts	**139 594**	94 389
Savings accounts	**2 553**	710
Term deposit accounts	**22 233**	16 296
Intergroup repurchase agreements	**107 087**	2 028
Lease liability (IFRS 16) – (note 23)*	**834**	1 332
Total interest expense and similar charges	**281 377**	122 172

3 NON- INTEREST REVENUE

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

	2023 E'000	2022 E'000
Instruments at amortised cost	**430 440**	396 205
Non-financial instruments	**2 154**	1 414
Fee and Commission Expenses	**(9 884)**	(4 247)
Net fee and commission income (Note 3.1)	**422 710**	393 372
Insurance income		
Non-financial instruments (Note 3.2)	**6 786**	4 412
Fair value gains (Note 3.4)	**27 683**	24 623
Other non-interest income (Note 3.3)	**7 634**	8 356
Total non-interest revenue	**464 813**	428 087

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

	2023 E'000	2022 E'000
3.1 Net fee and commission income		
Banking fee and commission income		
- Card commissions	**37 428**	27 345
- Cash and cheque deposit fees	**19 900**	20 309
- Commissions - bills, drafts & cheques	**12 137**	7 084
- Commitment fees	**15 851**	14 119
- Acceptance guarantees and indemnities	**649**	11
Total banking fee and commission income	**85 965**	68 868
Service fees		
- Exchange commissions	**9 955**	8 238
- Bank charges	**334 520**	319 098
- Transaction and service fees	**179 234**	175 235
- Documentation and administration fees	**88 100**	79 029
- Cash handling fees	**67 186**	64 834
Service fees	**344 475**	327 336
Other non-banking fee and commission income		
- Other non-banking fee and commission income	**2 154**	1 415
Total fee and commission income	**432 594**	397 619
Fee and Commission Expenses		
- Cash sorting handling and transportation charges	**(4 139)**	(3 304)
- Card loyalty programmes	**(1 414)**	-
- Transaction and processing fees	**(3 952)**	(2 681)
- Other fees	**(469)**	5
- Card fees	**90**	(943)
Total fee and commission expenses	**(9 884)**	(6 923)
Net fee and commission income	**422 710**	390 696
3.2 Insurance income		
Commissions	**5 001**	4 182
Profit share income	**1 785**	230
Total insurance income	**6 786**	4 412
3.3 Other non-interest income		
Gain/(Loss) from the disposal of property and equipment	**51**	(423)
Other fees and income	**7 583**	8 779
Other non-interest income	**7 634**	8 356
3.4 Fair value gains and losses		
Foreign exchange dealings gains	**27 683**	24 623
Fair value gains and losses	**27 683**	24 623

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

	2023 E'000	2022 E'000

4 OPERATING AND ADMINISTRATIVE EXPENSES

Operating expenses comprise the following:-

4.1 Auditors' remuneration

	2023 E'000	2022 E'000
Audit fees – statutory audit current year provision	**3 721**	2 430
Audit fees – BA statutory returns	**97**	90
Total Auditors' remuneration	**3 818**	2 520

4.2 Directors' fees

	2023 E'000	2022 E'000
- For Services rendered as a director	**2 464**	1 800
Total Directors costs (note 28.1)	**2 464**	1 800

4.3 Employee benefit expenses

	2023 E'000	2022 E'000
Salaries, wages and allowances	**201 095**	177 380
Contributions to employee defined benefit plan	**14 389**	13 862
Share-based payments – unwinding (note 29)	**6 519**	4 972
Off-market loans (note 1)	**800**	1 127
Other employee benefit expenses	**1 552**	(713)
Total employee benefit expenses	**224 355**	196 628

The number of employees (including fixed contract) employed by the bank at year end was 480 (2022: 438).

	2023 E'000	2022 E'000

4 OPERATING AND ADMINISTRATIVE EXPENSES

Operating expenses comprise the following:-

	2023 E'000	2022 E'000
Technical and operational support costs (note 28.1)	**191 178**	159 353
Insurance	**6 197**	5 143
Subscriptions	**842**	598
Advertising and marketing	**9 666**	8 772
Business travel	**3 088**	1 903
Low valued assets	**906**	1 180
Depreciation of property and equipment (note 16)	**33 686**	32 175
Operating lease charges*	**2 014**	2 909
Repairs and maintenance	**11 295**	10 676
Computer expenses	**6 185**	9 194
Property expenses (including utilities)	**10 760**	10 416
Communication costs	**14 910**	12 314
Training expenses	**1 598**	1 530
Bank charges	**4 018**	4 253
Donations	**2 147**	1 065
Entertainment	**2 644**	855
Stationery and printing	**2 048**	2 989
Storage and delivery	**1 500**	2 410
Legal	**158**	325
Operational losses	**323**	6 283
Professional fees	**1 375**	884
Fuel costs	**1 641**	944
Credit Investigations	**1 268**	990
Other operating expenses	**2 301**	1 694
	311 758	278 855
Total operating and administration expenses	**542 395**	479 803

5 INDIRECT TAX

Indirect taxation comprises of:

	2023 E'000	2022 E'000
Stamp duties and value added tax reverse charge	**36 455**	32 333
Total indirect taxation	**36 455**	32 333

	2023 E'000	2022 E'000

6 TAXATION

6.1. Income tax expense

Income taxation comprises of:

Total current tax expense (note 10)	**85 446**	72 607
- Current tax on profits for the year	**85 446**	72 607
- Tax credit	**(5 393)**	-
Total deferred tax expense (note 9)	**1 338**	5 499
- Decrease in deferred tax assets	**1 338**	5 499
Total income tax expense	**81 392**	78 106
Taxation rate reconciliation – Eswatini normal taxation	**%**	%
Standard taxation rate	**27.5**	27.5
Total taxation has been affected by:		
Profit/(loss) on disposal of assets	**0.0**	0.16
Expense not deductible for tax purposes	**1.7**	1.41
- Assets less than E7 000	**0.3**	0.4
- Marketing and advertising	**1.4**	1.00
- Depreciation of freehold land and buildings	**0.0**	0.01
Effective taxation rate	**29.2**	29.07

	2023 E'000	2022 E'000

7. EARNINGS AND DIVIDENDS PER SHARE

7.1 Earnings attributable to ordinary equity holders		
- Basic [Excluding profit attributable to preference shareholders]	**138 210**	138 210
- Diluted	**-**	-
Earnings attributable to ordinary equity holders	**239 370**	203 980
7.2 Dividends Declared and paid		
Ordinary Shares		
- Interim	**71 409**	54 780
- Final declared/paid	**80 580**	78 880
Preference Shares		
- Interim	**2 797**	2 146
- Final declared/paid	**3 158**	3 090
Total Dividends Declared and paid	**157 944**	138 896
7.3 Dividends per share (cents)		
- Interim	**53.69**	41.19
- Final declared/paid	**60.59**	59.31
Dividends per share	**114.28**	100.50

7.4 Weighted average number of shares		
Weighted average number of shares (basic and diluted)	**133 000**	133 000
- Ordinary shares	**133 000**	133 000

Earnings per share have been presented on the face of the statement of comprehensive income for the first time in the current year.

During the year, there were no newly issued ordinary shares and preference shares.

**Preference shares disclosures have been removed in the current year. Previously earnings per share was calculated including the preference shares. However, IAS 33 requires that EPS should be calculated based on profit attributable to ordinary shares. Shares for client trading was also removed since the Bank does not hold shares for trading purposes.*

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.

	2023					
E'000	Amortised cost	At fair value through profit or loss Mandatory	Non-financial Instruments	Total Carrying Value	Current	Non-current and non-contractual
ASSETS						
Cash and cash equiequivalents	**1 129 540**	**-**	**-**	**1 129 540**	**1 129 540**	**-**
Derivative financial instruments	**-**	**12 055**	**-**	**12 055**	**12 055**	**-**
Investment securities	**1 171 238**	**-**	**-**	**1 171 238**	**341 218**	**830 020**
Advances	**3 485 911**	**-**	**-**	**3 485 911**	**1 569 083**	**1 916 828**
Accounts receivable	**140 057**	**-**	**16 850**	**156 907**	**126 809**	**30 098**
Amounts due from related parties	**2 116 239**	**-**	**-**	**2 116 239**	**411 731**	**1 704 508**
Non-financial assets	**-**	**-**	**342 625**	**342 625**	**-**	**342 625**
Total assets	**8 042 985**	**12 055**	**359 475**	**8 414 515**	**3 590 436**	**4 824 079**

	2022					
E'000	Amortised cost	At fair value through profit or loss Mandatory	Non-financial instruments	Total Carrying Value	Current	Non-current and non-contractual
ASSETS						
Cash and cash equiequivalents	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	53 555	-	15 515	69 070	9 408	59 662
Amounts due from related parties	786 494	-	-	786 494	781 477	5 017
Non-financial assets	-	-	213 567	213 567	-	213 567
Total assets	8 376 101	18 503	229 082	8 623 686	5 768 950	2 854 736

8. Analysis of assets and liabilities *(continued)*

E'000	2023 Amortised cost	At fair value through profit or loss Mandatory	Non-financial Instruments	Total Carrying Value	Current	Non-current and non-contractual
Liabilities						
Derivative financial instruments	**-**	**14 548**	**-**	**14 548**	**14 548**	**-**
Accounts payable	**338 337**	**-**	**3 176**	**341 513**	**338 337**	**3 176**
Current tax liability	**-**	**-**	**9 573**	**9 573**	**9 573**	**-**
Deposits	**5 171 237**	**-**	**-**	**5 171 237**	**3 574 578**	**1 596 659**
Lease liability	**-**	**-**	**12 941**	**12 941**	**12 941**	**-**
Provision for other liabilities and charges	**-**	**-**	**42 383**	**42 383**	**23 363**	**19 020**
Amounts due from related parties	**1 644 253**	**-**	**-**	**1 644 253**	**1 634 960**	**9 293**
Defined benefit post employment liability	**-**	**-**	**8 913**	**8 913**	**-**	**8 913**
Total liabilities	**7 153 827**	**14 548**	**76 986**	**7 245 361**	**5 608 300**	**1 637 061**

E'000	2022 Amortised cost	At fair value through profit or loss Mandatory	Non-financial Instruments	Total Carrying Value	Current	Non-current and non-contractual
Liabilities						
Derivative financial instruments	-	21 685	-	21 685	21 685	-
Accounts payable	262 456	-	2 430	264 886	262 456	2 430
Current tax liability	-	-	4 928	4 928	4 928	-
Deposits	6 586 885	-	-	6 586 885	6 063 668	523 217
Lease liability	-	-	20 438	20 438	13 925	6 513
Provision for other liabilities and charges	-	-	39 026	39 026	17 827	21 199
Amounts due from related parties	595 152	-	-	595 152	595 152	-
Defined benefit post employment liability	-	-	8 913	8 913	-	8 913
Total liabilities	7 444 493	21 685	75 735	7 541 913	6 979 641	562 272

*Split between current vs non-current and non-contractual was amended from prior year as this was incorrectly computed.

