FIRST NATIONAL BANK OF ESWATINI LIMITED

Audited Annual Financial Statements
for the year ended 30 June 2024

Contents

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

To the Shareholder of the First National Bank of Eswatini Limited

The directors of First National Bank of Eswatini Limited ("bank" or "FNB" or "FNB Eswatini") are responsible for the preparation and fair presentation of the annual financial statements comprising the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and the notes to the financial statements as at 30 June 2024. These financial statements have been prepared in accordance with IFRS® Accounting Standards, 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 Accounting standards 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 Accounting standards 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, risk 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

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 10 to 16.

The annual financial statements of the bank, which appear on pages 17 to 152, were approved by the Board of Directors on 16 August 2024 and are signed on its behalf by:

CHAIRMAN	CHIEF EXECUTIVE OFFICER
J V NDLANGAMANDLA	D T MBINGO

Ezulwini
3rd October 2024

DIRECTORS' REPORT
for the year ended 30 June 2024

The directors have pleasure in submitting this report, which forms part of the financial statements of the bank for the year ended 30 June 2024.

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 17 to 152.

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 E179.203 million (2023: E157.944 million) was approved during the year as follows:

- **Interim dividend** – On the 16th of February 2024, the Board approved a dividend of E84.492 million.
- **Final dividend** – On the 16th of August 2024, the Board approved a dividend of E94.711 million.

Holding Company

The bank's immediate holding company is FirstRand EMA Holdings Proprietary Limited ("FREMA") is registered in the Republic of South Africa. FREMA is also the majority shareholder of First National Bank of Eswatini Limited holding 75.01% of FNB Eswatini's issued share capital.

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 with laws and regulations that may impact the operations of the bank. The directors are also aware of ongoing changes in regulations that will impact the manner in which payments are processed by all industry participants going forward. Whilst the capital investment to ensure compliance is substantial, the Board does not anticipate material disruption to business continuity and customer experience.

Listing of the Bank on the Local Stock Exchange

In December 2023, FirstRand EMA Holdings Proprietary Limited successfully sold 20% of its shareholding in FNB Eswatini to local institutional investors and donated a further 4.99% to the FNB Eswatini Employee Trust for the benefit of qualifying employees through distribution of the Trusts' dividend income.

The entire shareholding was then listed on Eswatini Stock Exchange (ESE). The sale of the shares and the contribution to the Employee Trust were voluntary and were not related to any regulatory or legal compliance requirement. The Employee Trust has no work-related performance-linked requirements, and qualifying employees participate in the Trust's income through set rules defined by the Trustees from time to time.

Capital and Reserve Account

i) Share Capital

The bank's Share Capital comprises of Ordinary 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 2024, the bank's liabilities to the public in Eswatini totalled E6.301 billion (2023: E5.171 billion) requiring a minimum capital of E315 million (2023: E258 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 E1.359 billion (2023: E1.169 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 2024, in accordance with this requirement of the Act, an amount of E26.766 million (2023: E25.275 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 2024, the bank complied with this requirement of the Act reporting a Capital Adequacy Ratio (CAR) of 21.80% (2023: 21.49%).

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 2024, the bank's liabilities to the public in Eswatini totalled E6.301 billion (2023: E5.171 billion) requiring a maximum liquid asset requirement of E1.575 billion (2023: E1.293billion). The requirement of the Act in this regard has been met.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2024

Liquid Asset Requirement (continued)

The total Bank's liquid assets were:

	2024 E'000	2023 E'000
Cash and cash equivalent	1 111 598	1 129 540
Investment in securities	1 297 020	1 171 238
Total liquid assets	2 408 618	2 300 778

Corporate Governance

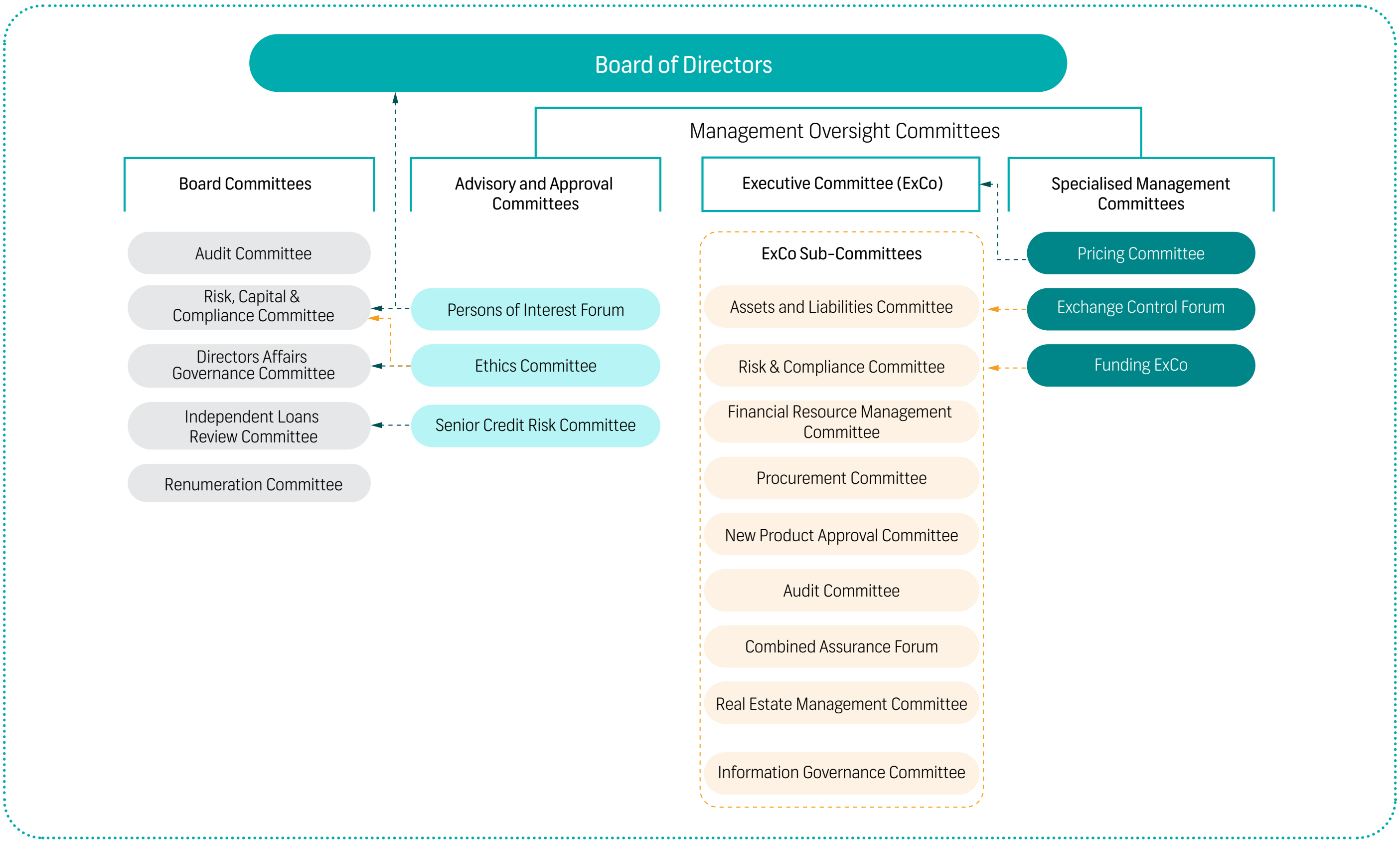
The First National Bank of Eswatini Limited Board of Directors is committed to good corporate governance practices and organisational integrity in the direction and control of the bank's affairs. This commitment serves to provide stakeholders with the comfort that the bank's affairs are managed in an 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 2024

Corporate Governance



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 2018
J M Gule	Member and Chair (Remuneration Committee)	Independent Non-Executive	11 February 2020
L J Haynes	Member	Non - Executive	11 November 2021
S Gumbi	Member	Independent Non-Executive	31 January 2024
V J Monadjem	Member	Independent Non-Executive	14 February 2024

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.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2024

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	Committee Chairperson	Committee Chairperson		Committee Member		Committee Member
S de Sousa	Committee Member	Committee Member	Committee Member	Committee Member	Committee Chairperson	
D E Wright	Committee Member	Committee Member	Committee Member	Committee Chairperson	Committee Member	
E B Arden	Committee Member	Committee Member	Committee Chairperson		Committee Member	Committee Member
J M Gule	Committee Member	Committee Member	Committee Member			Committee Chairperson
S Gumbi	Committee Member	Committee Member	Committee Member		Committee Member	
V J Monadjem	Committee Member	Committee Member	Committee Member	Committee Member		
Non-Executive						
S L Balsdon	Committee Member	Committee Member	Permanent Invitee	Committee Member		Committee Member
L J Haynes	Committee Member	Committee Member		Committee Member	Committee Member	
Executive						
D T Mbingo	Committee Member	Permanent Invitee	Permanent Invitee	Committee Member	Permanent Invitee	Permanent Invitee

The Board and Board sub-committees are chaired by and Independent Non-Executive directors.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2024

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	2/3		4		2
S de Sousa	4	3/3	4	4	4	
D E Wright	4	3/3	4	4	4	
E B Arden	4	3/3	4		4	2
J M Gule	4	3/3	4			2
S Gumbi	2/4	1/3				
V Monadjem	2/4	1/3				
Non-Executive						
S Balsdon	3/4	3/3	3/4	3/4		2
L J Haynes	4	3/3		4	4	
Executive						
D T Mbingo	4	3/3	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.

DIRECTORS' REPORT (continued)
for the year ended 30 June 2024

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 Park, Corner, MR103 Road & Swaki Street Ezulwini Eswatini	P O Box 261 Eveni Mbabane Eswatini

Auditors

Business Address	Postal Address
PricewaterhouseCoopers Rhus Office Park Kal Grant Street Mbabane Eswatini	P O Box 569 Mbabane Eswatini H100

Independent auditor's report

To the Shareholders of First National Bank of Eswatini Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First National Bank of Eswatini Limited (the Bank) as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 17 to 152 comprise:

- the statement of financial position as at 30 June 2024;
- 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, including material accounting policy information.

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 consolidated and separate 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.

Our opinion

Overview

Overall materiality

- *Overall materiality: SZL 18.2 million, which represents 5% of profit before tax.*

Audit scope

- *A full scope audit was performed on the Bank.*

Key audit matters

- *Impairment of advances.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	*SZL 18.2 million*
How we determined it	*5% of profit before tax*
Rationale for the materiality benchmark applied	*We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured and is a generally accepted benchmark. Profit before tax is a key focus area for management, those charged with governance and FirstRand Group Limited (parent entity)* *We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key audit matter	***How our audit addressed the key audit matter***
Impairment of advances *Significant macroeconomic uncertainty persists in the environment in which the Bank operates.* *Management exercises judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans to determine whether an impairment loss should be recognised. The judgements include the setting of macroeconomic scenarios and associated probabilities, as well as the forecasting of macroeconomic variables under the set scenarios.* *Consequently, management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of International Financial Reporting Standard 9 – Financial Instruments ("IFRS") 9 and industry developments.* *We considered impairment of advances to be matter of most significance to our current year audit due to the following:* • *the level of subjective judgement applied in determining the ECL on advances.* • *the macroeconomic uncertainty and its impact on the assessment of ECL.* • *the magnitude of the advances recognised in the financial statements.* ***Retail and commercial advances*** *Retail and commercial advances are higher in volume and lower in value and, therefore, a*	*Our audit of the impairment of advances included, inter alia, the following audit procedures we performed with the assistance of our actuarial experts:* • *Across all significant portfolios we assessed the associated impairment practices applied by management against the requirements of IFRS 9.* • *We assessed the entity's probability-weighted macroeconomic scenario estimates and evaluated the methodology, scenario views and associated probabilities in terms of the principles of IFRS 9. We considered whether the forecasts are sound in terms of macroeconomic forecasting principles. We reviewed the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussion with management and comparison to our own and benchmarked economic forecasts and independent market data and attendance of the governance forums.* • *We confirmed that the latest approved macroeconomic outlook has been appropriately incorporated into the forward-looking estimate of ECL. The impact of events and risks not included in the macroeconomic forecasts was also considered.* • *There were no exceptions noted.* • *Through engaging with PwC and EY ARQ and discussions with management and inspection of*

significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. The areas of significant judgement and estimation include:

Determination of input assumptions applied to estimate the Probability of Default ("PD"), EAD") and Loss Given Default ("LGD") within the ECL measurement.

Management 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, being weighted by the probability of occurrence.

The inputs into the modelling process require significant management judgement, which include:

- *Input assumptions and methodologies applied to estimate the PD, EAD, and LGD within the ECL calculations.*
- *Determining the expected value to be realised from collateral and the time it will take to realise.*

Evaluation of significant increase in credit risk ("SICR")

- *The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date, considering the impact of the event driven uncertainty as well as future default rates forecast by the forward-looking macroeconomic model.*

Determining of the write-off point

- *The determination of the write-off point, being the point at which there is no reasonable expectation of recovering the carrying amount of the asset.*

policy documents, obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, LGD, EAD) and how these were calibrated to use historical information to estimate future cash flows and also to estimate forward-looking ECL.

