ANNUAL REPORT

2019-2020

EswatiniBank

Annual Report
2019-2020

CONTENTS

CORPORATE PROFILE

VISION

To be a leading solutions-driven development and corporate bank that offers our clients innovative advisory and financing solutions across multiple industries in Eswatini.

MISSION

Offering financial solutions and promoting development of Eswatini economy through banking services.

CORE VALUES

- Excellence
- Ethical conduct

driven by: Honesty, Reliability, Integrity, Transparency, Accountability, Respect, Professionalism, Loyalty and Dependability.

STATEMENT FROM THE HONOURABLE MINISTER OF FINANCE

"Although the Bank was significantly impacted negatively by Covid-19 in its results for the Financial Year ended 31 March 2020 its operations and balance sheet showed a positive and growing trend."

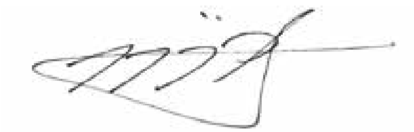
The Government of the Kingdom of Eswatini is glad to see EswatiniBank show resilience in difficult times. Although the Bank was significantly impacted negatively by Covid-19 in its results for the Financial Year ended 31 March 2020 its operations and balance sheet showed a positive and growing trend. Its ability to sustain itself through difficult times remains a positive element for Government as the country faces budgetary challenges in many fronts that require that the Bank takes its position as a development Bank without any reliance on Government subventions.

The Covid-19 pandemic has brought unprecedented challenges for the country at large. Economic activity was significantly impacted as the country went into lock down and implemented a number of measures in response to the pandemic. The Bank, along with business, was impacted negatively as economic activity stalled and economic fundamentals and forecasts dipped into negative territory.

The Bank posted a loss at the end of the financial year 2019/20. Government notes that this loss was attributable to significant provisions for both negative economic growth forecasts and the impact of negatively affected lending. We remain positive that the performance will improve and revert to profitability in the coming years, if positive economic growth is gradually restored. We are also encouraged that the Bank remains optimistic that most of the loans impacted by Covid-19 and granted repayment holidays are expected to revert to normal after the economy moves out of lockdown.

The Bank remains an important Government institution and I therefore pledge Government's support to the Bank going forward and assure that it will remain one of the pillars of Government in driving economic development. The financial sector in which the Bank operates has a critical role in assisting business and driving the economy. Government appreciates the role the Bank has played in ensuring that it remains resilient whilst also ensuring that customers are also assisted accordingly. Such assistance to customers has never been more important than during the Covid-19 pandemic.

My appreciation goes to the Customers of the Bank who have continued to support it in difficult times, the Board of Directors, Management and Staff who have continued to direct and run the Bank and ensure that it remains a competitive institution in the financial sector.



Hon. Neal H. Rijkenberg

Minister of Finance

LETTER TO THE MINISTER OF FINANCE

The Honourable N. Rijkenberg
Minister of Finance
Ministry of Finance
P.O. Box 443
Mbabane

Dear Honourable Minister,

REPORT OF ESWATINI BANK BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors of Eswatini Bank is pleased to submit the Bank's Annual Report in terms of the Eswatini Development and Savings Bank Order No. 49 of 1973 as amended and the Public Enterprise (Control and Monitoring) Act Number 8 of 1989, in the following manner:

- Chairperson's Message;
- Managing Director's Review of Activities of the Bank;
- Review of Bank Operations;
- Report of the Eswatini Development and Savings Bank's financial analysis and operations during the year; and
- Annual Financial Statements for the year ended 31st March 2020 certified by the auditors.

Yours Faithfully,

SIBONGILE MDLULI
(Chairperson)

ZAKHELE LUKHELE
(Managing Director)


*Enjoy our wide range of
Investment Accounts
and save for the future.*

BOARD OF DIRECTORS

Mrs. Sibongile Mdluli
Chairperson

- M.Sc. Economic Policy Management *(Columbia University)*
- B.A. Economics *(University of Botswana, Lesotho and Swaziland)*
- Certificate in Corporate Governance

Dr. Sipho Nkambule
Member

- PHD Soil Science – (*Cornel University, new York State, USA)*
- Msc (Soil Science) – (Reading University, Berkshire, United Kingdom)
- Bsc (Agriculture) – (University of Swaziland)

Mr. Zakhele Lukhele
Managing Director

- M.Sc. (Economics) (*University of Illinois) (USA)*
- B.A. (Economics) – (*University of Botswana and Swaziland)*
- Diploma in Advanced Banking *(University of Johannesburg)*

Ms. Sizakele Dlamini
Member

- Master of Science (MSC) in International Logistics *(Chartered Institute of Purchasing & Supply - UK)*
- Master of Business Administrator
- Bachelor of Commerce – Accounting and Auditing *(UNISWA)*
- Graduate Diploma in Purchasing and Supply *(Plymouth University - UK)*

BOARD OF DIRECTORS

Mr. Sifiso Mdluli
Board Secretary

- M.Sc. Leadership and Change Management *(Leeds Beckett University)*
- LLB *(UNISWA)*
- BA Law *(UNISWA)*
- Certificate in Managing the Employment Process (UNISA)
- Admitted as an Attorney of the High Court of Swaziland

Mrs. Ketshidile Masisi-Hlanze
Member

- Masters in Leadership and Change Management (Msc) *(Leeds Metropolitan University -UK)*
- Bachelor of Laws (LLB) (*University of Botswana and Swaziland)*
- Attorney of the High Court of Botswana
- Attorney of the High Court of Swaziland
- Conveyancers of the High Court of Swaziland

Mr. Sydney Mdluli
Member

- Master's in Business Administration (MBA) – *(Stellenbosch University)*
- Association of Chartered Certified Accountants (ACCA) *(The Association of Chartered Certified Accountants) (Glasgow, UK)*
- Bachelor of Commerce (Accounting)*(UNISWA)*
- Diploma in Commerce *(University of Swaziland)*
- Certified Internal Auditor (CIA) *(The Institute of Internal Auditors) (Florida, USA)*

Mr. Samson Mavuso
Member

- Programme in Basic, Intermediate and Advanced Project Management
- BSc Agriculture
- Diploma in General Agriculture

Mr. Jabulani Nxumalo
Member

- M.A. in Economics and Financial Analysis of Enterprises – *Turin*
- Conflict Resolution Diploma – *IPM, RSA*
- Certificate of Completion – Local Government & International Diplomacy, The Hague
- Diploma in Social Partnership (Labour Government, Business) *Georgia Washington University, USA*

EXECUTIVE MANAGEMENT

Mr. Zakhele Lukhele
Managing Director

- M.Sc. (Economics) (*University of Illinois) (USA)*
- B.A. (Economics) – (*University of Botswana and Swaziland)*
- Diploma in Advanced Banking *(University of Johannesburg)*

Mr. Sifiso Mdluli
Board Secretary

- MSc. Leadership and Change Management *(Leeds Beckett University)*
- LLB *(UNISWA)*
- BA Law *(UNISWA)*
- Certificate in Managing the Employment Process (UNISA)
- Admitted as an Attorney of the High Court of Swaziland

Zanele Dlamini
Chief Financial Officer

- MBA (Heriot - Watt Univesity/Edinburgh Business School)
- ACMA – Associate Certified Management Accountant (CIMA-UK)
- B. Comm (Accounting) (UNISWA)
- Diploma in Commerce (UNISWA)

Thembi Dlamini
Executive Manager Corporate Services

- Master of Business Leadership *(UNISA)*
- B. Comm (Accounting) (UNISWA)
- Certificate in Human Resource Hiring Practices *(UNISA)*
- Certified Global Remuneration Professional *(WorldatWork)*
- Certified Train the Trainer *(Education and Training Seta – South Africa)*
- Diploma in Law Paralegal Studies *(University of Johannesburg)*

Enock Mavimbela
Banking Operations

- Msc In Leadership and Change Management *(Leeds Metropolitan University,UK)*
- B.Comm - Banking *(University of Pretoria)*
- Post Graduate Diploma in Advanced Banking Law *(University of Johannesburg)*
- Associate Diploma in Banking *(Institute of Bankers SA)*
- Licentiate Diploma in Banking *(Institute of Bankers SA)*
- AAT Level III *(Association of Accounting Technicians, UK)*
- Certificate in Corporate Governance
- Certificate in Strategic Management and Business Process Re-engineering

EXECUTIVE MANAGEMENT

Tawonga Sifundza
Executive Manager Internal Audit

- Chartered Accountant - South African Institute of Chartered Accountants (SAICA)
- Public Practice Examination by Independent Regulatory Board for Auditors South Africa
- Hon. Bachelor of Accounting Sciences (CTA) *(UNISA)*
- Postgraduate Diploma in Accounting Sciences *(UNISA)*
- B.Com Accounting - UNISWA
- Registered member of the Swaziland Institute of Accountants

Zakhele Mahlinza
Acting Executive Manager IT

- IT Diploma *(Boston College)*
- Project Management *(Prince2)*

Mbongeni Bhembe
Head of Risk and Compliance

- MBA (Herriot - Watt University/Edinburgh Business School)
- Bachelor of Arts in Social Sciences (Economics and Statistics) *(UNISWA)*
- ACI Dealing Certificate (The Financial Markets Association)
- *Certified Risk Analyst (CRA) - (International Academy of Business and Financial Management)*

Lindiwe Shongwe
Marketing and Premier Banking

- M.Sc. Leadership and Change Management *(Leeds Metropolitan University, UK)*
- B. Comm (Marketing) *UNISWA*
- Diploma in Commerce *(UNISWA)*
- Certificate in Corporate Governance

Dumase Nxumalo
Credit

- M.Sc. Leadership and Change Management *(Leeds Metropolitan University, UK)*
- Chartered Accountant (SD), ACCA (UK) *(Botswana Accountancy College)*
- B. Comm *(UNISWA)*
- Diploma in Advanced Banking *(University of Johannesburg)*
- Programme in Risk Management *(University of South Africa)*
- Certificate in Fundamentals of Banking & Risk Management *(University of South Africa)*

CHAIRPERSON'S MESSAGE

"As EswatiniBank, we are alive to the tough competition for new and existing clients from nimble online players, such as mobile companies in the lending space."

INTRODUCTION

The year 2019/2020 has been a difficult one and our financial results were negatively affected by a number of events, some of which were beyond our control. Hence, the Bank made a loss of E64.191 Million.

This situation was occasioned mainly by loan impairments (provisions) raised in respect of the COVID-19 pandemic, which has impacted a number of customers and the economy in general. New Accounting Standard (IFRS-9) requires that the Bank make forward looking adjustments for any possible credit losses due to the impact of COVID-19 and economic decline. The projected contraction in GDP and the specific COVID-19 relief measures extended to customers are some of the factors that have contributed to the adverse year-end performance. The Bank albeit anticipates write backs should there be improvement in the economic conditions.

It is pleasing though to report that the Bank, overall, realized growth in revenue (5.5%), driven by the lending book and other transactional business. Our focus then will be to engage in cost containment initiatives as the Bank looks at growing revenue amidst the tough ecomonic conditions.

As EswatiniBank, we are alive to the tough competition for new and existing clients from nimble online players, such as mobile companies in the lending space. We all know that the future is all about mobile channels offering financial services. Hence, the year under review, the Bank completed the implementation of the banking system R18 T24 upgrade, in order to facilitate seamless participation in the technology space.

Worth mentioning is that whilst unarguably necessary to protect human lives, the COVID-19 precautionary measures will severely disrupt the global, continental and Eswatini economies in 2020-2021. Despite the economic situation, EswatiniBank is a resilient financial institution, and the Board has every confidence that the Bank will continue to provide essential financial services throughout the pandemic and that it will remain sound, profitable and sustainable throughout. Indeed, the Bank managed to hold its own in terms of remaining a going concern notwithstanding this challenging performance.

GOVERNANCE AND COMPLIANCE

EswatiniBank has complied with the principles of the King IV report on corporate governance as a business imperative for the Bank despite being a statutory body registered in terms of the Kings Order in Council 49/1973. The Bank is a financial institution wholly owned by the Government of Eswatini and is also regulated in terms of the Public Enterprises Control and Monitoring Act, 1989 which takes precedence over all statutes governing the Bank. As a financial institution, the Bank is also regulated by the Central Bank of Eswatini through the Financial Institutions Act, 2005 which is the legal instrument for directing and regulating all Banks in the Country.

The Board of Directors accept that they have a legal duty to act in the best interest of the Bank as part of its responsibilities for ensuring the sustainability of the Bank. The King IV principles of good Corporate Governance are applicable to the Bank in so far as they are in line with the provisions of the Public Enterprises Unit Act (PEU), Eswatini Development and Savings Bank (EDSB) Order, Financial Institutions Act (FIA) and any other ancillary legislation of equal weight.

GOVERNANCE AND STRUCTURE

EswatiniBank has a unitary Board structure comprising nine Directors including an Ex Officio Director who is a representative of the Ministry of Finance as well as the Managing Director who is the only Executive Director in terms of the PEU Act.

During the year under review, the Board of Directors stood as follows:

1. **Ms. Sibongile G. Mdluli – Chairperson**
   19th September, 2017 (reappointment)

2. **Ms. Thulisile Gamedze - Ex Officio Member**
   1st November, 2019

3. **Mr. Sydney Mdluli – Member**
   19th September, 2017 (reappointment)

4. **Mr. Jabulani Nxumalo - Member**
   1st March, 2017

5. **Mr. Samson Mavuso -Member**
   1st June, 2017

6. **Dr. Sipho V. Nkambule – Member**
   1st May, 2018

7. **Ms. Ketshidile Masisi-Hlanze – Member**
   1st May, 2018

8. **Mr. Zakhele Lukhele – Managing Director**

9. **Mr. Sifiso Mdluli – Board Secretary**

It is worth mentioning that the PEU was duly advised that the second term of the Board Chairperson, Ms. Sibongile Mdluli together with Mr. Sydney Mdluli (Member) comes to an end on the 18th September, 2020. Whilst the first term of office, of board member, Mr. Jabulani Nxumalo came to an end on the 29th February, 2020.

BOARD SUBCOMMITTEES

The Board delegated some of its oversight functions to four specialised subcommittees, namely, the Remunerations, Audit, Credit and the Risk and IT Committees. The Board was kept abreast on the deliberations of the Committees through reports from each of the Committee Chairperson's at Board Quarterly meetings.

EXTERNAL AUDITORS

The Board approved the reappointment of KPMG Eswatini who were subsequently appointed by the Standing Committee on Public Enterprises (SCOPE), as External Auditors for the next three years covering 2019 – 2021 in terms of the PEU Act. The Board of Directors were satisfied with the independence of the External Auditors as recommended by the King IV Code.

STRATEGIC DIRECTION

The EswatiniBank Board acknowledged that the performance of the Bank lagged behind the set performance targets of the Bank Strategy approved in March, 2019. The under estimation of the impact of the implementation of the new banking system–R18 T24 on resources impacted negatively in the attainment of the set strategic goals, during the year under review.

It became apparent that the benefits of automation will be realized in the ensuing financial year and going forward due to I.T. systems costs reduction, anticipated efficiency of the banking system and an increased loan book (aggressive growth). The focus will also be on cost containment initiatives and improving collection initiatives and hence, to improve on provisions.

RISK OVERSIGHT

EswatiniBank Board acknowledges its primary role on risk oversight in the evolving business and risk landscape. Hence, the Board has a defined risk governance structure and continuously assess the structure as the Bank faces new risks. The Board performs oversight over the Bank's enterprise-wide risks through the Board Risk and I.T. Committee. Whilst, the Board Audit Committee focuses on overseeing financial risks.

The full Board takes direct responsibility for and regularly discusses the Bank's most strategic risks, which include risks that could disrupt and materially impact the Bank's business strategy.

It is worth mentioning that the Board took note of the challenging role for overseeing Cyber Risk. Cyber Risk is often challenging for even the most tech-savvy companies to keep up with the scope and pace of developments related to hacking, cloud computing, IT Implementations, and other technology matters. All these innovations carry a complex set of risks, and the most serious among them can compromise sensitive customer information and significantly disrupt Bank processes.

BANK POLICIES

The Board also acknowledges its duty to set the tone on policies and policy formulation and it approved new and reviewed policies for implementation by the Bank. The list of approved policies appears herein below:

1. Internal Audit Charter
2. Internal Audit Policy
3. Anti-Money Laundering / Combat of Terrorist Finance Policy (RCD-AML-001)
4. Anti-Bribery and Corruption Policy
5. Outside Business Interest Policy
6. Sanctions Policy
7. Leave Policy
8. Telephone and Cellphone Management Policy
9. Treasury and Investment Policy
10. Liquidity Contingency Funding Policy
11. Unclaimed Balances Policy
12. Fixed Assets Policy
13. Foreign Exchange Policy
14. Legal Policy
15. Ethics Policy

CORPORATE SOCIAL INVESTMENT

EswatiniBank ran a coordinated programme for Corporate Social Investment throughout the year. The Bank managed to plough back to the community through donations to various activities and organisations country wide in line with good corporate governance principles.

FUTURE OUTLOOK

In March 2020, the Kingdom of Eswatini invoked Section 19 of the Disaster Management Act of 2006 and declared a national emergency, commissioning a partial lockdown for the country. The effect of this was a disruption in business operations and a significant increase in economic uncertainty owing to the COVID-19 pandemic. It is clear that the economic toll of the COVID-19 pandemic will rapidly emerge in the ensuring year, the rate of writing off bad loans maybe unprecedented. Hence, Banks will be in the spotlight to provide a debt holiday to cushion the effects of the coronavirus.

As a result, the Bank has put in place a number of strategies to help respond to the COVID-19 pandemic and looking forward to a turnaround in economic activity and in the Bank's own performance in the coming year.

CONCLUSION

On behalf of the Board, I would like to thank our shareholder for the continuous commitment towards the Bank since its establishment and particularly amidst the current COVID-19 challenges.

I also express my deep gratitude to our Managing Director, Mr. Zakhele Lukhele, and his Executive Team, my fellow Board Members and the EswatiniBank Staff Members for their commitment to building a Bank that is future-fit, competitive and a formidable force for economic development of Eswatini despite the challenging economic period brought to bear by the COVID-19 pandemic.

Finally, I would like to thank all our customers and stakeholders for the confidence they continued to place on EswatiniBank.