	2023	2022
	E'000	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	**48 622**	54 121
Release to profit or loss (Note 6.1)	**(1 338)**	(5 499)
Charged to other comprehensive income	**-**	-
Balance at the end of the year	**47 284**	48 622
Deferred Taxation-Net	**47 284**	48 622

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

	2023		
E'000	Opening Balance	Taxation charge/ (release)	Closing Balance
Impairment of advances	**32 746**	**(1 873)**	**30 873**
Fair value losses – Investment in securities	**6 539**	**(437)**	**6 102**
Provision for other liabilities and charges	**4 789**	**930**	**5 719**
Deferred revenue	**3 285**	**470**	**3 755**
Post-retirement benefit liability	**2 155**	**-**	**2 155**
Prepayments	**(892)**	**(428)**	**(1 320)**
Net- deferred tax assets	**48 622**	**(1 338)**	**47 284**

	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	3 282	1 507	4 789
Deferred revenue	2 671	614	3 285
Post-retirement benefit liability	2 155	-	2 155
Operational losses	2 393	(2 393)	-
Prepayments	(1 002)	110	(892)
Net- deferred tax assets	54 121	(5 499)	48 622

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10 CURRENT INCOME TAX LIABILITY/(ASSETS)

	2023 E'000	2022 E'000
Current income tax liabilities reconciliation		
Balance at the beginning of the year	**4 928**	(11 661)
Income tax expense for the year (note 6.1)	**85 446**	72 607
Tax credit brough forward (note 6.1)	**(5 393)**	-
Income tax paid during the year (note 25.2)	**(75 408)**	(56 018)
Balance at the end of the year	**9 573**	4 928

11 CASH AND CASH EQUIVALENTS

	2023 E'000	2022 E'000
Cash and cash equivalents comprise of: -		
Coins and bank notes	**176 813**	191 188
Balances with the Central Bank	**603 763**	1 994 852
Excess cash placed with the Central Bank	**198 759**	1 600 761
Mandatory reserve balance	**405 004**	394 091
Balances with other banks	**348 964**	509 818
Total cash and cash equivalents*	**1 129 540**	2 695 858

**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.

	2023 E'000	2022 E'000

12 ADVANCES AND IMPAIRMENT OF ADVANCES

12.1 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	**3 635 599**	2 996 970
Category analysis		
Overdrafts and managed accounts	**895 386**	750 696
Term loans	**1 026 958**	601 895
Lease payments receivable	**559 195**	549 603
Home loans	**544 623**	549 148
Property Finance	**257 175**	213 521
Personal loans	**338 237**	321 450
Floor Plans	**14 025**	10 657
Gross loans and advances	**3 635 599**	2 996 970
Impairment of loans and advances (note 12.2)	**(149 688)**	(158 769)
Net Advances	**3 485 911**	2 838 201

12.1 Advances (continued)

	Within 1 year E'000	Between 1 and 2 years E'000	Between 2 and 3 years E'000	Between 3 and 4 years E'000	Between 4 and 5 years E'000	More than 5 years E'000	Total E'000
At 30 June 2023							
Lease payments receivable	**256 047**	**193 478**	**127 437**	**70 568**	**31 340**	**6 648**	**685 518**
Less: Unearned finance charges	**(37 869)**	**(34 440)**	**(26 653)**	**(16 986)**	**(8 367)**	**(2 008)**	**(126 323)**
Net lease payments receivable	**218 178**	**159 038**	**100 784**	**53 582**	**22 973**	**4 640**	**559 195**
At 30 June 2022							
Lease payments receivable	243 955	176 003	124 269	66 190	24 273	4 207	638 897
Less: Unearned finance charges	(26 811)	(24 427)	(19 655)	(12 259)	(5 142)	(1 000)	(89 294)
Net lease payments receivable	217 144	151 576	104 614	53 931	19 131	3 207	549 603

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 E37.2 million (2022: E40.7 million.

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for the year ended 30 June 2023

12.1 Advances *(continued)*

Analysis of advances per class

R million	2023 Total	2023 Amortised cost	2023 Loss allowance
Residential mortgages	**522 867**	**549 322**	**(26 455)**
WesBank VAF	**215 679**	**234 287**	**(18 608)**
Total retail secured	**738 546**	**783 609**	**(45 063)**
Personal loans	**290 749**	**339 113**	**(48 364)**
Retail other	**4 541**	**11 265**	**(6 724)**
Total retail unsecured	**295 290**	**350 378**	**(55 088)**
FNB commercial	**1 309 315**	**1 338 265**	**(28 950)**
WesBank commercial	**320 373**	**338 933**	**(18 560)**
RMB corporate banking	**822 387**	**824 414**	**(2 027)**
Total corporate and commercial	**2 452 075**	**2 501 612**	**(49 537)**
Total advances	**3 485 911**	**3 635 599**	**(149 688)**

R million	2022 Total	2022 Amortised cost	2022 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)

12.1 Advances *(continued)*

	2023 E'000	2022 E'000
The Advances sector analysis is as follows: -		
Agriculture	**1 051 873**	696 568
Financial Institutions	**110 697**	13 002
Building and property management	**65 449**	55 370
Public Sector	**38 282**	51 667
Individual	**1 121 640**	1 088 264
Manufacturing	**1 056 439**	875 453
Transport and communication	**127 956**	167 182
Other services	**60 867**	49 019
Mining	**2 396**	445
Total Advance	**3 635 599**	2 996 970

Analysis of advances per category

	2023		
E '000	Total	Amortised cost	Loss allowance
Overdrafts and managed accounts	**856 236**	**882 606**	**(26 370)**
Term loans	**1 024 223**	**1 034 163**	**(9 940)**
Lease payments receivable	**522 028**	**559 195**	**(37 167)**
Home loans	**522 867**	**549 322**	**(26 455)**
Property Finance	**255 783**	**257 176**	**(1 393)**
Personal loans	**290 750**	**339 113**	**(48 363)**
Floor Plans	**14 024**	**14 024**	**-**
Total advances	**3 485 911**	**3 635 599**	**(149 688)**

	2022		
E '000	Total	Amortised cost	Impairment
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)

12.1 Advances *(continued)*

Reconciliation of the Gross Advances

Transfers

The Bank transfers opening balances at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July are transferred to the impairment stage at 30 June in the transfers section. The current year movements are included in changes in exposure and net movement GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime expected credit losses (LECL) and other changes.

New business

New business is broadly defined as any new product issued to a new or existing customer during the current financial year. All new business is included in new business in the current year based on the exposures' impairment stage at the end of the reporting period. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.

Other current year change in exposure

Narrative for other changes in GCA:

The movement on GCA is split between:
- additional amounts advanced on existing loans and any settlements. Transfers are reflected separately; and
- new business originated during the financial year.

Current year movement

Current year ECL provided/(released) relates to:

- an increase/(decrease) in the carrying amount of the exposure during the current financial year, as well as the increase/(decrease) in the risk associated with the opening balance of the exposure;
- includes out of model overlays relating to forward looking information which were not captured in the ECL model; and
- includes interest on stage 3 advances for stage 3 exposures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June 2023

12.1 Advances (continued)

Reconciliation of the Gross Advances

2023								
E'000	Retail Secured		Retail unsecured		Retail secured and unsecured	FNB Commercial		
	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corporate Investment Banking
GCA as at 1 July 2022	**552 209**	**208 678**	**322 402**	**13 977**	**1 097 266**	**1 142 224**	**351 582**	**405 898**
-stage 1	419 643	158 582	245 005	10 593	833 822	1 104 799	267 179	405 898
-stage 2	89 020	40 898	63 595	1 586	195 099	18 605	65 997	-
-stage 3	43 546	9 198	13 802	1 798	68 345	18 820	18 406	-
Transfers between stages	-	-	-	-	-	-		-
-Transfers into stage 1	5 746	8 858	8 840	270	23 714	5 253	5 539	-
-Transfers out of stage 1	(20 242)	(28 840)	(22 650)	(723)	(72 455)	(6 745)	(18 753)	-
-Transfers into stage 2	23 477	28 110	22 279	768	74 634	6 210	18 061	-
-Transfers out of stage 2	(12 619)	(12 423)	(8 952)	(236)	(34 230)	(5 322)	(7 984)	-
-Transfers into stage 3	6 873	4 863	483	31	12 250	705	3 137	-
-Transfers out of stage 3	(3 235)	(568)	-	(110)	(3 913)	(101)	-	-
Current year movement	**(7 586)**	**25 609**	**15 835**	**2 863**	**36 721**	**196 041**	**(12 649)**	**418 516**
-New business	61 851	95 056	145 453	8 020	310 380	288 215	141 794	446 297
-Change in measurement from 12 months to LECL	25 176	61 648	34 561	1 912	123 297	18	28 914	-
-other current year change in exposure	(91 167)	(131 095)	(159 487)	(5 426)	(387 175)	(85 513)	(179 830)	(27 781)
Bad debts written off	(3 446)	-	(4 692)	(1 643)	(9 781)	(6 679)	(3 527)	-
GCA as at 30 June 2023	**544 623**	**234 287**	**338 237**	**16 840**	**1 133 987**	**1 338 265**	**338 933**	**824 414**
- Stage 1	412 786	178 058	256 850	13 118	860 812	1 306 297	257 589	824 414
- Stage 2	92 927	48 230	58 840	525	200 522	11 724	66 246	-
- Stage 3	38 910	7 999	22 547	3 197	72 653	20 244	15 098	-
Total GCA of adcances 30 June 2023	**544 623**	**234 287**	**338 237**	**16 840**	**1 133 987**	**1 338 265**	**338 933**	**824 414**