- *Through reperformance, we tested the accurate implementation of the documented methodologies and assessed the alignment between modelled outcomes and recent actual experience.*
- *Independently recalculated the ECL by applying our own independent assessment of the component inputs used by management. The independent results were compared to management's results.*
- *Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and evaluating alignment with the principles of IFRS 9.*
- *Through independent reperformance, assessed the appropriateness of assumptions made by management in applying the macroeconomic inputs, credit risk grades, EADs, PDs, LGDs and valuation of collateral in the current economic climate.*
- *Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially extended collateral realisations.*
- *Through applying the assumptions and data included in management's modelled client risk ratings and performance of cured accounts, assessed the accurate implementation of SICR classifications.*

Incorporation of macro-economic inputs and forward-looking information (FLI) into the ECL measurement

- *The incorporation of FLI and macroeconomic inputs into the SICR assessment and ECL calculations.*
- *Determining and weighting of assumptions used in the forward-looking economic model to account for the forward-looking uncertainty.*

The related disclosures in the financial statements are included in:
- *Accounting policy 8.2 - Impairment of financial assets;*
- *Note 12 - Advances and impairment of advances; and*
- *Note 26.2 - Financial risk.*

- *Tested the SICR thresholds applied and the resultant transfer of non-arrears accounts into Stage 2 for SICR. This includes comparing the volume of up-to-date accounts transferred to Stage 2 to the historical movements from performing into arrears and the impact of forward-looking expectation of default risk on these historical movements*

- *Tested the model ranking ability and model stability by testing the performance of client behavioural scores and other client behavioural data that drives PD estimates and SICR triggers.*

- *Evaluated the write-off point relative to historical post write-off recoveries to assess whether the write-off point applied by management is still the point at which there is no reasonable expectation of further recovery.*

- *Through recalculation, we tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD.*

- *Obtained an understanding of the assumptions used in the forward-looking economic model including the macroeconomic variables selected and the sensitivity of ECL components to each variable.*

- *Tested the performance and sensitivity of the FLI model to evaluate whether the chosen macroeconomic factors, scenario weightings and model design provide a reasonable representation of the impact of the various macroeconomic scenarios on the ECL results. This included an assessment of the extent to which plausible downside risk scenarios are captured by the macroeconomic scenarios that are used to determine forward looking estimates.*

- *Where applicable, developed an independent view to assess management's forward-looking model by using our own challenger model and associated credit index through the use of our ARQ team.*

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 2024", which includes the Directors' Report as required by the Companies Act of Eswatini. The other information does not include the consolidated or the separate 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 IFRS Accounting 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.
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

PricewaterhouseCoopers
Partner: Makhosazana Mhlanga
Registered Auditor
P.O. Box 569
Mbabane
Date: 10 October 2024

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2024

	Notes	2024 E'000	2023 E'000
Interest and similar income	1	843 945	730 568
Interest expense and similar charges	2	(360 809)	(281 377)
Net interest income before impairments		483 136	449 191
Expected credit gains/(losses) on investment securities	13	5 398	2 118
(Impairment)/reversals of impairment on advances	12.2	(9 136)	(10 555)
Net interest income		479 398	440 754
Non-interest revenue	3	528 260	464 813
Net fee and commission income	3.1	485 697	422 710
Fee and commission income		499 153	432 594
Fee and commission expense		(13 456)	(9 884)
Insurance commission earned	3.2	9 674	6 786
Fair value gains and losses	3.4	29 361	27 683
Other non-interest income	3.3	3 528	7 634
Income from operations		1 007 658	905 567
Operating and administration expenses	4	(598 924)	(542 395)
Income before indirect tax		408 734	363 172
Indirect tax	5	(44 039)	(36 455)
Profit before income tax		364 695	326 717
Income tax expense	6.1	(95 891)	(81 392)
Profit for the year		268 804	245 325
OTHER COMPREHENSIVE INCOME			
Items that may not subsequently be reclassified to profit or loss			
Re-measurements on defined benefit post-employment plans		6 462	-
Actuarial gains for the year		8 913	-
Deferred income tax on gains arising during the year		(2 451)	-
Total Comprehensive Income		275 266	245 325

Earnings per share		
Basic earnings per share	2.02	1.80
Diluted earnings per share	2.02	1.80

STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2024

	Notes	2024 E'000	2023 E'000
ASSETS			
Cash and cash equivalents	11	1 111 598	1 129 540
Derivative financial instruments	14	16 935	12 055
Accounts receivable	15	80 577	156 907
Investment securities and other investments	13	1 297 020	1 171 238
Advances	12.1	4 150 240	3 485 911
Amounts due from related parties	28.2	2 666 602	2 116 239
Current income tax asset	10	5 932	-
Property and equipment	16	339 055	295 341
Deferred income tax asset	9	40 515	47 284
Total assets		9 708 474	8 414 515
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	17.2	26 600	27 642
Share premium	17.3	2 686	2 686
Other reserves	18	339 715	300 010
Retained earnings		989 885	838 816
Total equity		1 358 886	1 169 154
LIABILITIES			
Derivative financial instruments	14	13 633	14 548
Accounts payable	21	158 882	341 513
Current income tax liability	10	-	9 573
Deposits	19	6 300 557	5 171 237
Amounts due to related parties	28.2	1 820 724	1 644 253
Lease liability	23.2	12 700	12 941
Provision for other liabilities and charges	22	43 092	42 383
Defined benefit post-employment liability	20.1	-	8 913
Total liabilities		8 349 588	7 245 361
Total equity and liabilities		9 708 474	8 414 515

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2024

	Share capital E'000	Share premium E'000	General risk reserve E'000	Statutory reserves E'000	Defined benefit post employ-ment reserve E'000	Retained Earnings E'000	Total Equity E'000
Year Ended 30 June 2024							
Balance as at 30 June 2023	27 642	2 686	36 355	251 329	12 326	838 816	1 169 154
Profit for the year	-	-	-	-	-	268 804	268 804
Other comprehensive income	-	-	-	-	6 462	-	6 462
Transfer to general risk reserve	-	-	6 477	-	-	(6 477)	-
Transfer to statutory reserve	-	-	-	26 766	-	(26 766)	-
Repurchase of non-redeemable prefer-ence shares	(1 042)	-	-	-	-	-	(1 042)
Dividends paid	-	-	-	-	-	(84 492)	(84 492)
Balance as at 30 June 2024	26 600	2 686	42 832	278 095	18 788	989 885	1 358 886
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)	-
Repurchase of non-redeemable preference shares	-	-	-	-	-	-	-
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

STATEMENT OF CASH FLOWS
for the year ended 30 June 2024

	Notes	2024 E '000	2023 E '000
Profit before tax with non-cash adjustments	25.1	369 283	318 783
Cash received from customers		1 326 730	1 140 466
Interest and similar income	25.3	821 726	700 274
Fee and commission income	25.4	501 964	437 980
Recoveries	12.2	3 040	2 212
Cash paid to customers, suppliers and employees		(957 448)	(821 683)
Interest expense and similar charges	25.5	(346 690)	(278 978)
Total other operating expenditure	25.6	(566 718)	(506 249)
Indirect tax paid		(44 040)	(36 456)
Income tax paid	25.2	(107 078)	(75 408)
Net cash flow from operating activities before changes in operating asset and liabilities		262 204	243 375
Cash flow from changes in operating activities			
Net increase in advances		(647 639)	(647 710)
Net increase in amounts due from related parties		(550 362)	(1 329 745)
Net decrease /(increase)in accounts receivable		76 329	(87 837)
Net increase/(decrease) in term deposits		1 129 319	(1 415 648)
Net increase in amounts due to related parties		176 471	1 049 101
Net (decrease)/increase in accounts payable*		(98 893)	74 861
Net increase in provisions for other liabilities and charges		710	3 357
Net decrease in derivative instruments		(5 794)	(690)
Net cash flow from changes in operating assets and liabilities		80 141	(2 354 311)
Net cash inflow from operating activities		342 345	(2 110 936)
Cash flows from investing activities			
Acquisition of assets		(70 238)	(160 120)
Acquisition of Investment securities	13	(524 207)	(861 497)
Investment securities matured	13	413 960	1 742 126
Proceeds from sale of fixed assets		432	349
Net cash outflow from financing activities		(180 053)	720 858
Cash flows from financing activities			
Dividends paid to shareholder*		(168 229)	(156 176)
Lease liability payments		(11 602)	(14 210)
Repurchase of non-redeemable preference shares		(1 042)	-
Net cash outflow from financing activities		(180 873)	(170 386)
Net increase in cash and short-term funds		(18 581)	(1 560 464)
Cash and cash equivalents at beginning of the year		1 129 540	2 695 858
Effect of exchange rate changes on cash and cash equivalents		639	(5 854)
Cash and cash equivalents at end of the year	11	1 111 598	1 129 540

*Dividend payable to shareholders and movements in accounts payable have been restated. Refer to note 32 for analysis of the restatement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

1. Introduction and basis of preparation

1.1 Introduction

The bank's financial statements have been prepared in accordance with International Financial Reporting Standards Accounting Standards ("IFRS Accounting standards"), 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 2024, 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 note

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 Accounting standards.

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 2024

1.1 Introduction (continued)

New standards adopted in the current year

There were no new or amended IFRS Accounting standards which became effective for the year ended 30 June 2024 that materially impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

1.2 Basis of preparation

The bank prepares annual financial statements which include the assets, liabilities and results of the operations at 30 June each year. The financial statements of the bank have been prepared in accordance with IFRS Accounting standards 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 Accounting standards 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
- 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 Accounting standards 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 2024

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 Accounting standards, 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 2024

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
IFRS 16	**Lease liability in a sale and lease back – amendments to IFRS 16** The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and lease back transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024
IAS 1	**Amendments to classification of liabilities as current or non-current and non-current liabilities with covenants** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The bank presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024

1.2 Basis of preparation (continued)

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

Standard	Impact assessment	Effective date
IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2024
IAS 21	Lack of exchangeability – Amendments to IAS 21 The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2025
IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments The amendments clarify: • that a financial liability is derecognised on the settlement date. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met. • how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. • the treatment of non-recourse assets and contractually linked instruments. • Additional disclosure requirements for financial assets and liabilities with contractual terms that reference a contingent event. The bank does not expect this amendment to have a significant impact on the annual financial statements	Annual periods commencing on or after 1 January 2026

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

1.2 Basis of preparation (continued)

iv) Standards and interpretations issued but not yet effective (continued).

Standard	Impact assessment	Effective date
IFRS 18	Presentation and Disclosure in Financial Statements IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 aims to improve financial reporting by: • requiring additional defined subtotals in the statement of profit or loss; • requiring disclosures about management-defined performance measures; and • adding new principles for grouping (aggregation and disaggregation) of information The new standard is expected to impact bank presentation of its statement of profit or loss, statement of cashflows and accompanying disclosures.	Annual periods commencing on or after 1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures IFRS 19 enables eligible entities to provide reduced disclosures compared to the requirements in other IFRS accounting standards. Entities that elect IFRS 19 are still required to apply recognition, measurement and presentation requirements of other IFRS accounting standards. IFRS 19 would not be applicable to the bank annual financial statements, however IFRS 19 application will be evaluated for the company annual financial statements.	Annual periods commencing on or after 1 January 2027

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

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 subsidiaries of these entities	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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

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: - the gross carrying amount of financial assets which are not credit-impaired; and - 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 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. Unless specifically stated otherwise, the bank is the principal in its revenue arrangements as the bank controls the goods and services before transferring them to the customer.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

3.1 Income and expenses (continued)

<table>
<tr><td>Fee and commission income</td><td>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.</td></tr>
<tr><td>Fee and commission expenses</td><td>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.

Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.</td></tr>
</table>

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.

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. Current income tax arising from distributions made on other equity instruments is recognised in the income statement as the distributions are made from retained earnings arising from profits previously recognised in the income statement.	
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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

4.1 Classification and measurement (continued)

4.1.2 Classification and subsequent measurement of financial assets (continued)

Business Model (continued)

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.

If sales of financial assets are infrequent, the significance of these sales are considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows.

Determining whether sales are significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows but rather the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether it is significant.

A change in business model of the bank only occurs on the rare occasion when the bank changes the way in which it manages financial assets. Any changes in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

Cash flow characteristics

In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e., consistent with those of a basic lending agreement.

The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation and can therefore be considered reasonable compensation which would not cause these assets to fail the SPPI test.

For corporate advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

4.1 Classification and measurement (continued)

4.1.2 Classification and subsequent measurement of financial assets (continued)

Classes of financial assets	Business model considerations	Cash flow characteristics
Amortised cost		
Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of 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.		
Cash and cash equivalents		
Cash and cash equivalents comprise of coins and bank notes, money at call and short notice, and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost. Balances are tested annually to assess whether such balances continue to meet the definition of cash and cash equivalents.		
Retail advances	The FNB and WesBank franchises divisions hold retail advances to collect contractual cash flows. The business model focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business models include: • residential mortgages; • vehicle and asset finance; • personal loans and other retail products such as overdrafts. The key risk in these business models is credit risk. This is influenced by the macro environment within which the business operates.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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4.1 **Classification and measurement** (continued)

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

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

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
Mandatory at FVTPL		
Derivative assets	Derivatives are either held for trading or to hedge economic risk. These instruments are managed on a fair value basis.	The cash flows on these assets are solely payments of principal and interest.

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities
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.
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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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 2024

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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 2024

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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.

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS Accounting standards 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

Information regarding land and buildings is kept at the bank's registered office and is open for inspection.

Property and equipment

Classification	Measurement
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; • work-in-progress which is payments for projects in progress and capital items which are not yet in use. Work-in-progress is cleared when projects are completed and amounts are transferred to the relevant asset class.	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.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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5.1.1 Classification and measurement (continued)

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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5.2 Leases

	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
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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 useful life on a straight-line basis, where ownership is transferred at the end of the lease term. If ownership is not 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.	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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.

