SEYCHELLES COMMERCIAL BANK

TRUST | EXPERIENCE | GROW

Annual Report

2021

www.scb.sc

CHAIRMAN'S REPORT

I am pleased to present the audited financial statements of the Seychelles Commercial Bank and to provide an update on the Bank's performance for the financial year ended 31st December 2021.

Our performances and results during 2021 embraced all challenges and opportunities that were presented before us in a year that continued to be dominated by the pandemic Covid-19. Our focus during 2021 remained on providing optimum service and support to our customers whilst being attentive to the financial health and sustainability of our institution. Our Bank continued to make financial progresses and recorded some growths during the past year, this being above the defies that we faced, whether on an inherent level, economically or pandemic-wise.

The total size of the Bank's Balance Sheet crossed the two billion mark to stand at SCR 2.04B at the closing of 2021 compared to SCR1.97B in 2020. SCB thus succeeded in doubling the size of its Balance Sheet in five years. Against all odds and adversities, the total deposits of the Bank grew from SCR1.72B in 2020 to SCR1.79B in 2021. The Bank held a healthy share of Current & Savings (CASA) deposit which has been improving with every passing year. The CASA ratio of the Bank as compared to its total deposits went further up in 2021 by 137 basis points to 73.26% from 71.89% in the previous year. The total CASA book increased by 5.65% in 2021 to SCR1.31B against SCR1.24B in 2020.

The advances portfolio of the Bank dropped from SCR 775.66M in 2020 to SCR 698.27M in 2021 due to slow economic activity and cautious stance taken by the Bank on lending for around 18 months as a large number of businesses and individuals were financially impacted by the effect of on-going Covid-19. However, the overall loan book went up by more than 2.64% in the last quarter of the year after resumption of lending from that same period. With a well diversified loan book spread across consumer and corporate products the Bank is working on further bringing down the turnaround time and enhancing customer experience and engagement while processing credit proposals.

Despite all the headwinds and its impact on revenue generation and provisioning, the Bank has continued to make profits. This was all the more challenging since income from a number of the usual revenue streams were not available to our Bank due to unavailability of these services. Lots of brainstorming and well thought out strategies ensured that our Bank did not disappoint on its bottom-lines. This further resulted in the Bank strengthening its capital base. The overall equity went up to SCR 212.65M in 2021 as compared to equity of SCR 204.63M in 2020, a growth of 3.92%.

The Bank could showcase a better performance as compared to prior year on most of the income heads. However, a foreign exchange loss of SCR 15.53M pulled us down in light of soaring foreign exchange rates. In light of other challenges faced by our Bank, minimal foreign exchange trading could be accomplished which resulted in losses due to revaluation on the FOREX open position.

After two consecutive years of no return to shareholders due to regulatory restrictions on Banks' capital distributions, I am pleased to announce that the Board of Directors has approved a dividend payout of SCR 4.8M for the financial year 2021. This represents 8% of shareholders' investment in the Bank. The Board and Management strive to achieve equitable balance between shareholder satisfaction and sustainable financial base for the Bank. And in the midst of ongoing worldwide crisis, such as the war in Ukraine, we remain cautious of the fragility of the market and the environment within which the Bank operates its business. Thus, we continue to act prudently whilst we also reinvigorate our business activities after the tightened two years of peak pandemic period. Our growth plan and technology developments in the years ahead merit strong financial backup and the steadiness of capable workforce. In 2021, we continued to invest in our people and in our capabilities to reinforce the business credentials. The Bank placed great emphasis on training and development across all functions including Board members, in anticipation of enhancing work engagement, service delivery and regulatory compliance; and ensure best practices are well instituted in the workplace.

In my concluding remark, I wish to express my utmost gratitude to fellow board members, management and staff of SCB for their unwavering support and for continued delivery on the Bank's mandate in spite of all challenges met. I also present my thanks to all stakeholders of SCB for their loyalty and collaborations during the past year. I look forward to continued support and partnership in 2022 and beyond.