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is E19.989million (2022: 11.687 million)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

12.1 Advances (continued)

Reconciliation of the Gross Advances

2022								
E'000	Retail Secured		Retail unsecured		Retail secured and unsecured	FNB Commercial		
	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corporate Investment Banking
GCA as at 1 July 2021	**537 090**	**212 165**	**288 654**	**9 701**	**1 047 610**	**1 139 242**	**350 867**	**317 787**
-stage 1	458 398	185 486	253 115	7 373	904 372	1 082 425	279 236	317 787
-stage 2	43 744	17 466	24 154	703	86 067	31 745	58 260	-
-stage 3	34 948	9 213	11 385	1 625	57 171	25 072	13 371	-
Transfers between stages	-	-	-	-	-	-		-
-Transfers into stage 1	29 580	6 700	13 215	118	49 613	9 840	5 431	-
-Transfers out of stage 1	(7 425)	(18 996)	(14 648)	(276)	(41 345)	(12 204)	(15 123)	-
-Transfers into stage 2	12 477	20 123	15 439	217	48 256	12 206	15 147	-
-Transfers out of stage 2	(26 817)	(7 035)	(12 918)	(59)	(46 829)	(5 531)	(7 096)	-
-Transfers into stage 3	13	2 548	488	91	3 140	3	2 602	-
-Transfers out of stage 3	(7 828)	(3 340)	(1 576)	(91)	(12 835)	(4 314)	(961)	-
Current year movement	**15 119**	**(3 487)**	**33 748**	**4 276**	**49 656**	**2 982**	**715**	**88 111**
-New business	67 468	109 754	156 092	5 692	339 006	301 698	136 328	123 640
-Change in measurement from 12 months to LECL	14 957	34 099	25 232	846	75 134	(601)	38 429	-
-other current year change in exposure	(67 300)	(147 299)	(139 027)	155	(353 471)	(289 813)	(173 368)	(35 529)
Bad debts written off	(6)	(41)	(8 549)	(2 417)	(11 013)	(8 302)	(674)	-
GCA as at 30 June 2022	**552 209**	**208 678**	**322 402**	**13 977**	**1 097 266**	**1 142 224**	**351 582**	**405 898**
- Stage 1	419 643	158 582	245 005	10 593	833 822	1 104 799	267 179	405 898
- Stage 2	89 020	40 898	63 595	1 586	195 099	18 605	65 997	-
- Stage 3	43 546	9 198	13 802	1 798	68 345	18 820	18 406	-
Total GCA of adcances 30 June 2022	**552 209**	**208 678**	**322 402**	**13 977**	**1 097 266**	**1 142 224**	**351 582**	**405 898**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

12.2 Impairment of Advances

Reconciliation of the Loss Allowance on Gross Advances

2023								
E'000	Retail Secured		Retail unsecured		Retail secured and unsecured	FNB Commercial		
	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corporate Investment Banking
Loss allowance as at 1 July 2022	**27 972**	**26 975**	**37 276**	**5 809**	**98 032**	**41 123**	**13 687**	**5 927**
-stage 1	11 893	23 663	20 452	3 655	59 663	23 473	5 082	5 927
-stage 2	1 166	2 323	5 127	400	9 016	1 819	879	-
-stage 3	14 913	989	11 697	1 754	29 353	15 831	7 726	-
Transfers between stages	-	-	-	-	-	-	-	-
-Transfers into stage 1	190	362	1 404	95	2 051	127	195	-
-Transfers out of stage 1	(136)	(232)	(756)	(102)	(1 226)	(64)	(124)	-
-Transfers into stage 2	722	409	747	151	2 029	109	120	-
-Transfers out of stage 2	(399)	(706)	(1 472)	(66)	(2 279)	(128)	(452)	-
-Transfers into stage 3	210	351	77	5	279	20	261	-
-Transfers out of stage 3	(587)	(184)	-	(83)	(854)	(64)	-	-
Current year movement	**(1 517)**	**(8 367)**	**11 088**	**915**	**2 119**	**(12 173)**	**4 873**	**(3 900)**
-New business	296	1 585	5 951	1 090	8 922	1 931	3 767	1 615
-Change in measurement from 12 months to LECL	941	4 288	2 626	721	8 576	118	691	
-other current year change in exposure	692	(14 240)	7 203	747	(5 598)	(7 543)	3 942	(5 515)
Bad debts written off	(3 446)	-	(4 692)	(1 643)	(9 781)	(6 679)	(3 527)	-
Loss allowance as at 30 June 2023	**26 455**	**18 608**	**48 364**	**6 724**	**100 151**	**28 950**	**18 560**	**2 027**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

12.2 Impairment Advances *(continued)*

Reconciliation of the Loss Allowance on Gross Advances *(continued)*

2022								
E'000	Retail Secured		Retail unsecured		Retail secured and unsecured	FNB Commercial		
	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corporate Investment Banking
Loss allowance as at 1 July 2021	**16 667**	**32 213**	**95 398**	**1 792**	**146 070**	**20 190**	**16 910**	**5 927**
-stage 1	782	24 784	80 630	181	106 377	2 022	9 996	8 448
-stage 2	4 392	5 309	5 824	580	16 105	2 208	1 254	-
-stage 3	11 493	2 120	8 944	1 031	23 588	15 960	5 660	-
Transfers between stages	-	-	-	-	-	-	-	-
-Transfers into stage 1	1 924	672	1 928	44	4 567	4 565	279	-
-Transfers out of stage 1	(24)	(158)	(336)	(42)	(560)	(235)	(71)	-
-Transfers into stage 2	689	836	852	41	2 419	176	76	-
-Transfers out of stage 2	(1 539)	(354)	(1 830)	(34)	(3 757)	(255)	(186)	-
-Transfers into stage 3	-	169	18	20	208	-	118	-
-Transfers out of stage 3	(1 050)	(1 165)	(632)	(29)	(2 877)	(4 251)	(216)	-
Current year movement	**11 305**	**(5 238)**	**(58 122)**	**4 017**	**(48 038)**	**20 933**	**(3 223)**	**(2 521)**
-New business	216	1 822	6 532	985	9 555	1 845	1 096	1 790
-Change in measurement from 12 months to LECL	988	4 714	4 345	339	10 386	(228)	5 313	-
-other current year change in exposure	10 107	(11 733)	(60 450)	5 110	(56 966)	27 618	(8 958)	(4 311)
Bad debts written off	(6)	(41)	(8 549)	(2 417)	(11 013)	(8 302)	(674)	-
Loss allowance as at 30 June 2022	**27 972**	**26 975**	**37 276**	**5 809**	**98 032**	**41 123**	**13 687**	**5 927**
- Stage 1	11 893	23 663	20 452	3 655	59 663	23 473	5 082	5 927
- Stage 2	1 166	2 323	5 127	400	9 016	1 819	879	-
- Stage 3	14 913	989	11 697	1 754	29 353	15 831	7 726	-
Total Loss allowance of advances 30 June 2022	**27 972**	**26 975**	**37 276**	**5 809**	**98 032**	**41 123**	**13 687**	**5 927**

12.2 Impairment advances (continued)

12.2 Impairment of advances

Impairment recognised during the year	**2022 E'000**	2021 E'000
(Increase)/Decrease in loss allowance	**(12 767)**	23 487
Recoveries of bad debts	**2 212**	8 851
(Impairment)/Reversal Impairment of advances recognised during the period	**(10 555)**	32 338

12.3 Stage 3 Advances

At 30 June 2023	Total Advances	Security Held E'000	Stage 3 Impairments E'000	Interest on Stage 3 Advances E'000
Non-performing lending by sector				
Agriculture	**5 427**	**1 312**	**2 445**	**1 670**
Building and property development	**82**	**(22)**	**(709)**	**813**
Other financial services	**7 138**	**4 240**	**2 884**	**14**
Individuals	**71 724**	**22 451**	**32 502**	**16 771**
Manufacturing and commerce	**20 221**	**5 509**	**9 637**	**5 075**
Other Service	**1 137**	**430**	**(55)**	**762**
Transport and communication	**2 266**	**335**	**1 485**	**446**
Total non-performing Advances	**107 995**	**34 255**	**48 189**	**25 551**
Non-performing lending by category				
Overdrafts and managed account debtors	**12 880**	**5 632**	**1 819**	**5 429**
Lease payments receivable	**23 097**	**7 492**	**13 166**	**2 439**
Home loans	**39 030**	**21 700**	**7 632**	**9 698**
Personal loans	**22 547**	**(569)**	**19 957**	**3 159**
Term loans	**10 441**	**-**	**5 615**	**4 826**
Total non-performing lending	**107 995**	**34 255**	**48 189**	**25 551**
Geographic analysis				
Eswatini	**107 995**	**34 255**	**48 189**	**25 551**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

12.3 Stage 3 Advances *(continued)*

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	2 487	1 342
Building and property development	9 892	7 106	1 670	1 116
Other financial services	33	5	11	17
Government and public authority	607	327	125	155
Individuals	67 020	31 713	22 510	12 797
Manufacturing and commerce	18 101	4 082	5 254	8 765
Other Service	824	(20)	650	194
Transport and communication	4 674	1 030	2 220	1 424
Total non-performing Advances	105 571	44 834	34 927	25 810
Non-performing lending by category				
Overdrafts and managed account debtors	16 085	3 053	4 716	8 316
Lease payments receivable	27 604	11 828	11 069	4 707
Home loans	35 833	28 251	(1 464)	9 046
Personal loans	20 581	1 702	17 903	976
Term loans	5 468	-	2 703	2 765
Total non-performing lending	105 571	44 834	34 927	25 810
Geographic analysis				
Eswatini	105 571	44 834	34 927	25 810

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

	2023	2022
	E'000	E'000

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS

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

Investment securities comprises of:-		
Treasury bills	**100 854**	1 057 437
Government Private Placement	**650 000**	500 000
Government and Government guaranteed stock	**449 970**	476 260
Total gross carrying amount of investment securities	**1 200 824**	2 033 697
Expected Credit loss on investment securities	**(29 586)**	(31 704)
Net investment securities	**1 171 238**	2 001 993

