



First National Bank of Eswatini Limited

(Incorporated in Eswatini)
(Registration number: 24-1988)
ESE Code: FNBE ISIN: SZE000331064
(The "Company" or "FNB Eswatini")

ABRIDGED PRE-LISTING STATEMENT

This abridged Pre-listing Statement ("Abridged PLS") relates to the listing by introduction of FNB Eswatini's Ordinary Shares on the Main Board of the exchange operated by the Eswatini Stock Exchange ("ESE"), with effect from the commencement of trading on Tuesday, 05 December 2023 (the "Listing Date"). This Abridged PLS is not and shall not constitute an offer, or an invitation or solicitation, to acquire the Ordinary Shares in any jurisdiction (including, without limitation, Eswatini), and is issued in compliance with the Listings Requirements for the purpose of providing information to Shareholders with regard to FNB Eswatini.

The information in this Abridged PLS has been extracted, in summarised form, from the full Pre-listing Statement issued by FNB Eswatini on Friday, 01 December 2023. **This Abridged PLS is not complete and does not contain all of the information that investors should consider before subscribing for Offer Shares. Prospective investors should read the Pre-listing Statement in its entirety, including the "Risk factors" section in the Pre-listing Statement, which describes certain risk factors that should be considered before making an investment decision.**

Capitalised words and expressions used in this Abridged Pre-listing Statement shall, unless expressly defined herein or indicated otherwise by the context, bear the meanings given to them in the Pre-listing Statement.

1. OFFER AND LISTING

The Major Shareholder has sold in aggregate 26 600 000 Ordinary Shares, constituting 20% of the issued Ordinary Shares, to Institutional Investors selected by the Company and the Major Shareholder, at a sale price of E14.83 per Ordinary Share by way of a Private Placing ("Private Placing"). The Private Placing will be settled prior to Listing ("Settlement Date"). Upon implementation of the Private Placing on the Settlement Date, FNB Eswatini will meet the Free Float Requirement. The Major Shareholder has also contributed 6 636 700 Ordinary Shares, constituting 4.99% of the issued Ordinary Shares to an employee trust established for the benefit of qualifying employees of FNB Eswatini ("Employee Share Trust").

FNB Eswatini has applied to the Listings Committee of the ESE, which has agreed to grant approval for a listing of all the Ordinary Shares of FNB Eswatini on the Main Board of the ESE, subject to compliance with the Listings Requirements. It is expected that such listing will become effective and that dealings in the Shares will commence from 05 December 2023. The listing will be on the Main Board of the ESE, under the abbreviated name First National Bank of Eswatini and share code FNBE.

2. BUSINESS OF FNB ESWATINI

Introduction

FNB Eswatini is a full-service corporate, commercial and retail bank in Eswatini. FNB Eswatini is one of Eswatini's largest financial institutions with a long history, having operated in Eswatini under the FNB brand since 1995. FNB Eswatini is the most profitable and return generative bank in Eswatini with 37% share of the total profits of the Eswatini banking sector, using innovation and technology to create solutions for its customers. Through an increasingly technology-focused approach, FNB Eswatini aims to modernise its offering to meet increasing expectations on quality customer experience and ultimately grow its customer base in Eswatini.

FNB Eswatini's vision is to be a great financial services business that positively and consistently impacts Eswatini and her people. In seeking a listing of its Ordinary Shares on the ESE, FNB Eswatini is looking to introduce local ownership in the Company and contribute to the development and expansion of the local capital markets.

Business overview

FNB Eswatini provides comprehensive corporate, commercial and retail services to customers in the Eswatini market. The Company's business activities can be divided into four key pillars: transactional banking; lending; insurance, and savings and investment. **Please refer to the unabridged Pre-listing Statement for more details.**

3. INVESTMENT HIGHLIGHTS

Most profitable and return generative bank in Eswatini

FNB Eswatini ranks first in the industry for profit before tax and return on assets and is the second largest bank in Eswatini by loans and deposits as at 30 June 2023, based on the most recently published annual financial statements of FNB Eswatini and its competitor banks. FNB Eswatini's business strategy targets profitability and returns over the size of balance sheet. Its key strategic growth plans are directed toward stable balance sheet growth with a strong uplift in profitability.