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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;.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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
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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 economists. 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 and reflecting additional relevant information not catered for in models.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

8.2 Impairment of financial assets (continued)

The following scenarios were applied on 30 June 2024

Baseline regime 58% (2023:56.4%)	• A moderate GDP recovery in SA (Eswatini's main export destination) prevents growth from meaningfully exceeding 3%; and/or • An increase in SACU receipts leads to increased public investment in capital projects which spur economic activity; and/or • Perceived growth in Eswatini remains narrowly based and largely concentrated in a likely rebound in information communication and technology (ICT) and financial services subsectors, alongside increased government-led construction activity; and/or • The government only achieves limited success in diversifying the country's export base (which mainly constitutes sugar exports to the EU); and/or • Following a muted impact of El Niño, erratic weather patterns do not adversely affect sugar and food production; and/or, • The threat of civil unrest is subdued. • The political environment remains volatile and the fiscus vulnerable.
Upside regime 9% (2023:8.9%)	• The global economy experiences a positive productivity shock (AI related). This lowers inflation while simultaneously boosting growth. Major central banks cuts rates sharply and sentiment towards Emerging Markets improve markedly; and/or • As the region recovers, sustainably higher than expected SACU revenues due to improved structural reform in South Africa places less pressure on Eswatini's fiscus; and/or • The country attracts notable new investment into manufacturing to benefit from its AGOA status, e.g., textiles; and/or, • The country fully re-establishes political stability which unlocks new multilateral and bilateral financing and investment; and/or, • Eswatini experiences good rainfall, positively impacting sugar and food production; and/or, • Improved sugar production levels lift government revenue; and/or, • Successful diversification of sugar-related exports outside the EU market; and/or, • Stronger global and regional growth support export growth; and/or, • Government effectively manages its debt and expenditure situation resulting in further declines in arrears to domestic suppliers; and/or, • Government successfully implements positive fiscal reforms which reduce expenditure pressure on the fiscus; and/or • Investor sentiment improves.

8.2 Impairment of financial assets (continued)

The following scenarios were applied on 30 June 2024 (continued)

Downside regime 34% (2023:34.7%)	• Global growth slows as tight monetary policy and geopolitical fallout in the Middle East/Ukraine weigh on investor confidence. Weaker global activity negatively affects exports and FDI; and/or, • The South African government is unable to reign in its debt ceiling and the rand weakens significantly from current levels; and/or, • SACU revenues do not recover as expected, straining the fiscus; and/or, • The country experiences a season of significant weather shocks which damages agricultural land, increases food prices, and elevates food insecurity; and/or, • The country is unable to find substitute markets for sugar and ancillary industries suffer; and/or • Rainfall is erratic, driving food and sugar production (and exports) lower; and/or • Rise in social and political insecurity due to food, water insecurity and/or increasing unemployment rate; and/or, • Unstable supply of electricity extends loadshedding from residential areas to commercial areas, affecting business activity; and/or, • Weak Government response to socio-political threats leads to the country's political opponents regaining popularity and momentum with the general population; and/or • Eswatini faces sanctions as a perceived money-laundering hub, attracting increased compliance costs for Government and local businesses.

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 2024	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	6.00	3.00	1.50
CPI Inflation (%)	3.50	4.70	7.50
Policy interest rate (%)	6.50	7.25	9.50
Foreign exchange rate (USD/SZL)	15.40	18.70	23.50

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 (%)	6.50	7.25	9.50
Foreign exchange rate (USD/SZL)	14.60	17.70	24.0

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.

*Prior policy interest rate (%) has been adjusted to reflect the correct rate per the house views. For the computation of ECL, the correct rates were used. Refer below for effects of the prior year incorrect policy rates that were disclosed.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

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 2024	132 998	
Scenarios		
Baseline	135 705	2.04
Upside	129 526	(2.61)
Downside	138 614	4.22

	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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

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 2024

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 2024

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 2024. 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 2024				
E'000	Gross carrying amount	Stage 1 Coverage ratio	5% Increase in gross carrying amount of exposure	Increase in the loss allowance
Retail	945 170	2.89%	47 259	1 367
Commercial	1 570 725	1.01%	78 536	797
WesBank	675 918	1.32%	33 796	447
Corporate	1 091 424	0.34%	54 571	184
Total	4 283 237	1.25%	214 162	2 795

30 June 2023				
E'000	Gross carrying amount	Stage 1 Coverage ratio	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

Judgement or estimate	Retail and retail SME	Corporate and commercial SME
Determination of whether a financial asset is a credit-impaired financial asset	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay his/her/its credit obligations in full without any recourse by the bank to action such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For corporate exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.	

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2024

8.3 Other assets and liabilities

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

8.4 Transactions with employees

Employee benefits - defined contribution plans	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% (2023: 21%) of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The bank considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the pension fund (during June 2024), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution on the date of the purchase.
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2024

	2024	2023
	E'000	E'000

1 INTEREST AND SIMILAR INCOME

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

Advances	444 589	361 423
- Property finance	81 724	71 045
- Home loans	57 208	50 859
- Commercial property finance	24 516	20 186
- Personal loans	67 328	64 025
- Lease payments receivable	76 899	61 207
- Overdrafts and cash management accounts	91 308	77 417
- Term loans	128 136	86 929
- Off market loans	(806)	800
Cash and cash equivalents	153 424	110 192
Intergroup repurchase agreements	129 365	108 846
Investment securities	116 567	150 107
Total interest and similar income	843 945	730 568

2 INTEREST EXPENSE AND SIMILAR CHARGES

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

Deposits from customers	212 424	173 456
Current accounts	10 470	9 076
Call accounts	164 923	139 594
Savings accounts	4 692	2 553
Term deposit accounts	32 339	22 233
Intergroup repurchase agreements	147 305	107 087
Lease liability (IFRS 16) – (note 23)	699	834
Interest other	381	-
Total interest expense and similar charges	360 809	281 377

3 NON- INTEREST REVENUE

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

Instruments at amortised cost	497 140	430 440
Non-financial instruments	2 013	2 154
Fee and Commission Expenses	(13 456)	(9 884)
Net fee and commission income (Note 3.1)	485 697	422 710
Insurance income		
Non-financial instruments (Note 3.2)	9 674	6 786
Fair value gains/(losses) (Note 3.4)	29 361	27 683
Other non-interest income (Note 3.3)	3 528	7 634
Total non-interest revenue	528 260	464 813

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024	2023
	E'000	E'000
3.1 Net fee and commission income		
Banking fee and commission income		
- Card commissions	46 315	37 428
- Cash and cheque deposit fees	20 934	19 900
- Commissions - bills, drafts & cheques	11 791	12 137
- Commitment fees	16 392	15 851
- Acceptance guarantees and indemnities	1 486	649
Total banking fee and commission income	96 918	85 965
Service fees		
- Exchange commissions	11 942	9 955
- Bank charges	388 280	334 520
- - Transaction and service fees	213 239	179 234
- - Documentation and administration fees	100 422	88 100
- - Cash handling fees	74 619	67 186
Service fees	400 222	344 475
Other non-banking fee and commission income		
- Other non-banking fee and commission income	2 013	2 154
Total fee and commission income	402 235	346 629
Fee and Commission Expenses		
- Cash sorting handling and transportation charges	(5 484)	(4 139)
- Card loyalty programmes	(569)	(1 414)
- Transaction and processing fees	(5 044)	(3 952)
- Other fees	(1 207)	(469)
- Card fees	(1 152)	90
Total fee and commission expenses	(13 456)	(9 884)
Net fee and commission income	485 697	422 710
3.2 Insurance commission earned		
Agency commission earned	6 360	5 001
Profit share income	3 314	1 785
Total insurance income	9 674	6 786
3.3 Other non-interest income		
(Loss)/Gain from the disposal of property and equipment	(3 065)	51
Other fees and income	6 593	7 583
Other non-interest income	3 528	7 634
3.4 Fair value gains and losses		
Fair value gains	29 791	26 690
Foreign currency translation (losses)/gains	(430)	993
Fair value gains and losses	29 361	27 683

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024	2023
	E'000	E'000

4 OPERATING AND ADMINISTRATIVE EXPENSES

Operating expenses comprise the following:-

4.1 Auditors' remuneration		
Audit fees – statutory audit current year provision	4 200	3 721
Audit fees – BA statutory returns	–	97
Total Auditors' remuneration	**4 200**	**3 818**

4.2 Directors' fees		
- For Services rendered as a director	2 491	2 464
Total Directors costs (note 28.1)	**2 491**	**2 464**

4.3 Employee benefit expenses		
Salaries, wages and allowances	220 108	201 095
Contributions to employee defined benefit plan	17 629	14 389
Share-based payments	10 279	6 519
Off-market loans (note 1)	(806)	800
Other employee benefit expenses	144	1 552
Total employee benefit expenses	**247 354**	**224 355**

The number of employees (including fixed contract) employed by the bank at year end was 483 (2023: 480).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

OPERATING AND ADMINISTRATIVE EXPENSES

4.4 Other operating costs

	2024 E'000	2023 E'000
Technical and operational support costs (note 28.1)	215 247	191 178
Insurance	8 334	6 197
Subscriptions	911	842
Advertising and marketing	12 812	9 666
Business travel	4 655	3 088
Low valued assets	2 033	906
Depreciation of property and equipment (note 16)	34 656	33 696
Operating lease charges*	3 052	2 014
Repairs and maintenance	10 304	11 295
Computer expenses	1 308	6 185
Property expenses (including utilities)	14 114	10 760
Communication costs	14 545	14 910
Training expenses	1 740	1 598
Bank charges	4 822	4 018
Donations	2 467	2 147
Entertainment	3 573	2 643
Stationery and printing	3 015	2 048
Storage and delivery	1 665	1 500
Legal	90	158
Operational losses	(527)	323
Professional fees	2 589	1 375
Fuel costs	1 759	1 641
Credit Investigations	1 178	1 268
Other operating expenses	537	2 302
	344 879	311 758
Total operating and administration expenses	598 924	542 395

5 INDIRECT TAX

Indirect taxation comprises of:

	2024 E'000	2023 E'000
Stamp duties and value added tax reverse charge	44 039	36 455
Total indirect taxation	44 039	36 455

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

6 TAXATION

6.1. Income tax expense

Income taxation comprises of:

	2024 E'000	2023 E'000
Total current tax expense (note 10)	91 572	80 053
- Current tax on profits for the year	90 579	85 446
- Tax credit	-	(5 393)
- Prior year tax under provision	994	-
Total deferred tax expense (note 9)	4 318	1 338
- Decrease in deferred tax assets	4 318	1 338
Total income tax expense	95 891	81 392
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	0.8	0.0
Expense not deductible for tax purposes	3.6	1.7
- Assets less than E7 000	0.6	0.3
- Marketing and advertising	1.9	1.4
- Depreciation of freehold land and buildings	1.1	0.0
Effective taxation rate	31.9	29.2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024	2023
	E'000	E'000

7. EARNINGS AND DIVIDENDS PER SHARE

7.1 Earnings attributable to ordinary equity holders		
- Basic [Excluding profit attributable to preference shareholders]	268 804	239 370
- Basic [Preference shareholders]	-	5 955
Earnings attributable to ordinary equity holders	**268 804**	245 325
7.2 Dividends Declared and paid		
Ordinary Shares		
- Interim	84 492	71 409
- Final declared/paid	-	80 580
Preference Shares		
- Interim	-	2 797
- Final declared/paid	-	3 158
Total Dividends Declared and paid	**84 492**	157 944
7.3 Dividends per share (cents)		
- Interim	63.53	53.69
- Final declared/paid	-	60.59
Dividends per share	**63.53**	114.28

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 as a result of the listing on the Eswatini Stock Exchange.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

8. ANALYSIS OF ASSETS AND LIABILITIES

The following table analyses the assets and liabilities in the statement of financial position per category of financial instrument and therefore by measurement basis.

	2024					
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 equivalents	1 111 598	-	-	1 129 540	1 129 540	-
Derivative financial instruments	-	16 935	-	16 935	16 935	-
Investment securities	1 297 020	-	-	1 297 020	537 903	759 117
Advances	4 150 240	-	-	4 150 240	1 802 655	2 347 585
Accounts receivable	62 608	-	17 969	80 577	30 829	49 749
Amounts due from related parties	2 666 602	-	-	2 666 602	826 221	1 840 381
Non-financial assets	-	-	385 502	385 502	5 932	379 570
Total assets	9 288 068	16 935	403 471	9 708 474	4 332 073	5 376 402

	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 equivalents	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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

8. Analysis of assets and liabilities (continued)

E'000	2024					
	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	-	13 633	-	13 633	13 633	-
Accounts payable	150 786	-	8 096	158 882	108 478	50 404
Deposits	6 300 557	-	-	6 300 557	6 298 801	1 756
Lease liability	-	-	12 700	12 700	9 425	3 275
Provision for other liabilities and charges	-	-	43 092	43 092	3 848	39 244
Amounts due to related parties	1 820 725	-	-	1 820 725	1 792 554	28 171
Defined benefit post-employment liability	-	-	-	-	-	-
Total liabilities	8 272 068	13 633	63 888	8 349 589	8 226 739	122 850

	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
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024 E'000	2023 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	47 284	48 622
Release to profit or loss (Note 6.1)	(4 318)	(1 338)
Charged to other comprehensive income	(2 451)	-
Balance at the end of the year	40 515	47 284
Deferred Taxation-Net	40 515	47 284

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

	2024		
E'000	Opening Balance	Taxation charge/ (release)	Closing Balance
Impairment of advances	30 873	(5 936)	24 937
Expected Credit Loss – Investment in securities	6 102	(1 566)	4 535
Provision for other liabilities and charges	5 719	5 451	11 170
Deferred revenue	3 755	(341)	3 414
Post-retirement benefit liability	2 155	(4 383)	(2 228)
Prepayments	(1 320)	6	(1 313)
Net- deferred tax assets	47 284	(6 769)	40 515

	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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024 E'000	2023 E'000

10 CURRENT INCOME TAX LIABILITY/(ASSETS)

Current income tax liabilities reconciliation		
Balance at the beginning of the year	9 573	4 928
Income tax expense for the year (note 6.1)	90 579	85 446
Prior year tax under provision	994	-
Tax credit brought forward (note 6.1)	-	(5 393)
Income tax paid during the year (note 25.2)	(107 078)	(75 408)
Balance at the end of the year	(5 932)	9 573

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of: -		
Coins and bank notes	280 322	176 813
Balances with the Central Bank	446 673	603 763
Excess cash placed with the Central Bank	22 784	198 759
Mandatory reserve balance	423 889	405 004
Balances with other banks	384 603	348 964
Total cash and cash equivalents*	1 111 598	1 129 540

*ECL for physical cash is zero. ECL for cash equivalents is calculated using loss rate approach and is immaterial

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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.