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

Analysis of investment securities		
Listed		
Debt – Government and Government guaranteed stock	**449 970**	476 260
Government Private Placement	**650 000**	500 000
Unlisted		
Debt – Treasury bills	**100 854**	1 057 437
Gross investment securities	**1 200 824**	2 033 697

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS (*continued*)

Reconciliation of the loss allowance on gross advances

	2023			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2022	**2 033 697**	**2 033 697**	-	-
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 1 to stage 3	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-
- New business	**861 497**	**861 497**	-	-
- matured investments	**(1 742 126)**	**(1 742 126)**	-	-
- Interest received	**(17 812)**	**(17 812)**	-	-
- Interest accrued	**66 236**	**66 236**	-	-
- Other adjustments in forward looking information	**(668)**	**(668)**	-	-
Amount as at 30 June 2023	**1 200 824**	**1 200 824**	-	-

	2022			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2021	1 837 185	1 837 185	-	-
Transfers from stage 1 to stage 2	-	-	-	-
Transfers from stage 1 to stage 3	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-
- New business	2 383 808	2 383 808	-	-
- matured investments	(2 132 856)	(2 132 856)	-	-
- Interest received	(125 236)	(125 236)	-	-
- Interest accrued	71 406	71 406	-	-
- Other adjustments in forward looking information	(610)	(610)	-	-
Amount as at 30 June 2022	2 033 697	2 033 697	-	-

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS (*continued*)

Reconciliation of the loss allowance on gross advances

	2023			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2022	**31 704**	**31 704**	**–**	**–**
Transfers from stage 1 to stage 2	**–**	**–**	**–**	**–**
Transfers from stage 1 to stage 3	**–**	**–**	**–**	**–**
Transfers from stage 2 to stage 3	**–**	**–**	**–**	**–**
Transfers from stage 2 to stage 1	**–**	**–**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**–**	**–**	**–**
Transfers from stage 3 to stage 1	**–**	**–**	**–**	**–**
Bad debts written off	**–**	**–**	**–**	**–**
Increase/(decrease) in impairment	**(2 118)**	**(2 118)**		
- New business	**(2 020)**	**(2 020)**	**–**	**–**
- Adjustments in other forward-looking information)	**(98)**	**(98)**	**–**	**–**
Amount as at 30 June 2023	**29 586**	**29 586**	**–**	**–**

	2022			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2021	29 100	29 100	–	–
Transfers from stage 1 to stage 2	–	–	–	–
Transfers from stage 1 to stage 3	–	–	–	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	–	–	–	–
Transfers from stage 3 to stage 1	–	–	–	–
Bad debts written off	–	–	–	–
Increase/(decrease) in impairment	2 604	2 604	–	–
- New business	2 366	2 366	–	–
- Adjustments in other forward-looking information)	238	238	–	–
Amount as at 30 June 2022	31 704	31 704	–	–

**Prior year was amended to disaggregate the movement in gross investments and the allowance for expected credit losses.*

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

	Assets Notional value	Assets Fair value	Liabilities Notional value	Liabilities Fair value
Held for trading – 2023				
Currency derivatives - Forward rate agreements	**552 446**	**12 055**	**651 950**	**14 548**
Held for trading – 2022				
Currency derivatives - Forward rate agreements	525 124	18 503	620 775	21 685

15 ACCOUNTS RECEIVABLE

Account receivables comprises of:		
Items in transit	**115 697**	46 288
Other receivables	**36 408**	19 536
Sundry debtors	**4 802**	3 246
Total gross carrying amount of accounts receivable	**156 907**	69 070

Analysis of accounts receivable: -		
Financial	**140 057**	53 555
Non-financial	**16 850**	15 515
Total accounts receivable	**156 907**	69 070

Due to the nature of the balances, the allowance for expected credit losses for accounts receivables was assessed and found to be immaterial.

Items in transit relates to suspense accounts payments not yet cleared by the bank

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2023 *(continued)*

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 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	51 090	10 752	61 442	23 329	58 747	71 197	68 223	356 898
Accumulated depreciation	(583)	(33 627)	(5 882)	(35 282)	(12 011)	(40 995)	(63 572)	-	(191 953)
Net book value 1 July 2022	**11 535**	**17 463**	**4 870**	**26 160**	**11 318**	**17 752**	**7 624**	**68 223**	**164 945**
Cost	**12 118**	**51 090**	**10 752**	**61 442**	**23 329**	**58 747**	**71 197**	**68 223**	**356 898**
Accumulated depreciation	**(583)**	**(33 627)**	**(5 882)**	**(35 282)**	**(12 011)**	**(40 995)**	**(63 572)**	**-**	**(191 953)**
Movement for the year	**(21)**	**(7 379)**	**1 086**	**(4 109)**	**(1 599)**	**652**	**6 296**	**135 470**	**130 396**
Acquisitions**	**-**	**7 262**	**-**	**-**	**-**	**-**	**-**	**160 121**	**167 383**
Disposals	**-**	**(553)**	**(44)**	**-**	**(34)**	**(65)**	**(155)**	**-**	**(851)**
Impairment loss**				**(2 450)**	**-**	**-**	**-**	**-**	**(2 450)**
Depreciation charge for the year	**(21)**	**(14 088)**	**(1 752)**	**(4 269)**	**(1 810)**	**(6 345)**	**(5 401)**	**-**	**(33 686)**
Transfer to/(from) WIP	**-**	**-**	**2 882**	**2 610**	**245**	**7 062**	**11 852**	**(24 651)**	**-**
Net book value at 30 June 2023	**11 514**	**10 084**	**5 956**	**22 051**	**9 719**	**18 404**	**13 920**	**203 693**	**295 341**
Cost	**12 118**	**57 799**	**13 590**	**61 602**	**23 540**	**65 744**	**82 894**	**203 693**	**520 980**
Accumulated depreciation	**(608)**	**(47 715)**	**(7 634)**	**(39 551)**	**(13 821)**	**(47 340)**	**(68 973)**	**-**	**(225 639)**

** an impairment loss has been recognised in relation to leasehold improvements as a result of decommissioning of Sales house building offices and migration to the new head office building. Asset was impaired to nil as the net book value cannot be recovered through sale. WIP additions relates to costs that were incurred in the construction of the Bank's Head office at Ezulwini.

- 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 2023 included in property and equipment are fully depreciated items of property, plant and equipment with an initial cost of E41 157 092 (2022: E109 866 857).
- Right of Use Assets (ROUA) comprise of leases on properties accounted for in accordance with IFRS 16. Refer to note 23 for details.

17. ORDINARY SHARES AND PREFERENCE SHARES

E '000	2023		2022	
17.1 Number of Shares	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

	2023 E'000	2022 E'000
17.4 Capital adequacy		
Core capital		
Share capital (note 17.2)	**27 642**	27 642
Share premium (note 17.3)	**2 686**	2 686
Statutory reserve	**251 329**	226 054
Retained earnings	**838 815**	783 096
Total Core capital	**1 120 472**	1 039 478

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

	2023 E'000	2022 E'000

17.4 Capital adequacy *(continued)*

Supplementary capital		
General Risk Reserve	**36 355**	29 970
Actuarial gains on defined benefit fund	**12 556**	12 556
Total qualifying capital	**48 911**	42 526

Risk adjusted assets -statement of financial position Items	**3 357 482**	2 705 074
- off-statement of financial position items	**407 244**	260 868
- operational risk	**1 391 731**	1 302 845
- Market risk	**772 333**	351 301
	5 928 790	4 620 088

Capital Adequacy Ratios		
- Core capital (%)	**20.27**	24.07
- Supplementary capital (%)	**1.17**	0.71
Total (%)	**21.44**	24.78

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 2023

	2023 E'000	2022 E'000

18 OTHER RESERVES

Non-distributable reserves		
Defined benefit plan reserves	**12 326**	12 326
General risk reserve (impaired capital reserve)	**36 355**	29 969
Central Bank of Eswatini - Statutory Reserve	**251 329**	226 054
Total non-distributable reserves	**300 010**	268 349

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 25 275 million (2022: E 21 984 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 from 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.

Defined benefit plan reserve.

This reserve represents the actuarial gain or loss arising on the promised pension. This gain/loss is actuarially calculated and determined.

	2023 E'000	2022 E'000

19 DEPOSITS

Deposits comprised of: -		
Call accounts	**3 259 924**	3 259 924
Current accounts	**2 786 777**	2 786 777
Savings account	**111 028**	111 028
Term deposits accounts	**429 156**	429 156
Total deposits	**5 171 237**	6 586 885

Geographic analysis		
Eswatini	**5 171 237**	6 586 885

Sector analysis		
Public Sector	**363 602**	622 974
Banks	**12 319**	9 859
Non-financial corporate customers	**2 836 515**	3 391 133
Financial sector customers	**210 425**	672 982
Small medium enterprises	**245 413**	493 989
Retail customers	**1 502 963**	1 395 948
Total deposits	**5 171 237**	6 586 885

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

20 EMPLOYEE LIABILITIES AND RELATED COSTS

Employee liabilities and related costs analysis

		2023 E'000	2022 E'000
Defined benefit post-employment liability	20.1	**250 300**	200 418
Other long-term employee benefit liability			
- Provisions for severance		**6 048**	5 583
- Provisions for gratuity		**313**	-
Other short-term employee benefit liability			
- Provisions for leave pay		**8 159**	10 022
- Provisions for bonuses		**24 507**	20 894
Total employee liabilities		**289 327**	236 917
Defined benefit post-employment asset	20.1	**(241 387)**	(191 505)
Net amount due to employees		**47 940**	45 412

20 EMPLOYEE LIABILITIES AND RELATED COSTS (CONTINUED)

20.1 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 EMPLOYEE LIABILITIES AND RELATED COSTS *(CONTINUED)*

20.1 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.

