ANNUAL REPORT

2022-2023

EswatiniBank

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.

Minister of Finance Hon. Neal H. Rijkenberg

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 2023

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 31 March 2023 certified by the auditors.

Yours Faithfully,

DR. SIPHO V. NKAMBULE
(Chairperson) (A)

MS. NOZIZWE MULELA
(Managing Director)

BOARD OF DIRECTORS

Dr. Sipho Nkambule - *Chairperson (A)*

- PHD Soil Science (*Cornel University, New York State, USA)*
- Msc (Soil Science) *(Reading University, Berkshire, United Kingdom)*
- Bsc Agriculture *(UNESWA)*

Ms. Nozizwe Mulela - *Managing Director*

- Master in Business Administration (MBA) *(University of Stellenbosch Business School)*
- Master of Law in Mercantile Law (LLM) *(University of Stellenbosch)*
- Bachelor of Laws Degree (LLB) *(Rhodes University, Eastern Cape)*
- Bachelor of Arts in Law (BA Law) *(National University of Lesotho)*

Mr. Sifiso Mdluli - *Board Secretary*

- Masters in Leadership and Change Management (MSc) (Leeds Beckett University)
- Certificate in Managing the Employment Process *(UNISA)*
- Bachelor of Laws (LLB) Degree *(UNESWA)*
- Bachelor of Arts in Law (BA Law) *(UNESWA)*

Ms. Thulisile Gamedze - *Member*

- Masters in Business Administration (MBA) *East and Southern African Management Institute (ESAMI)*
- Bachelor of Commerce in Accounting *(UNESWA)*

BOARD OF DIRECTORS

Mr. Jabulani Nxumalo - *Member*

- M.A. in Economics and Financial Analysis of Enterprises (*Turin)*
- Conflict Resolution Diploma (*IPM, RSA)*
- Diploma in Social Partnership (Labour, Government, Business) (*Georgia Washington University, USA)*
- Diploma in Local Government Management, *(Hague, Netherlands)*

Mrs. Ketshidile Masisi-Hlanze - *Member*

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

Mr. Samson Mavuso - *Member*

- Master of Business Administration (MBA) *(Regent Business School)*
- BSc Agriculture *(UNESWA)*
- Programme in Basic, Intermediate and Advanced Project Management *(UNISA)*

Ms. Ncobile Masuku - *Member*

- Chartered Accountant SA, Chartered Accountant SD *(UNISA)*
- Honours in Accounting Sciences *(CTA) – (UNISA)*
- Post-graduate Diploma in Accounting Sciences *(UNISA)*
- Bachelor of Commerce, Accounting *(UNESWA)*
- Diploma in Commerce *(UNESWA)*

Mr. Wiseman Nyembe - *Member*

- M.Sc – Electrical Engineering *(UCT)*
- B Eng. Electrical Engineering *(UNESWA)*

EXECUTIVE MANAGEMENT

Ms. Nozizwe Mulela - *Managing Director*

- Master in Business Administration (MBA) *(University of Stellenbosch Business School)*
- Master of Law in Mercantile Law (LLM) *(University of Stellenbosch)*
- Bachelor of Laws Degree (LLB) *(Rhodes University, Eastern Cape)*
- Bachelor of Arts in Law (BA Law) *(National University of Lesotho)*

Ms. Zanele Dlamini - *Finance*

- MBA (Heriot - Watt Univesity/Edinburgh Business School)
- ACMA – Associate Certified Management Accountant (CIMA-UK)
- Bachelor (Accounting) *(UNESWA)*
- Diploma in Commerce *(UNESWA)*

Mr. Sifiso Mdluli - *Legal Services and Board Secretary*

- Masters in Leadership and Change Management (MSc) (Leeds Beckett University)
- Certificate in Managing the Employment Process *(UNISA)*
- Bachelor of Laws (LLB) Degree *(UNESWA)*
- Bachelor of Arts in Law (BA Law) *(UNESWA)*

Ms. Thembi Dlamini - *Corporate Services*

- Master of Business Leadership *(UNISA)*
- Bachelor (Accounting) *(UNESWA)*
- 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)*

EXECUTIVE MANAGEMENT

Mr. Philani Dlamini - *Compliance*

- Masters of Law (LLM), *(University of East London) 2024 - 2026 [expected]*
- Bachelor of Laws, (LLB), Law *(University of Pretoria)*
- NMP93 New Managers Programme *(Wits Business School)*

Mr. Enock Mavimbela - *Banking Operations*

- Msc In Leadership and Change Management *(Leeds Metropolitan University, UK)*
- Bachelor of 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

Mr. Vusi Sambo - *Information Technology*

- MSc Computing and Information Systems (*Liverpool John Moore University – 2022 – 2023 (Still Studying)*
- EMBA (*Quantic School of Business and Technology)*
- MBA Core *(Stellenbosch University)*
- MSC Leadership and Change Management, (*Leeds Met. University, UK)*
- BSc Computer Science and Mathematics (*UNESWA)*
- Post Graduate Certificate Entrepreneurship and IT, (*IDM and Mzumbe University, Tanzania), 2001.*
- Secondary Technical Teachers' Diploma, *(UNESWA)*
- Advanced Diploma in Pre-vocational Education (*SCOT)*

Ms. Dumase Nxumalo - *Credit*

- M.Sc. Leadership and Change Management *(Leeds Metropolitan University, UK)*
- Chartered Accountant (SD), ACCA (UK) *(Botswana Accountancy College)*
- Bachelor (*UNESWA)*
- 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)*

EXECUTIVE MANAGEMENT

Mr. Mbongeni Bhembe - *Risk*

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

Ms. Lindiwe Shongwe - *Marketing*

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

Ms. Lindiwe Mlambo - *Internal Audit*

- Bachelor of Accounting Sciences (BCOMPT) *(UNISA)*
- Postgraduate Diploma in Business Administration *(UNISA)*
- ACCA

Mr. Druce DeJesus Sargo - *Business Banking*

- Chartered Accountant (CA SD) - ACCA, UK
- Diploma in Accounting (*University of Bophuthatswana)*
- Leadership Development (*Gordon Institute of Business Science, University of Pretoria)*
- Masterclass in Strategic Client Management (*University of Cape Town, Graduate School of Business)*
- Member of The Association of Certified Chartered Accountants – ACCA, UK
- Member of The Association of Accounting Technicians, AAT 3 – AAT, UK

CHAIRPERSON'S MESSAGE

As the Board, we remain cognisant of the fact that there is a need for greater focus on risk management within the Bank.

1. FOREWORD

Post 2022, the banking industry is still grappling with the challenges brought to the fore by the COVID – 19 pandemic and most recently, the Russian invasion of Ukraine. These factors have combined to create a volatile and unstable financial system, with many banks struggling to meet their obligations and stay afloat. This has led to a new wave of defaults and bankruptcies, putting further strain on the banking industry.

While it may appear that the banking system has been resilient enough to withstand these shocks up to this end, the fact that the Russian aggression against Ukraine is still ongoing warrants great caution about future developments.

Despite that our local economy is currently going through a slump largely caused by the stated global challenges which have resulted in domestic supply challenges, higher inflationary pressure, and an elevated strain in cost of living, the Bank realised a profit of E14.640 million. This profit is largely a result of growth mainly in interest income, driven by prior year and current year growth in the loan book. However, it stands to be noted, unfortunately, that the profit has declined year on year due to increased interest and operating costs which have continued to outweigh growth in revenues.

As the Board, we are alive to the fact that the Bank must remain resilient to withstand the emerging challenges and technological advancements. A recent report on the future of retail banking predicts that banking could become fully digital within the next five years. Hence, the Bank must embrace the imminent possibility of virtual banking, as digital banking is the future. Technology has taken over the world and we, as Eswatini Bank, need to be on that mandate.

The Board is therefore pleased to note that measurable strides have been taken by the Bank to innovate, so that we can compete and maintain relevance. While the Bank is faced with real pressure from established digital players, we cannot afford to be despondent, we still must maintain wide networks of physical points of presence while also making digital interactions more accessible. As the Bank does that, it is important to note that digital migration will only be successful if the Bank ensures that customers who are not tech savvy are educated on the risks that come with technology. For us this translates to a significant portion of our customer base who still believe that interacting with a real person is the only best way to do their banking.

It is worth mentioning that whilst the Bank adopts measures to remain relevant, the more it gets exposed to cybersecurity threats. According to LogPoint.com, there were five biggest cyber threats facing Banks in 2022/2023. These included unencrypted information; insecure third parties; insider vulnerabilities; spoofing and phishing and distributed denial of service (DDoS). In a bid to fight cyber-attacks, the country has established a law to that effect which is called the Computer Crime and Cyber Crime Act of 2022.

As the Board, we remain cognisant of the fact that there is a need for greater focus on risk management within the Bank. This involves developing better risk models and tools to ensure that the Bank has a robust system in place to manage and mitigate potential losses, and a sound cloud technology that will enable the bank to seamlessly process large data at a lower cost.

Technology, in a robust and competitive industry as ours, has become the major differentiator. We must therefore immerse ourselves deep into the dark, murky, and contaminated waters of digital banking, optimise our service offerings and ensure that we continue to give our customers a memorable banking experience – that is the only way we can remain competitive and relevant.

After all, if we continue down the innovative pathway the growth will come, additional value will be created, and we will be more efficient and a better Bank.

2. GOVERNANCE: Framework and Accountabilities

The Eswatini Development and Savings Bank (EDSB) was established by the Kings Order – In- Council no. 49/1973. This legislation outlines the Bank's mandate. The Bank is also governed by the Financial Institutions Act, 2005, which regulates the licensing and operations of all Banks within the country.

The shareholder when appointing the Board considers their knowledge, skills, and experience, as well as their reputation, the time they can dedicate to the role and diversity in terms of gender. The Board of Directors are assessed on their understanding of the risks the Bank faces and the ability to mitigate those risks.

As part of the Bank's commitment to sustainable development in operations, the Bank is dedicated to adhering to good governance principles, in accordance with the King IV Report on Corporate Governance, provided that the code does not contradict with the enabling statute or any other applicable legislation. This is an outcomes-based corporate governance code fit for a changing Bank. This code is also aligned to the Bank's purpose of building trust with society, as it helps build a bridge between the Bank and society.

The Board remains the custodian of Corporate Governance within the Bank. Performance targets are set in line with the strategy, which is reviewed on a quarterly basis. The Board is responsible for ensuring the communication of the Bank's strategic objectives, to the shareholder through transparent disclosures, and internally within the Bank. The Managing Director and Executive Management play a pivotal role in steering the strategic course of the Bank and setting it on a course towards sustainable long-term objectives.

The Board performs an oversight function which is executed through the provision and/or access of good data, in good time from Management. This is a pre-condition for well-informed decision-making. Worth noting is that the execution of this function by the Board may be impacted negatively by the lack of sufficiently agile IT systems to aggregate data on risk appetite, risk limits and risk profiles. Increasing the ratio of IT expertise at Board level remains key for the Bank to navigate the digital era successfully.

The Eswatini Bank Board has an array of responsibilities including setting of the tone for acceptable professional and ethical conduct that must be emulated by employees and stakeholders, the Bank's risk appetite and ensuring that all material risks to which the Bank is, or could be, exposed are promptly identified, monitored, managed and / or mitigated.

The Bank also has numerous stakeholders. These include customers, employees, service providers, investors, and regulators, among others. Due to its principal function as a financial intermediary, the Bank provides a plethora of financial services and endeavours not only to provide value to the various stakeholders but additionally guarantee the security of funds entrusted to it.

The Board subscribes to the principle that a well-governed Bank with a clear understanding of its main risks and core revenue sources, is likely to adapt more quickly and perform better, especially in times of crisis. As shown during the pandemic and when dealing with the adverse effects of the conflict in Ukraine as well as climate change, it remains crucial for the Bank and its Board to have an active strategy to take on these challenges and maintain the institution's integrity and competitive edge, circumstances notwithstanding.

3. BOARD OF DIRECTORS

The Bank has a Unitary Board Structure that is deemed effective and proportionate to the size of the institution. The Board is composed of individuals with a diverse range of skills, to ensure value creation. This set of expertise includes but is not limited to, human capital, agriculture, information technology, banking, business, finance, and law.

There are eight non-directors that make up the Board, including an Ex-Officio Director who is a representative of the Principal Secretary of the Ministry of Finance, in terms of the Public Enterprises Control and Monitoring Act. The Managing Director is the only Executive Director in the Board.

In the year under review the Board of Directors consisted of the following members:

BOARD MEMBERS AS AT 31 MARCH 2023				
NAME OF MEMBER	Position	GENDER	DATE OF APPOINTMENT/ RE- APPOINTMENT	EXPIRY DATE
Dr Sipho V. Nkambule	Acting Chairperson	Male	May 2021	April 2024
Ms. Nozizwe Mulela	Managing Director	Female	September, 2021	August, 2024
Mr. Jabulani Nxumalo	Member	Male	October 2020	September 2023
Mr. Samson Mavuso	Member	Male	August 2020	July 2023
Ms. Ncobile Masuku	Member	Female	July 2021	June 2024
Ms. Thulisile Gamedze	Member	Female	November 2022	October 2025
Ms. Ketshidile Masisi-Hlanze	Member	Female	May 2021	April 2024
Mr. Wiseman Nyembe	Member	Male	July 2021	June 2024

3.1 Board Sub-Committees

The Board is organized into 4 subcommittees: the Remunerations & Ethics Committee, the Audit, Finance, Risk and Compliance Committee, the Credit Committee, and the Information Technology Committee. The board appoints board subcommittees, considering the expertise and relevant experience needed to carry out the tasks specified in each committee's written mandate, which is reviewed annually. Board subcommittees assist the board in carrying out its duties and give in-depth attention to different topics. The subcommittees report to the board through their respective chairpersons, and the board receives reports from all committee meetings, on a quarterly basis.

The board oversees and is held accountability for the performance of the governance structures it has established. The Board Committees abridged activities are listed below:

3.1.1 Audit, Finance, Risk and Compliance Committee (AFRCC)

The AFRCC is chaired by a non-executive director and is composed of 2 other non-executive directors. The AFRCC, which meets at least on a quarterly basis, assists the Board in carrying out its responsibilities by evaluating the Bank's financial condition, internal controls, performance, and internal audit findings. Additionally, it is responsible for the appointment and oversight of external auditors. This also extends to the supervision of the Bank's financial reporting policies and disclosures to ensure they are compliant with international financial reporting standards and satisfy all applicable requirements.

This Committee is also responsible for overseeing the Bank's risk management and compliance practices on an ongoing basis. Furthermore, it is charged with developing a risk mitigation strategy in collaboration with the Board to ensure that the Bank manages identified risks optimally.

3.1.2 Information Technology Committee (ITC)

This Committee is chaired by a non-executive director and is composed of two (2) non- executive directors and one (1) executive director (MD). The ITC's purpose, inter alia, is to ensure that the Bank's banking systems and technology programs support the Bank's business objectives and strategies and provide for appropriate data security and data privacy. It also assists the Board with establishing strategic plans, principles, and policies germane to information technology.

3.1.3 Credit Committee (CC)

The CC consists of four (4) non-executive directors and one (1) executive director and is chaired by a non-executive director. It is responsible for reviewing the Bank's overall lending policy, conducting independent loan evaluations, delegating, and reviewing lending limits, ensuring statutory compliance, and being ultimately accountable for credit risk management. Additionally, it approves credit facility applications that exceed the management credit committee's discretionary limit.

3.1.4 Remunerations and Ethics Committee (REC)

The REC is constituted by three (3) non-executive directors and chaired by one of them. It is tasked inter alia with the appointment of and remuneration of the Executive Management, as well as ensuring that the Bank's employees support the development and implementation of the Bank's strategy. This involves reviewing the human resources policies and procedures, organizational structures, senior management's composition, and remuneration in line with a clearly defined remuneration principle.

It is also responsible for setting the ethical business tone and/or behaviour including the reviewing and approval of the Banks Ethics policy.

Sub-Committees during the period under review stood as follows:

Audit, Finance, Risk & Compliance Committee (AFRCC)

i) Ms. N. Masuku – **Chairperson**
ii) Mr. Wiseman Nyembe – Member
iii) Ms. Thulisile Gamedze – Ex Officio member
iv) Mr. Sifiso Mdluli – **Board Secretary**

Remunerations & Ethics Committee (REC)

i) Mr. Jabulani Nxumalo – **Chairperson**
ii) Ms. Thulisile Gamedze – Ex Officio member
iii) Ms. Ketshidile Masisi - Hlanze – member
iv) Ms. Nozizwe Mulela – **MD / Secretary**

Information Technology Committee (ITC)

i) Mr. Samson Mavuso – **Chairperson**
ii) Mr. Jabulani Nxumalo – member
iii) Mr. Wiseman Nyembe – member
iv) Ms. Nozizwe Mulela – MD / member
v) Mr. Sifiso Mdluli – **Board Secretary**

Credit Committee (CC)

i) Ms. Ketshidile Masisi - Hlanze – **Chairperson**
ii) Ms. Ncobile Masuku – member
iii) Dr. Sipho V. Nkambule – member
iv) Mr. Samson Mavuso – member
v) Ms. Nozizwe Mulela – MD/member
vi) Mr. Sifiso Mdluli – **Board Secretary**

4. REMUNERATION OF DIRECTORS AND EXECUTIVES

Non-Executive Directors were remunerated in line with PEU Circular No: 2/2017 and the Managing Director together with Executive Management were remunerated in line with PEU directive No: 2/2021, which controls pay packages of Category "A" Public Enterprises.