	2024 E'000	2023 E'000
Analysis of Advances		
Gross value of Advances	4 283 238	3 635 599
Category analysis		
Overdrafts and managed accounts	1 117 979	895 386
Term loans	1 292 470	1 026 958
Lease payments receivable	665 766	559 195
Home loans	568 486	544 623
Property Finance	273 794	257 175
Personal loans	354 591	338 237
Floor Plans	10 152	14 025
Gross loans and advances	4 283 238	3 635 599
Impairment of loans and advances (note 12.2)	(132 998)	(149 688)
Net Advances	4 150 240	3 485 911

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024							
Lease payments receivable	289 264	214 302	152 600	100 159	53 546	20 621	830 492
Less: Unearned finance charges	(44 668)	(40 737)	(33 450)	(24 725)	(14 645)	(6 501)	(164 726)
Net lease payments receivable	244 596	173 565	119 150	75 434	38 901	14 120	665 766
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

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 E26.0 million (2023: E37.2 million).

*The increase in lease payments receivable is attributable to improved economic conditions following covid-19 and civil unrest disruptions, and improvements in the WesBank sales model that has been implemented during the financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

12.1 Advances (continued)

Analysis of advances per class

E' 000	2024 Total	2024 Amortised cost	2024 Loss allowance
Residential mortgages	546 768	568 486	(21 718)
WesBank VAF	283 771	298 216	(14 445)
Total retail secured	**830 539**	**866 702**	**(36 163)**
Personal loans	322 952	354 545	(31 593)
Retail other	5 780	22 140	(16 360)
Total retail unsecured	**328 732**	**376 685**	**(47 953)**
FNB commercial	1 537 067	1 570 725	(33 658)
WesBank commercial	366 162	377 702	(11 540)
Corporate banking	1 087 740	1 091 424	(3 684)
Total corporate and commercial	**2 990 969**	**3 039 851**	**(48 882)**
Total advances	**4 150 240**	**4 283 238**	**(132 998)**

E' 000	2023 Total	2023 Amortised cost	2023 Loss allowance
Residential mortgages	518 168	544 623	(26 455)
WesBank VAF	203 332	221 940	(18 608)
Total retail secured	**721 500**	**766 563**	**(45 063)**
Personal loans	289 873	338 237	(48 364)
Retail other	10 116	16 840	(6 724)
Total retail unsecured	**299 989**	**355 077**	**(55 088)**
FNB commercial	1 309 315	1 338 265	(28 950)
WesBank commercial	332 720	351 280	(18 560)
Corporate banking	822 387	824 414	(2 027)
Total corporate and commercial	**2 464 422**	**2 513 959**	**(49 537)**
Total advances	**3 485 911**	**3 635 599**	**(149 688)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

12.1 Advances (continued)

	2024 E'000	2023 E'000
The Gross Advances sector analysis is as follows: -		
Agriculture	1 217 460	1 051 873
Financial Institutions	98 327	110 697
Building and property management	71 934	65 449
Public Sector*	134 322	38 282
Individual	1 230 167	1 121 640
Manufacturing	1 304 684	1 056 439
Transport and communication	160 124	127 956
Other services	63 811	60 867
Mining	2 409	2 396
Total Advance	4 283 238	3 635 599

*Significant increase in Public Sector advances is mainly due to term loan advanced to one of the public enterprises during the financial year.

Analysis of advances per category

	2024		
E '000	Total	Amortised cost	Loss allowance
Overdrafts and managed accounts	1 095 854	1 117 979	(22 125)
Term loans	1 273 705	1 292 470	(18 765)
Lease payments receivable	639 780	665 766	(25 986)
Home loans	542 313	568 486	(26 173)
Property Finance	271 919	273 794	(1 875)
Personal loans	316 517	354 591	(38 074)
Floor Plans	10 152	10 152	-
Total advances	4 150 240	4 283 238	(132 998)

	2023		
E '000	Total	Amortised cost	Loss allowance
Overdrafts and managed accounts	869 016	895 386	(26 370)
Term loans	1 017 018	1 026 958	(9 940)
Lease payments receivable	522 028	559 195	(37 167)
Home loans	518 168	544 623	(26 455)
Property Finance	255 783	257 176	(1 393)
Personal loans	289 874	338 237	(48 363)
Floor Plans	14 024	14 024	-
Total advances	3 485 911	3 635 599	(149 688)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 release of out of model overlays relating to forward looking information which were not captured in the ECL model (all out of model overlays amounting to E18 million were released during the year); and
- includes interest on stage 3 advances for stage 3 exposures.

Factors impacting and contributing to significant changes in the ECL during the year

Credit provisions on gross loans and advances decreased by 11% to E133.0 million (2023: E149.7 million). The coverage ratio was 3.11% compared to 4.12% for 2023. Significant factors contributing to the decline in the coverage ratios include:

- release of E18 million out of model overlays relating to forward looking information which were not captured in the ECL model. These overlays are a remainder of the geo-political overlays raised 2 years ago to mitigate against unforeseen risks arising from Eswatini's political situation at the time.
- of the E18 million, E6.4 million was released from WesBank VAF resulting a decline in coverage ratio from 7.9% to 4.8%, E4.3 million from WesBank Commercial resulting in a decline in coverage ratio from 5.48% to 3.06%, E7 million from Retail segment resulting to a decline in coverage ratio from 9.06% to 7.37%, and E0.35 million from FNB Commercial and Corporate Banking segments.
- model recalibration on PDs and LGDs. PDs were revised down overall on stages 1 and 2. Stage 1 PDs were revised down from 2.38% to 1.64% and stage 2 revised down from 26.98% to 19.32%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

12.1 Advances (continued)

Reconciliation of the Gross Advances

	2024								
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	Corporate Investment Banking	TOTAL
GCA as at 1 July 2023	544 623	234 287	338 237	16 840	1 133 987	1 338 265	338 933	824 414	3 635 599
-stage 1	412 786	178 058	256 850	13 118	860 812	1 306 297	257 589	824 414	3 249 112
-stage 2	92 927	48 230	58 840	525	200 522	11 724	66 246	-	278 492
-stage 3	38 910	7 999	22 547	3 197	72 653	20 244	15 098	-	107 995
Transfers between stages	-	-	-	-	-	-		-	
-Transfers into stage 1	9 699	9 215	11 629	484	31 027	1 445	10 749	-	43 221
-Transfers out of stage 1	(6 355)	(10 199)	(24 379)	(1 360)	(42 293)	(43 394)	(4 119)	(1)	(89 807)
-Transfers into stage 2	4 272	8 381	24 298	1 315	38 266	42 615	4 119	1	85 001
-Transfers out of stage 2	(11 761)	(13 413)	(11 886)	(566)	(37 626)	(3 243)	(12 380)	-	(53 249)
-Transfers into stage 3	4 145	6 016	504	242	10 907	2 618	1 631	-	15 156
-Transfers out of stage 3	-	-	(166)	(115)	(281)	(41)	-	-	(322)
Current year movement	23 863	63 929	16 308	5 300	109 399	232 460	38 769	267 010	647 638
-New business	62 825	124 612	173 444	4 112	364 993	356 961	179 494	106 497	1 007 945
-Change in measurement from 12 months to LECL	(28)	-	(2 050)	(834)	(2 913)	(8 045)	-	160 513	149 555
-other current year change in exposure	(36 523)	(59 098)	(129 359)	7 931	(217 049)	(113 018)	(137 093)	-	(467 160)
Bad debts written off	(2 411)	(1 585)	(25 727)	(5 909)	(35 632)	(3 438)	(3 632)	-	(42 702)
GCA as at 30 June 2024	568 486	298 216	354 545	22 140	1 243 386	1 570 725	377 702	1 091 424	4 283 238
- Stage 1	487 440	261 974	314 464	19 111	1 082 990	1 520 448	360 011	1 091 423	4 054 872
- Stage 2	36 881	27 844	23 001	1 436	89 162	24 877	10 263	1	124 303
- Stage 3	44 165	8 397	17 079	1 592	71 234	25 400	7 429	-	104 063
Total GCA of advances 30 June 2024	568 486	298 216	354 545	22 140	1 243 386	1 570 725	377 702	1 091 424	4 283 238

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is E42.702million (2023: E19.989million).
ECL on loans amounting to E 30.42 million (2023: 25.65 million) was not recognized as the collateral on these loans was in excess of the exposures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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	Corporate Investment Banking	Total
GCA as at 1 July 2022	552 209	208 678	322 402	13 977	1 097 266	1 142 224	351 582	405 898	2 996 970
-stage 1	419 643	158 582	245 005	10 593	833 822	1 104 799	267 179	405 898	2 611 698
-stage 2	89 020	40 898	63 595	1 586	195 099	18 605	65 997	-	2 611 698
-stage 3	43 546	9 198	13 802	1 798	68 345	18 820	18 406	-	105 571
Transfers between stages	-	-	-	-	-	-	-	-	-
-Transfers into stage 1	5 746	8 858	8 840	270	23 714	5 253	5 539	-	34 506
-Transfers out of stage 1	(20 242)	(28 840)	(22 650)	(723)	(72 455)	(6 745)	(18 753)	-	(97 953)
-Transfers into stage 2	23 477	28 110	22 279	768	74 634	6 210	18 061	-	98 905
-Transfers out of stage 2	(12 619)	(12 423)	(8 952)	(236)	(34 230)	(5 322)	(7 984)	-	(47 536)
-Transfers into stage 3	6 873	4 863	483	31	12 250	705	3 137	-	16 092
-Transfers out of stage 3	(3 235)	(568)	-	(110)	(3 913)	(101)	-	-	(4 014)
Current year movement	(7 586)	25 609	15 835	2 863	36 721	196 041	(12 649)	418 516	638 629
-New business	61 851	95 056	145 453	8 020	310 380	288 215	141 794	446 297	1 186 686
-Change in measurement from 12 months to LECL	25 176	61 648	34 561	1 912	123 297	18	28 914	-	152 229
-other current year change in exposure	(91 167)	(131 095)	(159 487)	(5 426)	(387 175)	(85 513)	(179 830)	(27 781)	(680 299)
Bad debts written off	(3 446)	-	(4 692)	(1 643)	(9 781)	(6 679)	(3 527)	-	(19 987)
GCA as at 30 June 2023	544 623	234 287	338 237	16 840	1 133 987	1 338 265	338 933	824 414	3 635 599
- Stage 1	412 786	178 058	256 850	13 118	860 812	1 306 297	257 589	824 414	3 249 112
- Stage 2	92 927	48 230	58 840	525	200 522	11 724	66 246	-	278 492
- Stage 3	38 910	7 999	22 547	3 197	72 653	20 244	15 098	-	107 995
Total GCA of advances 30 June 2023	544 623	234 287	338 237	16 840	1 133 987	1 338 265	338 933	824 414	3 635 599

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

12.2 Impairment of Advances

Reconciliation of the Loss Allowance on Gross Advances

E'000	2024								
	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	Total
Loss allowance as at 1 July 2023	26 455	18 608	48 364	6 724	100 151	28 950	18 560	2 027	149 688
-stage 1	8 149	11 345	20 404	4 071	43 969	13 544	9 002	2 027	68 542
-stage 2	977	2 406	4 844	550	8 777	1 302	872	-	10 951
-stage 3	17 329	4 857	23 116	2 103	47 405	14 104	8 686	-	70 195
Transfers between stages	-	-	-	-	-	-	-	-	
-Transfers into stage 1	260	374	895	194	1 723	160	385	-	2 268
-Transfers out of stage 1	(54)	(80)	(994)	(52)	(1 180)	(96)	(31)	-	(1 307)
-Transfers into stage 2	40	58	1 100	86	1 284	91	31	-	1 406
-Transfers out of stage 2	(283)	(466)	(908)	(193)	(1 850)	(158)	(536)	-	(2 544)
-Transfers into stage 3	37	114	32	48	231	43	151	-	425
-Transfers out of stage 3	-	-	(125)	(83)	(208)	(40)	-	-	(248)
Current year movement	(4 738)	(4 163)	(16 771)	9 636	(16 036)	4 708	(7 019)	1 657	(16 690)
-New business	221	1 865	6 870	1 150	10 106	1 687	1 497	1 657	14 947
-Change in measurement from 12 months to LECL	3	-	366	74	443	177	-	-	620
-other current year change in exposure	(2 550)	(4 443)	1 720	14 321	9 048	6 282	(4 884)	-	10 446
Bad debts written off	(2 412)	(1 585)	(25 727)	(5 909)	(35 633)	(3 438)	(3 632)	-	(42 703)
Loss allowance as at 30 June 2024	21 717	14 445	31 593	16 360	84 115	33 658	11 540	3 684	132 998
- stage 1	2 076	4 326	8 561	12 432	27 395	15 421	3 829	3 684	50 329
-stage 2	954	3 158	5 303	1 349	10 764	260	1 405	-	12 429
-stage 3	18 687	6 961	17 729	2 579	45 956	17 977	6 306	-	70 239
Loss allowance as at 30 June 2024	21 717	14 445	31 593	16 360	84 115	33 658	11 540	3 684	132 998

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

12.2 Impairment Advances (continued)

Reconciliation of the Loss Allowance on Gross Advances (continued)