Patrick Payet
Chairman

DIRECTORS	: Mr. Patrick Payet Mrs. Annie Vidot Mrs. Esther Boniface Mr. Robert Morgan Mr. Sandy Mothee Mrs. Jenna Thelermont Mr. Jamshed Pardiwalla
SECRETARY	: Mrs. Jenna Thelermont
REGISTERED OFFICE	: P.O Box 531 Orion Mall Victoria Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	: P.O Box 531 Orion Mall Victoria Mahé, Seychelles
AUDITORS	: BDO Associates Chartered Accountants Seychelles
BANKERS	Central Bank of Seychelles Bank of Baroda Absa Bank (Seychelles) Ltd Absa Bank Limited ICBC (Asia Limited)

The Directors are pleased to submit their report together with the audited financial statements of **Seychelles Commercial Bank Limited** (hereafter called "**the Bank**") for the year ended December 31, 2021.

PRINCIPAL ACTIVITY

The principal activity of the Bank remained unchanged during the year under review and consists of the provision of banking services in Seychelles.

RESULTS FOR THE YEAR

	SCR
Profit before tax	**17,365,863**
Tax expense	**(9,341,737)**
Profit for the year	**8,024,126**
Transfer to statutory reserve	**(1,604,825)**
Retained earnings brought forward	**69,424,888**
Retained earnings carried forward	**75,844,189**

DIVIDENDS

The Directors did not propose any dividend by the close of the financial year under review (2020: Nil), and dividend was only declared in 2022. In light of the impact of the COVID-19 pandemic, the Central Bank of Seychelles (CBS) has made key policy interventions and implemented several new measures to safeguard the soundness, stability and integrity of the Seychelles' financial system and the broader economy.

One of the measures introduced was the prohibition of declaration of dividends by all commercial banks, the Development Bank of Seychelles and the Seychelles Credit Union. This directive was communicated during the second quarter of 2020 and is applicable to the financial years ended December 31, 2019 - December 31, 2020. The Directors confirm that they have complied with it.

This directive was lifted by the CBS as part of the "Unwinding Strategy – Covid-19 Policy and Relief Measures" which was published in February 2022.

Following this, the Bank wrote and received approval of CBS early 2022 and therefore a dividend of SR 4.8m representing SR 8 per share was declared. Refer to note 29.

PROPERTY AND EQUIPMENT

The property and equipment of the Bank and the movements therein are detailed in Note 9 to the financial statements.

The Directors have estimated that the carrying amount of property and equipment at the reporting date approximate their fair value.

OVERVIEW OF 2021

During the year 2021, the COVID-19 pandemic continued to impact the World's economy and experiencing significant volatility in the market resulting from the spread of the pandemic. The new COVID-19 variants resulted in more travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty.

In the midst of the persisted pandemic, the Bank continued its efforts to ensure minimal disruptions to operations as well as maintain business continuity. Staff were encouraged to take vaccination of which SCB were able to achieve the herd immunity of 80% and above.

SCB recognized that lending remained critical for the recovery of businesses and other sectors of the economy. As such, support for customers were maintained in line with COVID-19 relief scheme as follows:

- Loan moratorium or deferment;
- Re-scheduling of existing loan over a longer tenor; and
- The Private Sector Relief Scheme Credit Line (PSRCL) offering financial relief to small medium enterprises (SMEs) as well as large enterprises adversely impacted by the pandemic.

At the same time, much emphasis was placed on the management and monitoring of credit performances and potential credit losses with a view to curb non-performing loans and alleviate potential capital erosion.

In addition, the Bank was mandated to comply with directives from authorities like Public Enterprise Monitoring Commission (PEMC) and Ministry of Finance, National Planning and Trade.

The Directors and Management continue to uphold the plans put in place to deal with the persisting pandemic situation and with any potential outbreak in the foreseeable future. The Directors are of the view that the going concern basis of preparation of the financial statements remain appropriate despite the volatility in foreign exchange rates which impacted the financial statement negatively, given the circumstance.

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Bank from the date of the last report and to-date are:

	Number of ordinary shares
Mr. Patrick Payet	-
Mrs. Annie Vidot	-
Mrs. Esther Boniface	-
Mr. Robert Morgan	5,875
Mr. Sandy Mothee	-
Mr. Jamshed Pardiwalla	3,387
Mrs. Jenna Thelermont	850

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Bank including its operations and the making of investment decisions.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies Act, 1972, the Financial Institutions Act 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that fall within the accounting policies adopted by the Bank as a whole; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Bank and those that are held in trust and used by the Bank.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The auditors, Messrs. BDO Associates, being eligible offer themselves for reappointment.