20 EMPLOYEE LIABILITIES AND RELATED COSTS *(CONTINUED)*

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

	2023 E'000	2022 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	**250 300**	200 418
Fair value of plan assets	**(241 387)**	(191 505)
- Equity instruments	**(9 486)**	(8 139)
- Cash and cash equivalents	**(48 326)**	(28 553)
- International	**(77 220)**	(81 734)
- Debt instruments	**(46 274)**	(26 906)
- Other	**(60 081)**	(46 173)
Total pension liability	**8 913**	8 913

The plan assets of the fund were invested as follows:

Equity instruments	**3.93%**	4.24%
Cash and cash equivalents	**20.02%**	14.91%
International	**31.99%**	42.68%
Debt instruments	**19.17%**	15.05%
Other	**24.89%**	23.12%
	100.00%	100.00%

Statement of Comprehensive income

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

Current service costs	**12 156**	12 236
Net interest costs	**172**	204
Total included in staff costs	**12 328**	12 440

Movement in post-retirement benefit liability		
Present value at the beginning of the year	**8 913**	8 913
Current service cost	**12 156**	12 236
Interest cost	**172**	205
Benefits paid	**(18 774)**	(17 819)
Remeasurements: recognised in OCI	**6 446**	5 378
Defined benefit obligation at the end of the year	**8 913**	8 913

20 EMPLOYEE LIABILITIES AND RELATED COSTS *(CONTINUED)*

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

	2023 E'000	2022 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**	12 326
Movement in Defined benefit post-employment reserve	**-**	-
- Defined benefit post-employment reserve- actuarial gain	**-**	-
- Deferred income tax on defined benefit post-employment reserve – actuarial gain	**-**	-
-		
Defined benefit post-employment reserve at the end of the year	**12 326**	12 326

20.1 Defined benefit post-employment liability (continued)

Movement in fair value of plan assets:

	2023	2022
Opening balance	**191 505**	195 500
Interest income	**26 999**	25 547
Employer contributions	**17 263**	15 454
Employee contributions	**8 540**	7 645
Remeasurements: recognised in OCI	**810**	(34 822)
Benefits paid and settlements	**(3 730)**	(17 819)
Closing balance	**241 387**	191 505

20 EMPLOYEE LIABILITIES AND RELATED COSTS *(CONTINUED)*

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

	2023 E'000	2022 E'000
The principal actuarial assumptions used for accounting purposes were:		
Financial assumptions:		
Pension increase allowance (%)	**8.95**	7.24
Discount rate before retirement (%)	**14.4**	12.6
Expected return on plan assets (%)	**14.4**	12.6
Inflation	**8.3**	7.8
Salary increase (%)	**9.3**	8.8
Demographic assumptions:		
Net interest rate used to value pensions, allowing for pension increases (%)		
Number of employees covered	**388**	382
Average future working life	**40.6**	40.1
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 2023

	2023 E'000	2022 E'000

21 ACCOUNTS PAYABLE

Accounts payables		
Accounts payable	**341 073**	264 705
Other creditors	**440**	181
Total Accounts payables	**341 513**	264 886

All amounts are expected to be settled within twelve months.

Analysis of accounts payables: -		
Financial	**338 337**	262 456
Non-financial	**3 176**	2 430
Total accounts payables	**341 513**	264 886

22 PROVISION FOR OTHER LIABILITIES AND CHARGES

Total provisions for other liabilities and charges	**42 383**	39 026

Staff related (Bonus, leave and 13th cheque)		
Opening Balance	**36 379**	35 217
Additional provision raised during the year	**72 004**	24 049
Utilised during the year	**(69 355)**	(22 887)
Closing balance	**39 028**	36 379

Audit fees		
Opening Balance	**2 647**	1 957
Additional provision raised during the year (note 4.1)	**3 819**	2 520
Utilised during the year	**(3 111)**	(1 830)
Closing Balance	**3 355**	2 647

All the above amounts are expected to be settled within the next twelve months for all provisions except Bonus, severance and gratuity which will be settled after 12 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.

iii) Severance and gratuity
This provision is in relation to severance pay and gratuity for employees on contract.

	2023	2022
	E'000	E'000

23 LEASES

The bank leases various buildings 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, some have an option to renew the lease for an additional period of the same duration after the end of the contract term. In assessing the lease term, the bank assumed that the lease extension options will not be exercised.

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

	2023	2022
Leased building (Note 16)	**10 083**	17 462

23.2. Lease Liabilities

	2023	2022
Lease Liabilities	**12 941**	20 438
The reconciliation of lease liabilities is as follows:		
Balance at the beginning of the year	**20 438**	24 097
Acquisition	**7 262**	9 015
Early terminations	**(551)**	(126)
Interest capitalised	**834**	1 332
Payments made during the year	**(14 208)**	(12 548)
Interest paid (included in finance cost) – (note 2)	**(834)**	(1 332)
Balance at the end of the year	**12 941**	20 438
The maturity analysis of lease payments is as follows:		
Current	**12 941**	13 926
Non-Current	**-**	6 512
Total Lease Liabilities	**12 941**	20 438

ii) Amounts recognised in the statement of comprehensive income

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

	2023	2022
Depreciation charge of right-of-use assets	**14 088**	13 836
Interest expense (included in finance cost)	**834**	1 332
Expense relating to short-term leases	**1 872**	3 243
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**142**	(195)
Total expenses for leases	**16 936**	18 216

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2023 E'000	2022 E'000
Contingencies		
Guarantees (endorsements and performance guarantees)	**110 555**	95 353
Irrevocable unutilised facilities	**847 436**	642 872
Letters of credit	**-**	30 000
Total Contingencies	**957 991**	768 225

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

	2023 E'000	2022 E'000
Commitments in respect of capital expenditure and long-term in-vestments approved by directors not contracted for	**68 197**	195 893

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.

	Restricted assets	
	2023	2022
	E'000	E'000
Restricted assets and liabilities	**405 004**	394 091

** The restricted assets relate to cash and cash equivalents held with the Central Bank of Eswatini as part of the required statutory reserves per the requirements of the Financial Institutions Act, 2005. Refer to note 11 for the mandatory cash reserves.*

**The comparative restricted cash balance was changed to align to the balance per note 11. Furthermore, restricted liabilities have been removed from the note.*

	2023 E'000	2022 E'000

25 CASH FLOW INFORMATION

25.1 Reconciliation of operating profit to cash flow from operating activities

Profit before income tax	**326 717**	287 322
Adjusted for non-financial:		
- Depreciation for property and equipment (note 16)	**33 696**	32 175
- Impairment of advances (note 12.2)	**12 767**	(23 486)
- ECL adjustments of investment in securities	**(2 118)**	2 604
- Foreign exchange dealing gains	**(27 683)**	(24 623)
- Impairment of assets (note 16)	**2 450**	-
- Interest accrued	**(27 897)**	(23 585)
- Other gains	**851**	(424)
Cash generated from operating activities	**318 783**	249 983

25.2 Taxation paid

Amounts unpaid/(prepaid) at beginning of the year	**4 928**	(11 661)
Taxation charge per statement of comprehensive income (note 6.1)	**80 053**	72 607
Amounts (owing)/prepaid at end of the year (note 10)	**(9 573)**	(4 928)
Total taxation paid during the year (note 10)	**75 408**	56 018

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.</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 2023

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)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.1 Credit risk *(continued)*

E' 000	**2023**	2022
Gross advances	**3 685 599**	2 996 970
FNB		
- Retail	**899 700**	888 552
- Commercial	**1 388 265**	1 142 224
WesBank	**573 220**	560 295
RMB		
- Corporate banking	**824 414**	405 899
Investment Securities	**1 200 824**	2 033 697
Derivatives	**12 055**	18 503
Amounts due from related parties	**2 116 239**	786 494
Accounts receivables	**140 057**	53 555
OFF-BALANCE SHEET EXPOSURES	**847 436**	768 225
Total contingencies	**110 555**	125 353
- Guarantees	**110 555**	95 353
- Letters of Credit	**-**	30 000
Irrevocable commitments	**736 881**	642 872
Total	**6 825 454**	8 513 253

***The maximum credit risk disclosure did not previously include amounts due from related parties. Furthermore, accounts receivables included non-financial instruments. Comparatives have as a result been restated.**

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.

E' 000	**2023**	2022
ON-BALANCE SHEET EXPOSURES	**5 978 018**	7 745 028
Cash and cash equivalents	**1 129 540**	2 695 858
- Cash and short-term funds	**176 813**	191 188
- Money at call and short notice	**348 954**	509 818
- Balances with Central Bank	**603 773**	1 994 852

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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 Bank holds a guarantee against a stage 3 advance, the FR rating would reflect same.

Credit quality of advances

2023									
	Retail Secured		Retail unsecured		Retail secured and unsecured	Coprporate and Commercial			
E '000	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corp and Investment banking	Total
Total on-balance sheet	**544 623**	**234 287**	**338 237**	**16 840**	**1 133 987**	**1 338 265**	**338 933**	**824 414**	**2 501 612**
FR1-25	**65 657**	**-**	**-**	**1 730**	**67 387**	**631 151**	**-**	**233 686**	**864 837**
-stage 1	64 124	-	-	1 728	65 852	629 364	-	233 686	863 050
-stage 2	1 533	-	-	2	1 535	1 787	-	-	1 787
-stage 3	-	-	-	-	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets

2023									
	Retail Secured		Retail unsecured		Retail secured and unsecured	Coprporate and Commercial			
E ‘000	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corp and Investment banking	Total
FR26-90	426 542	205 260	306 960	9 230	947 992	683 279	317 457	590 728	1 591 464
-stage 1	408 572	159 551	274 908	9 031	852 062	676 262	287 225	590 728	1 554 215
-stage 2	17 970	45 709	32 052	200	95 931	6 779	30 232	-	37 011
-stage 3		-	-	-	-	238	-	-	238
FR91-100	52 424	29 027	31 277	5 880	118 608	23 835	21 476	0	45 311
-stage 1	3 188	183	-	750	4 122	671	178	0	850
-stage 2	10 205	20 844	8 730	2 054	41 832	3 157	6 200	-	9 357
-stage 3	39 031	7 999	22 547	3 076	72 653	20 007	15 098	-	35 104

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets *(continued)*

2022									
	Retail Secured		Retail unsecured		Retail secured and unsecured	Coprporate and Commercial			
E '000	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corp and Investment banking	Total
Total on-balance sheet	552 210	287 903	322 402	13 940	1 176 455	1 142 224	351 582	405 899	1 899 705
FR1-25	7 365	96	-	3 792	11 253	392 684	74 980	226 194	693 858
-stage 1	7 365	-	-	400	7 765	385 672	9 867	226 194	621 733
-stage 2	-	-	-	3 392	3 392	6 896	65 113	-	72 009
-stage 3	-	96	-	-	96	116	-	-	116

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets *(continued)*

2022									
	Retail Secured		Retail unsecured		Retail secured and unsecured	Coprporate and Commercial			
E '000	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	RMB Corp and Investment banking	Total
FR26-90	496 016	265 133	293 449	7 744	1 062 342	724 523	249 416	179 705	1 153 644
-stage 1	488 629	226 823	281 799	7 606	1 004 858	715 915	232 603	179 705	1 128 223
-stage 2	7 387	38 310	11 650	138	57 485	8 608	16 813	-	25 421
-stage 3	-	-	-	-	-	-	-	-	-
FR91-100	48 829	22 674	28 953	2 404	102 860	25 017	27 287	-	52 306
-stage 1	-	1 604	-		1 604	3 097	892	-	3 989
-stage 2	10 262	11 873	8 373	860	31 368	3 200	9 646	-	12 848
-stage 3	38 567	9 197	20 580	1 544	69 888	18 720	16 749	-	35 469

**FR rating table were amended in the current year to align stage 3 exposures to other parts of the financial statements.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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.