Ms. Sibongile Gladys Mdluli

(Chairperson of the Board)

SENIOR & HEAD OFFICE MANAGEMENT

Gab'sile Mhlanga
Branch Network Controller

Robinson Hlophe
Senior Manager - Corporate Services

Gilly Dlamini
Senior Manager - Strategy

Phesheya Vilakati
Public Relations Officer (PRO)

Nelisiwe Mtshali
Senior Manager - Finance

Mazibuse Khumalo
Manager - AgriBusiness

Nomathemba Dlamini
Manager - Treasury and Investments

SENIOR & HEAD OFFICE MANAGEMENT

Jansen Mkhweli
Manager - Industrial Relations

Babheke Dladla
Manager - Budgets

Chamkile Simelane
Manager - Small Medium and Micro Enterprises (SMME)

Lucky Lukhele
Manager - Housing and Property Finance

Elsie Dlamini
Manager - Credit

Mduduzi Hlophe
Manager - Insurance Business

SENIOR & HEAD OFFICE MANAGEMENT

Knowledge Manana
Legal Advisor

Sthembile Shabangu
Manager Corporate Business

Thembumenzi Kunene
Assistant Manager Risk

Thembeni Dlamini
Assistant Manager - Motor Vehicle Finance

Bongiwe Sigwane
Supervisor Loans Securities

Nsimbi Shongwe
Assistant Manager Administration

BRANCH MANAGEMENT

Andile Fakudze
Manager - Siteki

Thembumenzi Nxumalo
Manager - Cash Centre

Mbuso Mavuso
Manager - Manzini

Christopher Nkambule
Manager - Matata

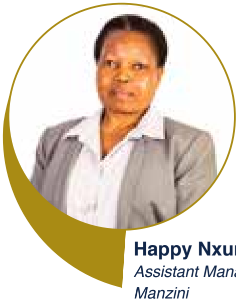
Canaan Mavuso
Manager - Pigg's Peak

Tenele Shabangu
Manager OPC

Gcebile Soko
Assistant Manager Foreign Exchange

Doris Phiri
Manager - Simunye

Sibonisile Khumalo
Manager - Matsapha



Happy Nxumalo
Assistant Manager Manzini

Lungile Matsebula
Manager - Nhlangano

Khayelihle Gama
Assistant Manager Ezulwini Gables

Jabulani Mnisi
Manager - Mbabane

Nelsile Ginindza
Assistant Manager Siphofaneni

MANAGING DIRECTOR'S REVIEW

"The Bank continues to enjoy a healthy demand for loans. The gross loan book increased from E1.580 billion in the previous year to E1.728 billion in the current year."

ECONOMIC REVIEW

During the period under review, 2019, GDP growth slowed down when compared with 2018. The value of goods and services produced within the economy grew by 1.3 percent in 2019 which is a decline when compared with the 2.4 percent that was realised in 2018.

The dwindled 2019 growth was as a result of unfavourable weather conditions and government fiscal challenges. The unfavourable weather conditions resulted to a fraught production in the agricultural sector. The agricultural sector output declined by 4.4 percent. There was also a marginal decrease of 0.68 percent in the tertiary sector. The constrained public expenditure negatively affected sectors such as construction, wholesale and retail and these are the sectors that depend on public expenditure.

INFLATION

The year 2019 saw the inflation rate averaging 2.6 percent which was a sharp decrease from what was seen in 2018 where it averaged 4.8 percent. This decrease was largely as a result of a freeze in utility prices as well as housing. Given the significant share of the 'housing and utilities' component in the total consumption basket, the decrease observed in the 'housing and utilities' index resulted in the sharp decline in overall inflation.

INTEREST RATES

The Central Bank of Eswatini, in its principal goal of ensuring price stability conducive for economic growth and development, cut the discount rate by 25 basis points during the second half of the year from 6.75 percent to 6.50 percent. This was after macroeconomic conditions supported a more accommodative monetary policy. In tandem with the discount rate, the Prime Rate also decreased from 10.25 percent to 10.00 percent.

BANK PERFORMANCE

The Covid-19 Pandemic has brought unprecedented challenges for both business and individual customers. The declaration of the State of Emergency followed by the lockdown, during the last month of the financial year, meant that most business activity was suspended thus creating a lot of uncertainty on the performance of the loan book. This necessitated a review of the impairment model and assumptions to factor in the likely contraction of GDP. As a result, the bank raised impairment losses totalling E102.373 million.

The Bank generated a loss of E64.191 million during the year. The significant impact came from the impairment losses and an increase in operating costs (E29.864 million (13.4%), mainly IT and Electronic Banking support costs.

Total assets closed at E2.355 billion, out of which gross revenue amounting to E376.110 million was generated. The Bank experienced a 6.5% decline in total assets. This was a result of the reduction in shareholder's funds (E67.878 million) and funding balances.

The Bank continues to enjoy a healthy demand for loans. The gross loan book increased from E1.580 billion in the previous year to E1.728 billion in the current year. Significance growth was experienced in Corporate Business, Housing and Vehicle Finance and Agriculture.

Summary of Salient Features of the Financial Statements

	2020 E'000	% Change 2019/2020	2019 E'000	% Change 2018/2019
Total Assets	2 355 527	(6.5)	2 520 035	5.1
Customer Deposits	1 312 113	(4.6)	1 375 609	3.6
Net Advances	1 450 388	4.3	1 390 571	4.9
Interest Income	240 616	6.0	226 929	(1.0)
Interest Expense	95 525	8.3	88 209	3.6
Operating (loss)/profit	(64 191)	(214.5)	56 083	30.8

INFORMATION TECHNOLOGY ENHANCEMENTS

The Bank completed the upgrade of the Banking System, which was aimed at enhancing efficiencies and customer service. Enhancements of the digital banking platform remains a priority to ensure that a wider range of products is offered to our customers. The Bank looks forward to the completion and issuing of the new MasterCard Tap and Pay Debit Card. Other projects on the pipeline include: VISA acquiring, Merchant POS, enhancement of the Business Internet Banking Platform and payment integrations with various service providers so that all third-party payments are made electronically.

FUTURE OUTLOOK

It is anticipated that business and economic activity will improve in the coming financial year. A turnaround in the financial performance is therefore anticipated. The bank continues to monitor, in particular, it's loan book to ensure better performance in the coming year.

APPRECIATION

I would like to express my profound appreciation to the Honourable Minister for Finance, the Board of Directors and Management and Staff. Your guidance and support has been invaluable and is greatly appreciated.

Zakhele Lukhele

(Managing Director)


We offer Personal
and Business loans

Zanele Dlamini

Chief Financial Officer

INTRODUCTION

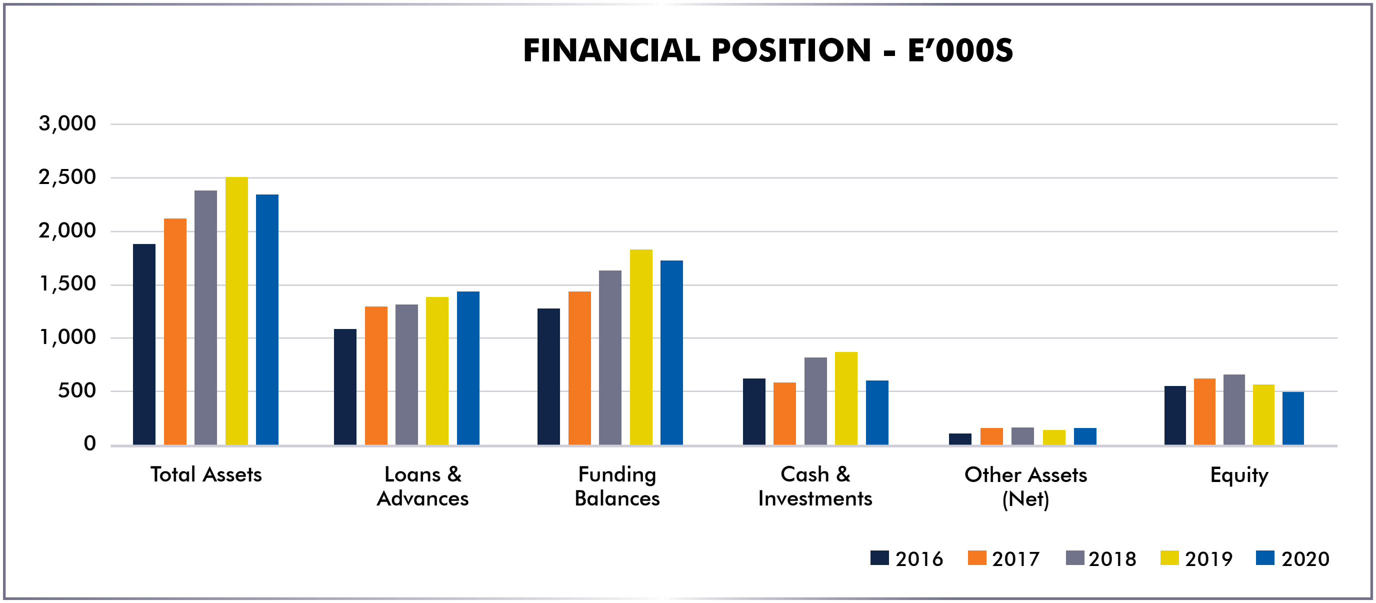
The year 2020 has been a challenging year, in particular with the outbreak of the Covid-19 pandemic during the last quarter of the financial year. Significantly impacted is the lending book, wherein the Bank has had to raise impairments in line with IFRS 9 which takes a forward-looking view. The projected contraction in GDP and the specific Covid-19 relief measures extended to customers are some of the factors that have contributed to the adverse year-end performance.

FINANCIAL PERFORMANCE OVERVIEW

The Bank made a loss of E64.191 million during the year which is largely a result of loan impairments. Current year impairments amounted to E102.373 million and comprise: Impairments in respect of the Covid-19 relief E30.418 million, GDP contraction impact E55.607 million and normal loan impairments E16.348 million. The Bank anticipates a reversal of these impairments in the coming year, subject to the improvement of economic conditions.

Total assets amounted to E2.355 billion and have declined by E164.508 million from E2.520 million in the previous year. The 6.5% decline is mainly a result of the impairments which has adversely impacted shareholders' equity.

A summary of the Banks' Financial Position:



Loans & Advances

Gross loans and advances increased by 9.3% (E147.405 million) from E1.580 billion in the previous year to E1.728 billion in the current year. Portfolios contributing to the loan book growth were corporate business, housing, agriculture, asset finance, personal loans and SMME. Loan provisions (impairments) increased by 46.1% due mainly to the likely impact of Covid-19. As a result, the net loan book increased by 4.3%. The Bank continues to monitor the loan book performance closely.

Funding Balances

Funding balances comprise customer deposits, special funds and long-term borrowings. Funding balances are E1.729 billion and have decreased by 6.3% (E116.893 million) during the year. The reduction is due to repayments of borrowings and normal customer withdrawals.

Capital Expenditure

The Bank upgraded the core banking system in the current year and also enhanced the digital banking platform. A number of digital banking projects are being completed and will be rolled out before the close of the calendar year. These are additions to the current offerings and will help enhance customer service.

Statement of Profit or Loss and Other Comprehensive Income

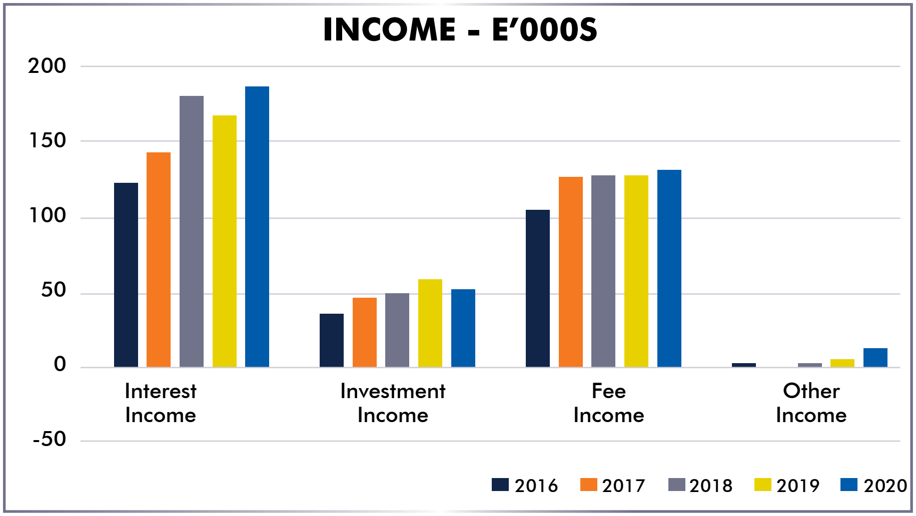
The Bank made a loss of E64.191 million during the year and this is mainly as a result of Covid-19 related impairments. Gross income generated during the year amounted to E376.110 million, reflecting an increase of E19.750 million from the E356.360 million realised in the previous year. The growth is mainly driven by interest income, in line with the growth in the gross loan book.

Net Interest Income

The Bank generated Net Interest Income amounting to E145.091 million. Net Interest Income increased by 4.6% from the E138.720 million generated in the previous year. The growth is in line with the growth in the gross lending book, and has been partly offset by a reduction in investment income. Interest expense increased by 8.3% and is a reflection of the high cost of funds.

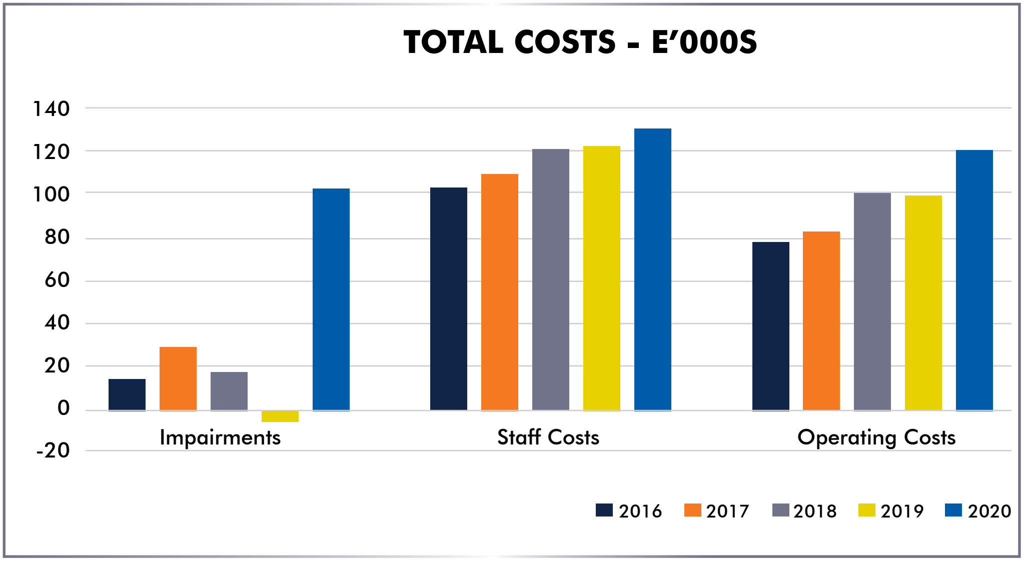
Non-Interest Revenue

Non-Interest Revenue generated during the year amounted to E135.494 million. Non-Interest Revenue increased by 4.7% from the E129.431 million generated in the previous year. The increase is mainly as a result of transaction volumes.



Total Operating Expenses

Total operating expenses are E252.539 million and have increased by 13.4% from the E222.675 million incurred in the previous year. Major increases are: IT licences and support fees, digital banking support fees and once-off data clean-up costs following the system upgrade.



Credit Impairments

The Bank raised impairments amounting to E102.373 million during the year. A significant component of the impairments is in respect of the likely effects of the Covid-19 pandemic. The lockdown and reduced business activity have impacted on a number of customers and sectors of the economy. As part of the response initiatives, the Bank provided repayment holidays to a number of customers with loans totalling E136 million. The Bank had to raise impairments for the respective loans, over and above the normal impairments. The largest impact, however came from the projected contraction of GDP as announced by the Central Bank in March 2020. For reporting purposes, the Bank had to factor the GDP projections into the IFRS 9 model, and this resulted in significant impairments. The Bank expects to write these impairments back, should there be an improvement in economic activity.

Regulatory Requirements

Despite the reduction in capital, the Bank complied with capital adequacy requirements. The Capital Adequacy Ratio declined from 17.60% in the previous year to 15.91% against a minimum requirement of 8%.

The Bank also complied with the Liquidity and Reserve requirements which were reduced to 18% and 5% respectively as part of the Covid-19 responses.

Audit Report

The Bank has received an unmodified audit opinion from the external auditors.

FUTURE OUTLOOK

The Bank has put in place a number of strategies to help respond to the Covid-19 pandemic and looks forward to a turnaround in economic activity and in the banks' own performance, in the coming year.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BANKING OPERATIONS

Enock Mavimbela
Banking Operations

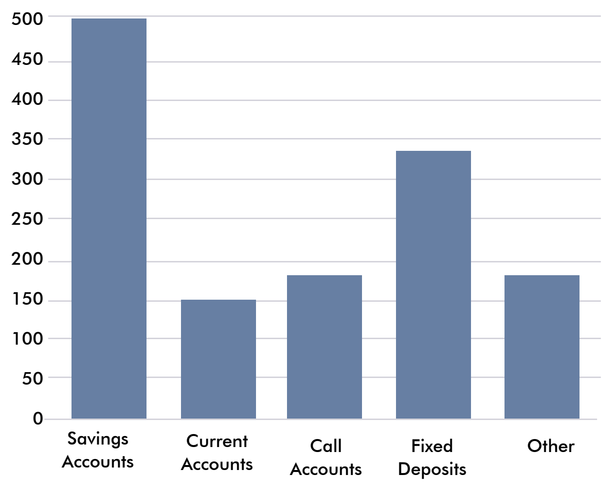
1. BRANCH NETWORK

Eswatini Bank maintained its ten branches located strategically in major economic zones in the country. The number of active Auto Teller Machines increased to Fifty-Five during the year under review and are also located in strategic points across the country.

2. DEPOSITS

The value of customer deposits held by the bank at the end of the period under review was E1.312 Billion whereas the Bank had E1.376 Billion the previous year. This reflects a decrease of 4.6% from the previous year. A total of 9 199 new accounts were opened during the year as compared to 12 091 opened in the previous year. The decline in activity is attributed to the declining economic activity in the country .

CUSTOMER DEPOSIT PER PRODUCT MARCH '19



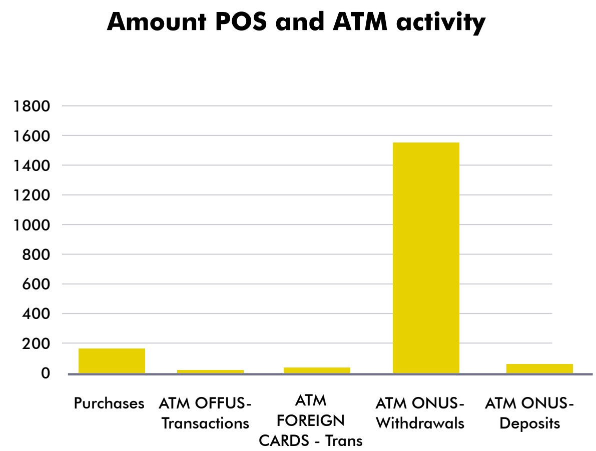
3. PERSONAL LOANS

The personal loans portfolio decreased by E2.1 Million from E77.0 Million at 31st March 2019. A total of 2009 personal loans valued E74.9 Million were granted during the year.

4. ELECTRONIC BANKING

The bank recorded a significant growth in Debit card usage during the year.