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	Corporate Investment Banking	Total
Loss allowance as at 1 July 2022	27 972	26 975	37 276	5 809	98 032	41 123	13 687	5 927	158 769
-stage 1	11 893	23 663	20 452	3 655	59 663	23 473	5 082	5 927	94 145
-stage 2	1 166	2 323	5 127	400	9 016	1 819	879	–	11 714
-stage 3	14 913	989	11 697	1 754	29 353	15 831	7 726	-	52 910
Transfers between stages	–	–	–	–	–	–	–	–	–
-Transfers into stage 1	190	362	1 404	95	2 051	127	195	-	2 373
-Transfers out of stage 1	(136)	(232)	(756)	(102)	(1 226)	(64)	(124)	-	(1 414)
-Transfers into stage 2	722	409	747	151	2 029	109	120	-	2 258
-Transfers out of stage 2	(399)	(706)	(1 472)	(66)	(2 279)	(128)	(452)	-	(3 223)
-Transfers into stage 3	210	351	77	5	279	20	261	-	924
-Transfers out of stage 3	(587)	(184)	-	(83)	(854)	(64)	-	-	(918)
Current year movement	(1 517)	(8 367)	11 088	915	2 119	(12 173)	4 873	(3 900)	(9 081)
-New business	296	1 585	5 951	1 090	8 922	1 931	3 767	1 615	16 235
-Change in measurement from 12 months to LECL	941	4 288	2 626	721	8 576	118	691	-	3 870
-other current year change in exposure	692	(14 240)	7 203	747	(5 598)	(7 543)	3 942	(5 515)	(9 200)
Bad debts written off	(3 446)	-	(4 692)	(1 643)	(9 781)	(6 679)	(3 527)	-	(19 987)
Loss allowance as at 30 June 2023	26 455	18 608	48 364	6 724	100 151	28 950	18 560	2 027	149 688
- Stage 1	8 149	11 345	20 404	4 071	43 969	13 544	9 002	2 027	68 542
- Stage 2	977	2 406	4 844	550	8 777	1 302	872	-	10 951
- Stage 3	17 329	4 857	23 116	2 103	47 405	14 104	8 686	-	70 195
Loss allowance as at 30 June 2023	26 455	18 608	48 364	6 724	100 151	28 950	18 560	2 027	149 688

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

12.2 Impairment advances (continued)

12.2 Impairment of advances

Impairment recognised during the year	2024 E'000	2023 E'000
Increase in loss allowance	(12 176)	(12 767)
Recoveries of bad debts	3 040	2 212
Impairment of advances recognised during the period	**(9 136)**	**(10 555)**

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS

	2024 E'000	2023 E'000

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	405 773	100 854
Government Private Placement	650 000	650 000
Government and Government guaranteed stock	265 436	449 970
Total gross carrying amount of investment securities	**1 321 209**	**1 200 824**
Expected Credit loss on investment securities	(24 189)	(29 586)
Net investment securities	**1 297 020**	**1 171 238**

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	265 436	449 970
Government Private Placement	650 000	650 000
Unlisted		
Debt – Treasury bills	405 773	100 854
Gross investment securities	**1 321 209**	**1 200 824**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS (continued)

	2024			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2023	1 200 824	1 200 824	-	-
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	524 207	524 207	-	-
- matured investments	(413 960)	(413 960)	-	-
- Interest received	(18 701)	(18 701)	-	-
- Interest accrued	31 437	31 437	-	-
- Other adjustments in forward looking information	(2 598)	(2 598)	-	-
Amount as at 30 June 2024	1 321 209	1 321 209	-	-

	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	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS (continued)

Reconciliation of loss allowance on gross investments

	2024			
E '000	Total	Stage 1	Stage 2	Stage 3
Amount as at 1 July 2023	29 586	29 586	-	-
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	(5 398)	(5 398)	-	-
- New business	(5 464)	(5 464)	-	-
- Adjustments in other forward-looking information)	66	66	-	-
Amount as at 30 June 2024	24 188	24 188	-	-

	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	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 – 2024				
Currency derivatives - Forward rate agreements	401 009	16 935	261 628	13 633
Held for trading – 2023				
Currency derivatives - Forward rate agreements	552 446	12 055	651 950	14 548

15 ACCOUNTS RECEIVABLE

	2024 E'000	2023 E'000
Account receivables comprises of:		
Items in transit	23 422	115 697
Other receivables	7 146	15 865
Suspense and clearing accounts	23 683	2 443
Staff debtors	8 357	6 053
Prepayments for IFRS 2	12 717	12 047
Other prepaid expenses	5 252	4 802
Total gross carrying amount of accounts receivable	80 577	156 907
Analysis of accounts receivable: -		
Financial	62 608	140 057
Non-financial	17 969	16 850
Total accounts receivable	80 577	156 907

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 payments not yet cleared by the bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

16 PROPERTY AND EQUIPMENT

	Freehold and leasehold Property	Right-of-Use Property*	Motor Vehicles	Assets held under leasing arrangements	Furniture and Fittings	Computer equipment	Other equipment	Work in Progress	Total
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	-	(543)	(44)	-	(34)	(65)	(155)	-	(841)
Impairment loss				(2 450)	-	-	-	-	(2 450)
Depreciation charge for the year	(21)	(14 098)	(1 752)	(4 269)	(1 810)	(6 345)	(5 401)	-	(33 696)
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	13 921	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	(604)	(47 715)	(7 634)	(39 551)	(13 821)	(47 340)	(68 973)	-	(225 639)
Net book value 1 July 2023	11 514	10 084	5 956	22 051	9 719	18 404	13 921	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	(604)	(47 715)	(7 634)	(39 551)	(13 821)	(47 340)	(68 973)	-	(225 639)
Movement for the year	202 592	2 968	(220)	643	6 390	15 631	731	(185 021)	43 714
Acquisitions	15 689	11 351	1 582	3 879	11 577	18 147	4 747	14 616	81 589
Disposals	-	-	-	(1 649)	(4 020)	-	-	-	(5 669)
Impairment loss	-	-	-	-	-	-	-	-	-
Impairment loss reversal**	-	-	-	2 450	-	-	-	-	2 450
Depreciation charge for the year	(4 126)	(8 383)	(1 924)	(4 037)	(2 112)	(8 836)	(5 237)	-	(34 656)
Transfer to/(from) WIP	191 029	-	122	-	945	6 320	1 221	(199 637)	-
Net book value at 30 June 2024	214 106	13 052	5 736	22 694	16 109	34 035	14 652	18 672	339 055
Cost	218 836	69 150	15 294	66 281	32 042	90 211	88 862	18 672	599 349
Accumulated depreciation	(4 730)	(56 098)	(9 558)	(43 588)	(15 933)	(56 176)	(74 210)	-	(260 295)

** an impairment loss reversal has been recognised and a loss on sale of assets raised in relation to leasehold improvements as a result of decommissioning of Sales house building offices and migration to the new head office building.

- 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.
- Right of Use Assets (ROUA) comprise of leases on properties accounted for in accordance with IFRS 16. Refer to note 23 for details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

17. ORDINARY SHARES AND PREFERENCE SHARES

E '000	2024		2023	
	Authorised Share Capital	Issued Share Capital	Authorised Share Capital	Issued Share Capital
17.1 Number of Shares				
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
	300 000	133 000	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
Preference Shares	60 000	26 600	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
Total issued share capital and share premium	60 000	26 600	61 042	27 642

	2024 E'000	2023 E'000

The full non-cumulative non-redeemable preference shares were repurchased this year.

17.3 Share Premium

- Ordinary shares	2 686	2 686

17.4 Capital adequacy

Core capital

Share capital (note 17.2)	26 600	27 642
Share premium (note 17.3)	2 686	2 686
Statutory reserve	339 715	251 329
Retained earnings	989 885	838 815
Total Core capital	1 358 886	1 120 472

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024 E'000	2023 E'000
17.4 Capital adequacy (continued)		
Supplementary capital		
General Risk Reserve	42 831	36 355
Actuarial gains on defined benefit fund	18 788	12 556
Total qualifying capital	61 619	48 911
Risk adjusted assets -statement of financial position Items	4 1 46 337	3 485 471
- Off-statement of financial position items	378 590	296 870
- Operational risk	1 575 266	1 391 731
- Market risk	171 636	772 333
	6 271 830	5 946 405
Capital Adequacy Ratios		
- Core capital (%)	21.85	20.27
- Supplementary capital (%)	0.83	1.17
Total (%)	22.68	21.44

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024

	2024 E'000	2023 E'000

18 OTHER RESERVES

Non-distributable reserves		
Defined benefit plan reserves	18 788	12 326
General risk reserve (impaired capital reserve)	42 832	36 355
Central Bank of Eswatini - Statutory Reserve	278 095	251 329
Total non-distributable reserves	339 715	300 010

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 26.766 million (2023: E 25.275million) 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 the Central Bank of Eswatini Guideline on Capital Adequacy Requirement, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

19 DEPOSITS

	2024 E'000	2023 E'000
Deposits comprised of: -		
Call accounts	2 530 366	1 706 151
Current accounts	3 029 037	2 873 455
Savings account	150 040	108 667
Term deposits accounts	591 114	482 964
Total deposits	6 300 557	5 171 237
Geographic analysis		
Eswatini	6 300 557	5 171 237
Sector analysis		
Public Sector	358 842	363 602
Banks	16 768	12 319
Non-financial corporate customers	3 683 801	2 836 515
Financial sector customers	280 973	210 425
Small medium enterprises	224 030	245 413
Retail customers	1 736 143	1 502 963
Total deposits	6 300 557	5 171 237

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 2024

20 EMPLOYEE LIABILITIES AND RELATED COSTS

		2024 E'000	2023 E'000
Employee liabilities and related costs analysis			
Defined benefit post-employment liability	20.1	146 437	219 622
Other long-term employee benefit liability			
- Provisions for severance		-	6 048
- Provisions for gratuity		37	313
Other short-term employee benefit liability			
- Provisions for leave pay		12 836	8 159
- Provisions for bonuses		26 371	24 507
Total employee liabilities		**185 681**	**258 649**
Defined benefit post-employment asset	20.1	(166 440)	(241 387)
Asset ceiling limitation		20 003	30 678
Net amount due to employees		**39 244**	**47 940**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 fun

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

20 EMPLOYEE LIABILITIES AND RELATED COSTS (continued)

20.1 Defined benefit post-employment liability (continued)

	2024 E'000	2023 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 *	146 437	219 622
Fair value of plan assets	(166 440)	(241 387)
- Equity instruments	(10 086)	(9 486)
- Cash and cash equivalents	(21 804)	(48 326)
- International	(60 018)	(77 220)
- Debt instruments	(30 941)	(46 274)
- Other	(43 591)	(60 081)
Deficit/(surplus)	(20 003)	(21 765)
Asset ceiling limitation	20 003	30 678
Total pension liability	**-**	**8 913**

*The comparative present value of the funded liability was adjusted to align the reported amount to the actuarial valuation report. The previous reported amount was E250 300 000. The deficit/ (surplus and asset ceiling limitation lines were also added to demonstrate the impacts of asset ceiling limitations on the pension liability.

The plan assets of the fund were invested as follows:

Equity instruments	6.06%	3.93%
Cash and cash equivalents	13.10%	20.02%
International	36.06%	31.99%
Debt instruments	18.59%	19.17%
Other	26.19%	24.89%
	100.00%	**100.00%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

20 EMPLOYEE LIABILITIES AND RELATED COSTS (continued)

20.1 Defined benefit post-employment liability (continued)

Statement of Comprehensive income

Total included in the income statement (included in staff costs

Current service costs	7 889	12 156
Settlement costs	3 382	-
Net interest costs	(220)	172
Total included in staff costs	**11 051**	12 328

Movement in post-retirement benefit liability**		
Present value at the beginning of the year*	219 622	200 418
Current service cost	7 889	12 156
Interest cost	27 040	27 171
Benefit transferred to defined contribution	(81 358)	-
Benefits paid	(26 519)	(3 730)
Member contributions	6 183	8 540
Settlement costs	3 382	-
Actuarial (gain)/loss	(9 802)	(24 933)
Defined benefit obligation at the end of the year	**146 437**	219 622

*In the prior year, the present value at the beginning of the year was incorrectly reflected as E206 163. The present value at the end of the year was previously reported as E250 300.

** In the prior year the recons for the movement in the defined benefit liability and the plan assets were done on a net basis. In the current year the recons were grossed up and presented separately.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

20 EMPLOYEE LIABILITIES AND RELATED COSTS (CONTINUED)

20.1 Defined benefit post-employment liability (continued)

	2024 E'000	2023 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	6 462	-
- Defined benefit post-employment reserve- actuarial gain	8 913	-
- Deferred income tax on defined benefit post-employment reserve – actuarial gain	(2 451)	-
Defined benefit post-employment reserve at the end of the year	**18 788**	12 326

20.1 Defined benefit post-employment liability (continued)

Movement in fair value of plan assets:

Opening balance	241 387	205 047
Interest income	30 032	26 999
Employer contributions	12 499	17 263
Employee contributions	6 183	8 540
Actuarial gain/(loss)	(15 784)	(12 732)
Benefits paid	(23 137)	(3 730)
Benefit transferred to defined contribution	(84 740)	-
Closing balance	**166 440**	241 387

* The comparatives for the movement in fair value of plan asset has been adjusted to align reported balances to actuarial report. The opening balance was adjusted from E 191 505 to E205 047.Consequently the remeasurements: recognised in OCI line previously reported as E810 was adjusted to the actuarial gains/(loss) line in the current year which were previously not reported. There were no changes to the closing balance.

Effective 31 October 2023, 108 managerial staff were transferred from the defined benefit pension fund to the defined contribution pension fund. The non-managerial staff remain in the defined pension fund. An amount of E2.1 million included in employee benefits was paid to the managerial staff as a settlement for the fund transfer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

20 EMPLOYEE LIABILITIES AND RELATED COSTS (continued)

20.1 Defined benefit post-employment liability (continued)

	2024 E'000	2023 E'000

The principal actuarial assumptions used for accounting purposes were:

Financial assumptions:		
Pension increase allowance (%)	9.33	8.95
Discount rate before retirement (%)	14.80	14.4
Expected return on plan assets (%)	14.80	14.4
Inflation	8.60	8.3
Salary increase (%)	9.33	9.3

Demographic assumptions:		
Net interest rate used to value pensions, allowing for pension increases (%)		
Number of employees covered	300	388
Average future working life	40.1	40.6

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)

Sensitivity Analysis

The valuation results set out above are based on a number of assumptions. The value of the liability could turn out to be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

We have recalculated the liability to show the effect of:

- the discount rate assumption on the defined benefit obligation by adding and subtracting 1% to the discount rate; and
- the inflation assumption on the defined benefit obligation by adding and subtracting 1% to the inflation rate. June 2024

June 2024

Discount rate	Main result	+1%	-1%
Defined benefit obligation	146 437	134 514	160 421
Change		-8.1%	9.5%

June 2024

Inflation rate	Main result	+1%	-1%
Defined benefit obligation	146 437	159 926	134 760
Change		9.2%	-8.0%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

20 EMPLOYEE LIABILITIES AND RELATED COSTS (continued)

20.1 Defined benefit post-employment liability (continued)

Sensitivity Analysis (continued)

June 2023

Discount rate	Main result	+1%	-1%
Defined benefit obligation	219 622	188 890	242 766
Change		-9.0%	10.5%

June 2023

Inflation rate	Main result	+1%	-1%
Defined benefit obligation	219 622	241 987	200 248
Change		10.2%	-8.8%

Sensitivity analysis tables were previously not reported for significant assumptions. These have since been adjusted in the current year and prior year.