	2023		
	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
FNB	**84 898**	**26 764**	**58 134**
- Retail	**64 654**	**20 624**	**44 030**
- Commercial	**20 244**	**6 140**	**14 104**
WesBank	**23 097**	**7 492**	**15 605**
Total stage 3	**107 995**	**34 256**	**73 739**

	2022		
Stage 3 by class	Total	Security held and expected recoveries	Stage 3 impairment
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.3 Quality of credit assets

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

	2023		
E'000	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by category			
Overdrafts and cash management accounts	**12 880**	**5 632**	**7 248**
Term loans	**10 441**	**–**	**10 441**
Lease payments receivable	**23 097**	**7 492**	**15 605**
Personal loans	**22 547**	**(569)**	**23 116**
Home loans	**39 030**	**21 700**	**17 330**
Total stage 3	**107 995**	**34 255**	**73 740**

	2022		
E'000	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by category			
Overdrafts and cash management accounts			
Term loans	16 085	3 053	13 032
Lease payments receivable	27 604	11 828	15 776
Property finance	35 833	28 251	7 582
Personal loans	20 580	1 702	18 878
Home loans	5 469	–	5 469
Total stage 3	105 571	44 834	60 737

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

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

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

	2023		
E'000	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**-**	**1 200 824**	**-**
Total investment securities	**-**	**1 200 824**	**-**
Accounts receivable			
Stage 1	**-**	**140 057**	**-**
Total accounts receivable	**-**	**140 057**	**-**
Cash and cash equivalents			
Stage 1	**-**	**176 813**	**-**
Total cash and cash equivalents	**-**	**176 813**	**-**
Amounts due from related parties	**2 116 239**	**-**	**-**
Derivative assets	**-**	**-**	**12 055**

	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	-	53 555	-
Total accounts receivable	-	53 555	-
Cash and cash equivalents			
Stage 1	-	191 188	-
Total cash and cash equivalents	-	191 188	-
Amounts due from related parties	786 494	-	-
Derivative assets	-	-	18 503

26.2.5 Concentration risk

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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.

2023 E'000	Eswatini	Rest of Africa	UK	Other Europe	North and South America	Total
On-balance sheet exposures						
Cash and short-term funds	**884 279**	**215 040**	**2 830**	**13 348**	**14 043**	**1 129 540**
Advances – performing	**3 527 604**	**-**	**-**	**-**	**-**	**3 527 604**
Stage 3 advances/NPLs	**107 995**	**-**	**-**	**-**	**-**	**107 995**
Derivatives	**-**	**12 055**	**-**	**-**	**-**	**12 055**
Debt investment securities	**1 171 238**	**-**	**-**	**-**	**-**	**1 171 238**
Amounts due from related parties	**2 116 239**	**-**	**-**	**-**	**-**	**2 116 239**
Accounts receivable	**140 057**	**-**	**-**	**-**	**-**	**140 057**
Off-balance sheet exposures						
Guarantees, acceptances, and letters of credit	**110 555**	**-**	**-**	**-**	**-**	**110 555**
Irrevocable commitments	**847 436**	**-**	**-**	**-**	**-**	**847 436**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

26.2.5 Concentration risk *(continued)*

2022 E'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
Advances - Performing *	2 891 393	-	-	-	-	2 891 393
Stage 3 advances/ NPLs*	105 571	-	-	-	-	105 571
Derivatives**	-	18 503	-	-	-	18 503
Debt investment securities	2 001 993	-	-	-	-	2 001 993
Amounts due from related parties ****	786 494	-	-	-	-	786 494
Accounts receivable***	53 555	-	-	-	-	53 555
Off-balance sheet exposures						
Guarantees, acceptances, and letters of credit	95 353	-	-	-	-	95 353
Irrevocable commitments	642 872	-	-	-	-	642 872

** The stage 3 advances/NPLs were also included in the "Advances – performing line" above. The advances - performing line was corrected in the current year to exclude the stage 3 advances/NPLs which were separately disclosed in the prior year.*

***Derivatives were previously classified under Eswatini, and this was not in line with the nature of these financial assets as they are held with South Africa.*

****Trade and other receivables included non-financial instrument balances were corrected in the current year to only include the financial instrument balances*

*****The disclosure was amended in the current year to include amounts due from related parties and this impacted prior year*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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

	2023			
		Stage 3		
E'000	Total Advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**1 051 873**	**5 427**	**1 312**	**4 115**
Financial Institutions	**110 697**	**-**	**-**	**-**
Building and property management	**65 449**	**82**	**(22)**	**104**
Public Sector	**38 282**	**7 138**	**4 240**	**2 898**
Individual	**1 121 640**	**71 724**	**22 451**	**49 273**
Manufacturing	**1 056 439**	**20 221**	**5 509**	**14 712**
Transport and communication	**127 956**	**2 266**	**335**	**1 931**
Mining	**2 396**	**-**	**-**	**-**
Other services	**60 867**	**1 137**	**430**	**707**
Gross carrying amount of advances	**3 635 599**	**107 995**	**34 255**	**73 740**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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	33	5	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	824	(20)	844
Gross carrying amount of advances	2 996 970	105 571	44 834	60 737

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.

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 cost and fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial, held against the exposure, along with other credit enhancements and netting arrangements.

	2023						
E'000	Carrying amount	Off balance sheet exposure	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured
Residential mortgages	544 623	30 973	(26 455)	549 141	-	30 973	518 168
Vehicle and asset finance	573 220	4 710	(37 168)	540 762	-	4 710	536 052
Personal loans	338 237	89 411	(48 364)	379 284	-	379 284	-
Other retail	16 840	13 189	(6 724)	23 305	8 335	14 970	-
Commercial	1 338 265	466 845	(28 950)	1 776 160	72 661	394 184	1 309 315
RMB corporate banking	824 414	352 863	(2 027)	1 175 250	13 893	338 970	822 387
Total advances	3 635 599	957 991	(149 688)	4 443 902	94 889	1 163 091	3 185 922
Investment securities	1 200 824	-	-	1 200 824	-	1 200 824	-
Cash and cash equi-va-lents	1 129 540	-	-	1 129 540	-	1 129 540	-
Amounts due from relat-ed parties	2 116 239	-	-	2 116 239	-	2 116 239	-
Accounts receivable	140 057	-	-	140 057	-	140 057	-
Derivatives	12 055	-	-	12 055	-	12 055	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26 Risk management *(continued)*

26.2 Financial risk *(continued)*

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

	2022						
E'000	Carrying amount	Off balance sheet exposure	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured
Residential mortgages	552 210	24 864	(27 972)	549 102	-	24 864	524 238
Vehicle and asset finance	560 295	2 434	(40 662)	522 067	-	2 434	519 633
Personal loans	322 402	40 606	(37 276)	325 732	-	325 723	-
Other retail	13 940	4 085	(5 809)	12 216	3 066	9 150	-
Commercial	1 142 224	148 023	(41 123)	1 249 124	70 764	77 259	1 101 101
RMB corporate banking	405 899	548 213	(5 927)	948 185	12 031	536 182	399 972
Total advances	2 996 970	768 225	(158 769)	3 606 426	85 861	975 612	2 544 944
Investment securities	2 033 697	-	-	2 033 697	-	2 033 697	-
Cash and cash equivalents	2 695 858	-	-	2 695 858	-	2 695 858	-
Amounts due from related parties *	786 494	-	-	786 494	-	786 494	-
Accounts receivable *	53 555	-	-	53 555	-	53 555	-
Derivatives	18 503	-	-	18 503	-	18 503	-

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.
**The maximum exposure to credit risk table did not include amounts due from related parties. Furthermore, accounts receivables included non-financial instruments. Comparatives have as a result been restated.*
*** In the prior year, the netting and financial collateral column was incorrectly presented as equal to the maximum exposure to credit risk column even for financial instruments that have no collateral. This has been corrected in the current year.*

26.2.7 Liquidity risk objective

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 while actively marketing it to ensure an appropriate value is obtained.

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 2023

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.

	2023			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
On-balance sheet exposures	**7 184 492**	**5 148 150**	**329 629**	**1 706 713**
Deposits and current accounts	**5 171 237**	**4 850 134**	**320 449**	**654**
Lease liabilities	**12 941**	**3 761**	**9 180**	**-**
Derivative financial instruments	**14 548**	**14 548**	**-**	**-**
Creditors, accruals and provisions	**341 513**	**270 414**	**-**	**71 099**
Intragroup liabilities	**1 644 253**	**9 293**	**-**	**1 634 960**
Off-balance sheet exposures	**957 991**	**957 991**	**-**	**-**
Financial and other guarantees	**110 555**	**110 555**	**-**	**-**
Facilities not drawn	**847 436**	**847 436**	**-**	**-**

	2022			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
On-balance sheet exposures	7 489 046	7 199 877	236 864	52 305
Deposits and current accounts	6 586 885	6 367 435	219 450	-
Lease liabilities	20 438	3 482	10 444	6 512
Derivative financial instruments	21 685	21 685	-	-
Creditors, accruals and provisions	264 886	212 123	6 970	45 793
Intragroup liabilities	595 152	595 152	-	-
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	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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.