There were 219 663 MasterCard Merchant POS transactions processed in the year 2020 amounting to E164.2 Million while in the previous year 202 837 transactions amounting to E154.4 Million were processed. This shows an increase of 8 % in the number of transactions compared to the previous year. Number of ATM deposits has shown an increase of 8012 transactions attributed to the introduction of more Automated Deposit Teller Machines during the year.



Digital Banking

During the year there was an increase in demand and usage of the digital systems (Internet Banking, Mobile App and USSD) by customers.

5. SMALL MEDIUM &MICRO ENTERPRISES (SMME) UNIT

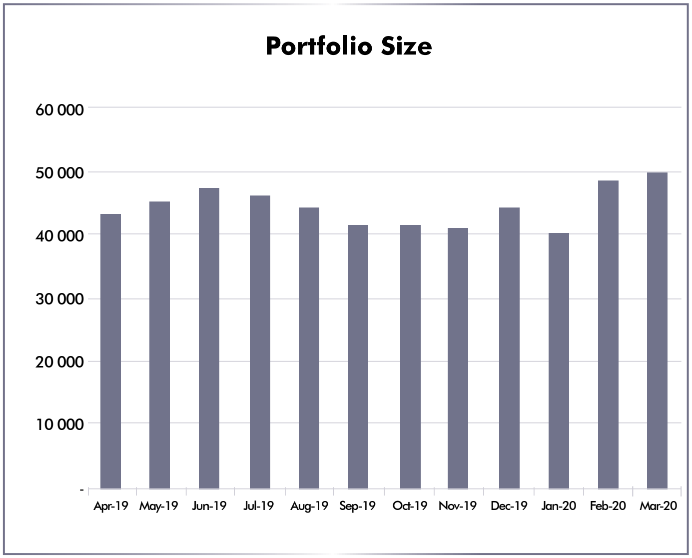
5.1 LOAN BOOK GROWTH

The SMME Department performance improved during the financial year 2019/2020 compared to the previous year. This was in spite of the country's prevailing economic challenges which negatively impacted businesses including SMMEs. The Department's portfolio began the year at E41.1 Million in April 2019 and by end of March 2020 facilities valued E37.2 Million were approved and disbursed increasing portfolio size to E49.6 Million.

During the period 2019-2020, there was a 27% increase in approved Overdrafts compared to the previous year. On the contrary, there was more than a 100% decrease in bridging loan facilities approved. In December 2019 and January 2020 almost all customers in the sugarcane value chain cleared their overdraft facilities as the harvesting season had come to an end. The bank also has overdraft facilities under the construction industry which are granted for a period of 12 months on a renewable basis and bridging finances which are granted and cleared over 3 to 6 months. Due to the short term nature of bridging finance loans and some overdraft facilities; most of these were cleared in June, October and December 2019, hence the fluctuation of the portfolio during the year.

5.2 SMME PORTFOLIO ANALYSIS

A bulk of the portfolio was made up of overdraft facilities which accounted for 73%; while bridging loans, business and SSELG loans accounted for 27% of the total exposure.



6. AGRIBUSINESS

6.1 APPROVED LOANS

Figure 1: Loans Granted annually for the two financial years 2018/19 and 2019/ 2020.

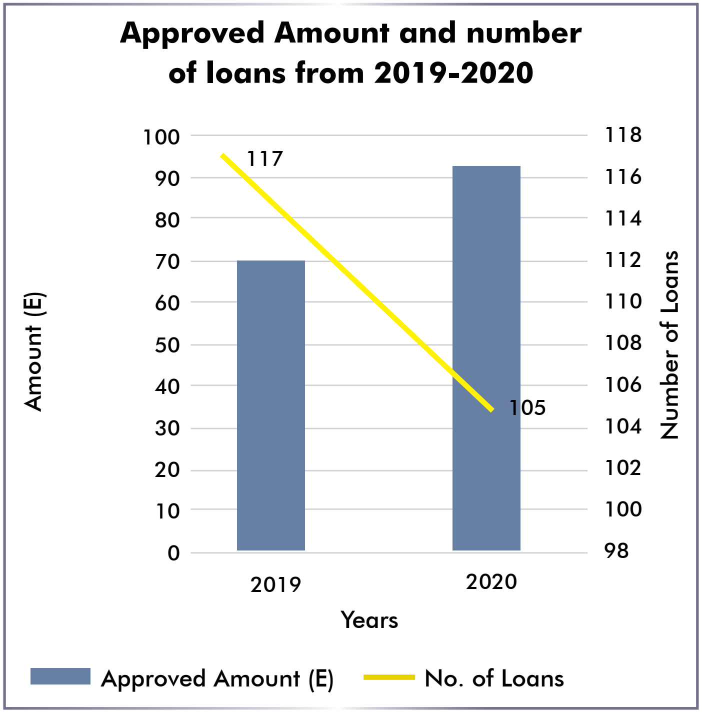


Figure 1 shows total number of loans and amounts granted for the year 2018/19 and 2019/2020. The year 2019/20 shows an increase of 31.8% from the previous financial year. The increase is attributed to an increased number of approved loans especially under livestock and maize roller millers.

7. TOTAL LOAN EXPOSURE

Figure 2: Total Loan Portfolio Exposure for financial year 2018/19 and 2019/2020

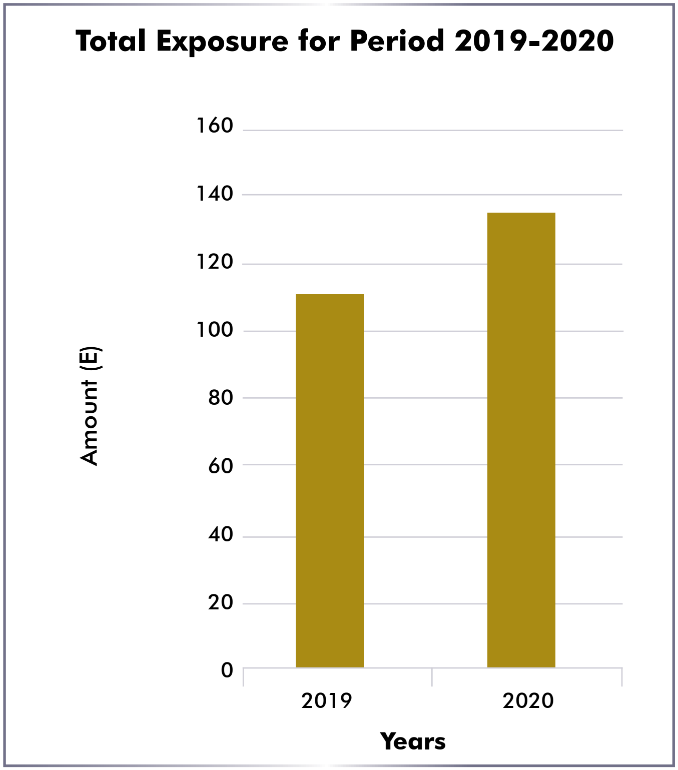


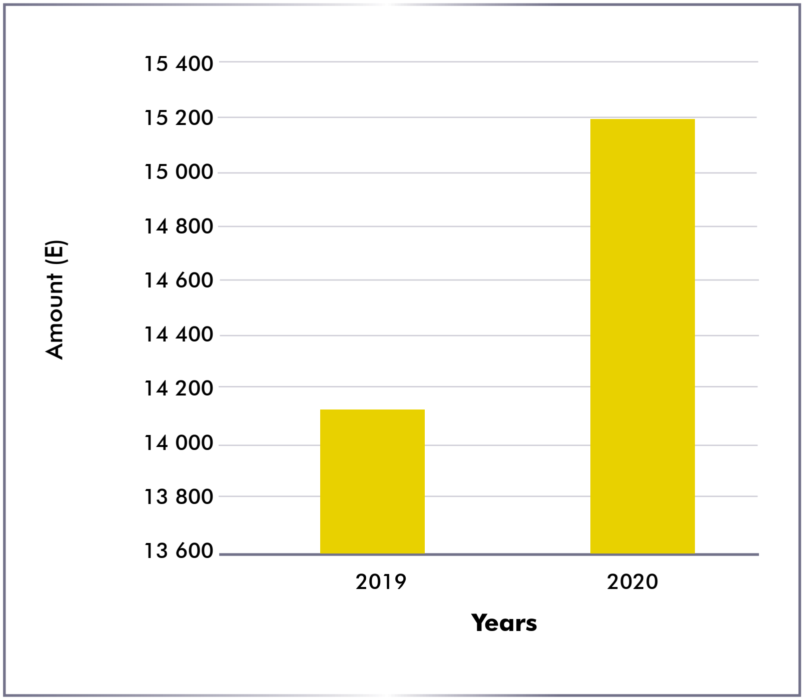
Figure 2 shows the trend for the total loan portfolio for the agribusiness section for the two financial years 2018/19 and 2019/2020. The trend from 2018/19-2019/2020 shows an increase of 21.6% over the previous year. This increase is a result of an increase in customer base and loan amounts approved during the year.

8. AGRIBUSINESS INCOME GENERATION

Agribusiness income is generated from two sources namely Interest Income and Fees and commissions.

Figure 3 shows the trend for the income received for the agribusiness section for the year 2018/2019 and 2019/2020. This shows an income increase of 7.7% increase over the previous year. This is attributed to the increased loan book.

Income for the financial year 2018/19 and 2019/2020



INFORMATION TECHNOLOGY

Zakhele Mahlinza
Acting Executive Manager IT

EMBRACING INNOVATION

In our quest to remain competitive and aligning ourselves for the emerging market opportunities, the Eswatini Bank embarked on a massive upgrade from the previous R11 version of Temenos Transact to the latest R18 release of the application. The bank has modernized the underlying database, operating system, and servers. The switch to the newer version of the core platform will allow the bank to take advantage of the improved performance and the capability to interface with third party solutions with ease.

Adopting a modernized technology stack, from our database to core platform, has helped us to reduce risks in our IT environment and cut overall system costs. The Bank shall now rely on a more stable system requiring less system maintenance.

PAYMENT SOLUTION FOR BUSINESSES

Eswatini Bank is introducing merchant POS that offers integration with payment processors. Our card machines (POS) will accept debit, credit and charge cards and can be used by a wide range of businesses. The planning and preparation was nearing final stage at the end of the financial year and roll out expected early in the next year. We are also working on upgrading our Mastercard debit and prepaid cards to contactless (tap and pay) features with enhanced security and convenience.

We have successfully negotiated with VISA to implement ATM and POS acquiring; that will enable our ATM and POS gadgets to accept VISA cards.

CROSS BORDER CREDIT PAYMENT

The SADC banking association will be establishing an initiative that will facilitate the clearing and settlement of cross boarder credit payments between member banks within the SADC community. This initiative spans 15 countries and approximately 200 banks.

Eswatini Bank is an active participant, and as such we are implementing a solution that will enable us to send and receive cross border credit transactions among participating banks to increase our footprints, and to ensure that customer transactions are remitted across the SADC community seamlessly.

DIGITAL BANKING

Our digital platform offers Mobile, Agency and Internet Banking solutions, and continuous enhancements have improved customer experience with positive results. The bank has responded to a need to upgrade the digital platform to the latest version. Engagements with the vendor are near conclusion.

ATM COVERAGE

We have a total of 54 ATMs strategically distributed across the country. Each year we continue to add to these and our latest target is to ensure a wider distribution of Automated Deposit Teller Machines. Our ATMs are not only capable of cash deposits and withdrawals, but also provide third party services such as bill payments, mobile money cash outs and many more services. The bank's strategy is to embrace integration with Mobile Networks and FINTECH's to extend our services where we would not be able to reach.

BUSINESS BANKING

Mbongeni Bhembe
Acting Executive Manager Business Banking

1. ASSET FINANCE

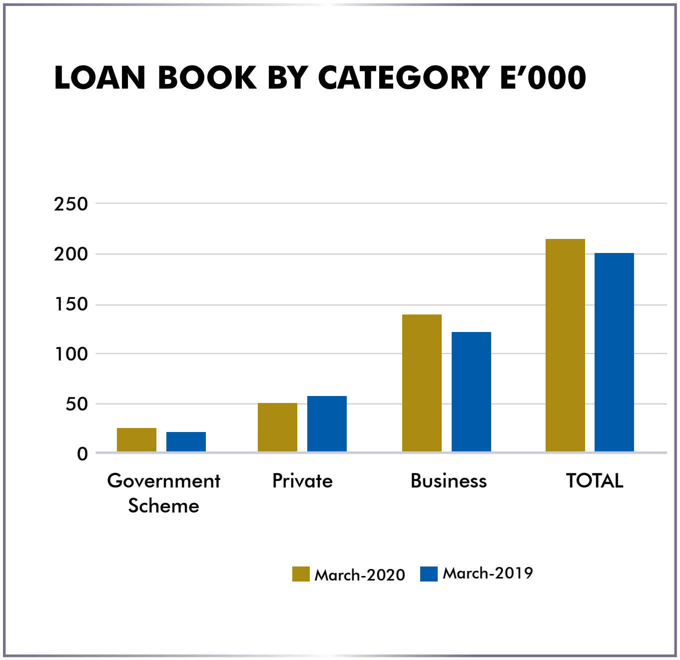
1.1 Motor Vehicle and Equipment Finance

The motor vehicle and equipment finance loan book reflects a year on year growth of 6%, ending the year at E215 million from E203 million at the end of the previous financial year. This represents modest year on year growth, indicative of the competitive market we operate in. This growth was driven mainly by Businesses and Government lending, while a decline was recorded on Private vehicles lending which is further impacted by the cheaper imported vehicles which we currently do not finance.

The added impact of a subdued economy also contributed to the minimal overall growth in this space as we saw a more cautious approach being adopted for new asset purchases and replacements.

Our focus remains in growing the book with quality deals and increasing our competitive edge in the market. This will be driven through a number of initiatives we are rolling out that will enable us to improve our market share and increase our market visibility. These will be undertaken with full caution of the Covid 19 impact that will play a big part in our economy in the next financial year.

A graphical presentation of the loan growth comparison is show below;

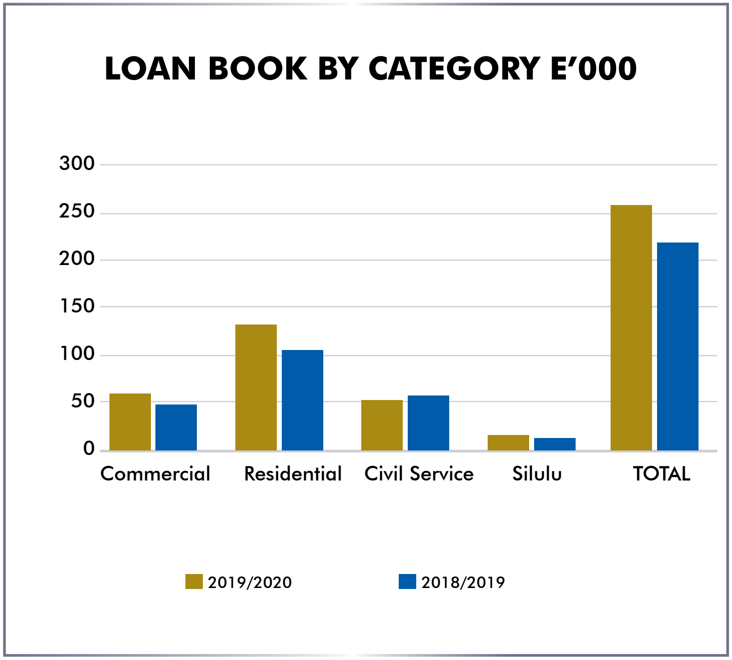


1.2 Housing and Property Finance

The housing unit produced some good growth in the financial year, with year on year growth of 18% recorded. This is represented by a loan book totalling E257 million for the current year, compared to E218 million in the prior year. This has been driven by growth across most of the loan categories, with residential properties being the key driver as clients looked to home ownership. The bank saw a decline in the civil service loan book with reduced appetite for loans in this space evident with the continued squeeze on civils servant's liquidity. Our Commercial and Silulu product offering also contributed positively in the year.

The unit is well poised for future growth as we forge ahead with strategic initiatives in the areas of market awareness, formulating alliances with key industry players and increasing our visibility with Corporate businesses.

A graphical presentation of the loan growth comparison is shown below;



2. CORPORATE BUSINESS

The Corporate business unit continues to develop and show growth year on year. The current financial year was no different with growth of 8% recorded. The loan book closed at E935 million from E864 million in the prior year and is well geared to do more. Focus continues to be across all the sectors driving the country's economic activity, with active participation during the year in a number of the key sectors such as Agriculture, Manufacturing, Communications and Transport. The focus continues to be on provision of both short to long term funding, with now added focus on providing transactional banking solutions and trade finance activities.

Covid-19 which impacted the globe in the last quarter of this financial year, brought some serious strain to businesses due to forced shutdowns in line with the country implemented preventative measures. This will see continued stress on business activities as well as have an impact on the Bank's lending units.

This situation has given the bank the opportunity to fast track the digitisation journey with implemented improvements on online banking offering and added focus in providing seamless online transactability for Corporate clients.

The department will continue with its growth mandate, offering of transactional banking solutions as well as proactive exploring of opportunities in all the sectors through funding and transactional support for viable projects.

3. INSURANCE BUSINESS

The Insurance business unit continues to compliment all the Bank's lending units with its diverse Insurance product offering, The Insurance product offering include financed assets and loans granted, as well as offering long term Insurance products such as credit life and funeral cover policies. The unit generated commissions of E2.8 million for the year, improving from E2.7 million generated in the previous year which represents a 4% year on year growth.

The unit's strategy is to continue to stay close to all the Bank's lending units and customer touch points, to ensure that our customers are adequately covered for risk on credit facilities advanced.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INTERNAL AUDIT

Tawonga Sifundza
Executive Manager Internal Audit

Internal Audit at the bank is an independent assurance, and consulting activity reporting functionally to the Audit Committee and administratively to the Managing Director. Internal Audit's mandate is to provide the Board of Directors with assurance that internal controls, risk management and governance practices adopted by the bank are effective and comply with policies and procedures, regulatory requirements, and sound business practices. In addition to this mandate, internal audit focused on activities that add value to the bank by leveraging on its skills, its enterprise-wide knowledge and its awareness of the bank's key risks. Internal Audit's work was also driven by the bank's strategic initiatives and its internal control environment.

A risk based audit plan covering a one year period was approved by the Audit Committee. Ninety percent of the audit assignments were completed at year end and 10% were at completion stage. A combination of full audit assignments and follow up audits were performed. Audits undertaken during the year covered the bank's credit processes, suspense accounts, revenue assurance, treasury, procurement processes, Information Technology access and security controls and branch operations. Compliance audits performed in the year included an assessment of compliance with Anti Money Laundering Regulations and the Procurement Act. Surprise cash counts were performed throughout the branch network at different times of the year.