5. BOARD MEETINGS AND NON-ATTENDANCE AT MEETINGS

The Board held scheduled quarterly meetings and special meetings in line with PEU Circular No: 5/2023. The Circular regulates the number of meetings that should be convened by the Board and its SubCommittees. SCOPE provided clear direction on the action to be taken in the event of Non-Attendance at meetings by a Director through PEU Circular No: 2/2017.

6. STAGGERED BOARD STRUCTURE

The Shareholder adopted and implemented staggered appointments of Board members to avoid a leadership vacuum on the Board. The staggered Board appointments enabled the Board to change its composition in an orderly manner while maintaining leadership stability and continuity.

7. EXTERNAL AUDITORS

The Board maintained SNG Grant Thornton as External Auditors for the Bank until 2024 in line with The Public Enterprises (Monitoring) Act. The Board of Directors were satisfied with the independence of the External Auditors as recommended by the King IV Code.

8. DECLARATION OF DIVIDEND

Eswatini Bank held its Annual General meeting on the 27th June 2023 in Ezulwini. The Annual General Meeting decided to issue and pay a dividend of E2.3 million from the net distributable profits to the shareholder, Eswatini Government for the financial period 31st March 2023.

9. COMPLIANCE STATEMENT

The Board and Management shall endeavour to uphold the rules and practices of good corporate governance and respond quickly to changing circumstances within a framework of solid corporate values to the benefit of all stakeholders.

10. CORPORATE SOCIAL RESPONSIBILITY

Eswatini Bank ran a coordinated programme for Corporate Social Responsibility throughout the year under review. The Bank ploughed back to the community through sponsorships, donations to various activities and organisations country wide in line with good corporate governance principles.

11. STRATEGY REVIEW

The Bank engaged in a strategy review with emphasis on culture change and reliable banking systems, as the only way to successfully deliver on the strategy. The reviewed strategy involved all staff members culminating in its roll-out to all staff through roadshows, to ensure that staff was cognisant of the key focus areas and what each staff member is expected to deliver on.

12. FUTURE OUTLOOK

In accordance with the Bank's development mandate, the Bank will continue to actively participate in and support all sectors of the economy despite limited economic output, rising interest rates and international political tensions. In addition, the outlook for new financial challengers, including fintech and cryptocurrency sellers, is likely to be even tougher. Hence, the continuous enhancements of the Bank's product offering remain a key focus area as this will enable the Bank to effectively respond to all customer needs.

13. CONCLUSION

On behalf of the Board, I would like to thank the leadership team, and the more than 300 employees across the Bank's footprint, for their hard work and commitment. We can always count on our staff to provide the expert advice and dedicated service our customers need to achieve their goals despite these uncertain times.

I also want to thank you, our shareholder, for your continued confidence and engagement as we build a better Bank, for every future. All the Bank's efforts will be in vain without the anchor support of the Regulator (s).

Finally, my special thanks go to my fellow Directors on the Board for their contribution and dedication. It is a privilege to work with such an engaged and enthusiastic team of colleagues with a wide range of diverse skills and experience to guide and steer the Bank's affairs.

Dr Sipho V. Nkambule

Board Chairperson (A)

MANAGING DIRECTOR'S REVIEW

The Bank realised a profit of E14.640 million during the year which is largely a result of positive growth mainly in interest income driven by prior year and current year growth in the loan book

The year 2023 saw the local economy growing at 4.8 percent which is a substantial recovery when compared with the 0.5 percent that was seen in 2022. This recovery is largely attributed to impressive growth seen in the tertiary sector. Growth in the tertiary sector was driven by recovery in the ICT and Financial Services Sectors whilst the "wholesale & retail" together with "tourism activities" also showed improvements.

The Secondary Sector was subdued during the period under review on the backdrop of a decrease in electricity supply and a slowdown in construction activities. The Primary Sector contracted by 2.3 percent, and this was as a result of negative weather conditions experienced during the year.

INFLATION

The country's annual headline inflation averaged 5.0 percent for the period under review. This was a slight increased from the 4.8 percent that was seen in 2022. The local currency remained weak against major currencies thus influencing the inflationary pressures.

INTEREST RATES

In line with its mandate on price stability, the Central Bank of Eswatini increased interest rates during the period under review. Interest rates grew from an average of 5 percent seen in 2022 to an average of 7.33 percent seen in 2023. Interest rates closed the year at 7.5 percent increasing from of 6.75 percent at the beginning of the year.

BANK PERFORMANCE

The Bank realised a profit of E14.640 million during the year which is largely a result of positive growth mainly in interest income driven by prior year and current year growth in the loan book. Total assets increased by E73.991 million (2.6%) from E2.848 billion in the previous year to E2.922 billion in the current year. The total assets growth was driven by an increase in new funding balances.

The positive performance was driven by continued improvements in the economy. The Bank participated in funding projects in these key sectors and also increased customer deposits.

Total assets closed at E2.922 billion, out of which gross revenue totalling E386.506 million was generated. The total assets increased by E73.991 million (2.6%). This was due to new funds raised through customer deposits, which increased by E249.152 million partly offset by a reduction in Special Funds (E155.273 million) and repayments of long term borrowings (E47.965 million).

The Bank experienced modest growth in lending activity. The loan book increased by a net E72.785 million from E1.773 billion in the previous year to E1.846 billion in the current year. Significance growth was realised in Corporate Business, Asset Finance and Housing Loans. As a result, the gross loan book increased from E1.978 billion in the previous year to E2.032 billion in the current year.

Summary of Salient Features of the Financial Statements

	2023 E'000	Change 2023/2022	2022 E'000	Change 2021/2022
Total Assets	2 922 389	2.6%	2 848 398	15.0%
Customer Deposits	1 836 013	15.7%	1 586 861	7.9%
Net Advances	1 846 146	4.1%	1 773 361	18.5%
Interest & Investment Income	259 096	28.0%	202 343	(2.1%)
Interest Expense	103 077	48.7%	69 311	(0.3%)
Operating (loss)/profit	14 640	(49.9%)	29 236	(14.0%)

INFORMATION TECHNOLOGY ENHANCEMENTS

In line with the Corporate Strategy, the Banks' key focus was enhancing digital product offerings whilst strengthening the control environment. Efforts were channelled towards enhancing the cyber security environment. This entailed upgrading the fire walls, implementation of vulnerability scanning and monitoring solutions.

Network stability, branch network link speed upgrades and ATM uptime improvements are some of the achievements realised in the current year. This has significantly improved "customer service".

CORPORATE SOCIAL INVESTMENT

The Bank makes deliberate efforts to support the under-privileged through participating in various initiatives that assist in poverty alleviation. During the year, two houses were constructed and handed over to an elderly family and a child-headed family of eight.

The Bank also continued with its' annual support to Eswatini Bank Schools Music Choral Competition, Junior Achievement and Enactus Programmes.

FUTURE OUTLOOK

The Bank continues with the implementation of its' three year strategy (2022-2025). Growth in financial performance is envisaged as the Bank invests in people development, internal processes, risk management, enhanced digitisation and improved customer service.

APPRECIATION

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

Ms. Nozizwe Mulela

Managing Director

Ms. Zanele Dlamini
Executive Manager Finance

OVERVIEW OF RESULTS

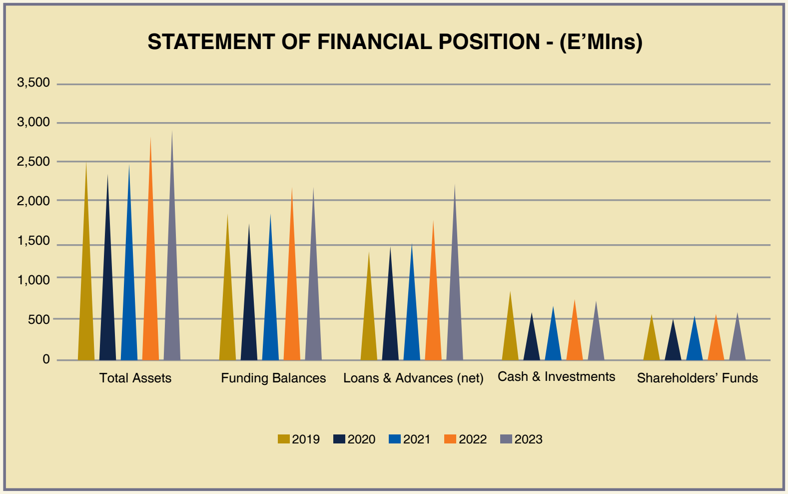
Profit for the year decreased to E14.640mln from E29.236mln realised in the previous year. Current year performance was impacted by an increase in credit impairments. Prior year had a write-back of E16.804mln whilst the current year write-back reduced to E3.958mln. Funding costs also increased substantially as demand for liquidity increases in the market. Demand for lending improved during the year as businesses recover from the effects of the Covid-19 pandemic.

STATEMENT OF FINANCIAL POSITION

Total assets amounted to E2.922 billion reflecting an increase of E73.991 million (2.6%) from the E2.848 billion realised in the previous financial year. Growth was mainly driven by an E249.152 million increase in customer deposits, E15.875 million increase in Shareholder's Funds (E14.640 million profit generated during the year) partly offset by an E155.273 million decrease in Special Funds.

Net loans and advances increased from E1.773 billion in the previous year to E1.846 billion in the current year, reflecting an increase of E72.785 million (4.1%).

Summary of the Banks' Financial Position:



Loans & Advances

Gross loans and advances totalled E2.032 billion at the end of the financial year. The gross loan book increased by E54.519 million (2.8%) from the prior year loan book which totalled E1.978 billion. Significant loan book growth was realised in: Corporate Business E48.778 million; Asset Finance E32.240 million, Property Finance E9.878 million and Premier Banking E6.081 million. Marginal reductions were experienced in Personal Loans E12.255 million, Agribusiness E5.542 million and SMME E2.180 million. The reductions were mainly due to normal loan repayments. The Bank continues to execute its' lending mandate in line with shareholder expectations.

MSME Revolving Fund Loans

The Bank was, through the Ministry of Commerce, tasked with hosting and administering of the MSME Covid Relief Fund. The Fund was aimed at providing short to medium term funding to SMMEs whose businesses were adversely impacted by Covid 19. The MSME Revolving Fund loan book was at E9.561 million and reduced from E31.370 million reported at the end of the previous financial year. The reduction is largely a result of repayments and write-offs of non-performing loans. The fund had a balance of E15.183 million at the end of the financial year.

Funding Balances

Funding balances comprise long-term borrowings, customer deposits and special funds. Funding balances totalled E2.245 billion at the end of the financial year and have increased by E45.914 million from the prior year (E2.199 billion). The increase is due to:

- ***Customer Deposits:*** E249.152 million increase. Significant growth was realised in wholesale term deposits (E195.677 million), current accounts (E51.673 million) and investments & savings accounts (E12.065 million).

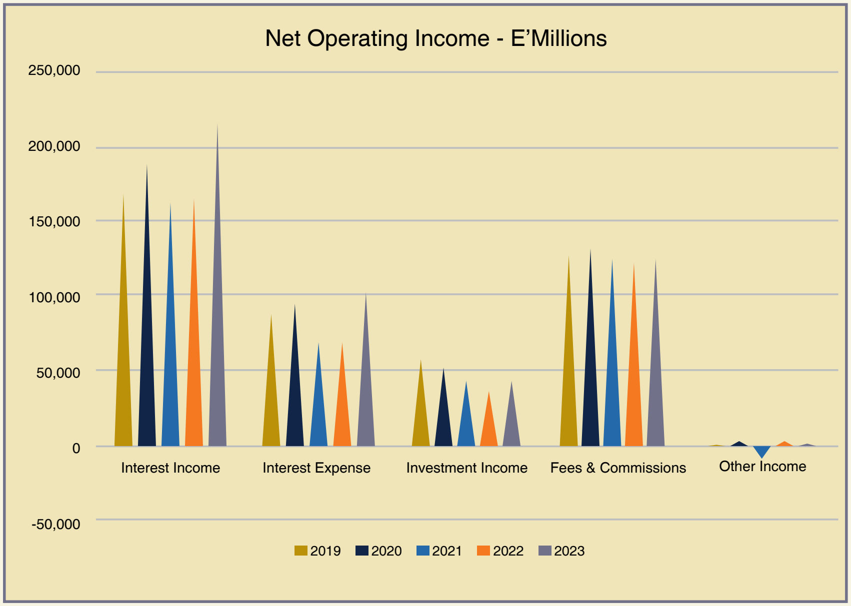
The growth in customer deposits was partly offset by outflows in respect of:

- ***Special Funds:*** E154.872 million reduction. The Bank hosts The Reconstruction Fund, a Government Fund which seeks to partially compensate businesses that were impacted by the June 2021 political unrests. The reduction in the fund balance is in respect of payments made to the respective businesses who sought assistance from The Fund.

- Long-Term Borrowings: E47.965 million decrease due to repayments made in line with the agreed terms and conditions.

Statement of Profit or Loss and Other Comprehensive Income

The Bank generated a profit of E14.640 million, which decreased by E14.596 million from the E29.236 million realised in the previous financial year. The profit reduction was mainly due to: Increase in impairment provisions, which reduced the net impairments write-back to E3.958 million in the current year from E16.804 million realised in the previous year. Whilst the bank realised growth in interest income, this was partly offset by the growth in operating costs. Management of operating costs was a key focus area, hence the overall increase was marginal at 0.7%.



Net Interest Income

Net Interest Income generated during the year amounted to E156.019 million reflecting an E22.987 million increase from the E133.032 million realised in the previous financial year. The growth is largely driven by the prior year growth in the loan book resulting in full year interest income generated in the current year.

Non-Interest Revenue

Non-Interest Revenue generated during the year amounted to E127.410 million. Non-Interest Revenue comprises commission income, other operating income and other losses & gains. Growth realised in non-interest revenue amounted to E0.650 million and was mainly due to an E2.236 million increase in commissions offset by an E2.175 million reduction in other gains / losses (mainly revaluation of off-balance sheet items).

Total Operating Expenses

Total operating costs incurred during the year totalled E277.749 million and increased by E26.769 million from the E250.980 million incurred in the previous year. Major increases were mainly: staff costs E12.272 million, IT systems support costs E2.203 million, MasterCard support costs E3.995 million, Insurance and Marketing costs.

Credit Impairments

The Bank realised provisions write-back totalling E3.958 million in the current year due to improvements in some of the significant non-performing loans. This was however lower than the prior year write-back which amounted to E16.804 million due to some loans that showed signs of distress, hence an increase in their impairments.

Regulatory Requirements

The Bank complied with all regulatory requirements. The Capital Adequacy Ratio was 20.97% against a minimum requirement of 8% and the Liquidity Ratio was 22.98% against a required ratio of 20.5%.

Audit Report

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

FUTURE OUTLOOK

The Bank continues with its digitization journey and the key focus areas are the Internet Banking Platform and enhancements of the Banking App in order enhance the customer experience.

BANKING OPERATIONS

Mr. Enock Mavimbela
Executive Manager Banking Operations

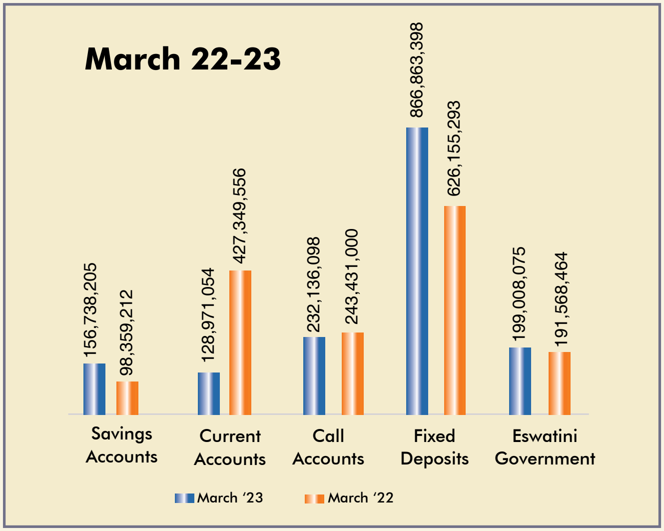
1. BRANCH NETWORK

Eswatini Bank increased its footprint from ten branches in the previous year to eleven branches in the year under review, located strategically in major economic zones in the country. The number of active Auto Teller Machines increased to sixty five during the year under review.