	2023			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months
Total assets	**8 414 515**	**2 881 779**	**761 636**	**4 771 100**
Total equity and liabilities	**(8 414 515)**	**(5 151 626)**	**(339 202)**	**(2 923 687)**
Net liquidity gap	**-**	**(2 269 847)**	**422 434**	**1 847 413**
Cumulative liquidity gap	**-**	**-**	**-**	**-**

	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	-	-	-	-

As illustrated in the table above, the negative liquidity short-term gap decreased slightly in the short end on a cumulative basis. Management continues to align stress funding buffers both locally and offshore, taking into account prevailing economic and market conditions. The bank also relies on the relationship it has with its parent company FirstRand Limited who normally funds any working capital shortfalls in the event of liquidity gap shortages.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26.3 Liquidity risk objective

26.3.3 Concentration analysis of deposits

E' 000	2023	2022
Sector analysis		
Public sector entities	**363 602**	622 974
Banks	**12 319**	9 859
Corporate customers	**3 046 940**	4 064 115
Retail customers	**1 502 963**	1 395 948
Small and Medium Enterprises (SME's)	**245 413**	493 989
Total deposits	**5 171 237**	6 586 885
Geographical analysis Eswatini	**5 171 237**	6 586 885
Total deposits	**5 171 237**	6 586 885

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 2023

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.

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, deposits 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 2023:

	2023 E'000	2022 E'000
Base asset		
Cash with Central Bank and other banks (note 11)	**603 773**	1 994 852
Advances (note 12.1)	**3 635 599**	2 996 970
Amounts due from FirstRand Limited (note 28.2)	**2 116 239**	786 494
Total assets base	**6 355 611**	5 778 316
Increase in 50 basis points	**31 778**	28 892
Decrease in 50 basis points	**(31 778)**	(28 892)

**Deposits attract interest at a fixed rate, as a result they were excluded from the analysis of interest rate sensitivity.*

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

26.4 Market risk (continued)

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 2023 is set out below:

E'000's	(SZL)	(ZAR)	Maluti	UK£	US$	Euro	Total
ASSETS							
Cash and cash equivalents	**884 279**	**215 040**	**-**	**2 830**	**14 043**	**13 348**	**1 129 540**
Advances	**3 635 599**	**-**	**-**	**-**	**-**	**-**	**3 635 599**
Investment securities	**1 200 824**						**1 200 824**
Amounts due from related companies	**-**	**2 115 929**	**310**	**-**	**-**	**-**	**2 116 239**
Other assets	**156 907**	**-**	**-**	**-**	**-**	**-**	**156 907**
Derivative instrument: Held for trading	**-**	**12 055**	**-**	**-**	**-**	**-**	**12 055**
	5 877 609	**2 343 024**	**310**	**2 830**	**14 043**	**13 348**	**8 251 164**
LIABILITIES							
Deposits	**5 171 237**	**-**	**-**	**-**	**-**	**-**	**5 171 237**
Derivative financial instruments held for trading	**-**	**14 548**	**-**	**-**	**-**	**-**	**14 548**
Amounts due to related companies	**-**	**1 644 254**	**-**	**-**	**-**	**-**	**1 644 254**
Other liabilities	**341 634**	**-**	**-**	**-**	**-**	**-**	**341 634**
Shareholders' equity	**1 169 033**	**-**	**-**	**-**	**-**	**-**	**1 169 033**
	6 681 904	**1 658 802**	**-**	**-**	**-**	**-**	**8 340 706**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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 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	-	-	-	-	-	18 503
	7 292 080	798 692	-	3 710	489 676	16 434	8 600 592
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

Assessment and management

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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.

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.

26. Risk management *(continued)*

26.5 Governance

Financial risk management

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

Responsibility 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
- 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

26. Risk management *(continued)*

26.5 Governance *(continued)*

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

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 their 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

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 2023

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 signed by the relevant parties. As at 30 June 2022 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.

(iv) Regulatory risk

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

In order to manage this risk, the bank accordingly reports to the Central Bank of Eswatini in the manner required by the Financial Institutions Act of 2005. Furthermore, the bank is to comply with the Money Laundering (Prevention) Act, 2001.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The bank has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation as well as any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each operating business and at an overall bank level. They 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 an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Advances to customers				
Advances under repurchase agreements, and other advances	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. For advances under repurchase agreements, credit inputs are an insignificant input as the advance is fully collateralised. For some advances under repurchase agreements, the amount repayable is referenced to a listed price of an underlying. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the bank classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Market interest rates, credit inputs and listed prices of an underlying	Not applicable
Investment securities				
Treasury bills and other government and government-guaranteed stock	Discount-ed cash flow	Future cash flows are discounted using mar-ket-related interest rates and curves ad-justed for credit inputs.	Market quotes for money market and fixed-income instruments	Not applicable

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Advances to customers				
Call and non-term deposits	Discounted cash flow or the un-discounted amount is used	Cash flows are discounted with the inter-est rates derived from the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Market interest rates	Not applicable
Investment securities				
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates	Credit inputs
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve or referencing a traded future contract price and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, future contract prices, credit, and currency basis curves and spot prices	Not applicable

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.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2023					
E'000	Carrying value	Total fair value	Level 3	Level 2	Level 1
Assets					
Cash and cash equivalents	**1 129 540**	**1 129 540**	**-**	**1 129 540**	**-**
Investments in securities	**1 171 238**	**1 171 238**	**-**	**1 171 238**	**-**
Amounts due from related parties	**2 116 239**	**2 116 239**	**-**	**2 116 239**	**-**
Accounts receivable (Note 15)	**140 057**	**140 057**	**-**	**140 057**	**-**
Advances	**3 485 911**	**3 464 863**	**2 145 747**	**1 319 116**	**-**
Liabilities					
Accounts payable (Note 21)	**338 337**	**338 337**	**-**	**338 337**	**-**
Amounts due to related parties	**1 644 253**	**1 644 253**	**-**	**1 644 253**	**-**
Deposits	**5 171 237**	**5 171 237**	**-**	**5 171 237**	**-**

2022					
E'000	Carrying value	Total fair value	Level 3	Level 2	Level 1
Assets					
Cash and cash equivalents	2 695 858	2 695 858	-	2 695 858	-
Investments in securities	2 001 993	2 001 993	-	2 001 993	-
Amounts due from related parties	786 494	786 494	-	786 494	-
Accounts receivable (Note 15)	53 555	53 555	-	53 555	-
Advances	2 383 201	2 822 538	1 721 748	1 100 790	-
Liabilities					
Accounts payable (Note 21)	262 456	262 456	-	262 456	-
Amounts due to related parties	595 152	595 152	-	595 152	-
Deposits	6 586 885	6 586 885	-	6 586 885	-

**In prior year the fair value of financial instruments not measured at fair value was not disclosed. This was disclosed in the current year.*

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. 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 2023			
	Level 1 E'000	Level 2 E'000	Level 3 E'000
Assets			
Derivatives	-	**12 055**	-
Liabilities			
Derivatives	-	**12 055**	-

At 30 June 2022			
	Level 1 E'000	Level 2 E'000	Level 3 E'000
Assets			
Derivatives	-	18 503	-
Liabilities			
Derivatives	-	18 503	-

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

28.1 Related party transactions

	2023 E'000	2022 E'000
(i) Interest received from group companies	**147 712**	16 630
Earned from resale agreements with FirstRand Group	**108 846**	2 621
Earned from placements with FirstRand Group	**12 358**	-
Earned from deposits in FirstRand Bank Limited	**26 508**	14 009
(ii) Fees and commission earned		
FirstRand Bank Limited	**2 082**	1 898
iii) Technical and operational support costs		
FirstRand Bank Limited	**191 178**	159 353
(iv) Key management personnel		
Key management compensation comprises of the following:		
Salaries and other short-term benefits	**15 931**	17 775
Post-employment benefits	**162**	1 416
IFRS 2 AOL Amortisation	**6 519**	4 972
Total compensation	**22 612**	24 163

28. RELATED PARTIES *(continued)*

	2023 E'000	2022 E'000
(v) Directors' fees		
Directors fees comprises of the following		
Services as directors	**2 464**	1 800
Total directors' fees	**2 464**	1 800
vi) Interest paid to group companies	**107 087**	2 028

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

	2023 E'000	2022 E'000
Due from FirstRand Bank Limited – deposits	**142 508**	257 838
Due from First National Bank of Lesotho – accounts receivable	**310**	-
Due from RMB – accounts receivable	**357 960**	-
Loans granted under resale agreements	**1 615 461**	528 656
	2 116 239	786 494

These are transactional clearing account balances used to clear customer transactions undertaken in foreign countries. First Rand Limited is FNB Eswatini's holding company and FNB Lesotho is fellow subsidiary of First Rand Limited

(ii) Due to related parties

	2023 E'000	2022 E'000
Due to FirstRand Limited – loans	**26 458**	66 694
Deposits received under repurchase agreements with First Rand Limited	**1 617 795**	528 142
Due from First National Bank of Lesotho – accounts payable	**-**	316
	1 644 253	595 152

(iii) Loans and Advances

Key management personnel

	2023 E'000	2022 E'000
Loans and advances in normal course of business by product		
Mortgages	**14 226**	17 212
Overdrafts	**455**	338
Personal	**330**	143
Instalment finance	**2 823**	2 279
	17 834	19 972

All transactions with related parties are entered into in the normal course of business at fair market terms and are to be settled in cash. None of the balances are secured. The Bank performed an assessment for impairment for all balances due from related parties inline with the requirements of IFRS 9 and this was not material.

No impairment has been recognised for loans granted to key management (2022: nil). Mortgage loans are repayable monthly over 20 years. These loans are collateralised by the properties that were financed.

28. RELATED PARTIES *(continued)*

	2022 E'000	2021 E'000

(iv) Deposits and current accounts at amortised cost

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

Deposits held	**873**	1 401

28.3 Post- employment benefit plan

Deposits held with the bank	**12 737**	3 141

29 REMUNERATION SCHEMES

Conditional and Deferred incentive plans (awards)	
IFRS 2 treatment	Cash settled*
Description	The award is a notional share based on the FirstRand Limited share price.
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 First Ran Limited'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.
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 funding curve of a term equal to the remaining expected life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.

