CREDIT RISK STATEMENT: GREEN FINANCING

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1. Purpose

This paper outlines the Credit Risk Appetite for Green Financing at Eswatini Bank, reinforcing the Bank's commitment to Climate Action and sustainable economic development, over and above the aspirations contained in the Bank's Mkhanyakudze Strategy.

The intent is to formally articulate the Bank's willingness to finance environmentally sustainable projects while maintaining prudent credit risk standards and portfolio quality.

2. Strategic Positioning

Eswatini Bank recognises that climate change presents both systemic risk and strategic opportunity. The Bank therefore adopts a progressive and supportive credit risk appetite toward viable green projects that:

- Contribute to environmental sustainability
- Reduce carbon emissions
- Improve climate resilience
- Promote resource efficiency
- Support national and regional sustainable development goals

Green financing is positioned as a **growth and impact pillar**, aligned to long-term balance sheet resilience and responsible banking principles.

3. Green Financing Statement

Eswatini Bank has a moderate-to-positive credit risk appetite for bankable green projects that demonstrate:

- Strong commercial viability
- Sustainable cashflow generation
- Appropriate technical feasibility
- Compliance with environmental and regulatory standards
- Competent project sponsors and governance structures

The Bank is willing to:

- Consider longer tenors where project economics justify it
- Offer structured repayment profiles aligned to project cashflows
- Provide blended or concessional structures where development finance partnerships exist
- Allocate defined portfolio limits to green assets as part of its overall credit strategy

The Bank will, however, maintain:

- Standard credit underwriting discipline
- Sectoral exposure limits in line with the Credit Risk Appetite Statement
- Environmental and social risk screening
- Concentration risk monitoring
- Minimum Debt Service Coverage Ratios (DSCR) aligned to project risk

4. Categories of Green Projects Eligible for Financing

The Bank may finance, but is not limited to, the following green project categories:

A. Renewable Energy

- Solar photovoltaic (PV) installations (commercial, industrial, agricultural, residential)
- Solar farms and embedded generation projects
- Hydropower (small-scale)
- Biogas and biomass energy projects
- Energy storage systems (battery solutions)

B. Energy Efficiency Projects

- Industrial energy efficiency retrofits
- Smart metering and grid efficiency systems
- Efficient lighting and HVAC upgrades
- Energy-efficient manufacturing equipment

C. Sustainable Agriculture

- Climate-smart agriculture
- Drip irrigation systems
- Water harvesting infrastructure
- Organic and regenerative farming initiatives
- Agroforestry projects

D. Water and Waste Management

- Waste-to-energy plants
- Recycling and circular economy businesses
- Wastewater treatment plants
- Rainwater harvesting systems

E. Green Buildings and Infrastructure

- Buildings meeting green certification standards
- Energy-efficient commercial developments
- Eco-industrial parks
- Low-carbon construction methods

F. Clean Transport

- Electric vehicle fleet financing
- Charging infrastructure
- Hybrid transport solutions
- Logistics fleet conversion to low-emission systems

5. Portfolio Allocation and Growth Intent

To demonstrate tangible commitment, the Bank may:

- Establish a green asset portfolio target (e.g., a defined percentage of total loan book over a 3–5 year horizon)
- Ring-fence a dedicated green financing facility
- Develop preferential pricing structures for qualifying green projects
- Seek partnerships with climate funds (GCF) and development finance institutions
- This approach ensures that green lending is not incidental, but strategically embedded within the Bank's growth trajectory.

6. Environmental and Social Risk Management

All green projects will undergo:

- Environmental and Social (E&S) screening
- Regulatory compliance verification
- Assessment of environmental impact mitigation measures
- Climate resilience evaluation

Projects with material environmental harm or misaligned sustainability claims will not be supported.

7. Governance and Monitoring

The Bank will:
Track green exposures separately for reporting purposes
Monitor portfolio performance and environmental impact indicators
Report progress to Board Credit Committee
Periodically review the green risk appetite framework

8. Conclusion

Eswatini Bank affirms its strong institutional willingness to finance green projects that are commercially viable and environmentally sustainable.

By formalising this credit risk appetite, the Bank strengthens its contribution to Climate Action, enhances portfolio diversification, and positions itself as a leading partner in Eswatini's transition toward a low-carbon, climate-resilient economy — beyond the ambitions of the Mkhanyakudze Strategy.

EswatiniBank