2. DEPOSITS

The value of customer deposits held by the bank at the end of the period under review was E1.836 Billion whereas we had E1.586 Billion the previous year. This reflects a decrease of 15.70% from the previous year. A total of 16 326 new accounts were opened compared to 11 253 opened in the previous year. A significant reduction was, however, observed on current accounts as compared to the lower turnover threshold transactor accounts.

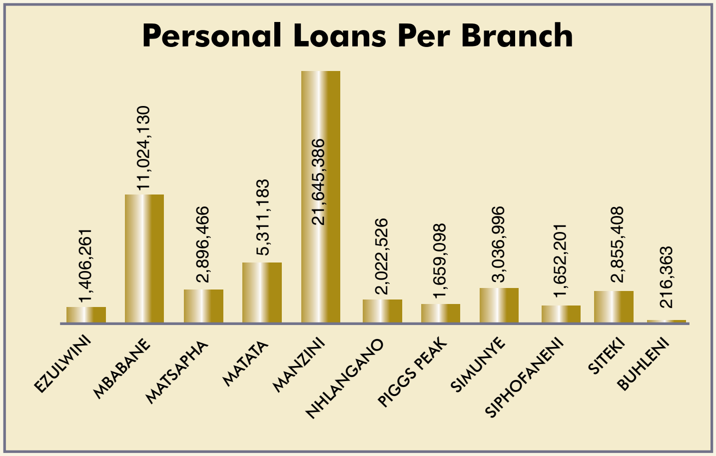
DEPOSITS BY PRODUCT TYPE - MARCH 2023



3. PERSONAL LOANS

The personal loan portfolio decreased by E -18 655 175 from the reported E 72 164 830 on 31st March 2022. A total of 1946 personal loans valued E 53 509 655 were granted during the year compared to a total of 1902 in the previous year. Distribution of these loans by branch is as shown below:

LOANS APPROVED BY BRANCHES DURING 2022/23 FINANCIAL YEAR



4. ELECTRONIC BANKING.

There were 348 305 number of Merchant POS transactions processed in the year 2023 amounting to E 286 959 345 while in the previous year 255 201 transactions amounting to E 202 253 961 were reported. This shows an increase of 36% in the number of transactions compared to the previous year. Number of ATM transactions decreased by 37 795 transactions during this financial year.

	22-Mar		23-Mar	
Transaction Type	Number	Amount	Number	Amount
Purchases	255 201	202 253 961	348 305	286 959 345
ATM OFFUS - Transactions	7 464	8 596 409	7 811	10 348 479
ATM FOREIGN CARDS- Trans	21 966	30 747 086	19 594	30 992 009
ATM ONUS - Withdrawals	1 036 904	1 422 326 550	999 109	1 413 626 960
ATM ONUS - Deposits	26 706	25 727 870	76 831	86 914 690

DIGITAL BANKING

There has been an increase in demand and usage of the digital products (internet banking, Mobile App and USSD) by customers. This is shown in the table below:

	22-Mar			23-Mar
Transaction type	Number	Amount	Number	Amount
Airtime Service	108 978	3 934 227	132 186	4 150 184
Cardless Withdrawal	135 734	155 242 360	171 449	185 893 760
Bill payments	23 990	8 869 470	27 511	6 356 359
FT- Eswatini Bank	29 133	426 130 843	31 885	384 115 425

5.SMALL MEDIUM MICRO ENTERPRISES (SMME) DEVELOPMENT& EMPOWERMENT

5.1 LOAN BOOK GROWTH

The SMME Department performance declined in the financial year 2022/2023 compared to the previous year; which is due to the post effect of the COVID 19 pandemic which negatively impacted SMMEs and in particular, the bank's clients. The COVID 19 relief fund which was introduced to resuscitate businesses that were affected by the pandemic was fully disbursed. However, it did not perform well since most customers are failing to repay their loans. The Department's portfolio started at E73.000Million in April 2022 and in March 2023 total approved and disbursed loans stood at E52.626Million and total portfolio size at E49.169Million

During the period 2022-2023, there was a 107% decrease in approved MSMEs loans, 51% decrease for ODs and a 38% decrease on Business loans compared to the previous year. There was also 107 increase on approved SSELG, and a 59% increase on approved Bridging loan facilities. The decrease for approved loans in the other facilities were mainly due to the deliberate reduction lending activity whilst focusing on improving collections. We also have overdraft facilities under the construction industry which are granted for a period of 12 months on a renewable basis and bridging finance facilities which are granted and cleared every 3 to 6 months. Due to the short term nature of bridging finance loans and some OD facilities; most of these were cleared in June, October and December 2022, hence the fluctuation of the portfolio during the year. Also, the total of E28Million MSME written-off loans was the main contributing factor to the departments' portfolio.

The year-end target was E84Million and actual loan portfolio stood at E49 168 822 with a negative 43% below target achievement. The drastic drop in portfolio size resulted from E28Million written off from the Revolving fund. The Department was also given a target to bring 700 new customers; which target was exceeded by 35.29%- 947 new customers were acquired. The high number can be attributed to the MSME Revolving fund customers as all those who are granted loans under the scheme should open accounts with us. However, total loans approved decreased from 1 102 to 639 between the two years.

The units total approved loans stood at E100,923,192 approved loans and over 50% were paid off leaving portfolio to close at E49,168,822.

5.2 TRANSACTOR ACCOUNTS AND INVESTMENTS

In the year 2023, the SMME unit plus branches opened new accounts totaling to 947. The year-end target of 700 accounts was exceeded by 35.3%.

5.3 LOAN PORTFOLIO AND DEPOSIT ACCOUNT ANALYSIS

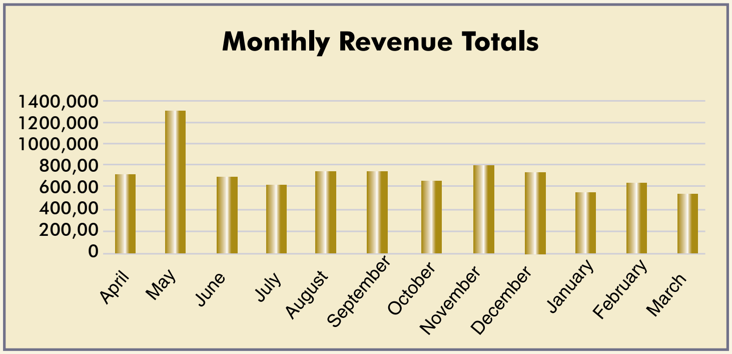
The SMME portfolio size keeps fluctuating due to the short nature of the facilities, which are cleared mostly before expiry of 12 months. In April 2022, SMME exposure stood at E73 Million while in March 2023 it stood at E49 Million. A bulk of the portfolio was made up of ODs which accounted for 37%, followed by MSME loans which accounted for 19%; while bridging loans, business and SSELG loans accounted for 44% of the total exposure.

Month	Portfolio Size	Variance (%)	Movement from Previous
April	83,080,906	-	0
May	75,734,805	-9.70	-7,346,101
June	89,032,504	14.94	13,297,699
Q1	89,032,504	-	
July	89,946,186	1.02	913,682
August	85,320,813	-5.42	-4,625,373
September	77,830,291	-9.62	-7,490,522
Q2	77,830,291	100.00	-11,202,213
October	74,767,161	-4.10	-3,063,130
November	77,176,386	3.12	2,409,225
December	65,269,499	-14.55	-11,906,887
Q3	65,269,499	-30.72	-12,560,792
January	59,685,312	-9.36	-5,584,187
February	61,766,686	3.37	2,081,374
March	49,168,822	-25.62	-12,597,864
Q4	49,168,822	-52.06	-16,100,677

5.4 REVENUE GENERATED

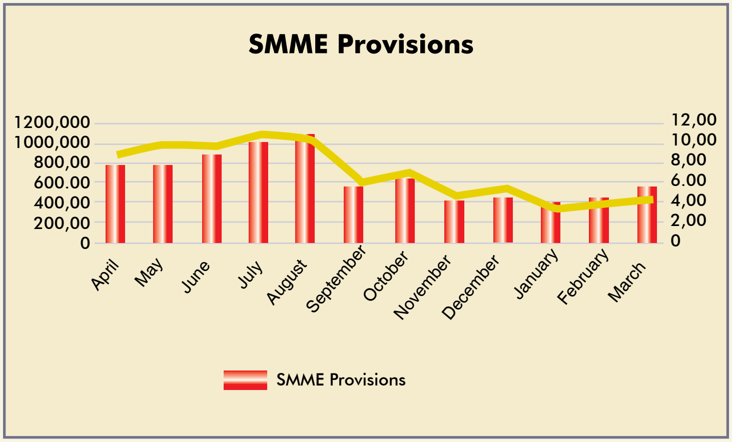
Total revenue generated during the year 2022-2023 stood at E9.0 Million against a target of E8.9 Million. The Department met and exceeded its yearly target by 2%.

Interest received in 2022/2023 stood at E6.7 Million, being 75% and on the other hand, total fees and commissions totaled E2.4 Million, being 27% of yearly target of E8.9 Million.



5.5 PROVISIONS ANALYSIS

The provisions to portfolio size stood at 5.16% of bank's total impairment at the beginning of the financial year while at the end of the year they were at 3.5%. With regards to Bank's provisions to SMME portfolio ratio, there has been a minimal upward movement from 9% in April 2022 to 12% March 2023. This is an indicator that fewer loans are go bad, needing to be handed over to collections.



5.6 PAST DUES

The Department has worked hard to manage arrears and minimize handing over of loans to Collections. Arrears on active loans were E2 512 253 at beginning of the year and stood at E2 183 638 at year end, March 2023. At the beginning of the year, the SMME Department was given a target to ensure that loan arrears do not exceed 5% of the unit's portfolio on a monthly basis. This was achieved at the end of March 2023 past dues were at 4.9% of the loan book.

5.7 PARTNERSHIPS

The department also managed to secure partnerships for the bank with the following institutions:

1. Construction Industry Council
2. SEDCO
3. Ministry of Commerce and Trade (MRF)
4. Junior Achievement (JA)

The department was also instrumental in the reviewing of the Small Scale Guarantee Scheme limit from E500 000 to E1 000 000 and also the Export Guarantee Scheme with a limit of E3 300 000.

6. AGRIBUSINESS

6.1 APPROVED LOANS

Figure 1: Loans Granted Annually From 2021 to 2023

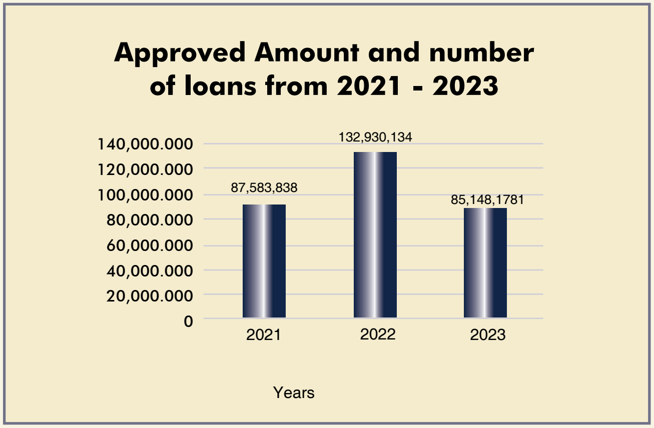
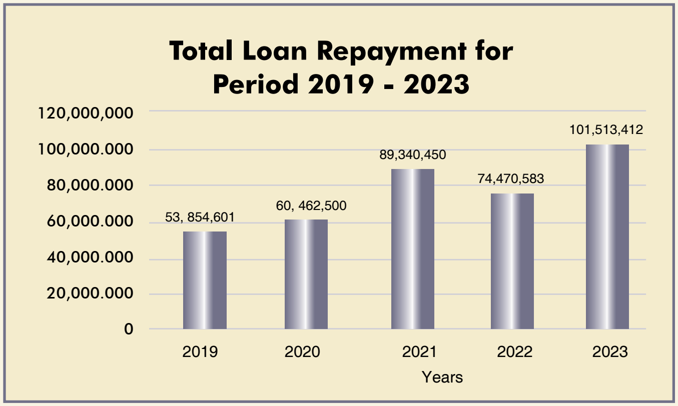


Figure 1 shows the total number of loans and amounts granted per year for the past three years beginning from 2021 up to 2023. The year 2021 shows an amount of E87,583,838 approved followed by a 51.8% increase in 2022 to E132,930,134, followed by a negative increase of 35.9% in 2023 to E 85,148,781. The trend on the number of approved loans also indicates an inconsistent graph, a total number of 105 loans were approved in 2021, 2022 shows an increase by 17% to 123 loans and finally 2023, a decrease of 30 loans in number to 93 showing a 24% decrease.

7. LOAN REPAYMENTS

Figure 2: Agricultural Loan Repayments for the Past Five Years



Loan repayments have increased all the years from 2018 and 2021 and the decline in 2022 was due to heavy rains received towards the end of harvesting season which resulted to some fields being harvested in January 2023. Then in 2023, the repayment amount increased by 36.3% to E 101,513,413.

8. TOTAL LOAN EXPOSURE

Figure 3: Total Portfolio Exposure for Period 2019 - 2023

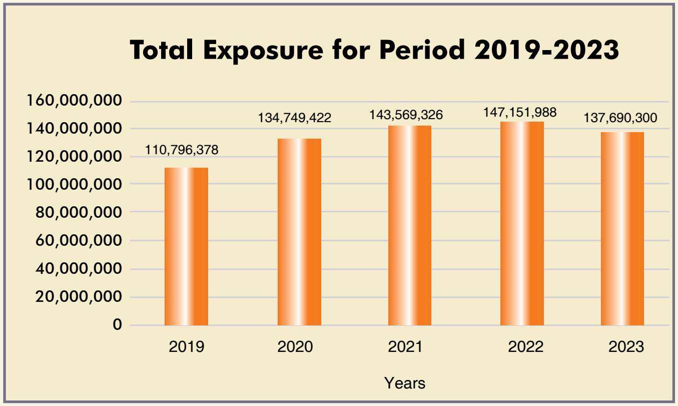


Figure 3 shows the trend for the total loan portfolio for the agribusiness portfolio beginning from 2019 to 2023. The general trend displayed shows a continuous increase in exposure through the period from year to year. In 2023, the exposure took a negative posture where E 137,690,300 was recorded, indicating a 6.4% decrease.

9. INTEREST INCOME

Figure 4: Interest Income for the Period 2019 – 2023

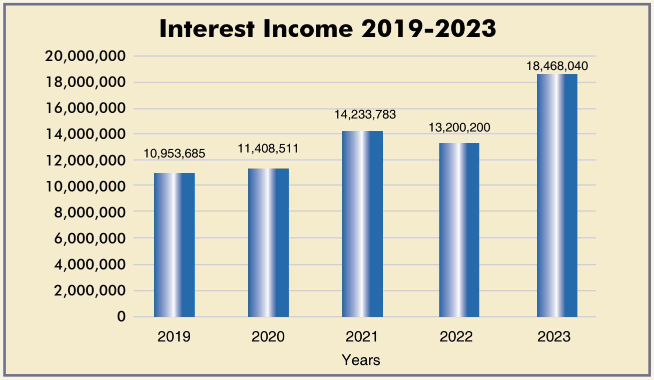


Figure 4 shows the trend for the interest income for the agribusiness portfolio beginning from 2019 to 2023. The general trend displayed shows a steady increase from 2019 to 2021 and then a decline in 2022. The interest received in 2023 increased by E5,267,840.00.

10. FEES AND COMMISSIONS

Figure 5: Fees and commissions for the Period 2019 – 2023

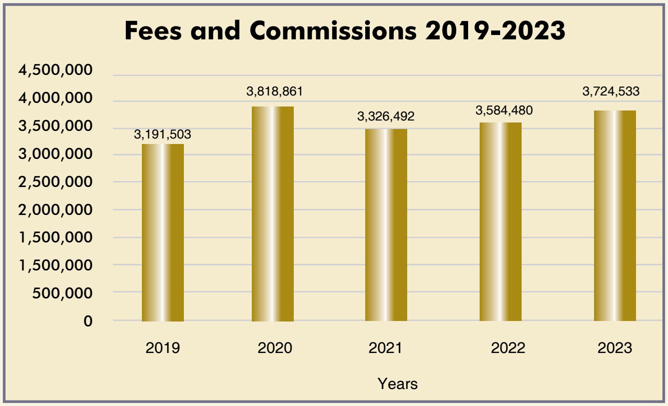


Figure 5 shows the trend for the fees and commission for the agribusiness portfolio beginning from 2019 to 2023. The commissions received are not consistent. Fees and commissions figures are influenced by an increase/decrease in loan contract and loan restructuring. These fees are part of non-interest income.