A significant achievement for the bank during the year was the successful re-implementation of its core banking system, T24. This also proved to be a key assignment undertaken by Internal Audit where project assurance was provided. Audit work performed covered all phases of the project; with major focus on the data migration phase where Internal Audit assessed the integrity, accuracy and completeness of data migrated.

Consistency and diligence in implementing internal controls is fundamental for adequate risk management. Another focus area during the financial period was therefore strengthening internal controls at the bank. This was done by conducting internal controls and risk management awareness sessions through a combined assurance initiative with the bank's Risk department. Awareness of internal controls by every member of staff is expected to result in improved risk management, consistency in implementing internal controls and reduced audit exceptions.

The operating effectiveness and efficiencies of IT systems are critical to the operations of the bank. Assurance over their effectiveness is imperative as it assists the Board to effectively perform their duty of overseeing the bank's operations, ensure smooth operations & minimise disturbances as anomalies are identified and resolved timely. It is for this reason that the performance of the bank's IT Audits have been outsourced and as a minimum, the following audits have been contracted for: IT systems back-up and recovery, Information Security and Access controls, Systems Interfaces and review of the bank's digital banking systems.

The COVID-19 pandemic is expected to present operational and financial challenges for businesses globally. In order to add value whilst at the same time not compromising its independence, Internal Audit will reposition itself from its traditional role of providing assurance and take up an advisory role and review management's business & operational plans, risk management practices and controls, and provide recommendations for improvement for Management's consideration.

CORPORATE SERVICES

Thembi Dlamini

Executive Manager Corporate Services

1. OVERVIEW

The Corporate Services Division serves as a strategic partner to all business units to support the development and translation of the bank's human capital strategic objectives into action. The department also takes responsibility for the management of bank facilities and property to ensure a safe and secure environment as well as fleet management and security services.

The Human Capital Strategic objectives include amongst others, the implementation of staff recruitment and retention, capacity building, Employee Wellness and Occupational Safety and Health, Remuneration, Performance Management and Recognition as well as Employee Relations.

In terms of the management of bank facilities, the department ensures the availability and functionality of the facilities that support the Bank in achieving its strategic objectives. The facilities management function includes infrastructure development, general repairs and maintenance, fire safety, utility services and business continuity.

2. HUMAN CAPITAL

2.1 Employees Statistics

The Bank's staff compliment as at 31st March 2020 stood at Three Hundred and Sixty Three (363). Figure 2.2 depicts staff distribution by gender and category. Of the three hundred and sixty three, (363) employees, three hundred and forty (340) were permanent staff members, whilst twenty three (23) employees were employed on a fixed term contract basis.

The bank's staff gender analysis shows that 56% of staff are female and 44% are male.

Figure 2.2 Gender Analysis

Category	Male	Female	Total	% of Total
Executive Management	4	6	10	2%
Middle and Senior Management	22	13	35	10%
Middle and Junior Level Staff	135	183	318	88%
TOTAL	**161**	**202**	**363**	

3. REMUNERATION

The Bank's total reward philosophy is to reward employees for their performance and contributions to its strategic objectives. The philosophy covers fixed pay, variable pay, work-life balance, and career development opportunities. A comparison of our total cost of employment against other similar institutions in the country shows that our remuneration levels are competitive.

During the year, work done on compensation and benefits has included the following recurring activities:

- Benchmarking salaries and benefits in the banking and financial industry sector through an external Survey database. This is part of the multi-pronged implementing of an integrated and cost-effective reward structure in order to manage employee engagement and retention; and
- Implementation of payroll online employee self-service system for leave management and access to pay slips.

4. PERFORMANCE MANAGEMENT

As part of the continuous improvement of the Performance Management System (PMS), the Department embarked on a review process and introduced a new performance-contracting tool based on the balanced scorecard principles. This is in line with the on-going efforts to achieve strategic objectives within the broader learning and growth objective of developing a high performance workforce and culture. The new performance-contracting tool has a stronger link between the bank's strategic objectives, departmental objectives and individual objectives. In order to realise the full benefits of the new tool and provide an understanding of its construct, a training programme was formulated to endow management and staff with the necessary competencies they needed to work with and manage the tool. The review process of the PMS solidified the fact that, crucial to its successful implementation, is the continuous and coherent efforts from everyone involved.

5. LEARNING AND DEVELOPMENT

Over the past year, the bank continued to sponsor staff to participate in various training programmes to enhance their competencies and skills as well as to improve operational efficiency.

A total number of three hundred and five (305) employee appearances were recorded for various training activities.

5.1 Key Priority Areas:

Key focus and efforts were directed towards three priority areas: Training of all Staff and specifically training of "Super Users" on the functionality of the upgraded T24 Banking System, which was launched in November 2019. Staff were also capacitated on Core Business and Technical Skills as well as on Compliance and Regulatory Requirements.

5.2 T24 System Upgrade Change Management:

Corporate Services led the change management process of the T24 system upgrade. The process sought to inculcate and reinforce a culture of change and a sense of commitment to break down the uncertainty of the change. Full acknowledgement was given to the fact that it was within the capacity of all employees to contribute towards the success of the project.

5.3 Other Key Training Initiatives

Other key training initiatives that were implemented include the following:

Training	Service Provider	Number of Participants
Introduction to Public Private Partnerships;	SADC-DFRC	5
Anti Money Laundering	CBE Learning Academy	8
Career Paths and Succession Planning	21st Century Solutions	15
Performance Management	21st Century Solutions	15
Capacity Building Review and Talent Management	SADC - DFRC	2
Electronic Banking Training	Electronic Banking Unit (In House)	46
PSGRS Workshop	SADC-DFRC	2
Document Verification	Registrar of Companies	45
TOTAL		**138**

5.4 Human Resources Policies

Human Resources Policies were reviewed and new policies and practice guides were developed during the course of the year. Notable among the newly formulated policies and guides were the Training and Development Policy; Performance Contracting Guide; Individual Development Planning Guide; Succession Planning Policy and Managers' Guide; Consequence Management Policy and Staff Retention Policy.

6. IMPLEMENTATION OF THE INTERNSHIP PROGRAMME

The Bank continued to build strategic partnerships with institutions of high learning in the country by offering internship opportunities in order to transform lives and prepare future generations for sustainable development. During the year, six students from UNESWA and Three from Limkokwing University were engaged on internship programmes in various departments within the bank.

7. EMPLOYEE WELLNESS AND OCCUPATIONAL HEALTH AND SAFETY

7.1 Employee Wellness Issues

The Bank continued to promote employee wellbeing to ensure effective work-life balance. The objective is to encourage each employee to take individual responsibility for their health and maintain a sustainable lifestyle, with the end result of being a healthy and effective workforce that is able to meet the organization's performance targets.

Employee Wellness-related activities conducted, included the following:

- On site Mobile Clinic screenings to facilitate staff annual medical examination in collaboration with the employee wellness partner, SWABCHA;
- Regular Health and safety inspections at the various offices of the Bank;
- Blood transfusion donations;
- Mental health awareness campaign; and
- Participation in Breast Cancer Awareness walk.

7.2 Occupational Health and safety

Health and safety training continued as a priority during the year as the bank strives towards maintaining a safe and healthy environment that is free of preventable hazards. In the course of the year, re-election of Workplace Safety Representatives took place and those representatives in turn, were exposed to a four-day Safety Representative training programme. A Basic Life Support and First Aid training for First Aiders was also offered.

Further the bank undertook various activities that focussed on the safety of the work environment which include statutory safety and health inspections in compliance with the provisions of the Occupational Safety & Health Act (2000). A number of procedures and guidelines were rolled out which include Health and Safety Inspection Reporting, Fire Safety and Emergency Evacuation and the Bank's Occupational Safety and Health Statement was rolled out and displayed in all branches and head office.

8. INDUSTRIAL RELATIONS

The Bank continued to ensure that a harmonised industrial relations climate is maintained as we continued to work closely with the Employee Representative Union, SUFIAW.

Keeping in line with good employee relations is of mutual concern and an encouraging sign of the commitment of the parties; since it is crucial in ensuring a continuous sustainability and sound running of the business.

A number of initiatives were undertaken in the past financial year, including:

- Timely conclusion of Cost of Living Adjustment Negotiations.
- Significant progress was made towards concluding negotiations of the Collective Agreement.

RISK AND COMPLIANCE

Mbongeni Bhembe
Head of Risk and Compliance

RISK MANAGEMENT

During the year under review, risk management remained the main area of focus with management being committed to applying international best practice and standards to ensure that the effects of uncertainty on objectives are systematically and continuously monitored. The Bank continued with the monitoring of its Top Ten Risks which amongst others include Liquidity Risk, Systems Risk, Credit Risk, Compliance Risk, People Risk, Reputational Risk, Operational Risk and Political Risk.

In an effort to improve efficiencies in liquidity and market risk management, the Bank reviewed the composition of the Assets and Liabilities Committee and its terms of reference. Standardization of processes for the Bank remained key in the management of operational risk. During the year, the Bank mapped its processes for easy use by use by employees across the business. These processes were uploaded on GIEOM, a system which stores processes for easy access by all employees. This system has also been used to conduct trainings within the Bank and has automated assessments. More trainings and assessments (tests) are still to be loaded on this platform.

To enhance risk management, the Bank positioned itself for the full implementation of the Internal Capital Adequacy Assessment Process Document. This will see the management of the different risks improving thus preserving the Bank's capital whilst increasing its credit risk taking capacity, which is the Bank's core business.

Combined assurance with the Internal Audit Department during the year under review was carried out on some assignments. These were on the different departments and most importantly on the re-implementation of the Bank's core banking system project. This is where synergies between the two departments were seen much to the benefit of the business.

The Bank acknowledges that there is a need to periodically evaluate and rank risk management activities against best international practice. In this regard, the Risk Maturity Assessment Framework was developed and approved by the Board. The aim of this framework is to guide the evaluation of risk management practices for the Bank in a structured and comprehensive manner, and to facilitate consistent and tailored recommendations for a modular progression in maturity.

COMPLIANCE

During the year under review the Bank saw a number of Policies and Procedures around the prevention of Money Laundering and Terrorist Financing being developed. This was to close all gaps to make sure that the Bank is not manipulated by money launderers. The High Risk Committee was also put in place and this committee is responsible for approving the opening of all high risk accounts. During this period, the Bank readied itself for the SADC Anti-Money Laundering and Terrorist Financing Mutual Evaluation in June 2020.

The Bank continued to comply with the other regulatory requirements which included IFRS 9 and Basel II. Other key legislations that the Bank paid particular attention to include the Financial Institutions Act, 2005 and the Eswatini Public Procurement Act, 2011.

FUTURE OUTLOOK

The year ahead will see the Bank rolling out GIEOM which is a system that will give access on process to all employees. Trainings shall also be conducted using this system across the Bank. This is aimed at curbing Operational Risk which has proved to be a threat to the Bank.

Trainings on Compliance shall be of paramount importance across the Bank and these shall be afforded to all employees. The Department shall continue keeping track of all emerging legislations that will have a direct impact on the Bank.

MARKETING

Lindiwe Shongwe
Marketing and Premier Banking

PRODUCT MANAGEMENT

During the financial year, product development and enhancement remained an integral component of the department's deliverables. Product development was not only meant to capture new markets and clientele, but in addition bank the unbanked. These including elderly accounts, long term investment accounts and reviews in the personal loans space, amongst others.

Product awareness and promotion of products and services were continuous. including deposit mobilization through internal drives, campaigns and advertisement.

Customer convenience also remained key with budget allocations focused towards educating, selling and onboarding clientele onto digital banking platforms, these not limited to school fees payment, cardless withdrawal, bill payments and airtime top-ups.

CORPORATE SOCIAL INVESTMENT (CSI)

Sponsorships which formed part of the bank's annual plan supported during the financial year, comprised of the Eswatini Bank Cup, Eswatini Bank Schools Music Competition, Enactus, Junior Achievement, education and community projects.

Tapping into the youth remains important in solidifying the Eswatini Bank brand in the minds of the youth through which we have seen an increase in the uptake of Siyakhula Account, a children's account and Umlolongi Tertiary Account. Hence sponsoring the Junior Achievement (JA) Financial Literacy Program over and above the annual sponsorship. Through this program the Bank has empowered young people on financial literacy country wide.

The bank continuously seeks to piggy back on sponsorships programs for marketing and selling of the bank's products and services.

BRAND

Exertions were made to coordinate the adoption of the bank's new corporate tagline, 'Grow with us, Siftutfuke Nawe'', and the new vision and mission statements.

Roll out of the bank's re-designed signage to conform to the new country name was also kick started. This has seen the refurbishment of the bank's ATM pylons, remote ATM Sites and signage at Agri-business projects financed by the Bank, an exercise that remains on-going.

CONTACT CENTRE

The Contact Centre continued to play its role in supporting customer service and cross selling in the bank. A significant increase in customers utilising this service was observed versus previous years. In addition, during the financial year, we saw the high usage of social media by customers for queries and complaints. It is now also a key tool to educating, selling and getting feedback from our most important person, the customer.

PREMIER BANKING

The portfolio saw much growth during the financial year, in terms of customer on-boarding and the loans portfolio. Targets set for the premier revolving facility were achieved in line with budgets. Cross-selling initiatives were introduced targeting this clientele in support of mobilising deposits and to contribute towards asset based finance.

SYSTEM UPGRADE

The system upgrade saw much effort made by the department in preparation for the Go-live dates. An awareness plan was rolled out utilising all media houses and social media platforms to communicate appropriately the benefits to customers, expectations, activities to affect them and time-lines of the T24 system upgrade.

Internal drives were part of these efforts to ensure buy-in by employees of the bank.

CREDIT

Dumase Nxumalo

Credit

CREDIT

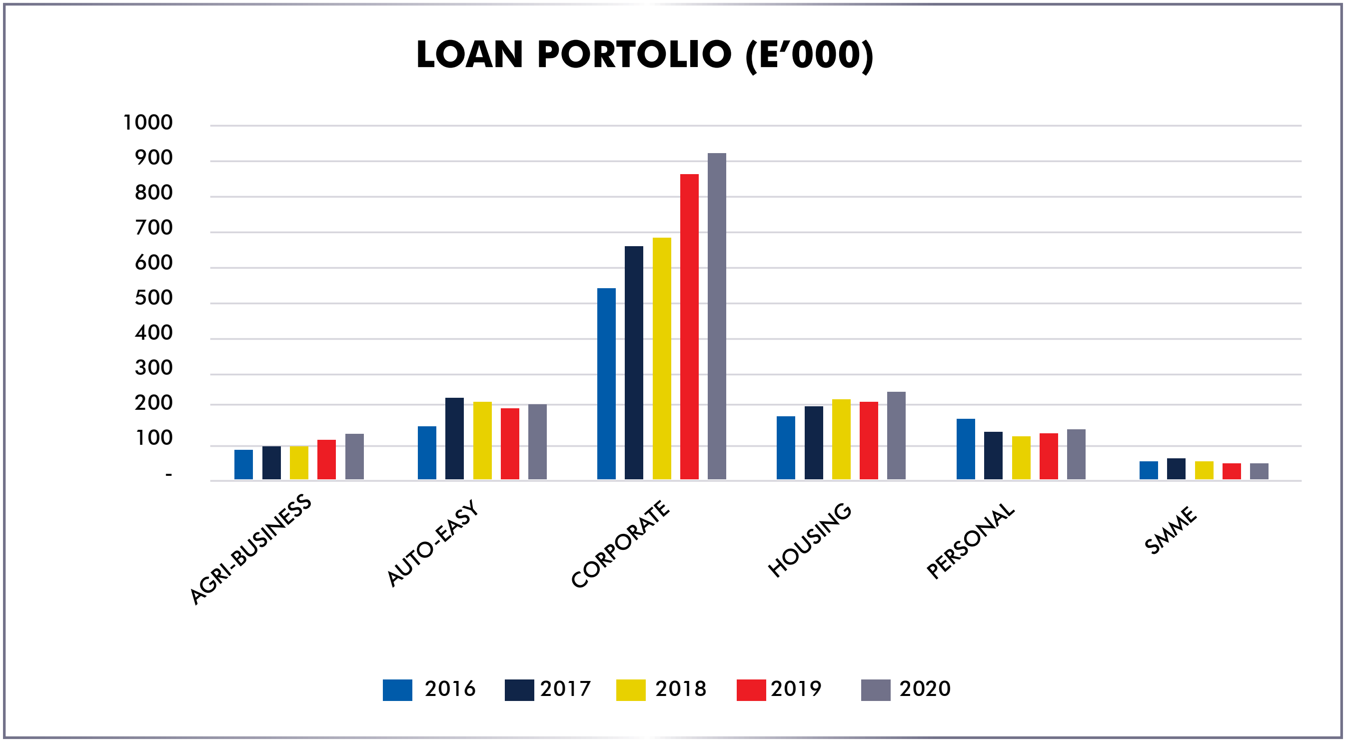
During the year ended 31st March 2020, Eswatini Development and Savings Bank injected E486 million into the economy through loans and advances, bringing the bank's financial support to at least E2.12 billion over the last 5 years. There was a 37% increase in disbursements when compared to the previous financial year.

LENDING

The gross loan book as at 31st March 2020 was E1.7billion. There was a net increase of 45% on the loan book over the last five years; that is from 2016 to 2020 as the loan portfolio moved from E1.17billion to E1.7billion. Eswatini Bank is focused on boarding good quality loans for sustainable growth.