BOARD APPROVAL

Mr. Patrick Payet
Chairman

Mrs. Annie Vidot
Managing Director

Mrs. Esther Boniface
Director

Mr. Robert Morgan
Director

Mr. Sandy Mothee
Director

Mrs. Jenna Thelermont
Director

Mr. Jamshed Pardiwalla
Director

Dated: 26 APR 2022
Victoria, Seychelles

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The Creole Spirit
Quincy Street
Victoria, Mahe
Seychelles
P.O. Box 18

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **SEYCHELLES COMMERCIAL BANK LIMITED** (hereafter referred to as "**the Bank**") set out on pages 4 to 61 which comprise the Statement of Financial Position as at December 31, 2021, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972.

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Allowance for expected credit losses (ECL) per IFRS 9 - Financial instruments

Refer to note 6(b) & 6(d) of the financial statements.

Determining expected credit losses (‘ECL’) involves Management's judgement and is subject to significant uncertainties, which have varied considerably as a result of the Covid-19 pandemic.

Key Audit Matters (Cont'd)

Allowance for expected credit losses (ECL) per IFRS 9 - Financial instruments (Cont'd)

Judgemental modelling was used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD are the key drivers of complexity in the ECL. The staging of assets is also considered to be one of most significant judgement which impacts the Bank's ECL computation.

In line with the international practices advocating post-model overlays in instances where effects of COVID-19 cannot be accurately reflected in models and given relative limitation of data, the Bank opted not to alter its models, but, instead, to align staging parameters to factor in potential ramifications of COVID-19.

How our audit addressed the key audit matter

During the course of our audit, we:

- Evaluated the appropriateness of the Bank's IFRS 9 impairment methodologies;
- Reperformed the calculation of certain components of the ECL model;
- Checked the reasonableness of the Bank's considerations on the ECL impact of the current economic environment due to COVID-19;
- Sample-tested key inputs, staging data and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and model assumptions applied; and
- Reviewed Management's assumptions regarding staging of financial assets, and impact to ECL, in light of the COVID-19 pandemic;
- Assessed whether disclosures with respect to ECL appropriately addressed the uncertainties which exist when determining the ECL and in addition, assessed whether the disclosures of key judgements and assumptions made were adequate in the circumstances.

Responsibilities of Directors and Those Charged with Governance 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 compliance with the Companies Act, 1972, the Financial Institutions Act 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles, and for such internal control as the directors determine is necessary to enable the preparation of the 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's 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 auditor's 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 skepticism 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 Directors.
- Conclude on the appropriateness of 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 auditor's 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 auditor's 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 those charged with governance 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.

SEYCHELLES COMMERCIAL BANK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONT'D)

Report on Other Legal and Regulatory Requirements

Companies Act, 1972

We have no relationship with, or interests in, the Bank, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles

The Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles.
- The explanations or information called for or given to us by management and employees of the Bank were satisfactory.
- The Bank did not carry out any fiduciary duties during the year under review.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 26 APR 2022
Victoria, Seychelles

SEYCHELLES COMMERCIAL BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	Notes	2021	2020
ASSETS		**SR**	SR
Cash and cash equivalents	5	**680,246,657**	770,611,692
Loans and advances	6	**698,275,192**	775,662,775
Investment in financial assets at amortised cost	7	**556,397,549**	316,475,245
Right-of-use assets	8(b)	**1,433,597**	4,217,834
Intangible assets	9	**8,973,004**	11,047,490
Property and equipment	10	**63,142,217**	62,774,843
Other assets	11	**28,507,602**	26,348,436
Deferred tax asset	12(a)	**9,234,948**	9,859,858
Total assets		**2,046,210,766**	1,976,998,173
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	13	**1,794,780,642**	1,728,969,312
Retirement benefit obligations	14	**10,414,618**	8,679,774
Lease liabilities	8(c)	**1,503,180**	4,255,583
Borrowings	15	**6,936,131**	1,033,611
Current tax liabilities	16(a)	**1,299,551**	7,787,966
Other liabilities	17	**18,622,312**	21,641,721
Total liabilities		**1,833,556,434**	1,772,367,967
EQUITY			
Share capital	18	**60,000,000**	60,000,000
Statutory reserve	19	**36,819,314**	35,214,489
Revaluation reserve	Page 6	**39,990,829**	39,990,829
Retained earnings		**75,844,189**	69,424,888
Total equity		**212,654,332**	204,630,206
Total liabilities and equity		**2,046,210,766**	1,976,998,173
CONTINGENT LIABILITIES			
Loan commitments	27(b)	**45,357,000**	79,473,000