21 ACCOUNTS PAYABLE

	2024 E'000	2023 E'000
Accounts payables		
Accounts payable*	69 567	187 077
Dividends payable	-	83 737
Suspense and clearing accounts	65 996	53 912
Unclaimed balances	23 245	16 347
Other creditors	74	440
Total Accounts payable	158 882	341 513

*The accounts payables note has been disaggregated for prior year to disclose individual significant line items. Refer to note 35 for impact of how the prior year note was disclosed.

	2024 E'000	2023 E'000
Analysis of accounts payables: -		
Financial	150 786	338 337
Non-financial	8 096	3 176
Total accounts payables	158 882	341 513

22 PROVISION FOR OTHER LIABILITIES AND CHARGES

	2024 E'000	2023 E'000
Total provisions for other liabilities and charges	43 092	42 383
Staff related (Bonus, 13th cheque, leave, severance and gratuity)		
Opening Balance	39 027	36 379
Additional provision raised during the year	27 197	72 004
Utilised during the year	(26 980)	(69 355)
Closing balance	39 244	39 028
Audit fees		
Opening Balance	3 355	2 647
Additional provision raised during the year (note 4.1)	4 200	3 819
Utilised during the year	(3 707)	(3 111)
Closing Balance	3 848	3 355

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

22 PROVISION FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

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

Bonus pay provision & 13 cheque
- This provision consists of bonuses for the management team and employees based on the bank's Reward framework.

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

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 as option to extend is determined by the bank's strategic intent for locations of its points of presence. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The bank does not have variable lease payments and there were no leases not yet commenced to which the bank is committed.

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

	2024	2023
	E'000	E'000
23.1. Right of use Asset		
Leased building (Note 16)	13 098	10 084
23.2. Lease Liabilities		
Lease Liabilities	12 700	12 941
The reconciliation of lease liabilities is as follows:		
Balance at the beginning of the year	12 941	20 438
Acquisition	11 361	7 262
Early terminations	-	(551)
Interest capitalised	699	834
Payments made during the year	(11 602)	(14 208)
Interest paid (included in finance cost) – (note 2)	(699)	(834)
Balance at the end of the year	12 700	12 941
The maturity analysis of lease payments is as follows:		
Less than one year	9 425	7 521
One to five years	3 275	5 420
Total Lease Liabilities	12 700	12 941

*The comparative maturity analysis in the prior year had E12.9m presented as maturing in the 'less than one year' bucket.
This has been corrected to reflect the split between less than one year and one to five years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024 E'000	2023 E'000

23 LEASES (CONTINUED)

ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:		
Depreciation charge of right-of-use assets	8 337	14 088
Interest expense (included in finance cost)	699	834
Expense relating to short-term leases	5 484	1 872
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	(2 432)	142
Total expenses for leases	12 088	16 936

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingencies		
Guarantees (endorsements and performance guarantees)	243 329	110 555
Irrevocable unutilised facilities	885 135	847 436
Total Contingencies	1 128 464	957 991

i) Legal proceedings

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

ii) Commitments

Commitments in respect of capital expenditure and long-term investments approved by directors not contracted for	37 775	68 197

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

iii) Restricted cash

Mandatory reserve deposits are held with the local Central Bank of Eswatini in accordance with statutory requirements.

	Restricted assets	
	2024 E'000	2023 E'000
Restricted assets	423 889	405 004

* 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024	2023
	E'000	E'000

25 CASH FLOW INFORMATION

25.1 Reconciliation of operating profit to cash flow from operating activities

	2024 E'000	2023 E'000
Profit before income tax	364 695	326 717
Adjusted for non-cash:		
- Depreciation for property and equipment (note 16)	34 656	33 696
- Impairment of advances (note 12.2)	12 176	12 767
- ECL adjustments of investment in securities	(5 398)	(2 118)
- Foreign exchange dealing gains	(29 361)	(27 683)
- Impairment of assets (note 16)	(2 450)	2 450
- Interest accrued	(8 100)	(27 897)
- Other gains	3 065	851
Cash generated from operating activities	369 283	318 783

25.2 Taxation paid

	2024 E'000	2023 E'000
Amounts unpaid/(prepaid) at beginning of the year	9 573	4 928
Prior tax charge adjustment	994	-
Taxation charge per statement of comprehensive income (note 6.1)	90 579	80 053
Amounts (owing)/prepaid at end of the year (note 10)	5 932	(9 573)
Total taxation paid during the year (note 10)	107 078	75 408

25.3 Interest and similar income

	2024 E'000	2023 E'000
Interest and similar income	843 945	730 568
Adjusted for non-cash items:		
- Accrued interest income	(22 219)	(30 294)
Interest and similar income received during the year	821 727	700 274

25.4 Non-interest revenue *

	2024 E'000	2023 E'000
Non-interest revenue	528 260	464 812
Adjusted for non-cash items:		
- Foreign exchange dealing gains	(29 361)	(27 683)
- Loss on disposal of assets	3 065	851
Non-interest revenue received during the year	501 964	437 980

* The line "fee and commission income" was adjusted to "non-interest income" to align with the presentation in the statement of comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

	2024 E'000	2023 E'000

25 CASH FLOW INFORMATION (Continued)

25.5 Interest expense and similar charges

	2024 E'000	2023 E'000
Interest expense and similar charges	(360 809)	(281 377)
Adjusted for non-cash items:		
- Interest accrued on deposits	14 119	2 398
Interest and similar charges paid during the year	(346 690)	(278 979)

25.6 Other operating expenditure

	2024 E'000	2023 E'000
Other operating expenditure	(598 924)	(542 395)
Adjusted for non-cash items:		
- Depreciation for property, plant and equipment (note 16)	34 656	33 696
- (Reversals)/impairment of assets	(2 450)	2 450
Other operating expenditure paid during the year	(566 718)	(506 249)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.1 Credit risk (continued)

FirstRand rating	Midpoint PD	S&P rating
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	0.06%	D (Defaulted)

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	2024	2023
ON-BALANCE SHEET EXPOSURES	9 181 868	8 057 501
Cash and cash equivalents*	831 276	952 727
- Money at call and short notice	384 603	348 954
- Balances with Central Bank	446 673	603 773
Gross advances	4 283 238	3 635 599
Residential mortgage	568 486	544 623
WesBank VAF	298 216	234 287
Personal loans	354 545	338 237
Retail other	22 140	16 840
FNB Commercial	1 570 725	1 338 265
WesBank Commercial	377 702	338 933
Corporate and Investment Banking	1 091 424	824 414
Investment Securities	1 321 209	1 200 824
Derivatives	16 935	12 055
Amounts due from related parties	2 666 602	2 116 239
Accounts receivables**	62 608	140 057
OFF-BALANCE SHEET EXPOSURES	1 128 464	957 991
Total contingencies	243 329	110 555
- Guarantees	243 329	110 555
Irrevocable commitments***	885 135	847 436
Total	10 310 332	9 015 492

*Cash and cash equivalents was adjusted to remove effects of bank notes and coins as these do not have credit risk (E1 129 540 was disclosed in prior year). Gross advances were disaggregated to align the classes with other notes in the financial statements.
**Prior year accounts receivable were updated to include financial instruments included in scope of IFRS 7 (E156 907 disclosed in prior year).
***Prior year irrevocable commitments balances were erroneously reported as E 736 881.This has been adjusted in the current year E847 436.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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

2024									
	Retail Secured		Retail unsecured		Retail secured and unsecured	Corporate and Commercial			
E '000	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	Corporate and Investment banking	Total
Total on-balance sheet	27 937	-	13 419	12 783	54 139	522 320	6 348	545 656	1 128 463
FR1-25	27 937	-	13 419	12 783	54 139	522 320	6 348	545 656	1 128 463
-stage 1	27 937	-	13 419	12 783	54 139	522 320	6 348	545 656	1 128 463
-stage 2	-	-	-	-	-	-	-	-	-
-stage 3	-	-	-	-	-	-	-	-	-
Total on-balance sheet	568 486	298 216	354 590	22 068	1 243 360	1 570 725	377 702	1 091 425	3 039 852
FR1-25	55 107	-	-	2 164	57 271	626 550	-	294 626	921 176
-stage 1	55 107	-	-	2 164	57 271	613 955	-	294 626	908 581
-stage 2	-	-	-	-	-	12 595	-	-	12 595
-stage 3	-	-	-	-	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.3 Quality of credit assets

Credit quality of advances

2024									
	Retail Secured		Retail unsecured		Retail secured and unsecured	Corporate and Commercial			
E '000	Residential mortgages	Wesbank VAF	Personal loans	Retail other	Total	FNB Commercial	Wesbank Commercial	Corporate and Investment banking	Total Commercial and Corporate
FR26-90	455 658	249 152	328 637	14 812	1 048 259	912 669	354 054	796 798	2 063 521
-stage 1	447 066	223 345	293 340	14 715	978 466	904 343	338 558	796 796	2 039 697
-stage 2	8 592	25 807	35 298	97	69 794	8 326	15 495	2	23 823
-stage 3	–	–	–	–	–	–	–	–	–
FR91-100	57 721	49 064	25 953	5 092	137 830	31 506	23 649	–	55 155
-stage 1	3 586	631	–	858	5 075	3 463	320	–	3 784
-stage 2	9 970	40 036	8 874	2 641	61 521	2 643	15 900	–	18 543
-stage 3	44 165	8 397	17 079	1 592	71 234	25 400	7 429	–	32 828

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.3 Quality of credit assets (continued)

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	Corporate and Investment banking	Total Commercial and Corporate
Total on-balance sheet	30 973	-	89 411	13 189	133 573	466 845	4 710	352 863	957 991
FR1-25	30 973	-	89 411	13 189	133 573	466 845	4 710	352 863	957 991
-stage 1	30 973	-	89 411	13 189	133 573	466 845	4 710	352 863	957 991
-stage 2	-	-	-	-	-	-	-	-	-
-stage 3	-	-	-	-	-	-	-	-	-
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 2024

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.3 Quality of credit assets (continued)

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	Corporate 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 2024

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, in line with the manner in which the bank manages credit risk.

	2024		
	Total	Security held and expected recoveries	Stage 3 impairment
Residential mortgages	44 166	25 479	18 687
WesBank VAF	8 397	1 436	6 961
Personal loans	17 079	(650)	17 729
Retail other	1 592	(987)	2 579
FNB Commercial	25 400	7 423	17 977
WesBank commercial	7 429	1 123	6 306
Corporate Banking	-	-	-
Total stage 3	104 063	33 823	70 239

	2023		
	Total	Security held and expected recoveries	Stage 3 impairment
Residential mortgages	39 030	21 700	17 330
WesBank VAF	7 999	2 669	5 330
Personal loans	22 547	(569)	23 116
Retail other	3 077	(508)	3 585
FNB Commercial	20 244	6 140	14 104
WesBank commercial	15 098	4 823	10 275
Corporate Banking	-	-	-
Total stage 3	107 995	34 255	73 740

*These notes have been disaggregated to align the classes with other notes in the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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.

	2024		
E'000	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	–	1 321 209	–
Total investment securities	–	1 321 209	–
Accounts receivable			
Stage 2	–	62 608	–
Total accounts receivable	–	62 608	–
Cash and cash equivalents			
Stage 1	–	831 276	–
Total cash and cash equivalents	–	831 276	–
Amounts due from related parties	–	2 666 602	–
Derivative assets	–	–	16 935

	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 2	-	140 057	-
Total accounts receivable*	-	140 057	-
Cash and cash equivalents**			
Stage 1	-	952 727	-
Total cash and cash equivalents	-	952 727	-
Amounts due from related parties	-	2 116 239	-
Derivative assets	-	-	12 055

*Prior year accounts receivable were updated from stage 1 to stage 2 due to their nature as lifetime expected credit losses.
**Prior year cash and cash equivalents balance update to include cash excluding physical notes and coins.

***The credit rating for amounts due from related parties was changed from "AAA to BBB" to "BB+ to B-" to align with group rating.

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 2024

26 Risk management (continued)

26.2 Financial risk (continued)

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.

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.

E'000	Eswatini	Rest of Africa	UK	Other Europe	North and South America	Total
On-balance sheet exposures						
Cash and short-term funds	780 400	22 783	3 045	12 745	12 303	831 276
Advances – performing	4 179 175	-	-	-	-	4 179 175
Stage 3 advances/NPLs	104 063	-	-	-	-	104 063
Derivatives	-	16 935	-	-	-	16 935
Debt investment securities	1 321 209	-	-	-	-	1 321 209
Amounts due from related parties	2 666 602	-	-	-	-	2 666 602
Accounts receivable	62 608	-	-	-	-	62 608
Off-balance sheet exposures						
Guarantees, acceptances, and letters of credit	243 329	-	-	-	-	243 329
Irrevocable commitments	885 135	-	-	-	-	885 135

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.5 Concentration risk (continued)

E'000	Eswatini	Rest of Africa	UK	Other Europe	North and South America	Total
On-balance sheet exposures						
Cash and short-term funds*	707 466	215 040	2 830	13 348	14 043	952 727
Advances - Performing	3 527 604	-	-	-	-	3 527 604
Stage 3 advances/ NPLs	107 995	-	-	-	-	107 995
Derivatives	-	12 055	-	-	-	12 055
Debt investment securities	1 200 824	-	-	-	-	1 200 824
Amounts due from related parties	2 116 239	-	-	-	-	2 116 239
Accounts receivable	140 057	-	-	-	-	140 057
Off-balance sheet exposures						
Guarantees, acceptances, and let-ters of credit	110 555	-	-	-	-	110 555
Irrevocable commitments	847 436	-	-	-	-	847 436

*The prior year amount reported for cash and cash equivalents was E1 129 540 and has been restated to remove coins and bank notes as these do not give rise to credit risk.