11. CONCLUSION

Generally there was an average performance in the sugarcane industry in Eswatini during the year 2019-2023. This sector accounts for about 62.31% of the agribusiness portfolio at Eswatini Bank. Total sucrose revenue of E210,104,389 was received during the year against E220,753 927 which was received the previous year indicating a 5.1% decrease. This decrease is a result of reduction of sugarcane businesses. The bank has to strike a balance in financing projects in the other sectors outside sugarcane for diversification purposes. Already diversification has been done in banana, vegetables, feed lots, beans, maize and many other projects within the LUSIP area. The bank has already financed 4 Projects under LUSIP II, who are producing sugarcane, banana, beans and vegetables. The value of the 4 approved loans under LUSIP II is E57, 118, 197.00.

In addition to the signed participation agreement with Central Bank of Eswatini for Small Scale Loan Guarantee (SSLG) and the Export Credit Guarantee (ECG), the Bank has entered into Memorandum of Understanding (MoU) with National Agriculture Marketing Board (NAMBoard), Centre for Financial Inclusion (CFI), Eswatini National Agriculture Union (ESNAU), and Eswatini Agriculture Development Fund (EADF). These financial instruments have helped the bank to finance projects in the other sectors outside sugarcane for diversification purposes. It has also reduced the inherent risk for other crops because all facilities are now covered 100% by the Credit Guarantees.

The bank is also working towards being accredited to house Green Climate Fund, which will enable the bank to support climate resilience and transformational change in agriculture.

INFORMATION TECHNOLOGY

Mr. Vusi Sambo

Executive Manager Information Technology

1. IT STRATEGIC PROJECTS

Throughout the reporting period, the IT department diligently pursued projects aligned with the bank's strategic goals. Key focuses included enhancing the bank's digital products to expand customer reach and enhance user experience plus the implantation of the Performance Management system.

Noteworthy achievements include the successful completion of the Internet banking platform which encompasses the retail banking module, corporate banking module, and streamlining corporate banking workflows for seamless customer transactions such as bulk payments. Furthermore, the team successfully implemented the Performance management system, in collaboration with the Human Capital department, to enhance staff members' performance monitoring and appraisal processes.

On the technical front, efforts were directed toward enhancing the bank's cybersecurity posture, including upgrading perimeter firewall capabilities and implementing robust vulnerability scanning and monitoring solutions.

Operationally, maintenance and support initiatives targeting network stability, branch network link speed upgrades, and improved ATM uptime through UPS replacements, were executed to enhance overall systems availability

2. SYSTEMS UPTIME AND SERVICE AVAILABILITY

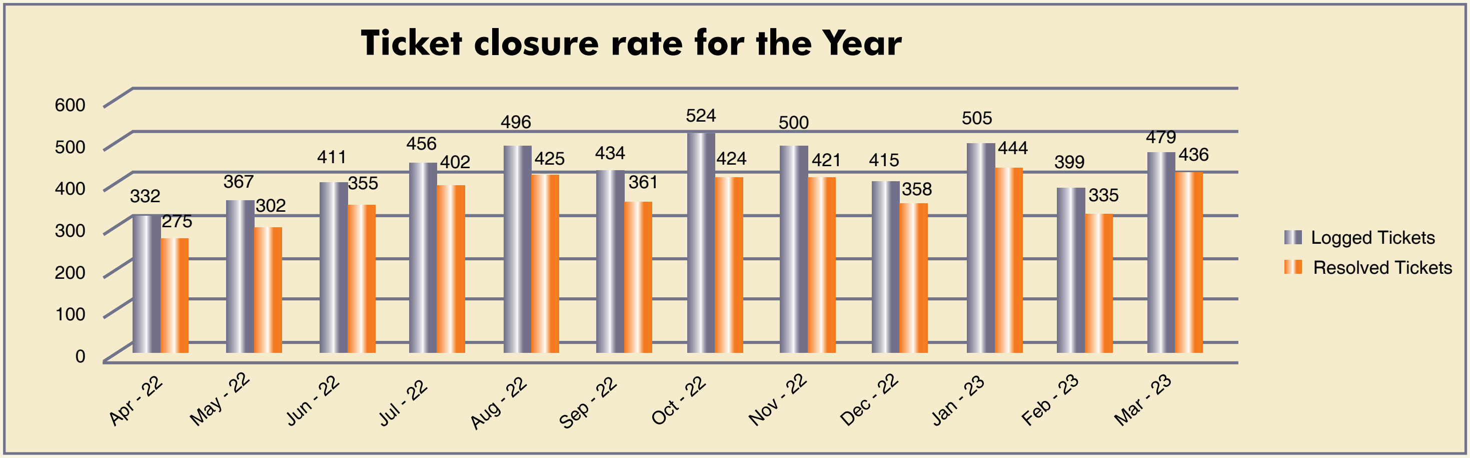
Below is a concise overview of the average uptimes for the systems during the year under review:

Category	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Yearly Rating
Systems	99.43	99.96	99.93	99.41	99.5	99.24	99.09	99.39	99.58	99.75	99.6	99.3	99.52
Networks	99.95	99.97	99.95	99.93	99.94	99.89	99.02	96.36	99.87	99.88	99.93	99.95	99.55
ATMs	99.89	99.92	99.48	99.88	99.29	99.09	99.37	96.4	99.73	99.57	99.37	96.87	99.07
Average	99.76	99.95	99.79	99.74	99.58	99.41	99.16	97.38	99.73	99.73	99.63	98.71	99.38

Throughout the year under review, the network uptime demonstrated consistency, ranging from 99.02% in October 2022 to a peak of 99.95% in March 2023. Similarly, ATM uptimes fluctuated between 96.40% in November 2022 and 99.92% in March 2023. The overall average uptime ratings for the ATMs showcased a trend of challenges and a need for enhancement into the future, with figures ranging from a low of 96.40% in November 2022 and 96.87% in March 2023. This condensed overview provides insight into the IT system uptimes for different categories over the reporting period.

3. BUSINESS SUPPORT ON IT SYSTEMS

The department also supported the Business on all systems and below is the helpdesk ticket closure rate (Within SLA) for the year under review:



The number of logged tickets showed variations throughout the year, with a range from 332 in March 2022 to a peak of 524 in October 2022. Similarly, the number of resolved tickets fluctuated, with the lowest being 275 in April 2022 and the highest at 444 in January 2023. These figures reflect the department's consistent effort in addressing and resolving business support tickets promptly and efficiently.

4. FURTHER GOALS

The Bank continues to pursue its digitalization agenda and the focus for the next financial year will be the implementation of Agency Banking, Merchant Point of Sales (MPOS), Cybersecurity enhancements, and further enhancement of the Internet Banking platform with more focus on the Corporate Banking platform, among other initiatives.

BUSINESS BANKING

Mr. Druce DeJesus Sargo

Executive Manager Business Banking

1. CORPORATE BUSINESS

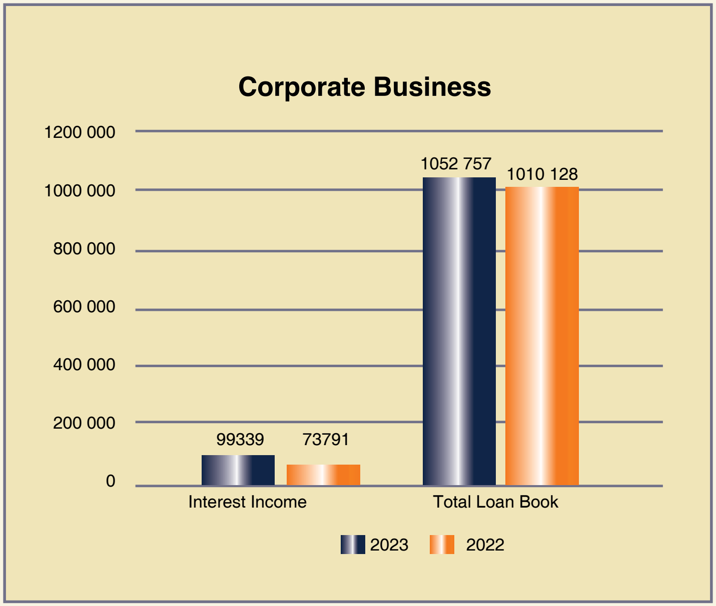
The financial year showed a significant improvement compared to the previous year which proved to be challenging after coming out of the covid crisis which was followed by a global economic suppression due to the war in Ukraine and Russia. The loan book increased by 4.2% compared to previous year, closing at E1.052 billion from E1.010 billion in previous year.

Interest income grew by 35% compared to prior year, closing at E99.339 million from E73.791 million in previous year. The non-performing loans decreased by 14% compared to previous year, which is from E281.301 million to E242.807 million during the year.

We saw some positives from the improved economic activities which resulted in improved performance and ability to service facilities.

Deposits grew to E584.085 million as at the end of March 2023 following deliberate focus on improving our transactional channels to provide our clients better transacting flexibility.

The unit will continue to play its role in driving sustainable growth across all key economic sectors of the country through active participation in viable projects through structured finance and provision of customised transactional banking solutions, enhanced with the upgraded digital banking platform.



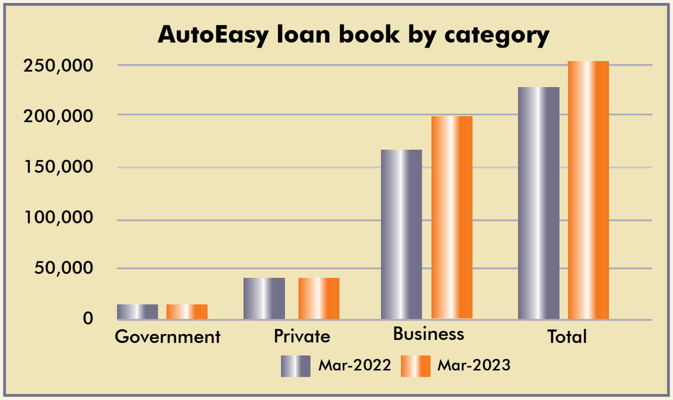
2. ASSET FINANCE

The asset financing department performed quite well during the financial year 2022/2023 compared to the previous year despite the economic downturn which negatively affected most of our SMME clients. We realised an increase in the loan book reflecting equitable growth of 18%, ending the year at E258 million against E226 million the previous financial year. This was driven mainly through financing of fleet replacements for our corporate clients as well as growth in the transport and communication sectors.

Our visibility in the market was enhanced resulting in improved financing of private vehicles despite the shortage of supply of new vehicles by dealerships which was the biggest challenge in the private sector.

This sector was hit with several challenges in the year, the Russia / Ukraine war resulted in delays in sourcing vehicle parts thus delaying delivery of new vehicles, the political unrests which happened in the country and a few other economic factors meant clients had to tread carefully in new asset acquisitions.

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

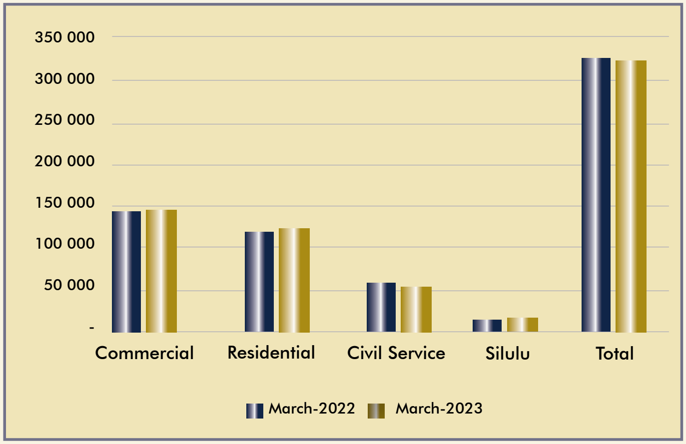


The unit is well placed for future growth as we solidify our strategic initiatives and focus on growth sectors of the economy. We will continue to intensify our proactive approach in seeking new business opportunities through bringing the Bank to the clients and through increased market visibility.

3. HOUSING AND PROPERTY FINANCE

The loan book showed a decline of 1% year on year, from E312,480,000 in March 2022 to E309,218,000 in 2023 following a subdued financial year. We realised slight increases of 1.2% and 1.4% in the Commercial and Residential Housing loan products respectively but this was offset by decreases of 9.7% and 3.7% on the Civil Service and Silulu products. Interest income increased year on year from E23,362,000 to E27,730,000 assisted by releases of suspended interest following outstanding payments made and restructures in the year.

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

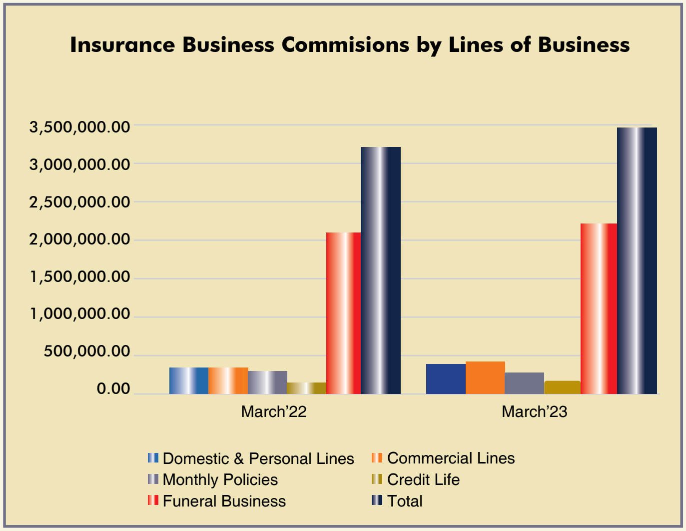


Several initiatives have been identified and are being rolled out to improve the performance of this book in the coming financial year. These initiatives include taking a more proactive approach in interacting with key stakeholders and clients in the awareness of our products and packaged solutions.

4. INSURANCE BUSINESS

The Insurance Business Unit growth strategy has always been ensuring that we stay close to all the bank's lending units in our endeavour to compliment the lending units with our diverse insurance product offering. Our product offering cuts across all financed assets, loans granted and as well as offering funeral cover policies to customers.

Our source of revenue is from commission earned from the variable insurance contracts that are secured in-house. Commission revenue is recognized monthly as earned. The unit generated commission of E3.4 million for the year, improving from E3.3 million generated in the previous year. The graph below shows how each of the business lines performed during the year under review compared to the previous financial year;



5. Outlook

We will focus on on-boarding new customers, customer retention and enhance customer experience. We strive to introduce new products which will provide relevant and affordable protection to our customers. Our ambition is to explore and signup new partnership opportunities across the many stakeholders with which we can work to grow through innovative, sustainable, and impactful solutions.

INTERNAL AUDIT

Ms. Lindiwe Mlambo
Executive Manager Internal Audit

The Eswatini Bank Internal Audit's mandate is to provide independent assurance to the Board over the effectiveness of management's implemented system of internal controls, governance and risk management practices. Internal Audit provides insights into the business and adds value to the Bank's operations.

The Internal Audit's aim is to become the business' most trusted advisor and thus the need for internal audit to continuously adapt faster against the ever-emerging and changing business risks. The internal audit catalogue is continuously evolving to include a new range of services aimed at meeting the business demands and regulatory requirements.

Internal Audit produced a risk based annual audit plan for the year 2022/23, after a consideration of the most critical business risks faced by the Bank in the internal and external environments, regulatory requirements, the Bank's strategic focus and the hot topics for internal audit as reported by Gartner. 60% of the audits were completed at year end and 40% completed after year end. This was as a result of the overruns from the 2021/22 financial year, vacancies in the department, high coverage of issues assurance and the implementation of the Audit Software.

Audits were performed for areas assessed as high to very risk, which included audits over revenue assurance, compliance and operational risk as it relates to Exchange Control, Market Conduct, Anti-Money Laundering, Combatting Financing of Terrorism and Sanctions and Suspense and Impersonal Accounts audits. The Credit risk was also covered under the Credit Risk Management Audit and the IT risk remained a key risk which audit responded to through issues validation and an Information Technology General Controls audit.

Issues Validation remained a focus area for the year. The effectiveness of the tone at the top and redefined ways of work saw a significant decrease in open audit findings by 61%, improving the overall systems of internal control. These findings cut across the organization with added efforts over IT risk, Operational risk and Credit Risk.

Internal Audit implemented the Audit software and the audits delivered in the year were performed in the Audit system. The department realized efficiencies in the automated auditing and issues tracking processes which enables management to perform real time tracking and updating of their audit issues.

CORPORATE SERVICES

Ms. Thembi Dlamini
Executive Manager Corporate Services

The financial year 2022/2023 saw a new Corporate Strategy for the Bank being introduced with a strong renewed focus on good Corporate Culture, Customer service and Selling. Below are the milestones worth celebrating in terms of Human Capital Management:

1. HIGHLIGHTS:

a) Job Evaluation exercise -The Job Evaluation exercise was successfully launched and it progressed well.

b) Recruitment - Recruitment of Manager Evaluations, Manager Compliance, and Wellness Specialist.

c) Managing Performance:
The Bank managed to implement an electronic performance management tool as it anchored a high-performance culture amongst staff members.

d) Promotions: The upward mobility is part of the Bank's offering to high potential employees towards encouraging a high-performance culture. In total forty-four (44) employees were promoted to various positions of responsibility.