These financial statements have been approved for issue by the Board of Directors on: 26 APR 2022

Mr. Patrick Payet
Chairman

Mrs. Annie Vidot
Managing Director

Mrs. Esther Boniface
Director

Mr. Robert Morgan
Director

Mr. Sandy Mothee
Director

Mrs. Jenna Thelermont
Director

Mr. Jamshed Pardiwalla
Director

The notes on pages 8 to 61 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
		SR	SR
Interest income	20	**128,199,807**	125,815,483
Interest expense	21	**(36,582,171)**	(39,705,471)
Net interest income		**91,617,636**	86,110,012
Fee and commission income	22	**15,686,797**	13,602,115
Net interest, fee and commission income		**107,304,433**	99,712,127
Net foreign exchange (loss)/gain		**(15,534,063)**	23,187,208
Sundry income	23	**196,383**	404,940
Operating income		**91,966,753**	123,304,275
Employee benefit expense	24	**(29,449,323)**	(28,107,998)
Amortisation of right-of-use assets	8(b)	**(2,784,237)**	(2,306,967)
Amortisation of intangible assets	9	**(2,101,602)**	(1,792,405)
Depreciation of equipment	10	**(4,081,264)**	(3,828,911)
Other operating expenses	25	**(38,996,026)**	(34,962,010)
Total operating expenses		**(77,412,452)**	(70,998,291)
Operating profit before impairment		**14,554,301**	52,305,984
Reversal / (charge) for allowance for credit impairment	6(c)	**2,811,562**	(20,844,089)
Profit before taxation		**17,365,863**	31,461,895
Tax charge	16(b)	**(9,341,737)**	(8,470,154)
Profit for the year		**8,024,126**	22,991,741
Other comprehensive income			
Items that will not be reclassified to Statement of Profit or Loss			
Revaluation on buildings	10	**-**	12,517,241
Total comprehensive income		**8,024,126**	35,508,982

The notes on pages 8 to 61 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2021

	Note	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Total
		SR	SR	SR	SR	SR
At January 1, 2021		**60,000,000**	**35,214,489**	**39,990,829**	**69,424,888**	**204,630,206**
Total comprehensive income for the year		**-**	**-**	**-**	**8,024,126**	**8,024,126**
Transfer to statutory reserve	19	**-**	**1,604,825**	**-**	**(1,604,825)**	**-**
At December 31, 2021		**60,000,000**	**36,819,314**	**39,990,829**	**75,844,189**	**212,654,332**
At January 1, 2020		60,000,000	30,616,141	27,473,588	51,031,495	169,121,224
Total comprehensive income for the year		-	-	12,517,241	22,991,741	35,508,982
Transfer to statutory reserve	19	-	4,598,348	-	(4,598,348)	-
At December 31, 2020		60,000,000	35,214,489	39,990,829	69,424,888	204,630,206

The notes on pages 8 to 61 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

SEYCHELLES COMMERCIAL BANK
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STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2021