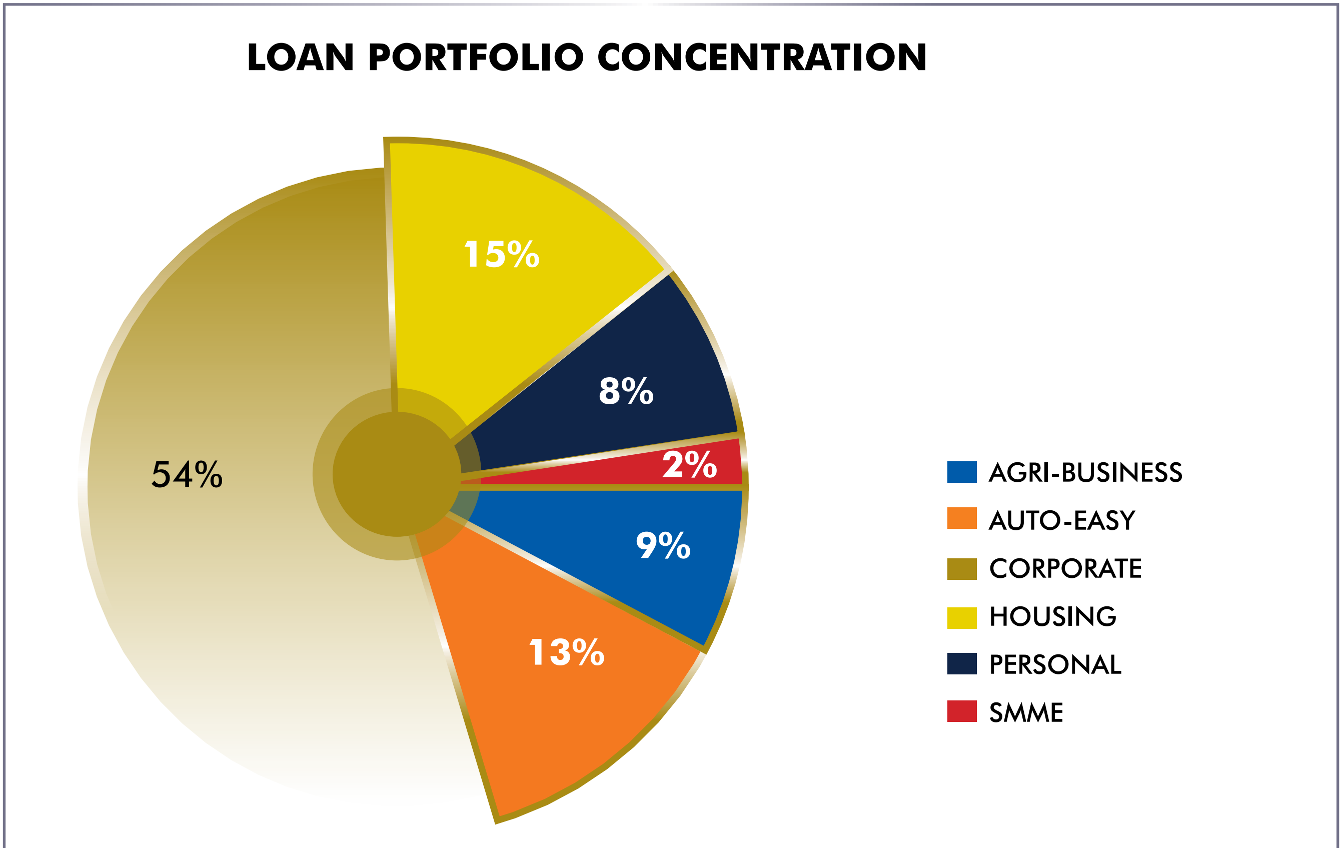
Over the last five years, the bank's loan portfolio mix and concentration has been stable. Corporate business loans are spread throughout all economic sectors and clearly remain the highest, followed by Housing and Motor Vehicles whose demand has remained almost the same size.

In spite of the inherent complexities in the management of these portfolios, especially the start-ups, Eswatini Bank continues to invest in SMME loans and Agri-Business loans. The Agri-Business loans portfolio grew by 15%. SMME loans on the other hand remained stable and this is attributed to the overdependence by SMMEs on government expenditure which is currently overstretched. Lending in the transport industry and housing increased by 6% and 14% respectively when compared to the previous year. Personal loans on the other hand decreased by 2%.



The chart below loan reflects the loan portfolio concentration as at 31st March 2020, Corporate business loans account for 54%, of the loan book. Housing loans closed at 15% and Auto Easy loans were at 13%. The demand for Personal loans though they address households needs matched demand for Agricultural loans, resulting in each of them contributing at 8% total loans. SMME had the least lending at 2%.

The sugar industry continues to dominate Agricultural loans.



LEGAL COMPLIANCE AND GOVERNANCE

Sifiso Mdluli

Legal Services and Board Secretary

The Legal Services department is seized with the primary function to advise the board (including provision of secretariat work), and the Bank's various divisions on legal matters. Amongst the important matters with which the department has been concerned about during the year under review, was the review of policies & business procedures, mitigation of legal risk, resolving litigation/ legal disputes, vetting of legal instruments, Deeds Office lodgments, staff and board trainings and arranging board meetings.

1. MITIGATION OF LEGAL RISK

When rendering an opinion, we exercise caution, sometimes trading-off legal risks against the desire to facilitate a successful consummation of a transaction or issue at hand. During the year under review, the department inter alia was called upon to provide decisive opinions on the following issues, which had the potential of opening the bank to risks running in millions.

1.1 The Legality of the Attachment of Public Officers Pension Fund Benefits

The opinion interrogated the question of whether the Bank can continue to offer housing loans (especially, Rural housing loans) to Government employees on the strength of pledged loan guarantees by the employee's pension fund. The opinion was prompted by the Supreme Court Case between the Eswatini Government vs Lucky Hlatshwako (a discharged head teacher), Public Service Pension Fund and The Financial Services Regulatory Authority Judgment, which was delivered on the 12th March, 2020.

The High Court Had Ruled that the pension benefits of Public Officers were not subject to attachment for any other cause than in respect of maintenance. The Judgment placed the banking industry in a legal quagmire, as pledged pension fund benefits of Public Officers are utilized as security for housing loans.

1.2 Registration of Property Under A Trust

During the year under review, an emerging trend of registering properties under a Trust was observed. The opinion in this area interrogated the question of whether or not a Trust could be afforded credit facilities by the Bank. This arouse in instances wherein customers had objected to advise, to expunge clauses in the Trust document which absolved Trustees from personal liability.

1.3 Compliance with Court Orders

The Bank experienced a rapid surge of requests from Government Institutions namely, Eswatini Royal Police Fraud Unit, Eswatini Revenue Authority, The Master of the High Court, Lawyers and the Anti-Corruption Unit. The requests from these Government Agents, mainly relate to investigations varying from alleged money laundering activities, mobile money fraud, ATM fraud, theft by false pretense, corruption and evasion of tax. In all these investigations the Bank is required to either submit sworn statements, customer information and video footage.

2. LITIGATION

The department handles highly contested general, collections and labour matters. In this regard, the Bank successful defended a lawsuit that was instituted by one of our customers for defamation. The Bank also settled out of Court a labour matter that concerned alleged forced retirements of a number of employees at reduced amounts and also saved in legal costs.

3. GOVERNANCE

The department is also seized with Board Secretariat duties which function inter alia entails advising on corporate governance, scheduling and planning board meetings and also taking and preparing minutes during the meetings. During the year under review, the Board and its Subcommittee's convened a total of thirty-six (36) meetings to deliberate on Bank and policy matters.

The Board also received training on the IFRS 9 and the ESPPRA in order to equip members to execute their oversight function on an informed position.

4. CONVEYANCING

Eswatini Bank is the only financial institution which registers its own mortgage bonds, Deeds of Hypothecation and other similar instruments. This function is performed by the legal unit.

The unit must ensure that all security documents are in order and capable of enforcement.

Training on security documents was carried out to all Lending Units and Branch Managers in order to minimize mistakes when completing loan documents. The Bank's Executive Management was also trained on the Consumer Credit Act, 2016 in order to ensure compliance with the Act Bank wide.

5. POLICIES

The department recognizes that regularly reviewing policies and procedures keeps the Bank up-to-date with regulations, technology and industry best practices. Policy review also ensures that policies are consistent, relevant and effective.

During the year under review, the Board approved the department reviewed Ethics and Legal policy. The year under review was also underscored by the approval of 9 reviewed business procedures/processes:

6. CONCLUSION

The department finalized its three-year strategy for 2019 – 2022 later in the year, crafted from the main strategy of the bank. The major aim in the next financial year will be to achieve the set targets.

ESWATINI DEVELOPMENT AND SAVINGS BANK

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

CONTENTS

The Directors are responsible for the preparation and fair presentation of the financial statements of the Eswatini Development and Savings Bank ("the Bank"), comprising the statement of financial position as at 31 March 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes and the Directors' report, in accordance with International Financial Reporting Standards and in a manner required by the Eswatini Development and Savings Bank Order 1973, as amended and the Financial Institutions Act, 2005.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of the Bank, as identified in the first paragraph and set out on pages 66 to 159, were approved by the Board of Directors on 26 August 2020 and are signed on its behalf by:

SIBONGILE MDLULI

Board Chairperson

ZAKHELE LUKHELE

Managing Director

Opinion

We have audited the financial statements of Eswatini Development and Savings Bank, (“the bank”), which comprise the statement of financial position as at 31 March 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, and the directors report as set out on pages 66 to 159.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Eswatini Development and Savings Bank Order 1973, as amended and the Financial Institutions Act, 2005.

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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit in Eswatini and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the statement of responsibility by the board of directors attached to the financial statements which we obtained prior to date of sign off. Other information does not include the financial statements and our auditors’ 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 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 on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Eswatini Development and Savings Bank Order 1973, as amended and the Financial Institutions Act, 2005, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

KPMG

Auditors

The Directors present their report, which forms part of the audited individual financial statements of the Bank, for the year ended 31 March 2020.

NATURE OF BUSINESS

The Bank was incorporated under the King's Order in Council No. 49 of 1973 as amended by the King's Order in Council No. 15 of 1993.

It provides normal commercial banking services with particular focus on business and development finance.

An extensive network of branches is operated, covering Mbabane, Manzini, Matsapha, Piggs Peak, Nhlangano, Simunye, Siteki, Matata, Siphofaneni and Ezulwini.

SALIENT FEATURES OF THE FINANCIAL STATEMENTS	2020 E'000	Change %	2019 E'000	Change %
Interest income	240 616	6.0%	226 929	(1.0%)
Interest expense	95 525	8.3%	88 209	3.6%
(Loss)/profit for the year	(64 191)	(214.5%)	56 083	30.8%
Total assets	2 355 527	(6.5%)	2 520 035	5.1%
Customer deposits	1 312 113	(4.6%)	1 375 609	3.6%
Net advances	1 450 388	4.3%	1 390 571	4.9%

INTEREST OF DIRECTORS AND OFFICERS IN SHARE CAPITAL AND CONTRACTS

Directors and officers of the Bank have no beneficial interest in the Bank's share capital. No material advances involving Directors were made in the current year.

DIRECTORS AND SECRETARY

Directors

S G Mdluli (Chairperson)
Z W Lukhele (Managing Director)
S O Mdluli
J Nxumalo
S Dlamini (resigned 25 July 2019)
T Gamedze (appointed 25 July 2019)
S M Mavuso
Dr SV Nkambule
K Masisi-Hlanze

The Directors are appointed by the Minister for Finance for a renewable period of three years.

DIRECTORS AND SECRETARY (continued)

The Secretary to the Board and his address is as follows:

Secretary

Sifiso C Mdluli
P. O. Box 336
Mbabane
Eswatini

REGISTERED OFFICE AND ADDRESS OF THE BANK

Physical address

Eswatini Development and Savings Bank
Head Office
Engungwini Building
Gwamile Street,
Mbabane, Eswatini

Postal Address

P O Box 336
Mbabane
Eswatini

AUDITORS

KPMG Chartered Accountants (Swaziland) are the auditors of the Bank.

Physical address

Umkhiwa House
Lot 195 Kal Grant Street
Mbabane
Eswatini

Postal Address

P.O. Box 331
Mbabane
Eswatini

ATTORNEYS

- Magagula & Hlophe Attorneys
- M J Manzini & Associates
- Mngomezulu Attorneys
- Robinson Bertram
- S V Mdladla & Associates
- Musa Sibandze Attorneys
- Waring Attorneys

BANKERS

- ABSA Bank Limited
- Central Bank of Eswatini
- Nedbank South Africa Limited
- South African Reserve Bank
- Standard Bank South Africa Limited
- Standard Bank Eswatini

INVESTMENT MANAGERS

- Old Mutual Eswatini
- African Alliance Eswatini Limited
- Stanlib Investment Limited

SUBSEQUENT EVENTS

Subsequent events to the reporting date:

(a) have been fully taken into account insofar as they have a bearing on the amounts attributable to assets and/or liabilities at that date;

(b) apart from changes in the ordinary course of business, have not made the present financial position substantially different from that shown by the statement of financial position; and

(c) have not required adjustments to the fair value measurements and disclosures included in the financial statements.

GOING CONCERN

In March 2020, the Kingdom of Eswatini invoked Section 29 of the Disaster Management Act of 2006 and declared a national emergency, commissioning a partial lockdown for the country. The effect of this was a disruption in business operations and a significant increase in economic uncertainty. The partial lockdown regulations implemented by the Government of Eswatini categorised the Bank as an essential industry and the Bank has therefore been able to continue with its normal operations, albeit accommodating a best practise COVID risk avoidance strategy. Management actively monitors and responds to the constant changes with determined effort to ensure that the Bank emerges as a going concern post the COVID 19 era.

The bank made a loss of E64.1million due to expected credit loss expense of E102 million primarily due to a weaker economic outlook related to COVID-19. Management have done cash flow projections for the next 12 months and based on the projections, management has determined that there will be sufficient resources to settle liabilities and obligations. The Board of Directors will continue to monitor the business especially the impact COVID-19 has on it and reflect the consequences as appropriate in the accounting and reporting. Business continues and in the medium term, we anticipate business returning to normal.

The regulator has also reduced liquidity requirements for Banks and also pledged financial support should it be needed by the Bank in order to manage liquidity. The Bank's capital adequacy ratio is still in line with regulatory requirements.

In light of the above, management has assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, management is of the view that the doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The Board concurs with this assessment.

	Notes	2020 E'000	2019 E'000
ASSETS			
Cash and cash equivalents	12	216 215	197 732
Amounts due from other banks	13	114 164	272 853
Other assets	16	26 208	18 532
Loans and advances to customers	15	1 450 388	1 390 571
Investment securities	14	287 524	410 548
Investment in associate	30	15 207	19 223
Property and equipment	17	187 636	172 992
Intangible assets	18	58 185	37 584
Total assets		2 355 527	2 520 035
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Bank			
Share capital	19	54 800	54 800
Capital grant	20	135 000	135 000
Other reserves	21	120 769	116 856
Statutory reserve	22	41 286	41 286
Retained earnings		167 715	239 506
Total equity		519 570	587 448
Liabilities			
Customer deposits and current accounts	23	1 312 113	1 375 609
Employee liabilities and charges	26	1 888	2 031
Other liabilities	24	266 171	240 088
Borrowings	25	255 785	314 859
Total liabilities		1 835 957	1 932 587
Total equity and liabilities		2 355 527	2 520 035

	Notes	2020 E'000	2019 E'000
Interest and similar income	7	240 616	226 929
Interest expense and similar charges	8	(95 525)	(88 209)
Net interest income before impairment losses on loans and advances		145 091	138 720
Impairment losses (raised) /released on loans and advances to customers	31.2.3	(102 373)	5 665
Recoveries of previously written-off loans and advances		4 152	2 860
Net interest income after impairment losses and recoveries on loans and advances		46 870	147 245
Fee income and commission	9	131 634	127 920
Impairment gain/(loss) on other financial instruments		2 585	(137)
Other gains- net		-	212
Other operating income	10	1 275	1 436
Income from operations before operating and administrative expenses		182 364	276 676
Operating and administrative expenses	11	(252 539)	(222 675)
Operating (loss)/profit		(70 175)	54 001
Share of profit of equity-accounted investees, net of tax	30	5 984	2 082
(Loss)/profit for the year		(64 191)	56 083
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gain on property and equipment	17	3 913	-
Total other comprehensive income for the year		3 913	-
Total comprehensive (loss)/income for the year		(60 278)	56 083

	Share Capital E'000	Capital Grant E'000	Statutory Reserve E'000	Other Reserves E'000	General risk Reserves E'000	Retained Earnings E'000	Total Equity E'000
2019							
Balance as at 31 March 2018	54 800	135 000	35 678	123 061	12 248	315 441	676 228
IFRS 9 transitional adjustment	-	-	-	(6 205)	(12 248)	(118 810)	(137 263)
Restated balance at 1 April 2019	54 800	135 000	35 678	116 856	-	196 631	538 965
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	56 083	56 083
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	5 608	-	-	(5 608)	-
Total comprehensive income for the year	-	-	5 608	-	-	50 475	56 083
Contributions by and distributions to owners							
Dividends declared and paid	-	-	-	-	-	(7 600)	(7 600)
Total contributions by and distributions to owners	-	-	-	-	-	(7 600)	(7 600)
Balance at 31 March 2019	54 800	135 000	41 286	116 856	-	239 506	587 448

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share Capital E'000	Capital Grants E'000	Statutory Reserve E'000	Other Reserves E'000	Retained Earnings E'000	Total Equity E'000
2020						
Balance as at 31 March 2019	54 800	135 000	41 286	116 856	239 506	587 448
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(64 191)	(64 191)
Other comprehensive income for the year, net of income tax	-	-	-	3 913	-	3 913
Transfer to statutory reserve	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	3 913	(64 191)	(60 278)
Contributions by and distributions to owners						
Dividends declared and paid	-	-	-	-	(7 600)	(7 600)
Total contributions by and distributions to owners	-	-	-	-	(7 600)	(7 600)
Balance at 31 March 2020	54 800	135 000	41 286	120 769	167 715	519 570

STATEMENT OF CASH FLOWS
for the year ended 31 March 2020

	Notes	2020 E'000	2019 E'000
Cash flows from operating activities			
Interest and similar income	7	240 616	226 929
Interest expense and similar charges	8	(95 525)	(88 209)
Fee and commission income	9	131 634	127 920
Cash from other operating income	10	1 275	1 436
Recoveries of previously written off loans and advances		4 152	2 860
Cash payments to employees and suppliers		(233 322)	(208 112)
Operating profit before changes in operating assets	28.1	48 830	62 824
Change in operating assets	28.2	(66 471)	(58 766)
Net cash (used by)/generated from operating activities		(17 641)	4 058
Cash flows from investing activities			
Dividend received		10 000	-
Proceeds on disposal of property and equipment		-	2 179
Acquisition of property and equipment	17	(3 110)	(9 345)
Acquisition of intangible assets	18	(27 757)	(27 146)
Acquisition of investment securities		(71 360)	(125 809)
Redemption of investment securities		201 496	120
Net cash generated from/(utilised by) investing activities		109 269	(160 001)
Cash flows from financing activities			
Repayment of borrowings		(58 333)	(58 333)
Lease repayments		(7 212)	-
Loan received		-	200 000
Dividends paid		(7 600)	(7 600)
Net cash (utilised)/generated from financing activities		(73 145)	134 067
Net increase/(decrease) in cash and cash equivalents		18 483	(21 876)
Cash and cash equivalents at the beginning of the year		197 732	219 608
Cash and cash equivalents at end of the year	12	216 215	197 732

1 REPORTING ENTITY

Eswatini Development and Savings Bank (the “Bank”) was incorporated under the King’s Order in Council No. 49 of 1973 as amended by the King’s Order in Council No. 15 of 1993.

The Bank provides normal commercial Banking services with particular focus on business and development finance.

An extensive network of branches is operated, covering Mbabane, Manzini, Matsapha, Pigg’s Peak, Nhlangano, Simunye, Siteki, Matata, Siphofaneni and Ezulwini.

These financial statements were authorised for issue by the Board of Directors on 21 August 2020.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

The individual financial statements of Eswatini Development and Savings Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Eswatini Development and Savings Bank Order 1973, as amended, and the Financial Institutions Act, 2005.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for land and buildings which are measured at revalued amounts.

2 BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

These financial statements are presented in Emalangeni, which is the Bank's functional currency. All amounts are stated in thousands of Emalangeni (E'000), unless indicated otherwise.

2.4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

Note 3d-Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal outstanding.