2. HR ADMINISTRATION STATISTICS 2022/2023:

Manpower Levels:
Full-time Employee (FTE) Headcount/Manpower:
The below table indicates the breakdown of the staff complement by division and gender.

	2021/2022			2022/2023		
Divisions	Female	Male	Total	Female	Male	Total
Head Office	86	67	153	95	69	164
Mbabane	11	4	15	12	3	15
Piggs Peak	7	8	15	8	5	13
Mbabane Com	3	4	7	4	2	6
Ezulwini	4	3	7	4	2	6
Manzini	17	8	25	12	8	20
Matsapha	6	7	13	6	5	11
Opc	9	8	17	9	5	14
Siphofaneni	8	1	9	7	1	8
Cash & Atm	10	4	14	10	4	14
Nhlangano	10	5	15	7	5	12
Siteki	11	3	14	10	3	13
Simunye	11	3	14	10	4	14
Matata	9	9	18	7	8	15
Buhleni	-	-	-	2	3	5
	202	**134**	**336**	**203**	**127**	**330**

There was a slight decrease in the Bank's staff Complement between the year 2021/2022 and 2022/2023 as business processes were streamlined. The Company's staff complement at the close of 2022/2023 stood at 330.

a) Age Profile Analysis: 36.4% of the Bank's employees are within the highly productive 30-39 age bracket.

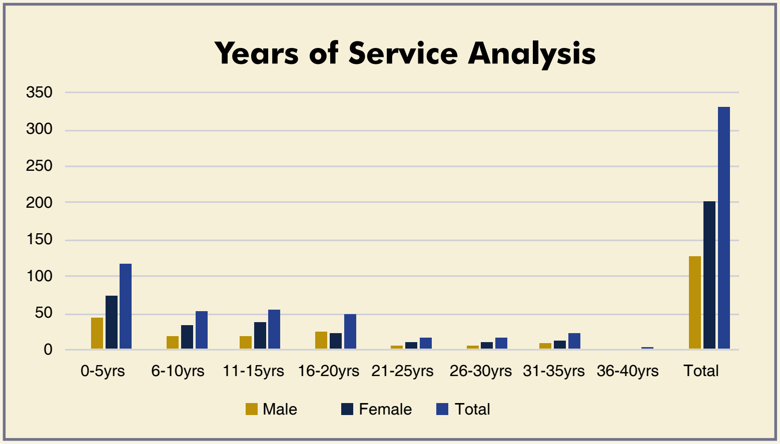
	2021/2022			2022/2023		
Age years	Female	Male	Total	Female	Male	Total
(20 – 29)	23	39	62	19	35	54
(30 – 39)	41	76	117	41	79	120
(40 – 49)	43	54	97	43	54	97
(50 – 59)	26	33	59	26	33	59
60+	1		1			0
Total	**134**	**202**	**336**	**129**	**201**	**330**

b) Length of Service profile:

(Yrs)	0-5	6-10	11-15	16-20	21-25	26-30	31-55	36-40	Total
Male	45	19	18	24	6	5	9	1	127
Female	73	33	37	24	10	11	13	2	203
Total	118	52	55	48	16	16	22	3	330

Figure 1

The graph depicts a gradual purposeful gender diversification approach in the Bank's recruitment.



3. HR MAINTENANCE:

Recruitment: The below table indicates the breakdown of Recruitment by division and gender.

Division	2021/2022			2022/2023		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Compliance	0	0	0	1	1	2
Credit	0	0	0	0	1	1
Finance	0	0	0	0	1	1
Housing	0	0	0	0	1	1
Human Capital	0	0	0	0	1	1
Internal Audit	0	1	1	1	0	1
MD's Office	0	1	1	0	0	0
Risk	0	0	0	0	2	2
SMME	0	0	0	1	1	2
Buhleni	0	0	0	0	2	2
Manzini	0	2	2	1	3	4
Marketing	0	2	2	0	0	0
Matata	1	0	1	1	0	1
Mbabane	0	1	1	0	3	3
Nhlangano	1	0	1	1	0	1
OPC	2	2	4	0	1	1
Piggs Peak	1	0	1	0	1	1
Siphofaneni	0	2	2	0	0	0
Siteki	0	1	1	0	1	1
Total	**5**	**12**	**17**	**6**	**19**	**25**

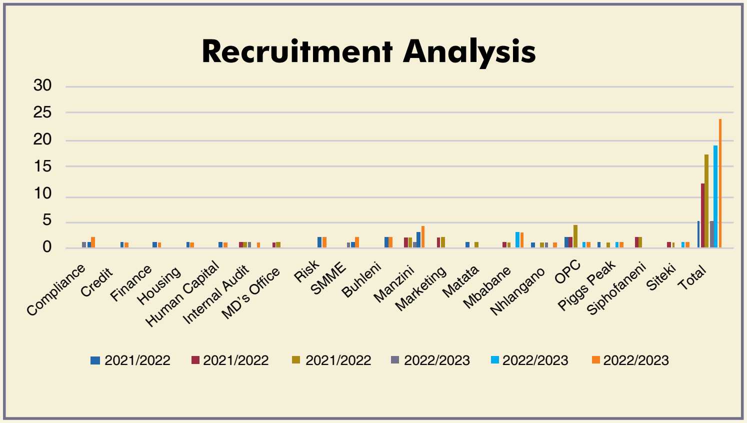


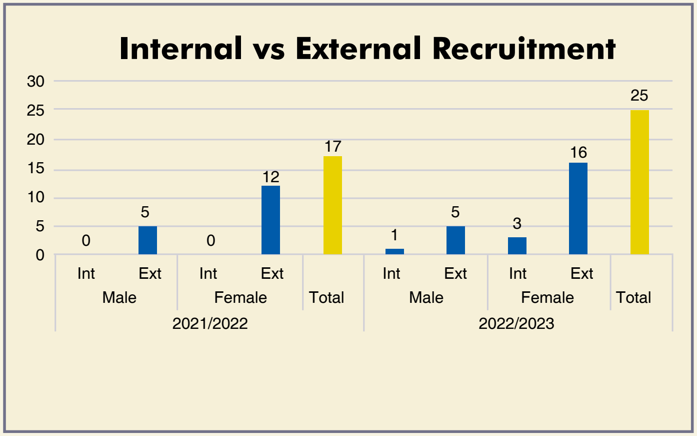
Figure 2

The high number of recruitments reflected is attributed to new strategic initiatives that necessitated structural changes and procurement of new skills from the market.

Internal vs. External Recruitment:

The below table indicates the breakdown of Internal and External Recruitment by division and gender.

Division	2021/2022					2022/2023				
	Male		Female		Total	Male		Female		Total
	Int.	Ext	Int.	Ext		Int.	Ext	Int.	Ext	
Compliance	0	0	0	0	0	0	1	0	1	2
Credit	0	0	0	0	0	0	0	0	1	1
Finance	0	0	0	0	0	0	0	0	1	1
Housing	0	0	0	0	0	0	0	1	0	1
Human Capital	0	0	0	0	0	0	0	0	1	1
Internal Audit	0	0	0	1	1	1	0	0	0	1
MD's Office	0	0	0	1	1	0	0	0	0	0
Risk	0	0	0	0	0	0	0	1	1	2
SMME	0	0	0	0	0	0	1	0	1	2
Buhleni	0	0	0	0	0	0	0	1	1	2
Manzini	0	0	0	2	2	0	1	0	3	4
Marketing	0	0	0	2	2	0	0	0	0	0
Matata	0	1	0	0	1	0	1	0	0	1
Mbabane	0	0	0	1	1	0	0	0	3	3
Nhlangano	0	1	0	0	1	0	1	0	0	1
OPC	0	2	0	2	4	0	0	0	1	1
Piggs Peak	0	1	0	0	1	0	0	0	1	1
Siphofaneni	0	0	0	2	2	0	0	0	0	0
Siteki	0	0	0	1	1	0	0	0	1	1
Total	**0**	**5**	**0**	**12**	**17**	**1**	**5**	**3**	**16**	**25**

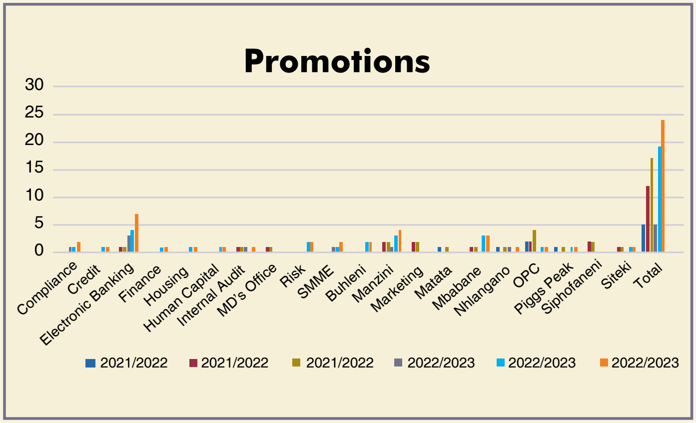


The increased number of external recruitments under the Risk, Compliance and SMME is a result of shortage of skill internally. The Branch Network shortage was triggered by internal recruitment to different Head Office departments.

4. HUMAN CAPITAL & TALENT:

a) Promotions: The upward mobility is part of the Bank's offering to high potential employees displaying potential and a high-performance culture.

Division	2021/2022			2022/2023		
	Male	Female	Total	Male	Female	Total
Auto Easy	0	1	1	0	0	0
Corporate Business	0	0	0	2	0	2
Credit	2	4	6	0	1	1
Electronic Banking	0	1	1	3	4	7
Housing	0	0	0	0	1	1
Information Tec	0	0	0	1	0	1
Insurance	0	1	1	0	0	0
Marketing	1	1	2	1	3	4
SMME	3	1	4	2	0	2
Buhleni	0	0	0	2	0	2
Ezukwini	0	0	0	1	0	1
Manzini	0	2	2	2	0	2
Manzini Cash Centre	0	0	0	0	1	1
Matsapha	1	2	3	0	1	1
Matata	1	0	1	2	2	4
Mbabane	0	0	0	1	0	1
Mbabane Commercial	0	0	0	1	1	2
Nhlangano	0	0	0	2	1	3
Piggs Peak	0	0	0	1	2	3
Risk	0	0	0	0	1	1
Simunye	2	1	3	1	2	3
Siphofaneni	0	1	1	0	2	2
Siteki	0	2	2	0	0	0
Total	**10**	**17**	**27**	**22**	**22**	**44**



There was an increase in promotions between the year 2022/2023 compared to the year 2021/2022 which was because of the strategic positions that were created by the new corporate strategy.

b) **Learning and Development Initiatives:** The new corporate strategy of the Bank necessitated that staff training in 2022/23 be targeted and more strategic. All staff members were taken through three (3) key training courses beign Customer Service Standards, Product Knowledge, and Selling Strategy. The employees were made to sit assessments to test their knowledge.

5. TURNOVER:

Financial year	Manning Levels /yr.	Turnover *(Resignation/ Retirement/Dismissal/ Deceased)*	% Turnover
2021/2022	336	9	2.68
2022/2023	330	16	4.84

There was a slight increase in the Bank's staff turnover between the year 2021/ 2022 and 2022/2023. The company's staff turnover at the close of 2022/2023 stood at 4.84%.

** There was only one (1) deceased employee as of March 2023.*

RISK AND ANALYTICS

Mr. Mbongeni Bhembe
Executive Manager Risk and Analytics

RISK AND ANALYTICS

During the period under review, the Department saw its scope being increased from just playing an oversight role on risk management as it was also charged with performing analytics for the Bank. To this end, the Department then evolved to be known as Risk and Analytics Department.

Risk management remained at the forefront of everything we did. We continued with upholding our governance and ethical principles. As such, we worked closely with relevant stakeholders including regulators to ensure that controls were strengthened. We also engaged extensively with regulators on issues related to conduct and fair treatment of customers.

To strengthen risk management, in line with the Bank's Strategic Objectives, the department spearheaded Business Unit Risk Committees where departments identified and management their risks on a continuous basis in a workshop set-up. The management of Fraud Risk was also prioritised as the governance of same was reviewed and Bank-Wide Fraud Risk Management Trainings were undertaken.

To entrench a risk aware culture, the Department also facilitated a Pricing for Risk Training for both Board Members and Bank officials involved in pricing. This has resulted in the Bank being deliberate in ensuring that the prices charged are risk-reflective and that they are informed by internal parameters. The Bank's key risks remained being Cyber Security Risk, Technology Risk, Credit Risk, Liquidity Risk, Compliance Risk, People Risk, Reputational Risk, Political Risk and Operational Risk.

With the Department assuming Data Analytics responsibilities, foresight was drawn on how the Bank can increase its revenue especially from the different channels used by customers. It was through the analytics that some processes were reviewed, and adjustments were made on the Bank's operations.

The profitability of the different channels was also brought to the fore through Data Analytics and the Bank was able to rearrange its representations in terms of Branches as well as Auto-Teller Machines across the country. Risk Management was also able to leverage on the analytics as the deep diving in the Bank's liquidity sources unearthed the extent of the Bank's liquidity risk.

We continue to strengthen our assurance capabilities with the adoption of the integrated risk assurance framework which will ensure that we are proactive in the identifying risks and solutions for the risk timeously and in ensuring the issues do not reoccur.

FUTURE OUTLOOK

Digitisation is essential to remain competitive, the risk of cyberattack increases due to the attractiveness of the volumes of sensitive data processed and stored, as well as the crucial role banks play in the functioning of payment and settlement systems.

- This therefore presents the need for the Bank to remain vigilant and employing precautions in cyber security.

As the environment is also experiencing unpredictable changes in weather patterns, it follows therefore that climate smart approaches are employed as the Bank carries out its business.

COMPLIANCE

Mr. Philani Dlamini
Executive Manager Compliance

COMPLIANCE

During the year under review the department rolled out the compliance coverage Plan. This is an effort by the Bank to continue embedding a comprehensive, risk-focused compliance monitoring and testing methodology that evaluates control effectiveness as well as ensures compliance with applicable laws, regulations and international standards. Critical policies and procedures in relation to the prevention of Money Laundering and Terrorist Financing were reviewed.

The Bank participated in the National Anti-Money Laundering and Terrorist Financing (ML/TF) Risk Assessment of the Kingdom of Eswatini which was conducted as a self-assessment by the Kingdom of Eswatini authorities, using the National ML/TF Risk Assessment Tool that has been developed and provided by the World Bank Group. The aim of this process is to identify, understand and assess the money laundering and terrorist financing risks faced by the Kingdom. The NRA also aims to provide the basis for an Action Plan, together with the feedback from the 2011 the Kingdom of Eswatini's Mutual Evaluation Report (MER) conducted by Eastern and Southern Africa Anti-Money Laundering Group.

The Bank has conducted its AML/CFT risk assessment of the varying risks associated with different types of businesses, customers, accounts, transactions, distribution channels, processes and systems and activity profile in order to maximise the effectiveness of AML and CFT compliance. Ensuring that the systems and controls are commensurate with the specific risks of ML and TF is key.

The Bank rolled out its annual training program across all business units with the aim to capacitate staff members and creating awareness on the various pieces of legislation. Third party vendors who provided various key services to the Bank were also trained.

In line with the Compliance Methodology, compliance risk management plans were developed for emerging piece of legislation which will assist in monitoring the level of compliance across the Bank.

FUTURE OUTLOOK

The year ahead will see the Bank conducting compliance control reviews as per the annual plan specifically focusing on Anti-Money Laundering and Financing of Terrorism and market conduct. This is to ensure that the Bank has adequate controls to mitigate the risk posed.

As per the Banks strategic initiatives, system enhancements, automation are anticipated for a seamless delivery of its products and services, at the same time ensuring that the necessary controls are in place to mitigate risk.

Trainings and awareness drives shall be of paramount importance across the Bank on various pieces of legislation and these shall be afforded to all employees. The Department shall continue monitoring all emerging legislation that will have a direct impact on the Bank.

MARKETING

Ms. Lindiwe Shongwe
Executive Manager Marketing

1. BUSINESS SUPPORT

Campaigns and promotions were run during the year for awareness, consumer education, increase uptake and usage of banking solutions.

Various media were utilized most particular social media, which resulted in noteworthy increases in reach, engagement, and followers across all our platforms.

To support sales efforts, an internal drive kicked off dubbed ‘Super Wednesday’ where staff were given targets and incentives for bringing in new business to the bank through selling and cross-selling efforts. Furthermore, in partnership with the National Contact Centre, a tele-selling drive for investment accounts- was conducted with all relevant processes for the account mobilization concluded online.

The bank hosted several business forums, most significant being Agri-business Forums in the Lubombo Region. These events were aimed at bringing the bank closer to the people, engagement, feedback and unpacking all banking solutions on offer.

2. CUSTOMER EXPERIENCE

To enhance customer experience, the bank reviewed its Customer Service Standards. The reviewed standards were rolled out bank wide with internal and external communications for awareness to our customers upon review.

