

Performance

Finance Report

The following analysis provides an overview of the CBE statement of comprehensive income, statement of financial position, selected ratios year-on-year and salient features.

Summary Income Statement

Category	31/03/2023 E'000	31/03/2022 E'000	Percentage change	Commentary
Interest income	453,111	336,586	35%	Interest income increased relative to the previous financial year due to higher interest rates and better portfolio holdings.
Interest expense	-193,180	-124,337	55%	Interest paid rose relative to the previous financial year on the back of higher liability holdings on local banks' call accounts and higher interest rates compared to the last year.
Non-interest income	609,311	367,154	66%	About 71 per cent is compensation for ZAR in circulation within the country and is paid by the Government of South Africa. Non-interest income in 2022/23 also include impairment reversal on financial assets of E172.6 million.
Net-interest income	869,242	579,403	50%	
Operating expenses	-483,393	-397,101	22%	The Bank has partnered with CBDC technical consultants, Giesecke+Devrient (G+D) to advance its research and exploration of CBDCs and is now entering the experimentation phase of its CBDC project. In 2022/23 the CBE has continued to invest in professional services towards this on-going project.
Profit/(Loss) for the year	385,849	182,302	112%	Profit for the year has been arrived at after charging staff costs, repairs & maintenance, board members and audit fees, depreciation, and all other operating expenses.
	627,446	166,333	277%	Foreign exchange gains realised on translation of foreign currency balances at the year-end rate. The gains are mainly the result of the Lilangeni (SZL) depreciating against major currencies during the financial year.
Total	1, 013,295	348,635	191%	Attributable to the depreciation of SZL against major trading currencies, which caused a profit on the revaluation of foreign denominated assets.

- Reflects a worsening position
- Reflects an improvement

Current Year

	Threshold	Budget	Actual
Personnel expenses as per cent of income	45%	31%	37%
Personnel expenditure as per cent of total expenditure	55%	46%	53%
Total expenditure as per cent of total income (excluding credit impairment gain)	80%	68%	69%

Summary Statement of Financial Position

	31/03/2023 E'000	31/03/2022 E'000	Percentage Change	Commentary
Assets				
External Investments	5,513,673	3,535,548	56%	The increase reflects the position following investments in various currencies after a drawdown in SDR Holdings.
IMF Quota Subscription Account	1,869,048	1,585,605	18%	The International Monetary Fund Quota Subscription of SDR78.50 million held by the Bank on behalf of the Government of Eswatini was revalued at a gain of E283 million in the current year due to the SDR rate of 23.8095 on 31 March 2023 being higher than the previous year rate of 20.9205.
Cash and Cash Equivalents	1,265,137	732,490	73%	The E533 million positive movement in cash and cash equivalents reflects the positive cash inflow realised as earnings from the CBE's investment portfolio less operating and investing cash flows for the year.
Amounts due from Government of Eswatini	3,075,007	2,835,218	8%	Amounts due from the Government of Eswatini comprise Treasury bills and bonds amounting to E1.346 billion a short-term advance of E1.801 billion less an allowance of E71 million for credit losses, in line with IFRS 9. The year-on-year movement reflects the net effect of repayments by Government as well as re-advances by the Bank during the year.

Holdings of Special Drawing Rights (SDR)	466,540	2,490,916	81%	Special Drawing Rights are an interest-bearing international asset created by the International Monetary Fund to supplement existing rights for member countries. There was a drawdown in SDR which was re-invested in various currencies (USD, EURO, GBP and CYN).
Liabilities				
Currency in Circulation	1,240,001	1,239,866	0.01%	The increase reflects an improvement in economic activity
Domestic Deposits	3,438,302	4,091,986	16%	Commercial banks drew down on call accounts relative to the prior year whilst Government accounts also decreased as she continued to service her financial obligations.
Allocation of Special Drawing Rights	2,941,033	2,495,422	18%	The increase reflects a revaluation gain of E446 million emanating from a higher SDR conversion rate of 23.8095 on 31 March 2023 compared to 20.9205 in previous year end.
Amounts Payable to the Consolidated Fund	445,461	173,237	157%	The amount payable to the Consolidated Fund in terms of Section 8(3) of the Central Bank Order 1975 as amended, was E445 million, comprising 25% of realised profit and 20% of the balance in the revaluation gains account at year end. The revaluation account closed with a higher net gain as opposed to previous financial year due to favourable movements in exchange rates.
IMF Securities Account	1,712,975	1,453,432	18%	The E260 million increase represents accumulated revaluation gains on the International Monetary Fund Quota Subscription Account during the year.