Note 3e-establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of ECL and selection and approval of models used to measure ECL.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2020 is included in the following notes:

Impairment of financial instruments, determining inputs into the ECL measurement model, including incorporation of forward-looking information (refer to note 31.2).

Impairment of financial instruments: key assumptions used in estimating recoverable cash flows (refer to note 31.2).

2 BASIS OF PREPARATION (continued)

2.5 Change in accounting policies

The Bank has initially applied IFRS 16 Leases from 1 April 2019. The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated i.e. it is presented, as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Bank now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16 the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

As a lessee

As a lessee, the Bank leases certain branch and office premises and ATM machine locations. The Bank previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for these leases i.e. these leases are on-balance sheet.

Further, the Bank has not entered into any new leases during the year ended 31 March 2020.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component

2 BASIS OF PREPARATION (continued)

2.5 Change in accounting policies-(continued)

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 April 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The bank used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the bank:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- relied on its assessment of whether leases are onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases of low-value assets ;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on transition

On transition to IFRS 16, the bank recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 April 2019
	E 000
Right-of-use assets – property and equipment	19 683
Lease liabilities	(19 683)
Retained earnings	-

2 BASIS OF PREPARATION (continued)

2.5 Change in accounting policies-(continued)

For the impact of IFRS 16 on profit or loss for the period see Note 6. When measuring lease liabilities for leases that were classified as operating leases, the bank discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 9%.

The reconciliation of the IAS 17 liability discounted using the incremental borrowing rate to the IFRS 16 lease liability at 1 April 2019.

As a lessor
The bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The bank has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Interest income and expense

Effective interest rate
Interest income and expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using the estimated future cash flows including ECL.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Interest income and expense - continued

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 April 2019).

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

However for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Interest income and expense (continued)

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets measured at amortised cost

Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost.

b) Fee and commission income

The Bank generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the interest of investment securities and amortised cost financial instruments are capitalised and recognised as part of the effective interest of the financial instrument over the expected life of the financial instruments. These fees and transaction costs are recognised as part of the net interest income and not as non-interest revenue.

Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportionment basis.

c) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency translation (continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

d) Financial assets and financial liabilities

The bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

CLASSIFICATION

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Business model assessment

The bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of transactions in prior periods, the reasons for such transactions and its expectations about future activity. However, information about transaction activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

CLASSIFICATION (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are SPPI, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments as measured at amortised cost.

DERECOGNITION

Financial assets

The bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the bank has access at that date. The fair value of a liability reflects its non-performance risk.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION (continued)

When one is available, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

e) Impairment of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The bank measures loss allowances at an amount equal to lifetime Expected Credit Losses, except for the following, for which they are measured as 12-month ECL.

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover.

Refer to note 31.2.3 for additional disclosures on significant increase in credit risk.

Credit impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the bank on terms that the bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

Credit impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the bank considers the following factors;

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the bank presents

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on loans and advances or financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- The guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another bank within the borrower's bank.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

If the bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

f) Property and equipment

All items of property and equipment are initially measured at cost. Subsequently land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation as determined from market based evidence. Valuations are performed every three years by an independent valuer to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation loss is recognised in profit or loss except to the extent that it decreases a credit balance which exists in the revaluation surplus in which case it is recognised in other comprehensive income. The revaluation surpluses are transferred directly to retained earnings in the statement of changes in equity when the related assets are derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property and equipment (continued)

All acquisitions of property and equipment are initially recognised at cost under Work in Progress ("WIP"). When the item of property and equipment is completed and brought into productive use it is then reclassified to the appropriate category.

Other items of property and equipment are subsequently carried at cost, and exclude the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the bank. Depreciation is based on a straight line basis estimated to write each asset down to its estimated residual value over the term of its useful life at the following rates:

Motor vehicles	5 years
Furniture and equipment	5-10 years
Leasehold improvements	10 years

Land and buildings are not depreciated.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Residual values, useful lives and impairment are assessed annually and adjusted as appropriate. Impairment losses are recognised as an expense immediately.

Expenditure on repairs or maintenance of property and equipment incurred to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Interest revenue using the effective interest method and ECL and reversals are recognised in profit and loss in the same manner as for financial assets measured at amortised cost.

i) Amounts due from other Banks

Amounts due from other Banks are measured at amortised cost. Uncleared items are included in other assets and other liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

k) Loans and advances

The loans and advances caption in the statement of financial position includes:

- Loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Finance lease receivables

When the bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock, borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the capitalise Bank's financial statements.

l) Employee benefits

Post-employment benefits

Retirement benefits are provided for under a contributory defined contribution scheme. Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as operating and administrative expenses in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Employee benefits (continued)

Leave pay liability

The Bank recognises in full employees' rights to annual leave entitlement in respect of past service. Unutilised entitlements are recognised as a liability on the statement of financial position.

m) Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

When such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in 'Total shareholders' equity', net of any directly attributable incremental transaction costs.

n) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Intangible assets (continued)

Directly attributable costs that are capitalised as part of the software product include the software development costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives which does not exceed 10 years and have no residual values.

o) Income tax

The bank claims exemption from paying income tax through section 27 of the King's Order in Council No. 49 of 1973, as amended (also referred to as the Eswatini Development and Savings Bank Order, 1973, as amended).

p) Associates

Associates are all entities over which the bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The bank's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The bank's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the bank's share of losses in an associate equals or

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Associates (continued)

exceeds its interest in the associate, including any other unsecured receivables, the bank does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the bank and its associate are recognised in the bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in Associates are recognised in profit or loss.

q) Deposits and Borrowings

Deposits and borrowings are the Bank's source of funding.

Deposits and Borrowings are recognised initially at fair value, net of transaction costs incurred. These are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately.

At inception of contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

The policy is applied to contracts entered into (or changed) after 1 April 2019.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by losses, if any, and adjusted for certain remeasurements of the lease liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the bank's incremental borrowing rate. Generally, the bank uses its incremental borrowing rate as the discount rate.

The bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the bank is reasonably certain to exercise, lease payments in an optional renewal period if the bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the bank's estimate of the amount expected to be payable under a residual value guarantee, if the bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases (continued)

The bank presents right-of-use assets in 'property and equipment' and lease liabilities in other liabilities' in the statement of financial position.

Short-term leases and leases of low value assets

The bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Bank as a lessor

At inception or on modification of a contract that contains a lease component, the bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases (continued)

Policy applicable before 1 April 2019

Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The bank as a lessor
If the bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances

S) Capital grant

Grants to recapitalise the bank are classified as equity as these are non-redeemable and represent a residual interest in the assets of the bank after deducting all its liabilities.

t) Financial guarantees

Financial guarantees are contracts that require the bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. ‘Loan commitments’ are firm commitments to provide credit under pre-specified terms and conditions.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of approval of the financial statements of Eswatini Development and Savings Bank for the period ended 31 March 2020, the following Standards and Interpretations were in issue but not yet effective:

Effective for the financial year commencing 1 April 2020

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Effective for the financial year commencing 1 April 2022

- Classification of liabilities as current or non-current (Amendments to IAS 1)-proposed delay to 1 April 2023

Effective for the financial year commencing 1 April 2023

- IFRS 17 Insurance Contracts

Effective at the option of the Bank (effective date has been deferred indefinitely)

- Sale or Contribution of Assets between an investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Bank).

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Amendments to, IAS 28, IAS 39, IFRS 7, IFRS 9, IFRS 3, IFRS 10 and IFRS 17 are not applicable to the business of the Bank and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Where payment is not probable financial guarantees and commitments to provide a loan at a below-market interest rate are disclosed as contingent liabilities.

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2019, includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The amendments are not expected to have a significant impact on the financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The IASB has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 April 2020 but may be applied earlier. However, the IASB does not expect significant change – the refinements are not intended to alter the concept of materiality.

5 FINANCIAL RISK MANAGEMENT

The Bank's risk management policies are disclosed in note 31.

6 LEASE LIABILITIES

Extension options not reflected in lease liabilities

	Discounted lease liabilities (include termination options with reasonable certainty of being exercised) E'000	Discounted lease liabilities from unrecognised potential extension options (uncertainty surrounding exercise) E'000	Potential lease liabilities from recognised and unrecognised cash flows E'000
31 March 2020			
Closing carrying amounts of lease liabilities			
ATM premises	3 066	-	3 066
Branch and other premises	12 347	-	12 347
Balance at 31 March 2020	15 413	-	15 413
Residual values			
Closing carrying amounts of lease liabilities			
ATM premises	3 066	-	3 066
Branch and other premises	12 347	-	12 347
Balance at 31 March 2020	15 413	-	15 413
Closing carrying amounts of lease liabilities			
ATM premises	3 066		
Branch and other premises	12 347		
Balance at 31 March 2020	15 413		

6 LEASE LIABILITIES (continued)

Liquidity and risk analysis

	Undiscounted contractual maturities of lease liability E'000
31 March 2020	
Greater than 1 month less than 3 months	104
Greater than 3 months but less than 1 year	723
Greater than 1 years but less than 2 years	1 121
Greater than 2 years but less than 5 years	14 997
Total contractual cash flows	16 945
Total cash flows for leases	7 212

	2020 E'000	2019 E'000
7 INTEREST INCOME		
The categories of loans and advances from which interest is earned are as follows:-		
Civil Service Housing Loans	6 019	6 115
Mortgages	28 055	21 219
Overdrafts	34 198	24 361
Motor vehicle loans	25 376	23 364
Agricultural loans	12 091	11 712
Corporate loans	42 995	47 613
Personal loans	30 989	26 847
Staff loans and other loans	8 687	7 058
Interest on amounts due from other banks and balances with Central Bank	20 430	29 830
Investment securities	31 776	28 810
Total interest income calculated using the effective interest method	240 616	226 929
8 INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense and similar charges are paid on:-		
Customer's deposits and current accounts:		
- Current accounts	353	95
- Savings accounts	5 714	5 646
- Other demand and short term notice deposits	46 040	51 176
- Eswatini Government deposits	10 449	10 659
Borrowings		
- Lease liabilities	1 535	-
- The Public Service Pensions Fund	25 967	15 449
- Revolving funds	5 467	5 184
	95 525	88 209

	2020 E'000	2019 E'000
9 FEE INCOME AND COMMISSION		
Account administration fees	37 978	38 139
ATM charges	16 041	15 801
Insurance commission	2 805	2 701
Cash and cheque deposit charges	817	825
Cash and cheque withdrawal charges	20 624	20 549
Loan account fees and commissions	40 307	31 597
Foreign exchange charges	2 492	4 366
Cash transfer charges	7 193	9 473
Securities commission	381	504
Other commission	2 996	3 965
	131 634	127 920

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The bank recognises revenue when it transfers control over a service to a customer.

The table below provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

9 FEE INCOME AND COMMISSION - (continued)

	Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognitions under IFRS 15 (applicable from 1 April 2018)
	Retail and corporate banking services	The bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The bank sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

	2020 E'000	2019 E'000
10 OTHER OPERATING INCOME		
Rent receivable and other income	1 275	1 436
	1 275	1 436
11 OPERATING AND ADMINISTRATIVE EXPENSES		
Auditor's remuneration		
Audit fees	1 641	1 107
Other services	119	55
	1 760	1 162

	2020 E'000	2019 E'000
11 OPERATING AND ADMINISTRATIVE EXPENSES (continued)		
Depreciation of property and equipment (note 17)		
Motor vehicles	543	597
Leasehold improvements	940	937
Right of use assets	5 266	-
Furniture and equipment	5 313	6 365
	12 062	7 899
Amortisation of intangible assets (note 18)	7 156	6 664
Directors fees	508	438
Consultancy fees	900	405
Repairs and maintenance costs	27 676	21 801
Employee benefit expenses		
Salaries and wages	116 978	110 536
Pension costs – defined contribution plan	10 608	9 855
Other staff costs	3 523	2 657
	131 109	123 048
Other operating and administrative expenses		
Advertising	8 723	9 266
Electricity	3 589	3 676
Card maintenance	19 934	15 187
Insurance	6 460	6 879
Legal fees	1 083	1 149
Motor vehicle expenses	1 003	756
Other expenses	10 126	4 043
Printing, stationery and postage	1 146	1 340
Public Enterprise Unit Management fees	2 730	2 377
Rent and rates	4 364	4 638
SAECH administration fees	989	830
Security	4 551	4 600
Telephone expenses	5 462	4 354
Training expenses	738	1 568
Traveling and entertainment	470	595
	71 368	61 258
Total operating and administrative expenses	252 539	222 675

	2020 E'000	2019 E'000
12 CASH AND CASH EQUIVALENTS		
Call deposits	36 470	16 892
Cash and bank notes	179 745	180 840
	216 215	197 732

The balance with the Central Bank of Eswatini has a restriction arising from regulatory liquidity requirements. The Financial Institutions Act, 2005 prescribes that financial institutions shall maintain reserves equal to 6% of total liabilities to the public in Eswatini excluding any balances for which it is liable to any financial institution and such reserves may be maintained by way of deposits with the Central Bank of Eswatini which bear no interest.

	2020 E'000	2019 E'000
13 AMOUNTS DUE FROM OTHER BANKS		
Balances held with other banks	87 927	243 666
Balances held with South African banks	16 801	16 219
Money on call – South African banks	10 328	13 087
Expected credit losses	(892)	(119)
	114 164	272 853
14 INVESTMENT SECURITIES		
Bonds and treasury bills	287 524	410 548
Classified as:		
Net debt instruments at amortised cost	287 524	410 548
Gross debt financial investments measured at amortised cost	288 343	413 946
Less: Expected credit losses for debt financial investments measured at amortised cost (note 31.2.3)	(819)	(3 398)
Closing carrying value	287 524	410 548
Maturity Analysis		
Less than 1 year	114 012	201 496
Between 2 to 5 years	111 549	159 052
Over 5 years	61 963	50 000
	287 524	410 548

	2020 E'000	2019 E'000
15 LOANS AND ADVANCES		
Business	630 080	474 886
Mortgage	260 501	299 632
Motor vehicle	216 233	206 924
Personal	197 049	184 127
Agriculture	132 823	111 716
Overdrafts	291 252	303 248
Total loans and advances measured at amortised cost before impairment losses	1 727 938	1 580 533
Expected credit losses on loans and advances measured at amortised cost	(277 550)	(189 962)
Total loans and advances at amortised cost after impairment losses	1 450 388	1 390 571
15.1 Maturity analysis of loans and advances		
Less than 1 year	394 713	632 955
Between 1 and 5 years	499 490	570 409
More than 5 years	556 185	187 207
	1 450 388	1 390 571
16 OTHER ASSETS		
Amounts in transit from other banks	2 419	2 362
Accounts receivable	9 640	8 394
Prepayments	14 149	7 776
	26 208	18 532

Due to the short term nature of these assets and historical experience, debtors are regarded as having a low probability of default and therefore expected credit loss is insignificant.
The carrying amount of the other assets approximates fair value due to the short term nature of the assets.

17 PROPERTY AND EQUIPMENT

	Buildings E'000	Land E'000	Work in progress E'000	Motor Vehicles E'000	Leasehold Improvements E'000	Furniture and Equipment E'000	Total E'000
At 31 March 2019							
Cost/valuation	127 305	15 020	1 024	5 203	12 285	69 839	230 676
Balance at 01 April 2018	127 594	15 043	2 131	4 869	11 906	62 159	223 702
Additions	1 448	171	-	334	379	7 013	9 345
Transfer from work in progress	-	-	(1 107)	-	-	1 107	-
Transfer to intangible assets	-	-	-	-	-	(389)	(389)
Disposals	(1 737)	(194)	-	-	-	(51)	(1 982)
Accumulated depreciation and impairment losses	-	-	-	(3 865)	(6 457)	(47 362)	(57 684)
Balance at 01 April 2018	-	-	-	(3 268)	(5 520)	(41 012)	(49 800)
Charge for the year	-	-	-	(597)	(937)	(6 365)	(7 899)
Disposals	-	-	-	-	-	15	15
Net book value at 31 March 2019	127 305	15 020	1 024	1 338	5 828	22 477	172 992

17 PROPERTY AND EQUIPMENT (continued)

	Buildings E'000	Land E'000	Work in progress E'000	Motor Vehicles E'000	Leasehold Improvements E'000	Furniture and Equipment E'000	Right of use assets E'000	Total E'000
At 31 March 2020								
Cost/valuation	123 997	22 241	376	5 203	12 285	73 597	19 683	257 382
Balance at 01 April 2019	127 305	15 020	1 024	5 203	12 285	69 839	-	230 676
Recognition right of use asset on initial application of IFRS 16	-	-	-	-	-	-	19 683	19 683
Additions	-	-	376	-	-	2 734	-	3 110
Transfer from work in progress	-	-	(1 024)	-	-	1 024	-	-
Revaluation of property	(3 308)	7 221	-	-	-	-	-	3 913
Accumulated depreciation and impairment losses	-	-	-	(4 408)	(7 397)	(52 675)	(5 266)	(69 746)
Balance at 01 April 2019	-	-	-	(3 865)	(6 457)	(47 362)	-	(57 684)
Charge for the year	-	-	-	(543)	(940)	(5 313)	(5 266)	(12 062)
Net book value at 31 March 2020	123 997	22 241	376	795	4 888	20 922	14 417	187 636

A register of the Bank's properties is maintained at the bank's registered office and is available to members for inspection.

At 31 March 2020, included in property and equipment are fully depreciated items of property and equipment with an initial cost of E62 296 530 (2019: E54 243 118).

There are no restrictions or encumbrances over property and equipment as at reporting date.

17 PROPERTY AND EQUIPMENT (continued)

Measurement of fair values

The following table shows the valuation technique used in measuring the fair value of land and buildings, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income method/discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the land and buildings taking into account expected rental growth rates, void periods occupancy rate, lease incentive costs such as rent-free periods, and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs secondary), tenant credit quality and lease terms.	• Expected market rental growth (10%). • Void periods (Nil). • Rent-free periods (Nil). • Risk-adjusted discount rates (8-10%).	The estimated fair value would increase/(decrease) if: • expected market rental growth was higher /(lower); • void periods were shorter/(longer); • occupancy rates were higher/(lower); • rent free periods were shorter/(longer); or • the risk-adjusted discount rates were lower/(higher).

The land and buildings were valued on 31 March 2020 by Swaziland Realty Consultants (Pty) Limited independent professional qualified valuers, using the valuation technique disclosed above. The fair value measurement for all land and buildings has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

	2020 E'000	2019 E'000
18 INTANGIBLE ASSETS		
Intangible assets comprise computer software and development costs.		
Cost	98 638	70 881
Opening balance	70 881	43 346
Purchased additions	27 757	27 146
Transfer from equipment	-	389
Accumulated from amortisation and impairment losses	(40 453)	(33 297)
Opening balance	(33 297)	(26 633)
Charge for the year	(7 156)	(6 664)
Net book value	58 185	37 584

There are no restrictions or encumbrances over intangible assets as at reporting date.