The Contact Centre implemented dispatch of on-boarding notifications targeting new account holders ensuring their service experience conforms to the standards. On the other hand, various surveys were conducted including reasons for accounts closure for corrective measures.

Enhancement of customer feedback platforms continued during the year which saw the bank's Contact Center being connected remotely to the National Contact Center system.

3. COMMUNICATIONS

Efforts were made to strengthen internal communications within the Bank, this done through a continuous flow of information from the Executive Office and business units to all staff. In addition, the bank released its electronic news bulletin, a quarterly news update on initiatives and issues happening in the Bank.

4. CORPORATE SOCIAL INVESTMENT (CSI)

In support of poverty alleviation, an agreement was concluded between the Bank and Scalisa Foundation to build houses for the needy in the various regions of the country. The houses will benefit EmaSwati living in dire conditions and will be identified through a rigorous exercise conducted country wide. During the year, two houses were constructed and handed over to elderly and the other, a child headed family of eight.

The bank ensued with its annual commitments which included the Eswatini Bank Schools Music Choral Competition and supporting entrepreneurship through the Junior Achievement (JA) and Enactus programmes.

5. PRIVATE BANKING

The Private Banking portfolio saw good growth in terms of the customer base and uptake of banking solutions. The bank was intentional with regards to cross selling to this segment ensuring that each customer utilised a minimum of three products. An initiative was also rolled out to upgrade customers in other transact account categories to private banking to enhance their banking experience and in support of customer retention.

CREDIT

Ms. Dumase Nxumalo
Executive Manager Credit

CREDIT

During the year ending 31 March 2023 Eswatini Development and Savings Bank injected E578 million into the economy through loans and advances, bringing the bank's financial support to almost E2.354 billion over the last 5years. There was a 3% decrease in disbursements when compared to the previous financial year. The decrease in disbursements is partly because some of our retail and corporate clients could not recover from the covid effects especially the hospitality and transport industries.

LENDING

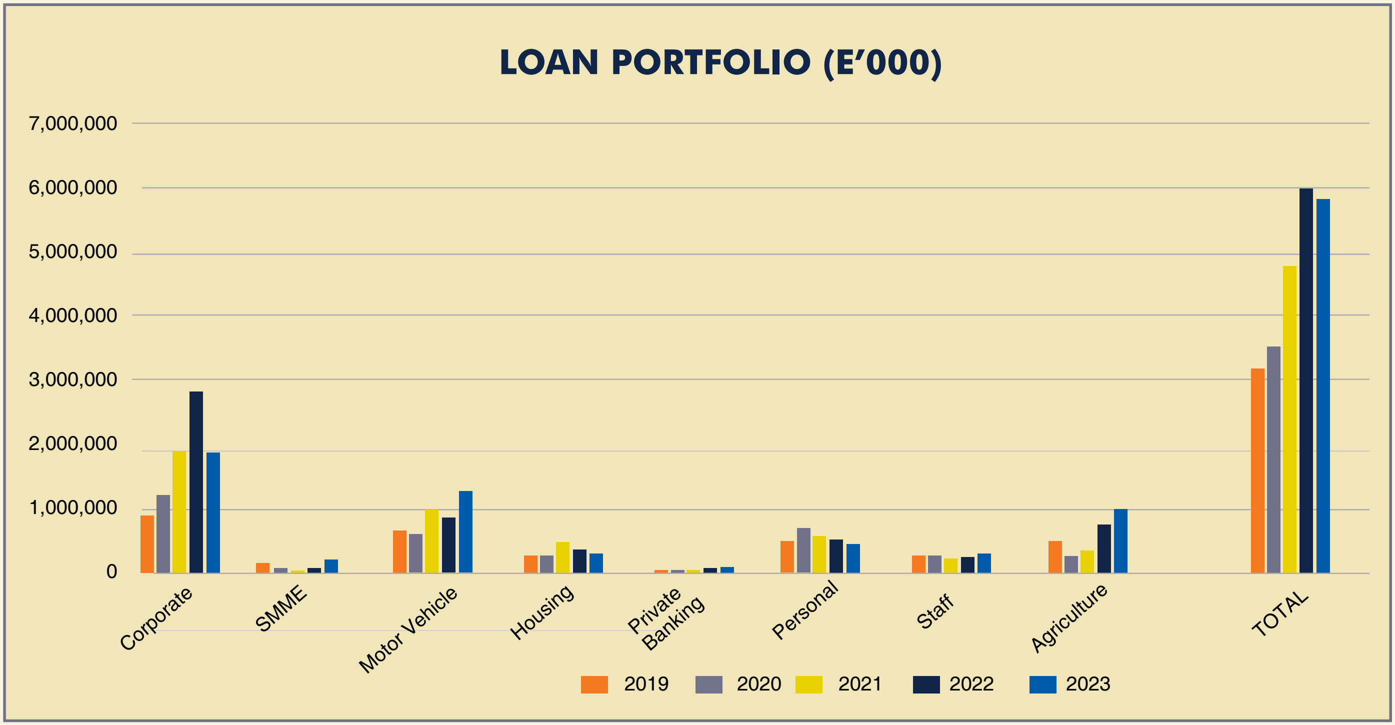
The gross loan book as at 31 March 2023 was E2.015billion. The loan book grew by almost a third, over the last five years; that is from 2019 to 2023 as the loan portfolio moved from E1.566billion to E2.015billion. To ensure sustainable growth, Eswatini bank is focused on boarding superior quality loans as we provide financial solutions to our clientele.

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. The Bank is closely monitoring these facilities.

Eswatini Bank continues to empower individuals' economic development as reflected by the growth of the Housing and Motor Vehicles loan portfolios which grew by 5% and 14% respectively, when compared to the previous financial year.

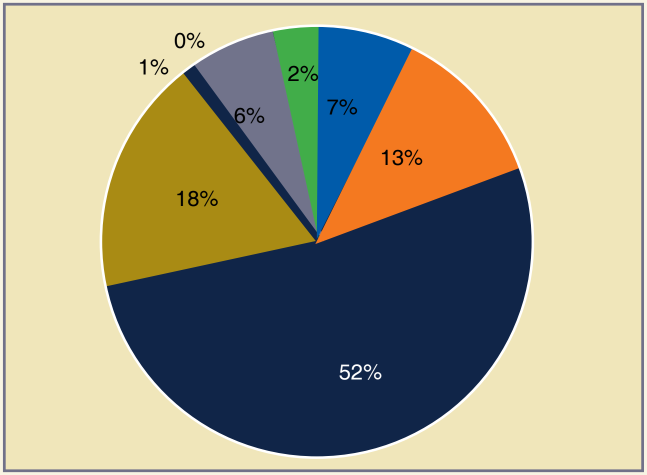
SMME loans showed a decrease of 35% when compared to the previous financial year. This is because of the E45million Covid Relief Fund that was injected by Eswatini Government through the Ministry of Commerce, Industry and Trade the previous year. The poor performance of the loans granted thereon was recognised in the current financial year as most of the loans were written off against the Fund.

The fund is exhausted, and revolving funds are being used for re-lending.



The chart below reflects the loan portfolio concentration as at 31st March 2023, Corporate business loans account for 52%, of the loan book. Housing loans closed at 18% and Auto Easy loans were at 13%. Agriculture loans are slightly higher than personal loans as they are at 7% whilst personal loans contribute 6% of the total loans. SMME and Marketing have the least lending at 2% and 1% respectively.

The sugar industry continues to dominate Agricultural loans.



LEGAL SERVICES AND BOARD SECRETARY

Mr. Sifiso Mdluli
Executive Manager Legal Services and Board Secretary

(The department provides secretarial, conveyancing, labour, commercial and general legal advisory services)

The Legal Services department provides legal services and advice to all the Bank departments and Branches. The department ensures that the Bank's activities and operations are consistent with the enabling legislation and other legal instruments of the Bank, policies, and as appropriate, with the norms and principles of international and commercial law.

The activities that were carried out during the year under review include:

a) Drafting, vetting, review, negotiation, and provision of advice on the consummation and implementation of all agreements, contracts, and other formal arrangements for operational activities of the Bank.

b) Participation in the loan appraisal process and, as members of the Procurement Committee, Management Credit Committee & other Committees including taking part in any required activity.

c) Providing advisory support in all human capital matters including on disciplinary and litigious issues.

d) Providing support to the Collections Unit on highly litigious and technical matters.

e) Providing training to Branch Managers, Lending Units and EXCO on the Consumer Credit Act, 2016 (as amended). This was done to ensure compliance with this new legislation in the banking industry.

f) Deeds lodgment & registration of mortgage bonds, deed of hypothecation & cancellations and Deeds Preps.

g) Quarterly submissions of management of risks and other compliance reports.

The Board of Directors are responsible for the conduct of the Bank's general operations. In this capacity, they exercise powers provided in the Board Charter and other powers provided by the enabling legislation. The Board met for business as often as the work of the Bank required, guided by the applicable PEU Circular.

The Board received training on Risk Management, IFRS-9 New Standard of Accounting and on the ESPPRA and Regulations, to equip them to execute their oversight function in an informal position.

The year under review was underscored by the widening of the scope of the REMCO Committee to include Ethics issues. This was done to enhance the Bank's Corporate Governance, with the main purpose of ensuring that Staff received advice on work-related ethical issues, dilemmas, and challenges, to avoid real, perceived, or potential conflicts of interest in the performance of their duties and responsibilities.

ESWATINI DEVELOPMENT AND SAVINGS BANK

ANNUAL FINANCIAL STATEMENTS

for the year ended

31 March 2023

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 2023, 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 9 to 87, were approved by the Board of Directors on 27 June 2023 and are signed on its behalf by:

R. SIPHO V. NKAMBULE
(Chairperson) (A)

DR P MNISI
Board Chairperson

MS. NOZIZWE MULELA
(Managing Director)

N P MULELA
Acting 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 2023, 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, as set out on pages 9 to 87.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2023, 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 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 of the financial statements 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 and the directors report 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.

SNG Grant Thornton

Auditors

The Directors present their report, which forms part of the audited financial statements of the Bank, for the year ended 31 March 2023.

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 Buhleni and Ezulwini.

SALIENT FEATURES OF THE FINANCIAL STATEMENTS	2023 E'000	Change %	2022 E'000	Change %
Interest income	259 096	28.0%	202 343	(2.1%)
Interest expense	103 077	48.7%	69 311	(0.3%)
Profit for the year	14 640	(49.9%)	29 236	(14.0%)
Total assets	2 922 389	2.6%	2 848 398	15.0%
Customer deposits	1 836 013	15.7%	1 586 861	7.9%
Net advances	1 846 146	4.1%	1 773 361	18.5%

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

Dr P Mnisi (Chairperson)	(Resigned 30 June 2022)
Dr SV Nkambule (Acting Chairperson)	(Appointed 1 July 2022)
N Mulela (Managing Director)	
J Nxumalo	
T Gamedze	
W Nyembe	
N Masuku	
S M Mavuso	
K Masisi-Hlanze	

DIRECTORS AND SECRETARY (CONTINUED)

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

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
SNG Grant Thornton Chartered Accountants (Eswatini) 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
- United Bank of Africa (UK)

INVESTMENT MANAGERS

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

SUBSEQUENT EVENTS

There was a cyber-attack on the system of the bank. Management subsequently engaged a forensic specialist to conduct an exercise so as to determine extend of loss to the bank.

The prime rate has changed to 11.25% as per recent announcements by the Governor of the Central Bank of Eswatini.

GOING CONCERN

Management have done cash flow projections for the 12 months after the date of approval of the financial statements and based on the projections, management has determined that there will be sufficient resources to settle liabilities and obligations.

In light of the above, management has assessed to be appropriate of the use of the going concern assumption in the preparation of these financial statements.

WAR IN UKRAINE

Management has made an assessment that there is no direct financial impact on the financial statements resulting from the Russia-Ukraine conflict. The Bank neither holds any investments in Russia and Ukraine, nor does it have any customers in Russia and Ukraine.

STATEMENT OF FINANCIAL POSITION
at 31 March 2023

	Notes	2023 E'000	2022 E'000
ASSETS			
Cash and cash equivalents	12	270 386	252 479
Amounts due from other banks	13	158 681	216 057
Other assets	16	45 221	31 113
Loans and advances to customers	15	1 846 146	1 773 361
Investment securities	14	323 031	307 415
Investment in associate	30	17 655	14 335
Property, equipment and right of use asset	17	205 263	184 419
Intangible assets	18	56 006	69 219
Total assets		2 922 389	2 848 398
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	126 758	120 769
Statutory reserve	22	49 073	47 609
Retained earnings		233 042	224 620
Total equity		598 673	582 798
Liabilities			
Customer deposits and current accounts	23	1 836 013	1 586 861
Employee liabilities and charges	26	2 184	1 676
Other liabilities	24	277 491	421 070
Borrowings	25	208 028	255 993
Total liabilities		2 323 716	2 265 600
Total equity and liabilities		2 922 389	2 848 398

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2023

	Notes	2023 E'000	2022 E'000
Interest and similar income	7	259 096	202 343
Interest expense and similar charges	8	(103 077)	(69 311)
Net interest income before impairment losses on loans and advances		**156 019**	**133 032**
Impairment losses released on loans and advances to customers	31.2.3	3 958	16 804
Recoveries of previously written-off loans and advances		1 682	1 331
Net interest income after impairment losses and recoveries on loans and advances		**161 659**	**151 167**
Fee income and commission	9	124 853	122 617
Impairment gain on other financial instruments	31.2.3	910	3 085
Other operating income	10	1 647	1 058
IIncome from operations before operating and administrative expenses		**289 069**	**277 927**
Operating and administrative expenses	11	(277 749)	(250 980)
Operating profit		**11 320**	**26 947**
Share of profit of equity-accounted investees, net of tax	30	3 320	2 289
Profit for the year		14 640	29 236
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation gain on property and equipment	17	5 989	-
Total other comprehensive income for the year		5 989	-
Total comprehensive income for the year		20 629	29 236

	Share Capital E'000	Capital Grant E'000	Statutory Reserve E'000	Other Reserves E'000	Retained Earnings E'000	Total Equity E'000
2022						
Balance as at 31 March 2021	54 800	135 000	44 685	120 769	198 308	553 562
Comprehensive income for the year						
Profit for the year	-	-	-	-	29 236	29 236
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Transfer to statutory reserve	-	-	2 924	-	(2 924)	-
Total comprehensive income for the year	-	-	2 924	-	26 312	29 236
Balance at 31 March 2022	54 800	135 000	47 609	120 769	224 620	582 798

	Share Capital E'000	Capital Grants E'000	Statutory Reserve E'000	Other Reserves E'000	Retained Earnings E'000	Total Equity E'000
2023						
Balance as at 31 March 2022	54 800	135 000	47 609	120 769	224 620	582 798
Comprehensive income for the year						
Profit for the year	-	-	-	-	14 640	14 640
Other comprehensive income for the year, net of income tax	-	-	-	5 989	-	5 989
Transfer to statutory reserve	-	-	1 464	-	(1 464)	-
Total comprehensive income for the year			1 464	5 989	13 176	20 629
Contributions by and distributions to owners						
Dividends declared and paid	-	-	-	-	(4 754)	(4 754)
Total contributions by and distributions to owners	-	-	-	-	(4 754)	(4 754)
Balance at 31 March 2023	54 800	135 000	49 073	126 758	233 042	598 673

	Notes	2023 E'000	2022 E'000
Cash flows from operating activities			
Interest and similar income	7	259 096	202 343
Interest expense and similar charges	8	(103 077)	(69 311)
Fee and commission income	9	124 853	122 617
Cash from other operating income	10	1 646	1 058
Recoveries of previously written off loans and advances		1 682	1 331
Cash payments to employees and suppliers		(258 005)	(229 954)
Operating profit before changes in operating assets	28.1	26 195	28 084
Change in operating assets	28.2	93 474	(42 542)
Net cash generated from/ (used by) operating activities		119 668	(14 458)
Cash flows from investing activities			
Acquisition of property and equipment	17	(15 576)	(7 180)
Acquisition of intangible assets	18	(7 678)	(21 116)
Acquisition of investment securities		(58 172)	(20 146)
Redemption of investment securities		40 000	20 000
Net cash utilised by investing activities		(41 426)	(28 442)
Cash flows from financing activities			
Repayment of borrowings		(50 000)	(62 500)
Lease repayments		(5 582)	(6 438)
Dividend paid		(4 754)	-
Loan received		-	150 000
Net cash from financing activities		(60 336)	81 062)
Net increase in cash balances and balances with Central Bank		17 907	38 162
Cash balances and balances with Central Bank at the beginning of the year		252 479	214 317
Cash balances and balances with Central Bank at the end of the year	12	270 386	252 479

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 27 June 2023.

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 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 have been rounded to the nearest thousands, except when otherwise indicated.

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.

Note 3p-Equity accounted investees, whether the bank has significant influence over the investee.

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 2023 is included in the following notes:

Assumptions and estimation uncertainties (continued)

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).