Over the past two financial years FNB Eswatini's return on equity has exceeded 20% per annum with a return on assets greater than 2% per annum. FNB Eswatini has demonstrated a strong dividend pay-out over the past seven years and will continue to apply a sustainable dividend strategy while remaining well capitalised.

Strong transactional platform

FNB Eswatini currently provides a range of banking services to over 191 000 customers via its broad distribution network of branches, ATMs, online and mobile banking platforms.

The management team of FNB Eswatini is modernising the bank to meet increasingly high customer expectations of a quality experience. FNB Eswatini is driving customer migration to self-service platforms and modernising the infrastructure to enable the self-service capability. This customer focus and modernisation has resulted in significant increases in volumes and transactional values across the digital channels.

The adoption of digital platforms and channels allows FNB Eswatini to use data analytics to increase speed and quality of decision making. This has led to process simplification and efficiencies, including infrastructure sharing.

Track record in delivering growth

FNB Eswatini's gross loan book has grown at a CAGR of 12.8% per annum over the past three financial years. The diversified loan book generates predictable, lower risk returns on the back of a more conservative provisioning model. Responsible credit growth is targeted at the more resilient and export-oriented sectors.

The deposit book has grown at a rate commensurate with the loan book providing a diverse funding mix to support client lending opportunities. Income from operations (excluding impairments) is comprised of net interest income and non-interest revenues and has grown at a CAGR of 16.5% per annum over the past three financial years.

Supported by a strong shareholder of reference

FNB Eswatini is part of FNB, Africa's most profitable commercial and retail bank. FNB has consistently outperformed its peers on the back of innovative and market leading digital platforms, deep customer relationships, sophisticated data analytics, and appropriate risk appetite. FNB's parent, FirstRand Group, has consistently delivered superior growth and returns to its shareholders.

FirstRand is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the United Kingdom. Many of these businesses are leaders in their respective segments and markets, and offer a universal set of transactional, lending, investment and insurance products and services. The group provides its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel, licence and operating platform available within the portfolio. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data platforms, allows the group to fully optimise the franchise value of its portfolio. This has resulted in a long track record of consistent growth in high quality earnings, and superior and sustainable returns for shareholders.

The group's management of financial resources, which is defined as capital, funding and liquidity, and risk capacity, is critical to successful execution of the group's objectives and supportive to the achievement of FirstRand group's stated growth and return targets.

FNB Eswatini leverages off the broader FirstRand group's frameworks, expertise and platforms in executing its strategies.

Accomplished, Swati-led management team

FNB Eswatini has a highly accomplished Swati-led board and management team. An owner/manager culture places primary responsibility for strategy development and operational control in the hands of the in-country management and Board, with support from the broader FirstRand group as required. The executive management

team of 13 people is 100% Emaswati of which, 46% are female, with over 140 years of collective financial services and corporate experience. FNB Eswatini employs a workforce of 480 people, all of whom are Emaswati citizens for the first time in the bank's history, demonstrating the bank's continued commitment to growing and developing the Eswatini economy.

4. KEY STRATEGIES

Continued customer growth through enhanced customer experience

One of the core strategies for FNB Eswatini is to improve the customer experience. This is achieved by using the digital strategy and educating customers to use digital channels and platforms to transact. The convenience provided by digital channels has led to an increase in the acquisition of clients and helps the bank achieve primary banker status. As primary banker, FNB Eswatini is able to obtain a fuller understanding of the client's ecosystem. This allows the bank to tailor its products and service offering to further enhance the client experience while at the same time improving affordability.

Migration to digital platforms

Over the past three financial years, FNB Eswatini has invested heavily in infrastructure modernisation. The use of its digital platforms provides FNB Eswatini with additional customer information. The bank uses data analytics to increase the speed and quality of decision making, thereby improving the customer experience.