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.

	2024			
		Stage 3		
E'000	Gross Advances	Advances	Security held and expected recov-eries	Impairment
Sector analysis				
Agriculture	1 217 460	1 869	657	1 212
Financial Institutions	98 327	111	10	101
Building and property management	71 934	5 660	847	4 813
Public Sector	134 322	-	-	-
Individual	1 230 167	69 758	25 748	44 010
Manufacturing	1 304 684	22 975	6 238	16 738
Transport and communication	160 124	1 975	(263)	2 237
Mining	2 409	-	-	-
Other services	63 811	1 715	586	1 129
Gross carrying amount of advances	4 283 238	104 063	33 823	70 240

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.6 Credit risk mitigation and collateral held

Mitigation and collateral held

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

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

Credit risk mitigation instruments

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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.

	2024						
E'000	Carrying amount	Off balance sheet exposure	Loss allowance	Maximum exposure to credit risk	Netting and financial collateral	Unsecured	Secured
Residential mortgages	568 486	27 937	(21 717)	574 706	-	18 687	556 019
WesBank VAF	298 216	-	(14 445)	283 771	-	6 961	276 810
Personal loans	354 545	13 419	(31 593)	336 371	-	336 371	-
Retail Other	22 140	12 783	(16 360)	18 563	-	18 563	-
FNB Commercial	1 570 725	522 320	(33 658)	2 059 387	-	17 977	2 041 410
WesBank Commercial	377 702	6 348	(11 540)	372 510	-	6 306	366 204
Corporate and investment banking	1 091 424	545 656	(3 684)	1 633 396	-	-	1 633 396
Total advances	4 283 238	1 128 464	(132 998)	5 278 704	-	404 865	4 873 839
Investment securities	1 321 209	-	(24 189)	1 297 020	-	1 297 020	-
Cash and cash equiva-lents	831 276	-	-	831 276	-	831 276	-
Amounts due from relat-ed parties	2 666 602	-	-	2 666 602	-	2 666 602	-
Accounts receivable	62 608	-	-	62 608	-	62 608	-
Derivatives	16 935	-	-	16 935	-	16 935	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

26 Risk management (continued)

26.2 Financial risk (continued)

26.2.6 Credit risk mitigation and collateral held (continued)

	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	-	17 329	531 812
WesBank VAF	234 287	-	(18 608)	215 679	-	4 857	210 822
Personal loans	338 237	89 411	(48 364)	379 284	-	379 284	-
Retail Other	16 840	13 189	(6 724)	23 305	8 335	14 970	-
FNB Commercial	1 338 265	466 845	(28 950)	1 776 160	72 661	394 184	1 309 315
WesBank Commercial	338 933	4 710	(18 560)	325 083	-	8 686	316 397
Corporate and investment 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**	**1 158 280**	**3 190 733**
Investment securities	1 200 824	-	(29 586)	1 171 238	-	1 171 238	-
Cash and cash equivalents	952 727	-	-	952 727	-	952 727	-
Amounts due from related 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	-

*Prior year cash and cash balance has been amended to remove physical coins and notes of E176 813

**The classes for loans and advances were adjusted to align the classes with other notes on the financial statements.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024

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.

	2024			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
On-balance sheet exposures	8 298 401	6 184 602	277 181	1 836 618
Deposits and current accounts	6 300 557	6 031 164	267 637	1 756
Lease liabilities	12 700	3 156	9 544	-
Derivative financial instruments	13 633	13 633	-	-
Accounts payable	150 786	108 478	-	42 308
Amounts due to related parties	1 820 725	28 171	-	1 792 554
Off-balance sheet exposures	1 128 464	1 128 464	-	-
Financial and other guarantees	243 329	243 329	-	-
Facilities not drawn	885 135	885 135	-	-

	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	-	-
Accounts payable*	338 337	270 414	-	67 923
Amounts due to related parties	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	-	-

*Accounts payable balance was adjusted to remove non-financial instruments amounting to E 3 176 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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.

	2024			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months
Total assets	9 708 474	3 506 244	883 598	5 318 632
Total equity and liabilities	(9 708 474)	(6 193 666)	(268 773)	(3 246 035)
Net liquidity gap	-	(2 687 422)	614 825	2 072 597
Cumulative liquidity gap	-	-	-	-

	2023			
		Term to maturity		
E'000	Carrying amount	Call - 3 months	4 - 12 months	> 12 Months and non-contractual
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	-	-	-	-

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 2024

26.3 Liquidity risk objective

26.3.3 Concentration analysis of deposits

E' 000	2024	2023
Sector analysis		
Public sector entities	358 842	363 602
Banks	16 767	12 319
Corporate customers	3 964 774	3 046 940
Retail customers	1 736 143	1 502 963
Small and Medium Enterprises (SME's)	224 031	245 413
Total deposits	6 300 557	5 171 237
Geographical analysis Eswatini	6 300 557	5 171 237
Total deposits	6 300 557	5 171 237

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024:

	2024 E'000	2023 E'000
Base asset		
Cash with Central Bank and other banks (note 11)	446 673	603 773
Advances (note 12.1)	4 283 238	3 635 599
Amounts due from FirstRand Limited (note 28.2)	2 666 602	2 116 239
Total assets base	7 396 513	6 355 611
Increase in 50 basis points	36 983	31 778
Decrease in 50 basis points	(36 983)	(31 778)

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024 is set out below:

E'000's	(SZL)	(ZAR)	Maluti	UK£	US$	Euro	Total
ASSETS							
Cash and cash equivalents	780 400	22 783	-	3 045	12 302	12 746	831 276
Advances	4 283 238	-	-	-	-	-	4 283 238
Investment securities	1 321 209	-	-	-	-	-	1 321 209
Amounts due from related companies	2 611 547	53 615	1 440	-	-	-	2 666 602
Accounts receivable	62 608	-	-	-	-	-	62 608
Derivative instrument: Held for trading	-	16 935	-	-	-	-	16 935
Total assets	9 059 002	93 333	1 440	3 045	12 302	12 746	9 181 868
LIABILITIES							
Deposits	6 300 557	-	-	-	-	-	6 300 557
Derivative financial instruments – held for trading	-	13 633	-	-	-	-	13 633
Amounts due to related companies	-	1 820 725	-	-	-	-	1 820 725
Accounts payable	150 786	-	-	-	-	-	150 786
	6 451 343	1 834 358	-	-	-	-	8 285 701

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2023 is set out below:

E'000's	(SZL)	(ZAR)	Maluti	UK£	US$	Euro	Total
ASSETS							
Cash and cash equivalents	707 466	215 040	-	2 830	14 043	13 348	952 727
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
Accounts receivable*	140 057	-	-	-	-	-	140 057
Derivative instrument: Held for trading	-	12 055	-	-	-	-	12 055
	5 683 946	2 343 024	310	2 830	14 043	13 348	8 057 501
LIABILITIES							
Deposits	5 171 237	-	-	-	-	-	5 171 237
Derivative financial instruments – held for trading	-	14 548	-	-	-	-	14 548
Amounts due to related companies	-	1 644 253	-	-	-	-	1 644 253
Accounts payable	338 337	-	-	-	-	-	338 337
	5 509 574	1 658 801	-	-	-	-	7 168 375

*Accounts receivables were adjusted to remove the effect of non-financial instrument balances. The previous reported balances were E156 907.Accounts payable were also adjusted to remove the effect of non-financial instruments. The previous reported balance was E341 634. Furthermore, the name "other assets" and "other liabilities" were changed to "accounts receivable" and "accounts payable".

**Shareholder's equity was removed from liabilities as it is not a financial instrument.

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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:

- 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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; an

- 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.

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 2024 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 Eswatini 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	Credit inputs and market risk correlation factors
Investment securities				
Treasury bills and other government and government-guaranteed stock	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted 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 undiscounted amount is used	Cash flows are discounted with the interest 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2024					
E'000	Carrying value	Total fair value	Level 3	Level 2	Level 1
Assets					
Investments in securities	1 297 020	1 297 020	-	1 297 020	-
Amounts due from related parties	2 666 602	2 666 602	-	2 666 602	-
Accounts receivable (Note 15)	62 608	62 608	-	62 608	-
Advances	4 150 240	4 171 486	1 744 067	2 427 419	-
Liabilities					
Accounts payable (Note 21)	158 882	158 882	-	158 882	-
Amounts due to related parties	1 820 725	1 820 725	-	1 820 725	-
Deposits	6 300 557	6 300 557	-	6 300 557	-

2023					
E'000	Carrying value	Total fair value	Level 3	Level 2	Level 1
Assets					
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	-

*The fair value hierarchy for cash and cash equivalents was updated to remove the presentation of cash and cash equivalents due to its short-term nature and its carrying amount approximates fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 2024			
	Level 1	Level 2	Level 3
	E'000	E'000	E'000
Assets			
Derivatives	-	16 935	-
Liabilities			
Derivatives	-	13 633	-

At 30 June 2023			
	Level 1	Level 2	Level 3
	E'000	E'000	E'000
Assets			
Derivatives	-	12 055	-
Liabilities			
Derivatives	-	14 548	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

28. RELATED PARTIES

28.1 Related party transactions

	2024 E'000	2023 E'000
(i) Interest received from group companies	184 239	147 712
Earned from resale agreements with Rand Merchant Bank	129 365	108 846
Earned from placements with FirstRand Limited	16 108	12 358
Earned from deposits in FirstRand Limited	38 766	26 508
(ii) Fees and commission earned		
FirstRand Limited	2 894	2 082
iii) Technical and operational support costs		
FirstRand Limited	215 247	191 178
(iv) Key management personnel		
Key management compensation comprises of the following:		
Salaries and other short-term benefits	18 348	15 931
Post-employment benefits	1 990	162
IFRS 2 share-based payment expense	10 279	6 519
Total compensation	30 617	22 612
(v) Directors' fees		
Directors fees comprises of the following		
Services as directors	2 491	2 464
Total directors' fees	2 491	2 464
vi) Interest paid to group companies	147 305	107 087

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

28. RELATED PARTIES (Continued)

28.2 Year end balances arising from related parties

(i) Due from related parties

Due from FirstRand Group Limited – accounts receivable	532 644	142 508
Due from First National Bank of Lesotho – accounts receivable	1 440	310
Due from First Rand Limited – deposits and placements	342 509	357 960
Loans granted under resale agreements with Rand Merchant Bank	1 790 009	1 615 461
	2 666 602	2 116 239

Balances due from First National Bank of Lesotho and FirstRand Limited are transactional clearing account balances used to clear customer transactions undertaken in foreign countries. FirstRand Limited is FNB Eswatini's holding company and FNB Lesotho is a fellow subsidiary of First Rand Limited.

(ii) Due to related parties

Due to FirstRand Limited – loans	28 224	26 458
Deposits received under repurchase agreements with Rand Merchant Bank	1 792 514	1 617 795
	1 820 738	1 644 253

(iii) Loans and Advances

Key management personnel

Loans and advances in normal course of business by product

Mortgages	15 171	14 226
Overdrafts	390	455
Personal	639	330
Leases	3 015	2 823
	19 215	17 834

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. Mortgage loans and leases balances extended to key management personnel are secured. The Bank performed an assessment for impairment for all balances due from related parties in line with the requirements of IFRS 9 and this was not material. No impairment has been recognised for loans granted to key management (2023: nil). Mortgage loans are repayable monthly over 20 years. These loans are collateralised by the properties that were financed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

28. RELATED PARTIES (continued)

	2024	2023
	E'000	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	2 512	873

28.3 Post- employment benefit plan

Deposits held with the bank	12 717	12 737

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

29 REMUNERATION SCHEMES

Description of the scheme and vesting conditions:

Conditional and deferred incentive plans (awards)		
IFRS 2 treatment	Cash settled	Equity settled
Description	The award is a notional share based on the FirstRand Limited share price.	The award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest up to three years after the initial award. The awards vest if the employment and performance conditions are met. The deferred incentive plan (DIP) awards are subject to employment conditions and personal performance requirements. The conditional incentive plan (CIP) awards are subject to employment conditions and vesting conditions relating to group performance. CIP vesting conditions are subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.	
Valuation methodology	The awards are valued using the Black Scholes option pricing model. The awards are cash settled and are repriced at each reporting date.	The awards are valued using the Black Scholes option pricing model. The awards are equity settled and measured using the price at grant date.
Valuation assumptions		
Dividend data	Management's estimates of future discrete dividends.	
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a 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.	

29 Remuneration schemes (continued)

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

Corporate performance targets (CPTs)

The FirstRand remuneration committee sets the CPTs for each award based on expected macroeconomic conditions, group 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 EPS growth targets and minimum return on equity (ROE) requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for predetermined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 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).

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

Expired schemes

22020 (Awards vested at 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 corporate performance conditions. For the awards subject to corporate 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 EPS 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 downward by as much as 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

29 Remuneration schemes (continued)

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised EPS 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.

Vesting level*	Performance conditions	
	Minimum ROE requirement at 30 June 2023**	Normalised earnings per share growth requirement (3-year CAGR)
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. net income after capital charge (NIACC) positive	Grading based on minimum CAGR 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 CAGR of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% to	ROE of at least 18%	Minimum CAGR of 17.5% up to <22%
120%	**ROE of at least 20%**	Minimum CAGR of 22%
120.1% to 150% (maximum vesting of 150%)	**ROE of at least 22%**	Minimum CAGR 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 for the higher vesting level, the vesting outcome will be constrained to the outcome relative to the ROE target even if the earnings growth outcome could result in higher vesting outcomes.