	2020 E'000	2019 E'000
19 SHARE CAPITAL		
Authorised - 54 800 000 shares of E1 each	54 800	54 800
Issued and fully paid – 54 800 000 share of E1 each	54 800	54 800
20 CAPITAL GRANT		
Eswatini Government permanent grant finance	135 000	135 000
The grant has no conditions attached, is not repayable and has no future related costs.		

21 OTHER RESERVES

	Revaluation reserve E'000	Fair value reserve E'000	Total E'000
Year ended 31 March 2020			
Balance at the beginning of the year	116 856	-	116 856
Revaluation of property – net surplus	3 913	-	3 913
Balance at the end of the year	120 769	-	120 769
Year ended 31 March 2019			
Balance at the beginning of the year	116 856	6 205	123 061
Reclassification from available for sale to amortised cost	-	(6 205)	(6 205)
Balance at the end of the year	116 856	-	116 856

Revaluation reserve

The purpose of reserve is to recognise any revaluation gains/losses on valuation of property and equipment.

Fair value reserve

The purpose of reserve is to recognise any fair value gains/losses on the valuation of investment securities.

22 REGULATORY RESERVES

	General credit risk reserve E'000	Statutory reserve E'000	Total E'000
Year ended 31 March 2020			
Balance at beginning of the year	-	41 286	41 286
Transfer (from)/to reserve	-	-	-
Balance at end of the year	-	41 286	41 286
Year ended 31 March 2019			
Balance at beginning of the year	12 248	35 678	47 926
Transfer (from)/ to reserve	(12 248)	5 608	(6 640)
Balance at end of the year	-	41 286	41 286

The general credit risk reserve was a provision calculated for regulatory purposes, in accordance with Circular 8 before the introduction of IFRS 9, which stated that the Bank had to transfer to a non-distributable reserve at least 1% of the value of loans and advances.

The statutory reserve in terms of section 20(i)(a)(ii) of the Financial Institutions Act requires the Bank to transfer each year to a reserve account a sum not less than ten percent of its net profit until the balance in the reserve account is equal to its minimum required capital.

	2020 E'000	2019 E'000
23 CUSTOMERS' DEPOSITS AND CURRENT ACCOUNTS		
Current accounts	115 784	114 545
Savings accounts	331 795	309 299
Other demand and short term notice deposits	212 696	228 463
Term deposits	469 713	549 336
Eswatini Government permanent deposit	182 125	173 966
	1 312 113	1 375 609
23.1 Maturity Analysis		
Less than 1 year	1 055 779	907 713
Between 1 and 5 years	74 210	293 930
More than 5 years	182 124	173 966
	1 312 113	1 375 609

	2020 E'000	2019 E'000
24 OTHER LIABILITIES		
Other liabilities	59 797	50 068
Creditors and accruals	28 869	32 826
Lease liabilities (note 6)	15 413	-
Expected credit losses guarantees	566	1 345
Revolving loan funds (refer note 24.1)	161 526	155 849
	266 171	240 088

Other liabilities relate to uncleared funds/cheques due to customers and other banks.

24.1 Revolving loan funds

These are guarantee funds from the Government of the Kingdom of Eswatini for financing loans and advances to customers. The funds comprise the following:-

	2020 E'000	2019 E'000
Government of the Kingdom of Eswatini		
- Venture Capital Fund	110 357	107 132
- Food Agricultural Organisation Guarantees	75	72
- Agricultural Development Fund	440	419
- Eswatini Government former African Development Bank line of credit	40 020	38 004
- Rural Education Centre Programme Guarantee Fund	258	238
- Eswatini Agricultural Development Project	10 376	9 984
Total due at the end of the year	161 526	155 849

	2020 E'000	2019 E'000
25 BORROWINGS		
The Public Service Pensions Fund ("PSPF")	255 785	314 859
	255 785	314 859
PSPF loan 1		
The principal amount is payable half yearly in instalments of E12.5 million commencing on 31 March 2018. Interest on this loan is charged at prime minus 1.65%.		
PSPF loan 2		
The principal amount is payable quarterly in instalments of E8.33 million commencing on 31 December 2018. Interest on this loan is charged at prime minus 1.65%.		
PSPF Loan 3		
The principal amount is payable half yearly in instalments of E25 million commencing on 31 August 2020. Interest on this loan is charged at prime minus 1.20%.		
The maturity analysis of borrowings is as follows:-		
Less than 1 year	93 285	83 333
Between 1 and 5 years	162 500	231 526
	255 785	314 859
26 EMPLOYEE LIABILITIES AND CHARGES		
Opening balance	2 031	1 972
Amount charged to profit or loss	(143)	59
	1 888	2 031
Leave pay		
This liability is in respect of the number of days that the employees have not taken in respect of their leave entitlement. The anticipated utilisation of the amount provided is in the next financial year.		

	2020 E'000	2019 E'000
27 COMMITMENTS AND CONTINGENCIES		
a) Commitments		
Assets pledged		
Mandatory reserve deposits are held with the Central Bank of Eswatini in accordance with statutory requirements. These deposits are not available to finance the Bank's day-to-day operations.	30 000	30 000
Capital commitments		
The bank has the intention to purchase property and equipment and intangible assets for E39 369 235 (2019: E38 414 000).		
b) Contingencies		
Guarantees	48 821	151 427
Irrevocable unutilised facilities	79 007	17 266
	127 828	168 693

c) Legal proceedings and claims

In the conduct of its ordinary course of business, the Bank is exposed to various actual and potential claims, lawsuits and other proceedings amounting to approximately E3 million as at 31 March 2020 (2019: E2 million). In all cases the Bank does not admit liability and the Bank will be defending its position.

	2020 E'000	2019 E'000
28 CASH FLOW INFORMATION		
28.1 Operating profit before changes in operating assets		
(Loss)/profit for the year	(64 191)	56 083
Adjustment for:		
Depreciation of property and equipment (note 17)	12 062	7 899
(Profit) on disposal of assets	-	(212)
Amortisation of intangible assets (note 18)	7 156	6 664
Share of profit of equity accounted investees net of tax (note 30)	(5 984)	(2 082)
Impairment losses (released)/raised on other financial instruments	(2 585)	137
Impairment losses raised/(released) on loans and advances	102 373	(5 665)
	48 831	62 824
28.2 Change in operating assets		
Decrease in amounts due from other banks	157 916	46 308
Increase in loans and advances to customers	(162 190)	(194 893)
(Increase)/decrease in other assets	(7 676)	23 176
(Decrease)/increase in deposit and current accounts	(63 496)	48 113
Increase in other liabilities	9 118	18 471
(Decrease)/increase in employee liabilities and charges	(143)	59
	(66 471)	(58 766)

29 RELATED PARTY INFORMATION

The Bank is controlled by the Government of Eswatini, which owns 100% of the Bank's shares.

The Bank also has related party relationships with other entities controlled of Eswatini (Refer notes 8,12 and 14), central and local government departments and utility companies for electricity, telephones and water services.

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the bank, directly or indirectly, including all directors of the bank as well as close members of the family of any of these individuals.

Transactions with key management personnel include salaries, bonuses and loans. Compensation paid to the board of directors and compensation paid to other key management personnel.

Associate entities are disclosed in note 30.

	2020 E'000	2019 E'000
29 RELATED PARTY INFORMATION (continued)		
The following transactions were carried out with related parties:-		
29.1 Commissions earned from insurance agency business		
Associates	2 805	2 701
Commissions are earned based on rates which have been agreed upon and specified in agency agreements entered into with Associates.		
29.2 Short term compensation and post-employment benefits		
Short term compensation	17 144	16 899
Post-employment benefits	1 385	1 215
29.3 Fees for services as Directors		
Non-executive Directors	508	438
29.4 Balances due by and (to) Executive and Senior Management		
Loans and advances	10 428	9 389
Deposits	(976)	(565)
The loans to executive and senior management are based on terms ranging between one to twenty years and are repaid in equal monthly instalments of capital and interest. Concessionary interest rates are based on rates applicable to all employees of the Bank.		
29.5 Balances due (by) and to related parties		
- Eswatini Government-Revolving funds (note 24.1)	161 526	155 849
- Eswatini Government – Deposits (note 23)	182 124	173 966
- Deposits-entities under Government control	207 371	268 919
- Loans-entities under Government control	(150 772)	(143 118)
- Borrowings-The Public Service Pensions Fund (note 25)	255 785	314 859
- Associate	39 077	27 988
29.6 Impairment of related party balances		
Expected credit losses.	5 191	2 223

	2020 E'000	2019 E'000
30 INVESTMENT IN ASSOCIATE		
Balance at the beginning of year	19 223	17 141
Share of profit of equity-accounted investees, net of tax	5 984	2 082
Dividend received	(10 000)	-
Balance at the end of the year	15 207	19 223

This investment in Associates represents a 33% shareholding that was acquired in Oracle Insurance Eswatini formerly Metropolitan Life Swaziland.

The bank's share of the results of the principal associate, which is unlisted, and its assets as at 31 December 2019 are as follows:

Name of Associate	Country of Incorporation	Assets E'000	Liabilities E'000	Revenue E'000	Profit/Loss E'000	Value of Investment E'000	Share of Profits 33% E'000
MMI	Eswatini	680 139	595 929	113 063	18 132	15 207	5 984

At 31 December 2018

Name of Associate	Country of Incorporation	Assets E'000	Liabilities E'000	Revenue E'000	Profit/Loss E'000	Value of Investment E'000	Share of Profits 33% E'000
MMI	Eswatini	604 869	520 591	98 969	6 310	19 223	2 082

The bank has an interest in the post-acquisition profits and losses of the Associate.

31 FINANCIAL RISK MANAGEMENT

31.1 Financial risk factors

The Bank's activities expose it to a variety of financial risks such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance.

A greater portion of the Bank's income is generated from the different financial instruments it holds. These instruments include cash (notes and coins), balances with Central and other Banks, treasury bills, loans, investments, bonds, overdrafts, leases, savings accounts, deposits and guarantees.

Risk management is carried out by a Risk and Compliance Department under policies approved by the board of directors. The Risk and Compliance Department identifies, evaluates and monitors these financial risks in close co-operation with the Bank's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Bank is exposed to the following financial risks:

31.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Bank to incur a financial loss.

Credit risk mainly arises from loans and advances by the Bank. Credit risk also arises from exposures to other Banks, investments and guarantees issued by the Bank. The Credit department assesses all loans, approves accordingly and assigns ratings.

There is the risk that a counterparty or obligor will fail to settle a debt with the Bank. It mainly results from lending and when holding instruments that are issued by other institutions such as bonds. The Bank has a credit policy which stipulates the investment exposure that it can have in different industries. This is to avoid concentration risk, which is when a Bank has invested a greater portion of its assets in one or a few industries.

To reduce credit risk, the Bank requires collateral for loans advanced. Guarantees are also accepted. Reports are regularly generated to assess and monitor the extent of credit risk as required by the Regulator.

Lending decisions are made by credit managers who are allocated specific lending limits. Lending limits for significant amounts are referred to the Board for approval.

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

Strategy
Credit risk is a core component of lending quality and it impacts on the risk versus reward model. Credit risk has been under increased focus due to the recent recessionary conditions and subdued growth.

The Bank's credit risk strategy involves:

- Operating a sound credit granting process;
- Ensuring adequate and operationally effective controls throughout the credit cycle;
- Optimising the use of available credit bureau data to make informed decisions; and
- Maintaining appropriate credit administration, measurement and monetary processes.

31.2.1 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loans and advances to customers at amortised cost

2020	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
Personal	133 637	37 952	25 460	197 049
Agriculture	88 997	28 917	14 909	132 823
Business	313 555	170 429	146 096	630 080
Motor vehicle	151 313	48 772	16 148	216 233
Mortgage	161 399	56 245	42 857	260 501
Overdraft	257 306	2 935	31 011	291 252
Gross carrying amount	1 106 207	345 250	276 481	1 727 938
Expected credit loss	(61 844)	(116 032)	(99 674)	(277 550)
Carrying amount	1 044 363	229 218	176 807	1 450 388

31 FINANCIAL RISK MANAGEMENT (continued)

31.2.1 Credit quality analysis - (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loans and advances to customers at amortised cost

2019	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
Personal	144 631	24 070	15 426	184 127
Agriculture	64 496	22 256	24 964	111 716
Business	222 208	167 180	85 498	474 886
Motor vehicle	118 762	68 341	19 821	206 924
Mortgage	168 967	92 860	37 805	299 632
Overdraft	250 598	20 255	32 395	303 248
Gross carrying amount	969 662	394 962	215 909	1 580 533
Expected credit loss	(11 734)	(69 720)	(108 508)	(189 962)
Carrying amount	957 928	325 242	107 401	1 390 571

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.1 Credit quality analysis - (continued)

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000	2019 E'000
2020					
Loans and advances to banks					
Amounts due from other banks	115 056	-	-	115 056	272 972
Gross carrying amount	115 056	-	-	115 056	272 972
Expected credit loss	(892)	-	-	(892)	(119)
Carrying amount	114 164	-	-	114 164	272 853

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000	2019 E'000
2020					
Investment securities					
Government securities and Corporate bonds	288 343	-	-	288 343	413 946
Gross carrying amount	288 343	-	-	288 343	413 946
Expected credit loss	(819)	-	-	(819)	(3 398)
Carrying amount	287 524	-	-	287 524	410 548

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.1 Credit quality analysis - (continued)

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
2019				
Loans and advances to banks				
Amounts due from other banks	272 972	-	-	272 972
Gross carrying amount	272 972	-	-	272 972
Expected credit loss	(119)	-	-	(119)
Carrying amount	272 853	-	-	272 853

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
2019				
Investment securities				
Government securities and Corporate bonds	413 946	-	-	413 946
Gross carrying amount	413 946	-	-	413 946
Expected credit loss	(3 398)	-	-	(3 398)
Carrying amount	410 548	-	-	410 548

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.1 Credit quality analysis - (continued)

2020

Guarantees	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
Guarantees	48 821	-	-	48 821
Gross carrying amount	48 821	-	-	48 821
Expected credit loss	(566)	-	-	(566)
Carrying amount	48 255	-	-	48 255

Guarantees	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
Guarantees	151 427	-	-	151 427
Gross carrying amount	151 427	-	-	151 427
Expected credit loss	(1 345)	-	-	(1 345)
Carrying amount	150 082	-	-	150 082

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.2 Collateral

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form a first charge over real estate and other liens and guarantees.

Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the loan is put on watch list and the loan is monitored more closely. For credit impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management of credit risk actions.

At 31 March 2020, the net carrying amount of credit impaired loans and advances to customers amounted to E 176 807 000 (2019: E107 401 000) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to E 271 883 000 (2019: E204 918 000).

Assets obtained by taking possession of collateral

At year end, the fair value of financial assets accepted as collateral that have been sold was E 2 775 000 (2019: Enil). These transactions are conducted under terms that are usual and customary to standard lending transactions.

Cash and cash equivalents

The bank held cash and cash equivalents of E 216 215 000 at 31 March 2020 (2019: E 197 723 000). The cash and cash equivalents are held with central banks and financial institution counterparties that have low credit risk.

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment
See accounting policy

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of a default (PD) as at reporting date; with
- the remaining lifetime PD for this point in time that was estimated as the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Credit risk grades

Each exposure is allocated a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of the following data.

Corporate exposure	Retail exposure	All exposure
Information obtained during periodic review of customer files e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management and senior management changes.	Internally collected data on customer behaviour – e.g. utilisation of credit card facilities	Payment record – this includes overdue status as well as a range of variables about payment ratios.
Data from credit reference agencies, press articles, changes in external credit ratings.	Affordability metrics.	Utilisation of the granted limit.
Quoted bond and credit default swap (CDS) prices for the borrower where available.	External data from credit reference agencies, including industry-standard credit scores.	Requests for and granting of forbearance.
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions.

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31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The bank collects performance and default information about its credit risk exposures analysed by region and by type of product and borrower as well as by credit risk grading.

The bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Relevant information would typically include a description of different methods used - e.g. simpler methodology for smaller portfolios – and the size of portfolios, both in terms of value and number of items.

Determining whether credit risk has increased significantly

The bank assesses whether credit risk has increased significantly at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending. In particular between wholesale and retail.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the bank's quantitative modelling:

- the remaining lifetime PD is determined to have increased by more than 2% of the corresponding amount estimated on initial recognition: or
- if the absolute change is annualised, lifetime PD since initial recognition is greater than 200 basis points.

In addition, irrespective of the relative increase since initial recognition, credit risk of an exposure is deemed not to have increased significantly if its remaining annualised lifetime PD at the reporting date is basis point or loss.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on expert judgement and relevant historical experiences.

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Determining whether credit risk has increased significantly (continued)

As a backstop, the bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12 month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases, the bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12 month ECL measurement to credit impairment; and
- there is no unwanted volatility in loss allowance from transfers between 12 month PD (stage 1) and lifetime PD (stage 2).

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Definition of default

The bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realising security (if any is held).
- The borrower is more than 90 days past due on any material credit to the bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the bank considers indicators that are:

- qualitative: e.g. breaches of covenants;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstance.

The definition of default largely aligns with that applied by the bank for regulatory capital purposes (see (d)(ii).

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Incorporation of forward-looking information

The bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The bank formulates three economic scenarios, a base case, which is the median scenario assigned a 60% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% probability of occurring The base case is aligned with information used by the bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

Periodically, the bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the bank's senior management.

The bank identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are: GDP growth, unemployment rates and interest rates. For exposures to specific industries and/or regions, the key drivers also include relevant commodity and/or real estate prices. In the current year, the impact of COVID 19 has resulted in a negative outlook for Eswatini resulting in additional expected credit losses for the year.

The economic scenarios used as at 31 March 2020 included the following key indicators for the years ending 31 March 2020 to 2022.

	2020 E	2021 E	2022 E
GDP growth	Base (4%) Upside (4%)	Base 2.1% Upside 2.1%	Base 1.5% Upside 1.5%

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'. LGD is the magnitude of the likely loss if there is a default. The bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the bank considers a longer period. The maximum contractual period extends to the date at which the bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Measurement of ECL (continued)

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular bank remain appropriately homogeneous.

The contractual amount outstanding on loans and advances that were written off during the reporting period that are still subject to enforcement activities is E14 million (2019: Enil).