Prudent and responsible loan book growth

FNB Eswatini has a diversified loan book that generates predictable, lower risk returns. This is executed through the alignment of pricing, liability, business strategy and keeping within applicable risk appetite setting as supported by the bank's Financial Resources Management Committee. The bank is focused on responsible credit growth targeted at the more resilient corporate and export orientated sectors. The growth in the credit book across all segments is underpinned by data analytics which are used to increase the speed and quality of credit decisions.

Disciplined allocation of financial resources

FNB Eswatini aims to deliver sustainable growth and deliver attractive returns to shareholders. This is achieved through a disciplined approach to the allocation and pricing of financial resources. Financial resources are defined as capital, funding and liquidity, and risk capacity.

Stringent focus on cost control

Cost leadership forms a critical part of FNB Eswatini's strategy. Despite the heavy investment in technology for the development of the digital platforms, FNB Eswatini has actively managed its cost base. The investment in digital platforms has resulted in a lowering of overhead costs and allowed for process simplification and efficiencies.

5. KEY PERFORMANCE INDICATORS

The following table sets out key financial and operating measures used by FNB Eswatini to track the performance of its business.

FOR THE YEAR ENDED 30 JUNE

| Performance indicator | 2023 | 2022 | 2021 |
|----------------------------|--------|--------|--------|
| Gross yield(1) | 9.0% | 5.8% | 6.0% |
| Cost of funding(2) | 4.79% | 1.91% | 1.89% |
| Net interest margin(3) | 13.6% | 11.6% | 10.4% |
| Cost to income ratio(4) | 59.2% | 62.5% | 63.3% |
| Credit loss ratio(5) | 0.3% | (1.1%) | 2.1% |
| Return on assets(6) | 2.9% | 2.5% | 1.7% |
| Return on equity(7) | 21.8% | 20.0% | 11.8% |
| Loans to deposits ratio(8) | 67.4% | 43.1% | 43.0% |
| NPL ratio(9) | 3.0% | 3.5% | 3.3% |
| Coverage ratio(10) | 138.6% | 150.4% | 195.8% |
| Capital adequacy ratio(11) | 21.4% | 24.8% | 20.4% |

Notes:

- (1) Gross yield is calculated as interest income (income for the current year) as a percentage of average interest-earning assets (consisting of the average of loans and advances, investment in securities, deposits with related parties, and cash for the current and prior financial year).
- (2) Cost of funding is calculated as annualised interest expense divided by average interest-bearing liabilities (average deposits for the current and prior financial year).
- (3) Net interest margin is calculated as net interest income as a percentage of average gross advances and loans.
- (4) Cost to income ratio is calculated as operating and administration expenses as a percentage of income from operations (net interest income and non-interest revenue).
- (5) Credit loss ratio, or cost of risk, is calculated as credit impairments as a percentage of average gross loans.
- (6) Return on assets is calculated as profit after tax as a percentage of average total assets.
- (7) Return on equity is calculated as profit after tax as a percentage of average total equity.
- (8) Loans to deposits ratio is calculated as net loans and advances to customers as a percentage of deposits from customer.
- (9) NPL ratio is calculated as non-performing loans as a percentage of gross loans.
- (10) Coverage ratio is calculated as total impairment provision as a percentage of non-performing loans.
- (11) Capital adequacy ratio is calculated as total Tier 1 capital and Tier 2 capital, divided by total risk-weighted assets.

6. PURPOSE OF THE LISTING

The main purposes of the Listing are to: (i) diversify and increase the local ownership of FNB Eswatini in Eswatini; (ii) boost the corporate profile of FNB Eswatini; and (iii) contribute to the development and expansion of the capital markets in Eswatini.

7. INDICATIVE TIMETABLE

The following table provides the expected dates of certain important steps related to the Private Placing and the Listing:

| | |
|--------------------------------------------------|-----------------|
| Publication of unabridged Pre-listing Statement: | 1 December 2023 |
| Expected Listing Date on the ESE: | 5 December 2023 |

Notes:

Any change will be released on the ESE website and published in the Eswatini press. All references to time in this Abridged Pre-listing Statement are to Eswatini standard time (GMT+2).

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