During the year, it was determined by Remco that the group delivered the performance conditions with vesting to the extent of 120%. The group delivered three-year compound normalised earnings growth of 28.5% and the ROE at 30 June 2023 of 21.2%. Earnings growth delivered was at the 150% vesting level, however, the ROE outcome of 21.2% constrained the vesting outcome to 120%. The liquidity and capital targets set by the board for 31 March 2023 were met. Remco concluded that no downward adjustment of the vesting outcome was necessary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

29 Remuneration schemes (continued)

Currently open

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 corporate 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.

Remco has the right to adjust the vesting level downwards by as much as 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;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

	Performance conditions		
	Vesting level should both conditions be met*	ROE target Minimum ROE requirement at 30 June 2024**	Normalised earnings per share growth requirement (3-year CAGR) FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth# on a cumulative basis over the three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award lapses)	50%	≥17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1%
On target performan-cee	100%	18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch†	120%	≥20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch†	150%	≥20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

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

** The ROE is measured at 30 June 2024. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting standards changes or changes in 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 ≥20% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 8% over the three-year period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

29 Remuneration schemes (continued)

Currently open (Continued)

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

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

	Performance conditions (both conditions must be met)		
	Vesting level*	Minimum ROE requirement**	Normalised earnings per share growth requirement (3-year CAGR)# 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 performan-cee	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%	≥22%	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 is measured as the average over the three-year performance period. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting standards 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.

29 Remuneration schemes (continued)

Currently open (Continued)

2023 (Vesting date in September 2026) 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 downwards by as much as 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;
- concerns regarding adherence to the liquidity and capital management strategies in place; and
- lack of compliance with the group's climate roadmap over the three-year period.

The table below stipulates the performance conditions to be fulfilled by the group and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. If the conditions set for 50% vesting are not met, the award lapses and none of the other conditions described below are assessed. Both performance conditions must be met for vesting to occur.

	Performance conditions (both conditions must be met)		
	Vesting level*	Minimum ROE requirement**	Normalised earnings per share growth requirement (3-year CAGR)# 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 2023, as set out for each vesting level indicated below:
Threshold (minimum vesting, below which the award	50%	≥20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI
On-target performance	100%	≥21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 4%
Stretch†	120%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 6.5%
Super stretch†	150%	≥22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 10.5%

*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 is measured as the average over the three-year performance period. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, material dividend policy changes, regulatory changes, IFRS Accounting standards 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 10.5% over the three-year period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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	
	2024	2023
Award life (years)	2 – 3	2 - 3
Risk-free rate (%)	8.43 – 8.83	8.58 – 9.45

	Conditional and deferred incentive plans	
	(FirstRand shares)	
Share awards outstanding	2024	2023
Number of awards in force at the beginning of the year (millions)	0.539	0.419
Number of awards granted during the year (millions)	0.188	0.169
Number of awards transferred (within the group) during the year (millions)		
Number of awards exercised/released during the year (millions)	(0.241)	(0.047)
- Market value range at date of exercise/release (cents in SZL) *	6 486 – 6 583	6 208 – 6 208
- Weighted average (cents)	6 535	6 208
Number of awards forfeited during the year (millions)**	(0.035)	(0.002)
Number of awards in force at the end of the year (millions)	0.451	0.539

	Conditional and deferred incentive plan (FirstRand shares)			
	2024		2023	
Awards outstanding	Weighted average remaining life (years)	Out-standing awards (millions)	Weighted average remaining life (years)	Out-standing awards (millions)
Vesting during 2023			0.32	0.234
Vesting during 2024	0.31	0.140	1.32	0.136
Vesting during 2025	1.32	0.151	2.32	0.169
Vesting during 2026	2.32	0.160		
Total conditional awards		0.451		0.539
Number of participants		17		19

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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.
Corporate Investment Banking (CIB)	CIB represents the bank's activities in the corporate and investment banking segments in Eswatini. CIB 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 2024

30 REPORTABLE SEGMENTS (continued)

2024							
E'000	Retail	Commercial	WesBank	CIB	Treasury	Unsegmented	TOTAL
Net interest income before impairments	117 980	189 341	30 371	124 532	22 279	(1 227)	483 136
Expected credit reversal/(losses) on investment securities	-	-	-	-	5 398	-	5 398
(Impairments)/Reversal of impairment	(9 432)	(4 013)	5 964	(1 655)	-	-	9 136
Non-interest income	308 050	180 720	3 328	35 927	185	(5 348)	528 260
Net income from operations	416 508	366 048	39 662	158 805	27 862	(1 227)	1 007 658
Operating expenses	(263 728)	(213 474)	(32 255)	(91 098)	(447)	2 078	(598 924)
Income before indirect tax	152 780	152 574	7 407	67 707	27 414	851	408 734
Indirect tax	(29 168)	(6 441)	(495)	(4 959)	(2 126)	(851)	44 040
Profit before income tax	123 613	146 133	6 912	62 748	25 289	-	364 694
Income tax expense	(33 993)	(40 187)	(1 901)	(17 256)	(2 554)	-	(95 891)
Profit for the year	89 619	105 946	5 011	45 492	22 734	-	268 803
The income statement includes:							
Staff expenditure	(189 329)	(19 807)	(6 842)	(12 618)	(3 689)	(15 071)	(247 354)
Technical and operation support costs	(170 569)	(26 370)	-	(17 108)	(1 201)	-	(215 247)
Depreciation	(25 888)	(234)	(152)	(897)	-	(7 484)	(34 656)
Impairment reversals (charges)	2 447	-	-	-	-	-	2 447
Non-interest revenue includes the following							
External revenue from contracts with customers:							
Banking fees and commissions	300 006	164 361	3 923	30 842	21	-	499 153
Insurance commission income	8 069	390	1 214	-	-	-	9 674
Other non-interest revenue from customers	3 409	-116	76	159	-	-	3 528
The statement of financial position includes							
Total assets**	1 380 401	1 554 289	650 430	1 088 543	4 795 267	239 545	9 708 475
Total Liabilities**	1 256 789	1 408 156	643 518	1 025 795	3 775 787	239 545	8 349 588

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

30.2 Reportable segments (continued)

			2023				
E'000	Retail	Commercial	WesBank	CIB	Treasury	Unsegmented	TOTAL
Net interest income before impairments	139 658	154 578	28 525	88 013	38 954	(536)	449 192
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	273 695	154 026	2 848	32 718	1 508	2 134	466 930
Net income from operations	397 028	310 475	31 375	124 629	42 581	(520)	905 567
Operating expenses	(259 006)	(179 307)	(25 749)	(75 580)	(780)	(1 974)	(542 395)
Income before indirect tax	138 022	131 168	5 626	49 049	41 801	(2 494)	363 172
Indirect tax	(30 253)	(3 130)	(291)	(1 867)	(127)	(788)	(36 455)
Profit before income tax	107 769	128 038	5 335	47 182	41 674	(3 282)	326 717
Income tax expense*	(29 636)	(35 211)	(1 467)	(12 975)	(2 103)	-	(81 392)
Profit for the year*	78 132	92 828	3 868	34 207	39 571	(3 282)	245 325
The income statement includes							
Staff expenditure*	(170 156)	(19 713)	(5 637)	(9 408)	(4 300)	(15 140)	(224 354)
Technical and operation support costs*	(159 840)	(18 338)	-	(12 050)	(951)	-	(191 178)
Depreciation	(28 669)	(209)	(210)	(1 257)	-	(3 351)	33 696
Impairment reversal/(charges)	(2 447)	-	-	(2)	-	-	(2 450)
Non-interest revenue in-cludes the following external revenue from contracts with customers							
Banking fees and commissions	261 294	140 248	2 932	28 111	7	-	432 592
Insurance commission income	5 676	247	863	-	-	-	6 786
Other non-interest revenue from customers	7 727	(133)	248	(208)	-	-	7 634
The statement of financial position includes							
Total assets**	1 495 942	1 321 578	536 522	827 189	4 228 916	4 368	8 414 516
Total Liabilities**	1 388 173	1 193 540	531 186	780 007	3 344 926	7 650	7 245 483
****Per Signed Financials PY							
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	(15 343)	7 245 361

*The segment report for prior year was adjusted to reflect other significant expenditure classes (staff expenditure and technical and operation support costs. Income tax expense in prior year was fully included in Treasury segment, this has been corrected to reflect income tax expense for all segments.

**Prior year comparative has been adjusted to correct formula errors on lines for banking fees and commissions and other non-interest revenue from customers. The total of banking fees and commissions was reported as E422 710 instead of E432 593.The total for other non-interest revenue was reported as E35 317 instead of E 7 634

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

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 arrangement

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

	2024 E'000	2023 E'000
Donations - Contributions by the bank during the year	2 467	2 147
Deposits held with the bank	5 706	5 665

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

32 Correction of prior period error

In prior year, dividends which were accrued for in 2022 and then paid in 2023 were presented as part of net decrease/increase in accounts payable under "cash flow from changes in operating activities". The prior year statement of cash flows has been restated to remove the effect of the paid-up dividend from "cash flow from changes in operating activities" to "cash flow from financing activities".

	2023 E'000	Restatement adjustment E'000	Restated amount E'000
Cash flow from changes in operating activities			
Net decrease in accounts payable	(7 109)	81 970	74 861
Net cash flow from changes in operating assets and liabilities	(2 436 281)	81 970	(2 354 310)

Cash flows from financing activities			
Dividends paid to shareholder	(74 206)	(81 970)	(156 176)
Net cash outflow from financing activities	(88 416)	(81 970)	(170 386)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

33. Impact due to movements in the classes of advances (continued)

Note 26 (Risk management – credit risk)

Changes to the classes previously reported at 30 June 2023 (continued)

As previously reported

E' 000	2023
Gross advances	3 635 599
FNB	
- Retail	899 700
- Commercial	1 338 265
WesBank	573 220
RMB	
- Corporate banking	824 414
Investment Securities	1 200 824
Derivatives	12 055
Amounts due from related parties	2 116 239
Accounts receivables	140 057
OFF-BALANCE SHEET EXPOSURES	847 436
Total contingencies	110 555
- Guarantees	110 555
- Letters of Credit	-
Irrevocable commitments	736 881
Total	6 825 454

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

33. Impact due to movements in the classes of advances (continued)

Changes to the classes previously reported at 30 June 2023 (continued)

Note 26.2.3 Quality of credit assets
Analysis of impaired advances

	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	21 745	6 140	14 104
Wesbank	23 097	7 492	15 605
Total stage 3	107 995	34 256	73 739

26.2 Financial risk
26.2.6 Credit risk mitigation and collateral

E'000		2023					
	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
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 9221
Investment securities	1 200 824	-	-	1 200 824	-	1 200 824	-
Cash and cash equivalents	1 129 540	-	-	1 129 540	-	1 129 540	-
Amounts due from related 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	-

As previously reported
Note 20.1 Defined benefit post-employment liability

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2024

34. Impact of disaggregation of accounts payable note

Note 21 (Accounts payable)

Changes to the classes previously reported at 30 June 2023

Accounts payables	As previously reported	Updated note
Accounts payable	341 073	187 077
Dividends payable	-	83 737
Suspense and clearing accounts	-	53 912
Unclaimed balances	-	16 347
Other creditors	440	440
Total Accounts payables	341 513	341 513

35. Unconsolidated structured entities

The Bank holds certain interests in unconsolidated structured entities to achieve specific objectives which are mainly attributable to either charity, social responsibility and employee wellbeing. The level of risk that the Bank is exposed to is determined by the nature and purpose of it holding an interest in the entity. The Bank does not consolidate these structured entities as either it does not have the power to control the investment decisions or it is not exposed to significant variable returns of these structured entities.

The Bank had the following unconsolidated structures as at 30 June 2024.

The FNB Foundation Trust

The Trust was established to spearhead and administer Corporate Social Responsibility. 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 supports and funds other non-profit making organizations, communities and institutions working towards the social development and empowerment in Eswatini, as well as individuals in a charity arrangement. And whereas, to that end the focus is on development initiatives that are directed towards:-

- Education;
- Job creation;
- Skill development
- Primary health care;
- Art and culture;
- Environment; and
- Social welfare.

In terms of the Notarial Deed of Trust, Protocol 25/2014, establishing the Foundation, First National Bank of Eswatini Limited will donate 1% of its after tax earnings annually to the Trust.

FNB Eswatini Employee Trust

FirstRand EMA Holdings Proprietary Limited [FREMA] has established the FNB Eswatini Employee Trust to give eligible employees a beneficial right to future dividends distributed by FNB Eswatini. This is aligned with the Group's and FNB Eswatini's Shared Prosperity initiative.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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36. Unconsolidated structured entities (continued)

FNB Eswatini Employee Trust (continued)

The following judgement was applied in not consolidating the employee trust;

- The purpose and design as well as the termination and amendments to the trust initiatives are at the discretion of FREMA;
- Once the beneficiaries meet the eligibility criteria, they automatically become beneficiaries of the trust; and
- There is no significant decision making once a dividend is distributed to the trust.

The plan is intended to equally benefit eligible employees of FNB Eswatini for as long as they are employed by the Bank and seeks to foster behaviours that grow and protect shareholder value over time. The plan is long-term in nature and caters for new employees over time.

The following table reflects the carrying amount of the group's recorded interest in and maximum exposure to risk due to these exposures arising from this unconsolidated structured entity.

	2024			2023		
	The FNB Foundation Trust	FNB Eswatini Employee Trust	Total	The FNB Foundation Trust	FNB Eswatini Employee Trust	Total
Total Assets	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Maximum exposure to loss *	-	-	-	-	-	-

* The Bank's maximum exposures to losses from its interests in unconsolidated structured entities is limited to the Bank's interests in these entities.

The Bank did not incur losses related to the Bank's interests in unconsolidated structured entities in the current financial reporting period (2023: Enil). The Bank did not provide any financial support during the current financial reporting period to unconsolidated structured entities other than the 1% donation for the FNB Foundation Trust and the dividend declared and paid for The FNB employee Trust.

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