	Notes	2021	2020
Cash generated from operations		**SR**	SR
Profit before taxation		**17,365,863**	31,461,895
Adjustments for:			
Amortisation of right of use	8(b)	**2,784,237**	2,306,967
Amortisation of intangible assets	9	**2,101,602**	1,792,405
Depreciation of property and equipment	10	**4,081,264**	3,828,911
Profit from disposal of property and equipment		**-**	(278,600)
Write off adjustment		**1,947,944**	-
Movement in allowance for credit impairment	6(c)	**(2,811,562)**	20,844,089
Accrued interest on Investment in financial assets	7(a)	**(19,243,309)**	(3,753,756)
Accrued interest on loans and advances	6(a)	**919,195**	(378,172)
Accrued interest on deposits from customers	13(a)	**(879,254)**	(1,218,005)
Retirement benefit obligations charge	14	**2,867,115**	3,084,005
Currency translation differences		**9,016,455**	(21,092,640)
		18,149,550	36,597,099
Changes in operating assets and liabilities			
Decrease/(Increase) in loans and advances	6 & 6(d)	**75,859,137**	36,091,505
Increase in other assets	11	**(2,159,166)**	(6,756,878)
Increase in deposits from customers	13	**66,690,584**	88,568,074
Decrease in other liabilities	17	**830,960**	(2,093,785)
Movement in mandatory balance with Central bank	26	**(3,001,228)**	(7,764,517)
Retirement benefit obligations paid	14	**(1,132,271)**	(3,258,704)
Tax paid	16(a)	**(15,205,242)**	(10,243,763)
Net cash generated from operating activities		**140,032,324**	131,139,031
Cash flows from investing activities			
Purchase of intangible assets	9	**(27,116)**	-
Purchase of property and equipment	10	**(6,396,582)**	(3,004,311)
Proceeds from disposal of property and equipment		**-**	278,600
Addition to investment in financial assets		**(400,115,625)**	(2,260,285,293)
Redemption of investment in financial assets	7(a)	**178,950,745**	2,332,705,779
Net cash (outflow)/inflow from investing activities		**(227,588,578)**	69,694,775
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	8(c)	**(2,752,403)**	(2,638,252)
Borrowings received	15	**6,730,694**	1,033,611
Borrowings repaid	15	**(828,174)**	-
Net cash generated/(used) in financing activities		**3,150,117**	(1,604,641)
Net (decrease)/increase in cash and cash equivalents		**(84,406,137)**	199,229,165
Movement in cash and cash equivalents			
At January 1,		**602,614,963**	382,293,158
(Decrease)/Increase		**(84,406,137)**	199,229,165
Currency translation differences		**(9,016,455)**	21,092,640
At December 31,	26	**509,192,371**	602,614,963

The notes on pages 8 to 61 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(c).

1. GENERAL INFORMATION

Seychelles Commercial Bank Limited is a limited liability Bank incorporated and domiciled in Seychelles. The registered address of the Bank is at Orion Mall, Mahé, Seychelles. The Bank changed its name from Seychelles Savings Bank Limited to Seychelles Commercial Bank Limited on October 25, 2013. Its principal activity is as stated on page 2.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year presented, unless otherwise stated. Where necessary, comparative figures have been amended to conform with change in presentation in the current year.

2.1 Basis of preparation

(a) The financial statements of **Seychelles Commercial Bank Limited** have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and are in compliance with the Companies Act, 1972, the Financial Institutions Act, 2004 as amended and Regulations and Directives of the Central Bank of Seychelles and presented in Seychelles Rupee (SR).

These financial statements have been prepared under the historical cost convention as modified by the application of fair value measurements required or allowed by relevant accounting standards.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Bank's Management to exercise judgement in applying the Bank's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

(b) **Going concern**

The Directors consider that it is appropriate to continue preparing these financial statements on the going concern basis/assumption. In reaching this conclusion, the Directors considered the effects of COVID-19 pandemic upon the Bank's performance, projected funding and capital position including:

- Assessment of budgets, projections of profitability and cash flows prepared by Management;
- Assessment of the actual performance to date, loan book quality, credit impairment and compliance matters;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(b) Going concern (Cont'd)

- Review of the Bank Strategy and Corporate Plan, for forthcoming years;
- Consideration of stress testing on the future performance of the Bank's loan portfolio; and
- Analysis of the capital, funding, and liquidity position of the Bank, including the capital and leverage ratios.

(c) New and amended standards and interpretations

(i) *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Bank. The Bank intends to use the practical expedients in future periods if they become applicable.

(ii) *Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Company has not received Covid-19-related rent concessions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

(d) **Standards, Amendments to published Standards and Interpretations issued but not yet effective**

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2022 or later periods and are not likely to have an impact on the Bank's financial statements.

(i) The following amendments are effective for the period beginning January 1, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- References to Conceptual Framework (Amendments to IFRS 3).

(ii) The following amendments are effective for the period beginning January 1, 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Definition of Accounting Estimates (Amendments to IAS 8); and
- IFRS 17 Insurance Contracts (effective January 1, 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to January 1, 2023.