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk

31.2.3 Amounts arising from ECL

Expected credit loss 2020

	Opening ECL 1 April 2019 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2020 E'000
Personal loans					
Stage 1	795	(201)	3 527	-	4 121
Stage 2	7 188	(1 147)	16 723	-	22 764
Stage 3	11 914	1 348	7 289	(474)	20 077
Agriculture					
Stage 1	1 389	(632)	9 610	-	10 367
Stage 2	12 718	2 569	402	-	15 689
Stage 3	20 314	(1 937)	(2 707)	(3 272)	12 398
Business					
Stage 1	900	159	13 822	-	14 881
Stage 2	3 439	1 159	29 241	-	33 839
Stage 3	16 672	(1 318)	26 903	(4 111)	38 147
Overdrafts					
Stage 1	6 817	(1 153)	(1 434)	-	4 230
Stage 2	12 538	(7 589)	(4 783)	-	166
Stage 3	32 395	8 742	(38 614)	-	2 523
Motor vehicles					
Stage 1	987	543	14 040	-	15 570
Stage 2	18 133	(2 122)	12 028	-	28 039
Stage 3	13 938	1 579	(449)	(3 791)	11 277
Mortgages					
Stage1	846	95	11 734	-	12 675
Stage 2	15 704	(4 392)	4 223	-	15 535
Stage 3	13 275	4 297	818	(3 137)	15 253
Total	**189 962**	**-**	**102 373**	**(14 785)**	**277 550**

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk

31.2.3 Amounts arising from ECL

Expected credit loss 2019

	Opening ECL 1 April 2018 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Closing ECL 31 March 2019 E'000
Personal loans				
Stage 1	248	9	538	795
Stage 2	35 104	87	(28 003)	7 188
Stage 3	5 835	(96)	6 175	11 914
Agriculture				
Stage 1	1 225	-	164	1 389
Stage 2	10 085	(93)	2 726	12 718
Stage 3	11 490	93	8 731	20 314
Business				
Stage 1	1 557	(52)	(605)	900
Stage 2	17 420	814	(14 795)	3 439
Stage 3	19 288	(762)	(1 854)	16 672
Overdrafts				
Stage 1	3 519	4 237	(939)	6 817
Stage 2	9 905	(9 574)	12 207	12 538
Stage 3	2 901	5 337	24 157	32 395
Motor vehicles				
Stage 1	982	3	2	987
Stage 2	20 364	19	(2 250)	18 133
Stage 3	18 307	(22)	(4 347)	13 938
Mortgages				
Stage1	570	50	226	846
Stage 2	18 074	23	(2 393)	15 704
Stage 3	18 753	(73)	(5 405)	13 275
Total	**195 627**	**-**	**(5 665)**	**189 962**

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk

31.2.3 Amounts arising from ECL 2020

	Opening ECL 1 April 2019 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2020 E'000
Banks					
Stage 1	119	-	773	-	892
Stage 2	-		-		-
Stage 3	-		-		-
Totals	119	-	773	-	892
Investments securities					
Stage 1	3 398	-	(2 579)	-	819
Stage 2	-		-		-
Stage 3	-		-		-
Total	3 398	-	(2 579)	-	819
Guarantees					
Stage 1	1 345	-	(779)	-	566
Stage 2	-		-		-
Stage 3	-		-		-
Total	1 345	-	(779)	-	566

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk

31.2.3 Amounts arising from ECL 2019

	Opening ECL 1 April 2019 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2019 E'000
Banks					
Stage 1	126	-	-	(7)	119
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Totals	126	-	-	(7)	119
Investments securities					
Stage 1	3 254	-	-	(144)	3 398
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	3 254	-	-	(144)	3 398
Guarantees					
Stage 1	1 345	-	-	-	1 345
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	1 345	-	-	-	1 345

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk

31.2.4 Concentration of credit risk

Concentrations of credit risk arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by the changes in economic and other conditions.

The Bank is exposed to major concentrations of credit risk which arise by customer type in relation to loan and credit commitments either by product type or industry. The concentration of credit risk for performing advances at year - end was as follows:

	2020	2019
Business	36%	30%
Mortgage	15%	19%
Motor vehicle	13%	13%
Personal	11%	12%
Agriculture	8%	7%
Overdraft	17%	19%
	100%	100%

31.2.5 Credit commitments

The Bank has outstanding, at any time, a significant number of commitments to extend credit. To accommodate major customers the Bank also provides financial guarantees to third parties. These arrangements are subject to strict credit assessments. Most commitments and almost all guarantees expire without being funded in whole or in part, hence the contract amounts are not estimates of future cash flows. Loan commitments and guarantees have off balance sheet credit risk amounts equal to the contractual amounts. Loan commitments as at 31 March 2020 amounted to E79 million (2019: E17 million) whilst guarantees amounted to E48million (2019: E151 million).

31 FINANCIAL RISK MANAGEMENT (continued)

31.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. It is the risk that sufficient funds are not available to deliver on time to discharge an obligation to a counterparty

Liquidity risk is inherent in all banking operations and confidence can be affected by a range of institution specific and market-wide events.

The appropriate and efficient management of liquidity risk by banks is of utmost importance in ensuring confidence in the financial markets and in ensuring that banks pursue a sustainable business model, thereby fulfilling their key economic role of maturity transformation (i.e. the process by which a bank transforms deposits from customers, which tend to be of a shorter-term nature, into loans, which tend to be of a longer term nature).

The efficient management of liquidity risk is essential to the bank to ensure that:

- normal banking operations continue uninterrupted;
- the interest of all stakeholders in the bank are protected;
- financial market confidence is maintained at all times; and
- liquidity risk is managed in line with regulatory liquidity requirements at all times.

Strategy

The liquidity funding strategy of the bank is based on the following:

- growing and diversifying the funding base to support asset growth and other strategic initiatives; and
- Lengthening the bank’s funding profile.

31 FINANCIAL RISK MANAGEMENT (continued)

31.3 Liquidity Risk

The risk arises mainly in treasury operations. The servicing and maturities of assets and liabilities are closely monitored and diversified to avoid any undue concentration of funding requirements at any one time or from any one source. The Bank's Assets and Liabilities Committee ("ALCO") is responsible for ensuring that the Bank meets its planned commitments as they fall due. The table below summaries the maturities of the Bank's financial liabilities based on undiscounted cash flows.

	Carrying amount E'000	Contractual cashflows E'000	Redeemable on demand E'000	More than 1 months but less than 6 months E'000	More than 6 months but less than 12 months E'000	More than 12 months but less than 5 years E'000	More than 5 years E'000
31 March 2020							
Customer Deposits	1 312 113	1 387 786	700 507	386 564	30 770	78 150	191 795
Borrowings	255 785	276 118	-	60 118	40 500	175 500	-
Revolving funds	161 526	169 602	-	-	-	-	169 602
Other Liabilities	104 080	104 080	104 080	-	-	-	-
Total	1 833 503	1 937 586	804 587	446 682	71 270	253 650	361 397
31 March 2019							
Customer Deposits	1 375 609	1 430 589	669 319	242 739	31 918	305 002	181 611
Borrowings	314 859	343 197	-	31 792	59 042	252 363	-
Revolving funds	155 849	162 464	-	-	-	-	162 464
Other Liabilities	82 894	82 894	82 894	-	-	-	-
Total	1 929 211	2 019 144	752 213	274 531	90 960	557 365	344 075

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Market Risk

Market risk is the risk faced by the Bank due to changes in economic indicators. These include changes in market prices, interest rates or exchange rates.

The bank is also exposed to market risk through non traded interest rate risk in its banking book.

Strategy

The bank's market risk management objectives are:

- ensuring a higher degree of interest rate mismatch margin stability and lower interest rate risk throughout the interest rate cycle in the banking book;
- understanding and controlling market risk through robust measurement, controls and oversight; and
- facilitating business growth with a controlled and transparent risk management framework.

(a) Cash flow and fair value interest rate risk

Cash flow and fair value interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

This type of risk is faced mainly through our loan portfolio, which is directly affected by changes in interest rates. Investments in the form of placements with the Bank's counterparties also expose the Bank to changes in market risk. To measure interest rate risk, the Bank uses duration analysis. This measures the responsiveness of the Banks different portfolios to changes in interest rates. Changes in interest rates in the past years have been 50 basis points either up or down at a point in time. The Bank also uses this margin to shock its assets and liabilities to ascertain the impact of these changes in its statements of comprehensive income and changes in equity.

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

31.4 Market Risk

(a) Cash flow and fair value interest rate risk (continued)

Sensitivity analysis on interest rate sensitive assets - 31 March 2020

Product	Balance at 31 March 2020 E'000	Impact of 100 basis points increase on the statement of comprehensive income and equity E'000	Impact of 100 basis points decrease on the statement of comprehensive income and equity E'000
Personal retail	525 144	4 632	(4 632)
Agriculture	128 663	1 276	(1 276)
Private sector	998 753	9 740	(9 740)
Public sector	75 378	218	(218)
Total	1 727 938	15 866	(15 866)

Sensitivity analysis on interest rate sensitive liabilities – 31 March 2020

Product	Balance at 31 March 2020 E'000	Impact of 50 basis points increase on the statement of comprehensive income and equity E'000	Impact of 50 basis points decrease on the statement of comprehensive income and equity E'000
Savings and other	731 476	3 784	(3 784)
Current accounts	115 784	-	-
Borrowings	255 835	1 279	(1 279)
Fixed Deposits	464 803	2 324	(2 324)
Total	1 567 898	7 387	(7 387)

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Market Risk

(a) Cash flow and fair value interest rate risk (continued)

Sensitivity analysis on interest rate sensitive assets - 31 March 2019

Product	Balance at 31 March 2019 E'000	Impact of 50 basis points increase on the statement of comprehensive income and equity E'000	Impact of 50 basis points decrease on the statement of comprehensive income and equity E'000
Personal retail	112 629	563	(563)
Agriculture	372 875	1 864	(1 864)
Private sector	1 016 825	5 084	(5 084)
Public sector	78 204	391	(391)
Total	1 580 533	7 902	(7 902)

Sensitivity analysis on interest rate sensitive liabilities – 31 March 2019

Product	Balance at 31 March 2019 E'000	Impact of 50 basis points increase on the statement of comprehensive income and equity E'000	Impact of 50 basis points decrease on the statement of comprehensive income and equity E'000
Savings and other	711 728	3 559	(3 559)
Current accounts	114 545	-	-
Borrowings	314 859	1 574	(1 574)
Fixed Deposits	549 336	-	-
Total	1 690 468	5 133	(5 133)

(b) Equity Price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Bank is not exposed to equity price risk.

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Market Risk

(c) Foreign currency risk

Foreign exchange risk is the risk that the value of financial instrument will fluctuate as a result of changes in foreign exchange rates.

Currency risk relates to exposure on foreign currency accounts held with foreign Banks. These accounts are used to settle the Banks and customers' liabilities denominated in foreign currency. The amounts are not covered by forward exchange contracts and they are payable or receivable on demand. The amounts at the reporting date were as follows:

CURRENCY CONCENTRATION	US$ E'000	GBP E'000	EURO E'000	SZL E'000	TOTAL E'000
31 March 2020					
Financial assets					
Cash balances and balances with Central Bank	1 345	79	120	214 671	216 215
Amounts due from / (to) other Banks	-	-	-	114 164	114 164
Other assets	-	-	-	26 208	26 208
Investment securities	-	-	-	287 524	287 524
Loans and advances	-	-	-	1 727 938	1 727 938
Total assets	1 345	79	120	2 370 505	2 372 049
Financial liabilities					
Borrowings	-	-	-	255 785	255 785
Customer Deposits	-	-	-	1 312 113	1 312 113
Other Liabilities	-	-	-	161 526	161 526
Total Liabilities	-	-	-	1 729 424	1 729 424

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Market Risk

(c) Foreign currency risk (continued)

CURRENCY CONCENTRATION	US$ E'000	GBP E'000	EURO E'000	SZL E'000	TOTAL E'000
31 March 2019					
Financial assets					
Cash balances and balances with Central Bank	120	67	32	197 513	197 732
Amounts due from other Banks	1 073	-	320	271 460	272 853
Other assets	-	-	-	18 532	18 532
Investment securities	-	-	-	410 548	410 548
Loans and advances	-	-	-	1 580 533	1 580 533
Total assets	1 193	67	352	2 478 586	2 480 198
Financial liabilities					
Borrowings	-	-	-	314 859	314 859
Customer Deposits	-	-	-	1 375 609	1 375 609
Other Liabilities	-	-	-	755 849	155 849
Total Liabilities	-	-	-	1 846 317	1 846 317

31 FINANCIAL RISK MANAGEMENT (continued)

31.5 Fair value estimation

The carrying amount of financial instruments not measured at fair value approximates fair value

31.6 Capital risk management

The bank's capital management policies have not changed from those of prior years. The bank reports to the regulator which is the Central Bank of Eswatini ("CBE") which monitors all banking institutions' capital requirements in Eswatini.

In implementing current capital requirements the bank has to maintain prescribed ratios of capital to total risk-weighted assets. The bank has complied with the externally imposed capital requirements as in prior years.

Capital is classified into two tiers for regulatory purposes:

- Tier I capital, which includes ordinary share capital, the capital grant, retained earnings and other regulatory adjustments.
- Tier II capital, which includes qualifying subordinated liabilities.

31 FINANCIAL RISK MANAGEMENT (continued)

31.6 Capital risk management (continued)

The bank's regulatory capital position at 31 March 2020 was as follows:

	2020 E'000	2019 E'000
Tier I Capital		
Ordinary share capital	54 800	54 800
Capital grant	135 000	135 000
Statutory reserves	41 286	41 286
Retained earnings	167 715	239 506
	398 801	470 592
Tier II Capital		
Other reserves	120 769	116 856
	120 769	116 856
Total regulatory capital	519 570	587 448
Risk-weighted assets		
CBE calculated total	2 503 804	2 818 526
Capital ratios		
Total capital as % of total risk-weighted assets		
CBE	20.75%	20.84%
Total tier 1 as % of risk-weighted assets		
CBE	15.93%	16.69%

The bank has complied with all externally imposed capital requirements

32 MATURITY PROFILE OF FINANCIAL INSTRUMENTS

31 March 2020	On call and 1 month E'000	2-12 months E'000	1 to 5 years E'000	Over 5 years E'000	Total E'000
Financial assets					
Interest earning assets					
Cash at Central Bank	216 215	-	-	-	216 215
Amounts due from other banks	114 164	-	-	-	114 164
Investment securities	-	114 012	111 549	61 963	287 524
Loans and advances	53 785	340 928	499 490	556 185	1 450 388
Total interest earning assets	384 164	454 940	611 039	618 148	2 068 291
Percentage profile	18%	22%	30%	30%	100%
Non-interest earning assets					
Other assets	26 208	-	-	-	26 208
	26 208	-	-	-	26 208
Total financial assets	410 372	454 940	611 639	618 148	2 094 499
Reconciliation of financial assets to assets shown on the statement of financial position					
Property and equipment	-	-	-	187 636	187 636
Investment in associate	-	-	-	15 207	15 207
Intangible assets	-	-	-	58 185	58 185
Total assets	410 372	454 940	611 639	879 176	2 355 527
Liabilities					
Interest bearing liabilities					
Current accounts	115 784	-	-	-	115 784
Savings accounts	331 795	-	-	-	331 795
Demand and short-term deposits	231 230	376 970	74 209	-	682 409
Eswatini Government deposit	-	-	-	182 125	182 125
Borrowings	-	-	-	255 785	255 785
Revolving funds	-	-	-	161 526	161 526
Total interest-bearing liabilities	678 809	376 970	74 209	599 436	1 729 424
Percentage profile	39%	22%	4%	35%	100%
Non-interest-bearing liabilities	106 533	-	-	-	106 533
Total liabilities	785 342	376 970	74 209	599 436	1 835 957

(a) The maturity profile for loans and advances is an estimate based on expected maturity dates
(b) The maturity profile for customer deposits is an estimate based on expected maturity dates.

32 MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

31 March 2019	On call and 1 month E'000	2-12 months E'000	1 to 5 years E'000	Over 5 years E'000	Total E'000
Financial assets					
Interest earning assets					
Cash at Central Bank	197 732	-	-	-	197 732
Amounts due from other banks	272 853	-	-	-	272 853
Investment securities	-	201 496	159 052	50 000	410 548
Loans and advances	206 995	425 960	570 409	187 207	1 390 571
Total interest earning assets	677 580	627 456	729 461	237 207	2 271 704
Percentage profile	30%	28%	32%	10%	100%
Non-interest earning assets					
Other assets	18 532	-	-	-	18 532
Total financial assets	696 112	627 456	729 461	237 207	2 290 236
Reconciliation of financial assets to assets shown on the statement of financial position					
Property and equipment	-	-	-	172 992	172 992
Investment in associate	-	-	-	19 223	19 223
Intangible assets	-	-	-	37 584	37 584
Total assets	696 112	627 456	729 461	467 006	2 520 035
Liabilities					
Interest bearing liabilities					
Current accounts	114 545	-	-	-	114 545
Savings accounts	309 299	-	-	-	309 299
Demand and short-term deposits	219 733	264 136	293 930	-	777 799
Eswatini Government deposit	-	-	-	173 966	173 966
Borrowings	-	83 333	231 526	-	314 859
Revolving funds	-	-	-	155 849	155 849
Total interest-bearing liabilities	643 577	347 469	525 456	329 815	1 846 317
Percentage profile	35%	19%	28%	18%	100%
Non-interest-bearing liabilities	86 270	-	-	-	86 270
Total liabilities	729 847	347 469	525 456	329 815	1 932 587

(a) The maturity profile for loans and advances is an estimate based on expected maturity dates
(b) The maturity profile for customer deposits is an estimate based on expected maturity dates.

33 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. The summary of significant accounting policies describes how the classes of financial instruments are measured and how income and expenses, including fair value gains are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category:

	Amortised cost E'000 31 March 2020	E'000 31 March 2019
Financial assets		
Cash balances and balance with Central Bank	216 215	197 732
Amounts due from other Banks	114 164	272 853
Other assets	26 208	18 532
Loans and advances	1 450 388	1 390 571
Investment securities	287 524	410 548
	2 094 499	2 290 236
Financial liabilities		
Customer deposits and current accounts	1 312 113	1 375 609
Borrowings	255 785	314 859
Other liabilities	266 171	240 088
	1 834 069	1 930 556

34 GOING CONCERN

In March 2020, the Kingdom of Eswatini invoked Section 29 of the Disaster Management Act of 2006 and declared a national emergency, commissioning a partial lockdown for the country. The effect of this was a disruption in business operations and a significant increase in economic uncertainty. The partial lockdown regulations implemented by the Government of Eswatini categorised the Bank as an essential industry and the bank has therefore been able to continue with its normal operations, albeit accommodating a best practise COVID risk avoidance strategy. Management actively monitors and responds to the constant changes with determined effort to ensure that the Bank emerges as a going concern post the COVID 19 era.

The bank made a loss of E64.1million due to expected credit loss expense of E102 million primarily due to a weaker economic outlook related to COVID-19. Management have done cash flow projections for the next 12 months and based on the projections, management has determined that they will be sufficient resources to settle liabilities and obligations. The Board of Directors will continue to monitor the business especially the impact COVID-19 has on it reflect the consequences as appropriate in the accounting and reporting. Business continues and in the medium term, we anticipate business returning to normal.

The regulator has also reduced liquidity requirements for Banks and also pledged financial support should it be needed by the Bank in order to manage liquidity. The bank's capital adequacy ratio is still in line with regulatory requirements.

In light of the above, management has assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, management is of the view that the doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The Board concurs with this assessment.

35 SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances arising since the reporting date and the date of approval of these financial statements, not otherwise dealt within this report, which would materially affect the operations of the Bank or the financial position of the Bank.

NOTES

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