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Current year ratio

	2022/23 Actual	2022/23 Target	2021/22 Actual
Capital to Asset ratio	14.79%	10%	11.72%

Process Reporting

Critical factors across the CBE with their key performance indicators are summarised below. These are pursued in the different departments of the Bank. They are further linked to the CBE's strategic objectives, material matters as well as the top 13 risks.

Critical Factors	Key Performance Targets and Indicators	
	2022/23 Target	2022/23 Actual
1. Maintain adequate foreign reserves.	Achieve import cover of 4.0 months by financial year-end.	Recorded 2.5 months of imports at end of March 2023, with 2.7 months average for the year.
2. Build foreign reserves.	Average monthly accumulation of an equivalent of E200 million.	Achieved monthly average of E424 million foreign exchange purchases for the financial year.
3. Optimise returns on investments.	Achieve target of 50 basis points outperformance of the portfolio versus the benchmark.	Realised 51 basis points performance over the benchmark over the financial year.
4. Enhance income.	Net interest income to exceed budget by 5 per cent annually.	Achieved 22 per cent positive variance of actual net interest income versus budget.
5. Raising funds for Government in the domestic market.	Treasury Bills Issuance; Target was to raise E4.94 billion. Treasury Bonds Issuance; Target was to raise E1.4 billion.	E6.787 billion raised exceeding the target by 37 per cent; maturities amounted to E7.236 billion indicating a net financing of negative E449 million. E2.329 billion was raised exceeding target by 94 per cent; maturities amounted to E979 million indicating a net positive financing of E1.35 billion.
6. Open Market Operations (Liquidity Management).	Issuance of CBE bills, Term Deposits, and Call Account rate management to prevent excessive outflow of ZAR.	Open market operations instruments implemented at reasonable cost to the Bank and excessive outflow of ZAR was prevented.
7. Monitoring Incidence of counterfeiting (Number of counterfeits).	Counterfeits to be kept below 2,000 pieces annually.	No incidents for Emalangeni counterfeit. The only challenge emanates from the Dye Stained banknotes following the bombing of ATMs.
8. Exchange Control Liberalisation Index (ECLI).	Collaborate with SADC countries in developing a model for assessing the liberalisation of exchange controls in the region. Assess the country's position on the liberalisation of the capital and current account, compared to peer member countries.	The Model for assessing the Exchange Control Liberalisation Index (ECLI) in the SADC region has been developed. Eswatini has been onboarded to the ECLI Version 2 (V2) model. Eswatini participated in a workshop hosted by SADC to capacitate member countries on how to complete the ECLI V2 model. The ECLI V2 Model has been updated up to June 2023. By the end of the financial year, SADC countries were in the processes of assessing their country positions on the liberation of exchange controls.

9. Implement the Supervisory Plan for the year 2022/23 based on the anti-money laundering and counter financing of terrorism sectorial risk assessment conducted in March 2022.	Conduct 2 onsite inspections on high-risk institutions. Conduct 2 desk reviews on low to medium risk institution. Review institutional profiles. Monitor the implementation of Action Plans post an onsite inspection.	The Bank conducted two (2) on-site inspections on high-risk institutions and two desk review on medium-low risk institutions to determine the robustness of their AML/ CFT programmes. The CBE closed 2 remedial Action Plans; 1 is in progress. The Bank issued 2 cautionary letters to institutions that did not adhere to timeliness in implementing Action Plans post an inspection.
10. Develop and administer the fintech regulatory sandbox.	Review the sandbox regulatory sandbox to drive its adoption.	Conducted a review of the sandbox and issued recommendations for its development.
11. Scan the local financial sector environment to identify and address regulatory gaps in Fintech developments.	Identify and address regulatory fintech gaps.	Conducted the Eswatini fintech scoping exercise. Established the crypto assets task force to develop the crypto assets regulatory recommendation paper. Commissioned the crypto assets consumer insights survey. Analysed reported consistently crypto assets related transactions. Developed a business case for the digital rulebook project and established the project team. Conducted research and provide recommendations for stablecoins, regtech, NFCs, and BNPL.
12. Central Bank Digital Currency Research and Exploration Project.	Complete industry analysis and design paper of digital Lilangeni.	CBDC Industry analysis report and draft design paper completed.
13. Eswatini Fintech Working Group.	Drive EFWG Fintech Activities.	Renewed the MoU. Expanded membership to include the ERS and RSTP. Co-hosted the Machine Learning Indaba.
14. Increase uptake on SSELGS performance and utilisation of ECGS.	Increase Leverage from 1.67 times the fund balance to at least 2.5 times.	SSELGS fund decreased by 7.3% year-on-year, whilst the Leverage increased from 1.67 times to 2.41 times the Fund balance over the year. The ECGS continued to be stagnant during the year.
15. Produce research papers and compile the research bulletin.	To produce seven research papers.	Seven research papers were produced and published in the Research Bulletin.