Corporate performance targets (CPTs)

The FirstRand remuneration committee sets the CPTs for each award based on expected macroeconomic conditions, First Rand Limited earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. If the performance conditions are not met, the award fails. The awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share growth targets and minimum return on equity requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the FirstRand Limited remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for pre-determined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced as a short-term incentive category for staff not eligible for the conditional incentive plans (CIP). These are referred to as the deferred incentive plan (DIP). Awards that include both performance and time-based vesting conditions are referred to as CIP.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

29 Remuneration schemes *(continued)*

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

Expired schemes

2019 (Did not vest at the vesting date of September 2022) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below.
The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment with the group and the remaining 50% of the award remains 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 correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

Currently open

2020 (Vesting date in September 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 of the group. 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 correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse.

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 businesses, including its reputation,
- material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC); and
- concerns regarding adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised earnings per share growth target and an 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 and measured 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 are assessed. For any vesting above 70%, both the ROE and normalised earnings growth targets below must be met.

2021 (Vesting date in September 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 (super stretch) target with linear grading correlated to normalised earnings per share growth between targets.

29 Remuneration schemes *(continued)*

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;
- concerns regarding the adherence to the liquidity and capital management strategies in place; and
- lack of compliance over the three-year period with the group's climate roadmap.

2022 (Vesting date in September 2025) - All CIP awards are subject to performance conditions. For all the awards 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 correlated to normalised earnings per share growth between targets.

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 businesses, including its reputation,
- material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance (RCCC) committee;
- concerns regarding the adherence to the liquidity and capital management strategies in place; and
- lack of compliance over the three-year period with the group's climate roadmap.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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.

2021 (Vesting in 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. The Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control.

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

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

29 Remuneration schemes *(continued)*

Vesting level *	Performance conditions	
	Minimum ROE requirement at 30 June 2023 **	Normalised earnings per share growth requirement (3-year compound annual growth rate)
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Grading based on minimum compound an-nual 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.

2022 (Vesting date in 2024) – From 2022, 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 2022 awards.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

29 Remuneration schemes *(continued)*

Vesting level *		Performance conditions (both conditions must be met)	
		Minimum ROE requirement**	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 2022, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥ 19%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5%
On-target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 2.5%
Stretch†	120%	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 5%
Super stretch†	150%		Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 9%

* * Linear grading between these vesting levels based on the earnings growth achieved. The lower of the vesting outcome based on the ROE or the vesting outcome based on earnings growth will apply.

** The ROE target is measured as the average over the three-year performance period. The ROE calculation based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend is policy changes, regulatory changes, IFRS changes or volatile reserves.

In the event that the three-year CAGR of real GDP is negative, CPI will be referenced.

† For vesting at 120% or above, ROE of ≥ 22% 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 9% over the three-year period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

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 and deferred incentive plans FirstRand shares	
	2023	2022
Award life (years)	**2 - 3**	2 – 3
Risk-free rate (%)	**8.58 - 9.45**	5.03 – 8.44

	Conditional and deferred incentive plans (FirstRand shares)	
Share awards outstanding	**2023**	2022
Number of awards in force at the beginning of the year (millions)	**0.419**	0.348
Number of awards granted during the year (millions)	**0.169**	0.181
Number of awards transferred (within the group) during the year (millions)		(0.023)
Number of awards exercised/released during the year (millions)	**(0.047)**	(0.015)
- Market value range at date of exercise/release (cents in SZL)*	**6 208 - 6 208**	6 139 – 6 139
- Weighted average (cents)	**6 208**	6 139
Number of awards forfeited during the year (millions)**	**(0.002)**	(0.072)
Number of awards in force at the end of the year (millions)	**0.539**	0.419

29 Remuneration schemes *(continued)*

Share awards outstanding**	Conditional and deferred incentive plan (FirstRand shares)			
	2023		2022	
	Weighted average remaining life (years)	Out-standing awards (millions)	Weighted average remaining life (years)	Out-standing awards (millions)
Vesting during 2022			0.32	0.049
Vesting during 2023	**0.32**	**0.234**	1.32	0.234
Vesting during 2024	**1.32**	**0.136**	2.032	0.136
Vesting during 2025	**2.32**	**0.169**		
Total conditional awards		**0.539**		0.419
Number of participants		**19**		18

** Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme. The vesting price is in SZL.*
*** Scheme vesting during 2022 (i.e., the 2019 award) failed to vest due to the performance conditions attached to the scheme not being achieved.*
 # Years referenced in the rows relate to calendar years and not financial years.

30 REPORTABLE SEGMENTS

30.1 Reportable segments

Segment reporting	
Bank's chief operating decision maker	Chief executive officer (CEO)
Identification and measurement of operating segments	Aligned with internal reporting provided to the CEO and reflect the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately
Major customers	The bank has no major customer as defined i.e. revenue from the customer exceeds 10% of total revenue) and is therefore no reliance on revenue from one or more major customers
Reportable segments	
Retail and Commercial	Retail and commercial represents the bank's activities in the retail and commercial segments in Eswatini offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium-sized corporate, parastatal and government entities. Retail and commercial's products cover the entire spectrum of financial services – transactional, lending, investment and savings – and include mortgage loans, credit and debit cards, personal loans, and savings and investment products. Services include transactional, deposit-taking and card-acquiring services, as well as credit facilities and FNB distribution channels (branch network, ATMs, banking app, call centres, cell phone banking and online).
WesBank	WesBank represents the bank's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments.
RMB	RMB represents the bank's activities in the corporate and investment banking segments in Eswatini. RMB offers advisory, financing, trading, corporate banking and principal investing solutions.
Treasury	Treasury represents capital, liquidity and financial resource management functions

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

30 REPORTABLE SEGMENTS (continued)

	2023						
E'000	Retail	Commercial	WesBank	RMB	Treasury	Unsegmented	TOTAL
Net interest income before impairments	**139 553**	**154 452**	**28 525**	**89 833**	**38 954**	**(2 126)**	**449 191**
Expected credit reversal/(losses) on investment securities	**–**	**–**	**–**	**–**	**2 118**	**–**	**2 118**
(Impairments)/Reversal of impairment	**(16 325)**	**1 871**	**2**	**3 897**	**–**	**–**	**(10 555)**
Non-interest income	**266 359**	**139 576**	**2 848**	**27 880**	**3 626**	**24 523**	**464 813**
Net income from operations	**389 587**	**295 899**	**31 375**	**121 610**	**44 698**	**22 397**	**881 052**
Operating expenses	**(255 166)**	**(169 896)**	**(25 749)**	**(73 145)**	**(780)**	**(17 659)**	**(542 395)**
Income before indirect tax	**134 421**	**126 003**	**5 626**	**48 465**	**43 918**	**4 739**	**363 172**
Indirect tax	**(30 253)**	**(3 063)**	**(291)**	**(853)**	**(127)**	**(1 868)**	**(36 455)**
Profit before income tax	**104 168**	**122 940**	**5 335**	**47 612**	**43 791**	**2 871**	**326 717**
Income tax expense	**–**	**–**	**–**	**–**	**(81 392)**	**–**	**(81 392)**
Profit for the year	**104 168**	**122 940**	**5 335**	**47 613**	**(37 601)**	**2 871**	**245 325**
The income statement includes							
Depreciation	**28 669**	**209**	**210**	**1 235**	**–**	**3 374**	**33 696**
Impairment charges	**2 450**	**–**	**–**	**–**	**–**	**–**	**2 450**
Non-interest revenue includes the following external revenue from contracts with customers							
Banking fees and commissions	**252 972**	**139 864**	**1 738**	**28 111**	**8**	**17**	**422 710**
Insurance commission income	**5 676**	**247**	**863**	**–**	**–**	**–**	**6 786**
Other non-interest revenue from customers	**7 711**	**(536)**	**247**	**(230)**	**3 618**	**24 507**	**35 317**
The statement of financial position includes							
Total assets**	**1 495 942**	**1 309 907**	**536 533**	**823 134**	**4 228 916**	**20 094**	**8 414 515**
Total Liabilities**	**1 391 774**	**1 186 967**	**531 186**	**775 521**	**3 375 254**	**(15 342)**	**7 245 361**

*** Total assets and liabilities are net of interdivisional balances*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*
for the year ended 30 June 2023

30.2 Reportable segments (continued)

2022							
E'000	Retail	Commercial	WesBank	RMB	Treasury	Unsegmented	TOTAL
Net interest income before impairments	113 580	113 102	31 002	51 560	32 533	(140)	341 677
Expected credit reversal/(losses) on investment securities	-	-	-	-	(2 604)	-	(2 604)
(Impairments)/Reversal of impairment	(5 315)	19 293	15 839	2 521	-	-	32 338
Non-interest income	258 661	112 594	2 805	22 223	651	31 154	428 087
Net income from operations	**366 926**	**244 989**	**49 646**	**76 303**	**30 580**	**31 014**	**799 498**
Operating expenses	(266 227)	(146 873)	(24 463)	(61 766)	136	(20 611)	(479 803)
Income before indirect tax	**100 699**	**98 116**	**25 183**	**14 537**	**30 716**	**10 403**	**319 695**
Indirect tax	(26 904)	(2 207)	(281)	(656)	(115)	(2 169)	(32 333)
Profit before income tax	**73 795**	**95 909**	**24 902**	**13 881**	**30 601**	**8 234**	**287 362**
Income tax expense	-	-	-	-	(80 948)	2 842	(78 106)
Profit for the year	**113 795**	**95 909**	**24 902**	**13 881**	**(50 347)**	**11 076**	**209 256**
The income statement includes							
Depreciation	28 344	189	265	1 231	-	2 145	32 175
Non-interest revenue in-cludes the following external revenue from contracts with customers							
Banking fees and commissions	253 873	113 074	1 558	22 151	26	14	390 696
Insurance commission income	3 245	79	1 087	-	-	-	4 412
Other non-interest revenue from customers	1 525	(146)	160	93	-	31 140	32 979
The statement of financial position includes							
Total assets**	1 228 226	1 101 620	520 261	401 978	5 340 581	31 020	8 623 686
Total Liabilities**	860 434	1 012 912	495 359	392 150	4 788 720	(7 662)	7 541 913

*** Total assets and liabilities are net of interdivisional balances*
**The Bank presented for the first time, the operating segment note in line with IFRS8.*

31 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 ar-rangement

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

	2023	2022
Donations - Contributions by the bank during the year	**2 147**	1 065
Deposits held with the bank	**5 665**	3 622

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