2.5 Change in accounting policies

A number of new standards were effective from 1 April 2022 but they do not have a material effect on the Bank's financial statements.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and financial liabilities (continued)

Classification (continued)

Financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and financial liabilities (continued)

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and financial liabilities (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial assets and financial liabilities (continued)

Fair value measurement (continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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

No impairment loss is recognised on equity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

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.

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);

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

- 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;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover; and
- Letters of credit: a guarantee by the bank guaranteeing that the clients' payment to another will be received on time and at the correct amount.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

Write-offs

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 'recoveries of previously written off loans and advances' 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.

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 a guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure is neither credit-impaired nor has it 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'.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property and equipment (continued)

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Investment securities

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.

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 Bank's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 another financial asset. 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Intangible assets

- the expenditure attributable to the software product during its development can be reliably measured.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Associates (Continued)

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 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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases (continued)

Bank acting as a lessee (continued)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 2023, the following Standards and Interpretations were in issue but not yet effective:

Effective for the financial year commencing 1 April 2023

- References to Conceptual Framework (Amendments to IFRS 3)
- Annual Improvement to IFRS Standards 2018-2022 cycle
- Onerous Contracts-Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

Effective for the financial year commencing 1 April 2023

- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1)-proposed delay to 1 April 2023

The directors are of the opinion that the impact of the application of the Standards and Interpretations will be not material to the Bank.

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
2023			
Closing carrying amounts of lease liabilities			
ATM premises	1 776	-	1 776
Branch and other premises	7 938	-	7 938
Balance at 31 March 2023	9 714	-	9 714
Residual values			
Closing carrying amounts of lease liabilities			
ATM premises	1 776	-	1 776
Branch and other premises	7 938	-	7 938
Balance at 31 March 2023	9 714	-	9 714
Closing carrying amounts of lease liabilities			
ATM premises	1 776		
Branch and other premises	7 938		
Balance at 31 March 2023	9 714		

6 LEASE LIABILITIES (continued)

Reconciliation of closing carrying amounts of lease liabilities

	ATM premises	Branch and other premises	Total
Opening balance	4 647	8 431	13 078
Interest expense	182	898	1 080
Lease additions	200	4 370	4 570
Lease cancellations	(2 352)	-	(2 352)
Lease payments	(901)	(5 761)	(6 662)
Balance at 31 March 2023	**1 776**	**7 938**	**9 714**

Liquidity and risk analysis

Undiscounted contractual maturities of lease liability	**E**
Greater than 3 months but less than 1 year	-
Greater than 1 year but less than 2 years	804
Greater than 2 years but less than 5 years	10 122
Total contractual cash flows	10 926
Lease liabilities carrying amount	9 714

	2023 E'000	2022 E'000
7 INTEREST INCOME		
TThe categories of loans and advances from which interest is earned are as follows:-		
Civil Service Housing Loans	5 000	4 614
Mortgages	30 876	33 308
Overdrafts	22 465	17 852
Motor vehicle loans	35 102	21 269
Agricultural loans	18 468	13 200
Corporate loans	59 961	36 918
Personal loans	33 415	31 080
Staff loans and other loans	9 737	6 950
Interest on amounts due from other banks and balances with Central Bank	13 707	9 475
Investment securities	30 365	27 677
Total interest income calculated using the effective interest method	259 096	202 343
8. INTEREST EXPENSE AND SIMILAR CHARGES		
Interest expense and similar charges are paid on:-		
Customer's deposits and current accounts:		
- Current accounts	-	-
- Savings accounts	10 506	2 732
- Other demand and short term notice deposits	54 373	39 897
- Eswatini Government deposits	8 815	5 290
Borrowings		
- Lease liabilities	1 080	1 372
- The Public Service Pensions Fund	21 548	13 430
- Revolving funds	6 755	6 590
	103 077	69 311

	2023 E'000	2022 E'000
9 FEE INCOME AND COMMISSION		
Account administration fees	40 029	35 632
ATM charges	17 203	15 665
Insurance commission	3 704	3 106
Cash and cheque deposit charges	2 796	2 937
Cash and cheque withdrawal charges	10 399	13 765
Loan account fees and commissions	36 971	39 861
Foreign exchange charges	5 471	2 867
Cash transfer charges	5 497	5 506
Securities commission	-	208
Other commission	2 783	3 070
	124 853	122 617

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 recognition under IFRS 15
	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.

	2023 E'000	2022 E'000
10 OTHER OPERATING INCOME		
Rental and other income	1 646	1 058
	1 646	1 058
11 OPERATING AND ADMINISTRATIVE EXPENSES		
Auditor's remuneration		
Audit fees	1 640	1 956
Other services	200	132
	1 840	2 088

	2023 E'000	2022 E'000
11 OPERATING AND ADMINISTRATIVE EXPENSES (continued)		
Depreciation of property and equipment (note 17)		
Motor vehicles	469	748
Leasehold improvements	1 160	806
Right of use assets	4 816	7 349
Furniture and equipment	6 775	5 668
	13 220	14 571
Amortisation of intangible assets (note 18)	6 524	5 822
Directors fees	462	619
Consultancy fees	1 913	795
Repairs and maintenance costs	28 202	24 696
Employee benefit expenses		
Salaries and wages	132 782	120 932
Pension costs – defined contribution plan	11 616	11 076
Other staff costs	3 605	3 722
	148 003	135 730
Other operating and administrative expenses		
Card maintenance	28 636	24 641
Electricity	3 317	3 071
Insurance	9 454	7 366
Legal fees	432	1 082
Marketing and advertising costs	3 969	4 068
SAECH administration fees	1 018	935
Other expenses	7 195	3 521
Printing, stationery and postage	1 411	1 350
Public Enterprise Unit Management fees	2 790	2 801
Rent and rates	5 596	4 070
Motor vehicle expenses	1 187	908
Security	4 917	4 323
Telephone expenses	6 071	7 414
Training expenses	849	706
Traveling and entertainment	743	403
	77 585	66 659
Total operating and administrative expenses	277 749	250 980

	2023 E'000	2022 E'000
12 CASH AND CASH EQUIVALENTS		
Call deposits	71 288	36 941
Cash and bank notes	199 098	215 538
	270 386	252 479
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.		
13 AMOUNTS DUE FROM OTHER BANKS		
Balances held with other banks	127 313	169 795
Balances held with South African banks	13 578	15 437
Money on call – South African banks	18 210	31 769
Expected credit losses (note 31.2.3)	(420)	(944)
	158 681	216 057
14 INVESTMENT SECURITIES		
Bonds and treasury bills	323 031	307 415
Classified as:		
Net debt instruments at amortised cost	323 031	307 415
Gross debt financial investments measured at amortised cost	329 495	313 052
Less: Expected credit losses for debt financial investments measured at amortised cost (note 31.2.3)	(6 464)	(5 637)
Closing carrying value	323 031	307 415
Maturity Analysis		
Less than 1 year	80 026	38 990
Between 2 to 5 years	112 577	187 622
Over 5 years	130 428	80 803
	323 031	307 415

	2023 E'000	2022 E'000
15 LOANS AND ADVANCES		
Business	643 437	636 611
Mortgage	508 660	508 947
Motor vehicle	329 634	253 633
Personal	223 078	229 418
Agriculture	136 200	142 494
Overdrafts	191 242	206 729
Total loans and advances measured at amortised cost before impairment losses	2 032 251	1 977 832
Expected credit losses on loans and advances measured at amortised cost (note 31.2.3)	(186 105)	(204 471)
Total loans and advances at amortised cost after impairment losses	1 846 146	1 773 361
15.1 Maturity analysis of loans and advances		
Less than 1 year	267 329	214 176
Between 1 and 5 years	697 834	269 333
More than 5 years	880 983	1 289 852
	1 846 146	1 773 361
16 OTHER ASSETS		
Amounts in transit from other banks	2 232	2 555
Accounts receivable	12 369	9 974
Prepayments	30 620	18 584
	45 221	31 113

Due to the short term nature of these assets and historical experience, other assets 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	Right of use assets E'000	Total E'000
At 31 March 2022								
Cost/valuation	123 997	22 241	291	7 227	12 367	84 508	30 194	280 825
Balance at 01 April 2021	123 997	22 241	291	7 227	12 367	78 265	27 797	272 185
Recognition of right of use asset	-	-	-	-	-	-	2 397	2 397
Additions	-	-	-	-	-	7 180	-	7 180
Disposals	-	-	-	-	-	(937)	-	(937)
Accumulated depreciation and impairment losses	-	-	-	(5 798)	(9 117)	(63 590)	(17 901)	(96 406)
Balance at 01 April 2021	-	-	-	(5 050)	(8 311)	(58 225)	(10 552)	(82 138)
Charge for the year	-	-	-	(748)	(806)	(5 668)	(7 349)	(14 571)
Disposals	-	-	-	-	-	303	-	303
Net book value at 31 March 2022	123 997	22 241	291	1 429	3 250	20 918	12 293	184 419

17 PROPERTY AND EQUIPMENT (continued)

	Buildings E'000	Land E'000	Lifts	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 2023									
Cost/valuation	133 378	18 849	4 579	-	5 785	17 175	101 319	31 884	312 969
Balance at 01 April 2022	123 997	22 241	-	291	7 227	12 367	84 508	30 194	280 825
Recognition right of use assets	-	-	-	-	-	-	-	1 690	1 690
Additions	-	-	4 579	-	-	4 808	6 189	-	1 5 576
Disposals	-	-	-	-	(1 442)	-	-	-	(1 442)
Reclassified	-	-	-	(291)	-	-	10 622	-	10 331
Revaluation of property	9 381	(3 392)	-	-	-	-	-	-	5 989
Accumulated depreciation and impairment losses	-	-	-	-	(4 825)	(10 277)	(69 887)	(22 717)	(107 706)
Balance at 01 April 2022	-	-	-	-	(5 798)	(9 117)	(63 590)	(17 901)	(96 406)
Charge for the year	-	-	-	-	(469)	(1 160)	(6 775)	(4 816)	(13 220)
Reclassified	-	-	-	-	-	-	478	-	478
Disposals	-	-	-	-	1 442	-	-	-	1 442
Net book value at 31 March 2023	133 378	18 849	4 579	-	960	6 898	31 432	9 167	205 263

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 2023, included in property and equipment are fully depreciated items of property and equipment with an initial cost of E 96.735 million (2022: E89.406 million).

There are no restrictions or encumbrances over property and equipment as at the 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). • Occupancy rate (95%). • 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 2023 by Swaziland Realty Consultants 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.

	2023 E'000	2022 E'000
18 INTANGIBLE ASSETS		
Intangible assets comprise computer software and development costs.		
Cost	117 540	123 818
Opening balance	123 818	102 702
Purchased additions	7 678	21 116
Reclassified	(13 956)	-
Accumulated amortisation and impairment losses	(61 534)	(54 599)
Opening balance	(54 599)	(48 777)
Charge for the year	(6 524)	(5 822)
Reclassified	(411)	-
Net book value	56 006	69 219

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

	2023 E'000	2022 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	Total E'000
Year ended 31 March 2023		
Balance at the beginning of the year	120 769	120 769
Revaluation of property – net surplus	5 989	5 989
Balance at the end of the year	126 758	126 758
Year ended 31 March 2022		
Balance at the beginning of the year	120 769	120 769
Revaluation of property – net surplus	-	-
Balance at the end of the year	120 769	120 769

Revaluation reserve

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

22 REGULATORY RESERVES

	Statutory reserve E'000	Total E'000
Year ended 31 March 2023		
Balance at beginning of the year	47 609	47 609
Transfer to reserve	1 464	1 464
Balance at end of the year	49 073	49 073
Year ended 31 March 2022		
Balance at beginning of the year	44 685	44 685
Transfer to reserve	2 924	2 924
Balance at end of the year	47 609	47 609

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 of not less than ten percent of its net profit until the balance in the reserve account is equal to its minimum required capital.

	2023 E'000	2022 E'000
23 CUSTOMERS' DEPOSITS AND CURRENT ACCOUNTS		
Current accounts	143 103	98 411
Savings accounts	359 028	348 528
Other demand and short term notice deposits	261 562	272 098
Term deposits	873 312	676 073
Eswatini Government permanent deposit	199 008	191 751
	1 836 013	1 586 861
23.1 Maturity Analysis		
Less than 1 year	1 416 966	1 353 875
Between 1 and 5 years	209 318	35 853
More than 5 years	209 229	197 133
	1 836 013	1 586 861

	2023 E'000	2022 E'000
24 OTHER LIABILITIES		
Other liabilities	45 306	24 007
Creditors and accruals	21 424	26 852
Lease liabilities (note 6)	9 714	13 078
Expected credit losses – guarantees (note 31.2.3)	379	1 592
Revolving loan funds (refer note 24.1)	200 668	355 541
	277 491	421 070

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:-

	2023 E'000	2022 E'000
Government of the Kingdom of Eswatini		
- Venture Capital Fund	119 687	116 492
- Food Agricultural Organisation Guarantees	88	84
- Agricultural Development Fund	513	488
- Eswatini Government former African Development Bank line of credit	46 650	44 326
- Rural Education Centre Programme Guarantee Fund	299	284
- Eswatini Agricultural Development Project	11 671	11 222
- MSME Revolving Fund	15 183	42 151
- Government Reconstruction Fund	6 577	140 494
Total due at the end of the year	200 668	355 541

	2023 E'000	2022 E'000
25 BORROWINGS		
The Public Service Pensions Fund ("PSPF")	208 028	255 993
	208 028	255 993
PSPF Loan 3		
The principal amount is payable half yearly in instalments of E25 million commencing on 31 August 2022. Interest on this loan is charged at prime minus 1.20%.		
PSPF loan 4		
The principal amount is payable half yearly in instalments of E37.5 million commencing on 01 May 2023. Interest on this loan is charged at prime plus 1%.		
The maturity analysis of borrowings is as follows:-		
Less than 1 year	133 028	55 993
Between 1 and 5 years	75 000	200 000
	208 028	255 993
26 EMPLOYEE LIABILITIES AND CHARGES		
Opening balance	1 676	1 714
Amount charged/(credited) to profit or loss	508	(38)
	2 184	1 676
Leave pay liability		
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.		

	2023 E'000	2022 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.	20 000	20 000
Capital commitments		
The bank has the intention to purchase property and equipment and intangible assets for E53.107 million (2022: E61.379 million).		
b) Contingencies		
Guarantees	79 156	60 777
Irrevocable unutilised facilities	95 176	94 278
	174 332	155 055

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 E6.698 million as at 31 March 2023 (2022: E6.658 million). In all cases the Bank does not admit liability and the Bank will be defending its position.

	2023 E'000	2022 E'000
28 CASH FLOW INFORMATION		
28.1 Operating profit before changes in operating assets		
Profit for the year	14 640	29 236
Adjustment for:		
Depreciation of property and equipment (note 17)	13 220	14 571
Amortisation of intangible assets (note 18)	6 524	5 822
Loss on disposal of fixed assets	-	633
Share of (profit) of equity accounted investees net of tax (note 30)	(3 320)	(2 289)
Impairment losses (released) on other financial instruments	(910)	(3 085)
Impairment losses (released) on loans and advances	(3 958)	(16 804)
	26 196	28 084
28.2 Change in operating assets		
Decrease/(increase) in amounts due from other banks	57 376	(45 755)
Increase in loans and advances to customers	(68 827)	(259 874)
(Increase)/decrease in other assets	(14 108)	2 517
Increase in deposit and current accounts	249 150	116 549
(Decrease)/ increase in other liabilities	(130 625)	144 059
Increase/(decrease) in provision for other liabilities and charges	508	(38)
	93 474	(42 542)

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 by the Eswatini Government such as the Central Bank of Eswatini (Refer notes 12, 14, 24.1 and 25), 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.
Management fees paid to PEU are disclosed in note 11

	2023 E'000	2022 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	3 704	3 106
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		
Key management short term compensation	27 973	25 748
29.3 Fees for services as Directors		
Non-executive Directors	462	619
29.4 Balances due by and (to) Executive and Senior Management		
Loans and advances	18 430	17 847
Deposits	(2 185)	(1 107)
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)	200 667	355 540
Eswatini Government – Deposits (note 23)	199 008	191 751
Deposits-entities under Government control	422 409	419 874
Loans-entities under Government control	(105 158)	(95 173)
Borrowings-The Public Service Pensions Fund (note 25)	208 028	255 993
Associate	41 876	37 274
29.6 Impairment of related party balances		
Expected credit losses.	588	775

	2022 E'000	2021 E'000
30 INVESTMENT IN ASSOCIATE		
Balance at the beginning of year	14 335	12 046
Share of profit/(loss) of equity-accounted investees, net of tax	3 320	2 289
Balance at the end of the year	17 655	14 335

This investment in Associates represents a 33% shareholding in Oracle Life Eswatini Limited and its subsidiaries.