16. Compile and produce the Governor's Annual Monetary Policy Statement (GAMPS) address.	To Produce the GAMPS document and host the GAMPS address.	GAMPS document produced and address hosted.
17. Compile and produce the Economic Review and Inflation Reports as well as the MPCC press statements.	Compile and produce the Economic Review and Inflation Reports as well as the MPCC press statements for all meetings.	Economic Review and Inflation Report as well as the MPCC press statements produced for all meetings.
18. Implement Pillars 2 and 3.	All Basel 2 Pillars are live and have been implemented.	Implement Basel enhancements on standardised approach as introduced by the Basel Committee on Banking Supervision.
19. Review of the AML/CFT Risk Based Approach guideline for institutions licensed by CBE.	The guideline was issued to industry in 2022, but the mutual evaluation by the Eastern & Southern Africa Anti-Money Laundering Group revealed some gaps which must be addressed e.g., ultimate beneficial ownership.	The draft amendment was shared with the industry for comments which are currently being reviewed before the Guideline can be finalised.
20. Review of Section 24 of the Financial Institutions Act (FIA), 2005.	This section on single obligor limit being 25 per cent of tier 1 capital, is in the process of being reviewed to remove the threshold from the primary legislation and embedding it in a Legal Notice to enable review from time to time.	The draft amendment to section 24 of the FIA is now being reconsidered following its presentation to Cabinet.

Future Focus Areas and Outlook

Diversification of the issuance Programme of Government through JSE listing is in progress and the introduction of the retail bond as a means for financial inclusion is underway.

- » Continue to explore opportunities to build reserves. Currently managing the SDR Portfolio actively, i.e., the Asset side to enhance returns.
- » To expand the internally managed portfolio to include Treasuries.
- » Diversification of the issuance Programme of Government through JSE listing is in progress and the introduction of the retail bond as a means for financial inclusion is underway.
- » To improve the implementation of open market operations tools to curb excessive outflows of Rands to protect foreign reserves.
- » To improve the efficiency of banking services and advisory team to the Government and other customers.
- » Continue with the promotion and awareness of ECGS and SSELGS in various fora to increase visibility and improve the performance of the Schemes.
- » Supervision of commercial banks on quality of currency circulated (ensuring currency integrity and compliance).
- » Ensure sound & consistent quality in policymaking, regulatory and compliance practices by maintaining a robust regulatory framework to meet international best practice standards.
- » Technology is expected to continue to drive development in the financial industry, resulting in new products, services, and business models. The CBE will give the following areas priority in the upcoming fiscal year in order to create an environment that is both enabling and protective of the financial system:
 - Completion of the CBDC research and development project including the development of a proof-of-concept and pilot of the potential Digital Lilangeni.
 - Providing support in the development of the crypto assets' regulatory framework for the country.
 - Driving fintech development from a policy position by providing guidance on regulatory technology (RegTech), stablecoins, open banking, QR codes, NFC for payments, and buy now pay later services.
 - Developing the Eswatini National Fintech Strategy and the Eswatini Working Group Strategy and expanding its role and impact in the economy.
 - Completion of the digital rulebook and the review of the regulatory sandbox framework.
- » To continue producing research papers for contribution to the Research Bulletin.
- » To continue producing inflation forecasts to inform monetary policy decisions.
- » To host three (3) seminars where research papers will be presented.
- » One of the Bank's strategic initiative falling within the purview of this Unit is on Inclusive Green Finance and Climate change related matters. Plans and project design are afoot to commence on this project.
- » Develop conduct risk management framework for the banks.
- » Finalise baseline market conduct inspections on remaining banks.
- » Review banks' regulatory returns to incorporate Consumer Credit Act, 2016 requirements, deposit interest rates and financial inclusion.
- » Review Corporate Governance Guideline for banks to ensure effectiveness of Boards.