The bank's share of the results of the principal associate, which is unlisted, and its assets as at 28 February 2023 are as follows:

Name	Country of Incorporation	Assets E'000	Liabilities E'000	Revenue E'000	Profit E'000	Value of Investment E'000	Share of loss 33% E'000
Oracle	Eswatini	709 420	635 820	264 248	10 062	17 655	3 320

At 28 February 2022

Name	Country of Incorporation	Assets E'000	Liabilities E'000	Revenue E'000	Profit E'000	Value of Investment E'000	Share of Profits 33% E'000
Oracle	Eswatini	644 122	580 859	268 492	6 937	14 335	2 289

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

2023	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
Personal	184 431	6 691	31 956	223 078
Agriculture	103 311	12 169	20 720	136 200
Business	539 374	28 898	75 165	643 437
Motor vehicle	275 364	28 247	26 023	329 634
Mortgage	236 452	54 452	217 756	508 660
Overdraft	180 599	1 476	9 167	191 242
Gross carrying amount	1 519 531	131 933	380 787	2 032 251
Expected credit loss	(36 176)	(18 796)	(131 133)	(186 105)
Carrying amount	1 483 355	113 137	249 654	1 846 146

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (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

2022	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
Personal	187 242	11 255	30 921	229 418
Agriculture	97 558	3 829	41 107	142 494
Business	481 592	73 448	81 571	636 611
Motor vehicle	181 427	33 985	38 221	253 633
Mortgage	257 412	42 797	208 738	508 947
Overdraft	131 493	46 681	28 555	206 729
Gross carrying amount	1 336 724	211 995	429 113	1 977 832
Expected credit loss	(29 266)	(16 629)	(158 576)	(204 471)
Carrying amount	1 307 458	195 366	270 537	1 773 361

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
2023				
Loans and advances to banks				
Amounts due from other banks	159 101	-	-	159 101
Gross carrying amount				
Expected credit loss	(420)	-	-	(420)
Carrying amount	158 681	-	-	158 681

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
2023				
Investment securities				
Government securities and Corporate bonds	226 024	103 471	-	329 495
Gross carrying amount				
Expected credit loss	(3 534)	(2 930)	-	(6 464)
Carrying amount	222 490	100 541	-	323 031

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
2022				
Loans and advances to banks				
Amounts due from other banks	217 001	-	-	217 001
Gross carrying amount				
Expected credit loss	(944)	-	-	(944)
Carrying amount	216 057	-	-	216 057

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
2022				
Investment securities				
Government securities and Corporate bonds	153 675	159 377	-	313 052
Gross carrying amount Expected credit loss	(1 480)	(4 157)	-	(5 637)
Carrying amount	152 195	155 220	-	307 415

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
2023				
Guarantees				
Guarantees	79 156	-	-	79 156
Gross carrying amount				
Expected credit loss	(379)	-	-	(379)
Carrying amount	78 777	-	-	78 777

	Stage 1 E'000	Stage 2 E'000	Stage 3 E'000	Total E'000
2022				
Guarantees				
Guarantees	60 778	-	-	60 778
Gross carrying amount				
Expected credit loss	(1 592)	-	-	(1 592)
Carrying amount	59 186	-	-	59 186

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 2023, the net carrying amount of credit impaired loans and advances to customers amounted to E 249.648 million (2022: E275.727 million) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to E425.592 million (2022: E317.344 million).

Assets obtained by taking possession of collateral
At year end, the fair value of financial assets accepted as collateral that have been sold was E4.358 million (2022: E14.832 million). 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 E270.386 million at 31 March 2023 (2022: E252.479 million). 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 at 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.

.

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.

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 (note 31.6).

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. The impact of Covid 19 has been controlled and through the use of adjusted GDP, it has not resulted in additional increase in expected credit loss for the year.

The economic scenarios used as at 31 March 2023 included the following key indicators for the years ending 31 March 2022 to 2024.

	2022 E	2023 E	2024 E
GDP growth	2.4%	2.6%	3.71%

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 aggregated 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 the 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 (2022: E14 million).

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Expected credit loss 2023

	Opening ECL 1 April 2022 E'000	Total transfers between stages E'000	Net impairments (released)/raised E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2023 E'000
Personal loans					
Stage 1	3 965	858	(270)	-	4 553
Stage 2	1 364	(442)	(112)	-	810
Stage 3	23 705	(416)	1 364	(814)	23 839
Agriculture					
Stage 1	10 295	(3 460)	1 161	-	7 996
Stage 2	2 317	4 757	448	-	7 522
Stage 3	37 544	(1 297)	(19 832)	(2 906)	13 509
Business					
Stage 1	6 490	(1 424)	650	-	5 716
Stage 2	4 164	(2 394)	(690)	-	1 080
Stage 3	27 541	3 818	(1 829)	(7 498)	22 031
Overdrafts					
Stage 1	2 209	(732)	9 151	-	10 628
Stage 2	1 885	(1 405)	(427)	-	53
Stage 3	2 446	2 137	(1 450)	-	3 133
Motor vehicles					
Stage 1	2 881	(2 152)	1 608	-	2 338
Stage 2	3 915	(1 192)	(492)	-	2 231
Stage 3	20 249	3 344	(11 581)	(2 038)	9 974
Mortgages					
Stage 1	3 426	2 177	(658)	-	4 945
Stage 2	2 984	3 004	1 112	-	7 100
Stage 3	47 091	(5 181)	17 889	(1 152)	58 647
Total	**204 471**	**-**	**(3 958)**	**14 408**	**186 105**

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL (continued)

Expected credit loss 2022

	Opening ECL 1 April 2021 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2022 E'000
Personal loans					
Stage 1	1 792	(3 125)	5 298	-	3 965
Stage 2	3 385	1 121	(3 142)	-	1 364
Stage 3	18 024	2 004	5 157	(1 480)	23 705
Agriculture					
Stage 1	6 452	5 622	(1 779)	-	10 295
Stage 2	9 885	(5 942)	(1 626)	-	2 317
Stage 3	42 658	320	2 431	(7 865)	37 544
Business					
Stage 1	3 910	463	2 117	-	6 490
Stage 2	8 138	(4 797)	823	-	4 164
Stage 3	20 298	4 334	3 880	(971)	27 541
Overdrafts					
Stage 1	5 169	(2 761)	(199)	-	2 209
Stage 2	2 791	(1 190)	284	-	1 885
Stage 3	8 699	3 951	(8 521)	(1 683)	2 446
Motor vehicles					
Stage 1	1 160	180	1 541	-	2 881
Stage 2	13 152	(7 811)	(1 426)	-	3 915
Stage 3	22 192	7 631	(7 566)	(2 008)	20 249
Mortgages					
Stage1	3 996	801	(1 371)	-	3 426
Stage 2	15 725	(7 395)	(5 346)	-	2 984
Stage 3	47 983	6 594	(7 359)	(127)	47 091
Total	**235 409**	**-**	**(16 804)**	**(14 134)**	**204 471**

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL 2023 (continued)

	Opening ECL 1 April 2022 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2023 E'000
Banks					
Stage 1	944	-	(524)	-	420
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	944	-	(524)	-	420
Investment securities					
Stage 1	1 480	-	2 054	-	3 534
Stage 2	4 157	-	(1 227)	-	2 930
Stage 3	-	-	-	-	-
Total	5 637	-	827	-	6 464
Guarantees					
Stage 1	1 592	-	(1 213)	-	379
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	1 592	-	(1 213)	-	379

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

31.2.3 Amounts arising from ECL 2022 (continued)

	Opening ECL 1 April 2021 E'000	Total transfers between stages E'000	Net impairments raised/(released) E'000	Impaired accounts written-off E'000	Closing ECL 31 March 2022 E'000
Banks					
Stage 1	741	-	203	-	944
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	741	-	203	-	944
Investment securities					
Stage 1	5 959	(4 157)	(322)	-	1 480
Stage 2	-	4 157	-	-	4 157
Stage 3	-	-	-	-	-
Total	5 959	-	(322)	-	5 637
Guarantees					
Stage 1	4 558	-	(2 966)	-	1 592
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	4 558	-	(2 966)	-	1 592

31 FINANCIAL RISK MANAGEMENT (continued)

31.2 Credit risk (continued)

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:

	2023	2022
Business	32%	32%
Mortgage	25%	26%
Motor vehicle	16%	13%
Personal	11%	11%
Agriculture	7%	7%
Overdraft	9%	11%
	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 2023 amounted to E95 million (2022: E94 million) whilst guarantees and letters of credit amounted to E79 million (2022: E61 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 interests 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 (continued)

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 2023							
Customer Deposits	1 836 013	1 919 736	894 189	433 439	153 952	219 386	218 770
Borrowings	208 028	226 329	-	76 247	68 219	81 863	-
Revolving funds	200 668	209 697	-	-	-	-	209 697
Other Liabilities	67 109	67 109	67 109	-	-	-	-
Total	2 311 818	2 422 871	961 298	509 686	222 171	301 249	428 467
31 March 2022							
Customer Deposits	1 586 861	1 649 402	722 382	380 267	312 154	37 466	197 133
Borrowings	255 993	276 474	-	-	-	276 474	-
Revolving funds	355 541	371 539	-	-	-	-	371 539
Other Liabilities	52 452	52 452	52 452	-	-	-	-
Total	2 250 847	2 349 867	774 834	380 267	312 157	313 940	568 672

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 p rices, 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 (continued)

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

Sensitivity analysis on interest rate sensitive assets - 31 March 2023

Product	Balance at 31 March 2023 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	286 037	1 430	(1 430)
Agriculture	134 977	675	(675)
Private sector	1 548 269	7 741	(7 741)
Public sector	62 968	315	(315)
Total	2 032 251	10 161	(10 161)

Sensitivity analysis on interest rate sensitive liabilities – 31 March 2023

Product	Balance at 31 March 2023 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	846 359	4 232	(4 232)
Current accounts	122 512	-	-
Borrowings	208 028	1 040	(1 040)
Fixed Deposits	867 142	4 336	(4 336)
Total	2 044 041	9 608	(9 608)

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Market Risk (continued)

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

Sensitivity analysis on interest rate sensitive assets - 31 March 2022

Product	Balance at 31 March 2022 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	587 920	2 940	(2 940)
Agriculture	142 494	712	(712)
Private sector	1 150 308	5 752	(5 752)
Public sector	97 110	486	(486)
Total	1 977 832	9 890	(9 890)

Sensitivity analysis on interest rate sensitive liabilities – 31 March 2022

Product	Balance at 31 March 2022 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	841 703	4 209	(4 209)
Current accounts	77 008	-	-
Borrowings	255 993	1 280	(1 280)
Fixed Deposits	668 150	3 341	(3 341)
Total	1 842 854	8 830	(8 830)

(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 (continued)

(c) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate as a result of changes in foreign currency 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 2023					
Financial assets					
Cash balances and balances with Central Bank	827	83	231	269 245	270 386
Amounts due from / (to) other Banks	-	-	-	158 681	158 681
Other assets	-	-	-	45 221	45 221
Investment securities	-	-	-	323 031	323 031
Loans and advances	-	-	-	1 846 146	1 846 146
Total assets	827	83	231	2 642 324	2 643 465
Financial liabilities					
Borrowings	-	-	-	208 028	208 028
Customer Deposits	-	-	-	1 836 013	1 836 013
Other Liabilities	-	-	-	267 777	267 777
Total Liabilities	-	-	-	2 311 818	2 311 818

31 FINANCIAL RISK MANAGEMENT (continued)

31.4 Market Risk (continued)

(c) Foreign currency risk (continued)

CURRENCY CONCENTRATION	US$ E'000	GBP E'000	EURO E'000	SZL E'000	TOTAL E'000
31 March 2022					
Financial assets					
Cash balances and balances with Central Bank	1 485	76	117	250 801	252 479
Amounts due from other Banks	-	-	-	216 057	216 057
Other assets	-	-	-	31 113	31 113
Investment securities	-	-	-	307 415	307 415
Loans and advances	-	-	-	1 977 832	1 977 832
Total assets	1 485	76	117	2 783 218	2 784 896
Financial liabilities					
Borrowings	-	-	-	255 993	255 993
Customer Deposits	-	-	-	1 586 861	1 586 861
Other Liabilities	-	-	-	355 541	355 541
Total Liabilities	-	-	-	2 198 395	2 198 395

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 2023 was as follows:

	2023 E'000	2022 E'000
Tier I Capital		
Ordinary share capital	54 800	54 800
Capital grant	135 000	135 000
Statutory reserves	49 073	47 609
Retained earnings	233 042	224 620
	471 915	462 029
Tier II Capital		
Other reserves	126 758	120 769
	126 758	120 769
Total regulatory capital	598 673	582 798
Risk-weighted assets		
CBE calculated total	2 813 635	2 805 061
Capital ratios		
Total capital as % of total risk-weighted assets		
CBE	21.28%	20.78%
Total tier 1 as % of risk-weighted assets		
CBE	16.77%	16.47%

The bank has complied with all externally imposed capital requirements.

32 MATURITY PROFILE OF FINANCIAL INSTRUMENTS

31 March 2023	On call and 1 month E'000	2 to 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	270 386	-	-	-	270 386
Amounts due from other banks	158 681	-	-	-	158 681
Investment securities	-	80 026	112 577	130 428	323 031
Loans and advances	41 534	225 795	697 834	880 983	1 846 146
Total interest earning assets	470 601	305 821	810 411	1 011 411	2 598 244
Percentage profile	18%	12%	31%	39%	100%
Non-interest earning assets					
Other assets	45 221	-	-	-	45 221
Total financial assets	515 822	305 821	810 411	1 011 411	2 643 465
Reconciliation of financial assets to assets shown on the statement of financial position					
Property and equipment	-	-	-	205 263	205 263
Investment in associate	-	-	-	17 655	17 655
Intangible assets	-	-	-	56 006	56 006
Total assets	515 822	305 821	810 411	1 290 335	2 922 389
Liabilities					
Interest bearing liabilities					
Current accounts	143 103	-	-	-	143 103
Savings accounts	359 028	-	-	-	359 028
Demand and short-term deposits	355 454	559 381	209 818	10 221	1 134 874
Eswatini Government deposit	-	-	-	199 098	199 098
Leases	-	-	9 714	-	9 714
Borrowings	-	133 028	75 000	-	208 028
Revolving funds	-	-	-	200 668	200 668
Total interest-bearing liabilities	857 585	692 409	294 532	409 987	2 254 513
Percentage profile	38%	31%	13%	18%	100%
Non-interest-bearing liabilities	69 293	-	-	-	69 293
Total liabilities	926 878	692 409	294 532	409 987	2 323 806

(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 2022	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	252 479	-	-	-	252 479
Amounts due from other banks	216 057	-	-	-	216 057
Investment securities	-	38 990	187 622	80 803	307 415
Loans and advances	85 589	128 587	269 333	1 289 852	1 773 361
Total interest earning assets	554 125	167 577	456 955	1 370 655	2 549 312
Percentage profile	22%	6%	18%	54%	100%
Non-interest earning assets					
Other assets	31 113	-	-	-	31 113
Total financial assets	585 238	167 577	456 955	1 370 655	2 580 425
Reconciliation of financial assets to assets shown on the statement of financial position					
Property and equipment	-	-	-	184 419	184 419
Investment in associate	-	-	-	14 335	14 335
Intangible assets	-	-	-	69 219	69 219
Total assets	585 238	167 577	456 955	1 638 628	2 848 398
Liabilities					
Interest bearing liabilities					
Current accounts	98 411	-	-	-	98 411
Savings accounts	348 528	-	-	-	348 528
Demand and short-term deposits	251 616	655 315	35 853	5 387	948 171
Eswatini Government deposit	-	-	-	191 751	191 751
Leases	-	-	13 078	-	13 078
Borrowings	-	55 993	200 000	-	255 993
Revolving funds	-	-	-	355 541	355 541
Total interest-bearing liabilities	698 555	711 308	248 931	552 679	2 211 473
Percentage profile	32%	32%	11%	25%	100%
Non-interest-bearing liabilities	54 127	-	-	-	54 127
Total liabilities	752 682	711 308	248 931	552 679	2 265 600

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 2023	Amortised cost E'000 31 March 2022
Financial assets		
Cash balances and balance with Central Bank	270 386	252 479
Amounts due from other Banks	158 681	216 057
Other assets	45 221	12 529
Loans and advances	1 846 146	1 773 361
Investment securities	323 031	307 415
	2 643 465	2 561 841
Financial liabilities		
Customer deposits and current accounts	1 836 013	1 586 861
Borrowings	208 028	255 993
Other liabilities	267 777	407 993
	2 311 818	2 250 847

34 GOING CONCERN

Management have done cash flow projections for the 12 months after the date of approval of the financial statements and based on the projections, management has determined that there will be sufficient resources to settle liabilities and obligations.

In light of the above, management has assessed the use of the going concern assumption in the preparation of these financial statements to be appropriate.

NOTES

EswatiniBank

HEAD OFFICE

Gwamile Street, Mbabane, Swaziland

P.O. Box 336, Mbabane, H100

Tel: +268-2409 5000 | **Fax:** +268-2404 2550

e-mail: swazibank@swazibank.co.sz | **Website:** www.swazibank.co.sz