2.2 **Foreign Currencies**

Functional and presentation currency

Items included in the financial statements are measured using Seychelles Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The Financial Statements of the Bank are presented in Seychelles Rupee, which is its functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates 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 the Statement of Profit or Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments

(a) Initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

(b) Classification and measurement

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms and are all measured at amortised cost.

Financial assets measured at amortised cost

The Bank measures cash and cash equivalents, loans and advances and investment in financial assets and other assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (Cont'd)

(b) Classification and measurement (Cont'd) / Financial assets measured at amortised cost (Cont'd)

Business model assessment (cont'd)

- Other factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, the expected frequency and value and timing of sales.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the soley payment of principal and interest (SSPI) test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTOCI.

Financial liabilities measured at amortised cost

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the Effective Interest Rate.

Financial guarantees and undrawn loan commitments

The Bank issues financial guarantees and loan commitments. Financial guarantees are initially recognised in the financial statements (within provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit or Loss and Expected credit loss allowance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 **Financial instruments (Cont'd)**

(b) **Classification and measurement (Cont'd)**

Financial guarantees and undrawn loan commitments (Cont'd)

The premium received is recognised in the Statement of Profit or Loss in "fees and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are within the scope of the Expected credit loss requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

(c) **Reclassification of financial assets and liabilities**

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

(d) **Derecognition of financial assets and liabilities**

Derecognition of financial assets due to substantial modification of terms and conditions

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 **Financial instruments (Cont'd)**

(d) **Derecognition of financial assets and liabilities (Cont'd)**

Derecognition of financial assets due to substantial modification of terms and conditions (cont'd)

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the Statement of Profit or Loss in net impairment of financial assets.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the Statement of Profit or Loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Financial assets derecognition other than on a modification

Financial assets, or a portion thereof are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (Cont'd)

(d) Derecognition of financial assets and liabilities (Cont'd)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

(e) ***Impairment of financial assets***

(i) *Overview of the Expected Credit Losses (ECL) principles*

The Bank records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at Fair Value through Profit and Loss (FVTPL), together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit losses (12mECL). The Bank’s policies for determining if there has been a significant increase in credit risk are set out in *note 3.3.3(f)* .

The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank’s policy for grouping financial assets measured on a collective basis is explained in *note 3.3.3(b)*.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note *3.3.3(f)* .

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 **Financial instruments (Cont'd)**

(e) ***Impairment of financial assets (Cont'd)***

(i) *Overview of the Expected Credit Losses (ECL) principles (Cont'd)*

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in *note 3.3.3(a)*), the Bank records an allowance for the LTECL.

(ii) *The calculation of ECL*

The Bank calculates ECL based on probability of default (PD) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is further explained in note 3.3.3(c).

EAD The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in *note 3.3.3(d)*.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

2.3 **Financial instruments (Cont'd)**

(e) ***Impairment of financial assets (Cont'd)***

(ii) *The calculation of ECL (Cont'd)*

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately, as set out in *note 2.3(f).* It is usually expressed as a percentage of the EAD. The LGD is further explained in *note 3.3.3(e).*

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECL for undrawn loan commitments are assessed as set below.

Stage 1 - The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 - For loans considered credit-impaired *(as defined in note 3.3.3(a))*, the Bank recognises the lifetime expected credit losses for these loans. This method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan commitments - When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability of default. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

2.3 **Financial instruments (Cont'd)**

(e) ***Impairment of financial assets (Cont'd)***

(iii) *Forward looking information*

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs including GDP growth and Unemployment rates.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(f) **Credit enhancements: collateral valuation and financial guarantees**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's Statement of Financial Position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a Financial Asset which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on practical basis by Management. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

The Bank does not use active market data for valuing financial assets held as collateral. It relies on other valuation models which do not have readily determinable market values as well as real estate and data provided by third parties mortgage valuers.

Guarantees held are included in the measurement of loan ECLs when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

(g) **Write-offs**

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and highly liquid financial assets 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 comprise cash on hand, balances with the Central Bank of Seychelles net of mandatory balance, amounts due from banks on demand or with an original maturity of three months or less and bank overdrafts.

2.5 Fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.6 Property and equipment

Land and buildings are carried at revalued amounts based on periodic valuations by external independent valuers, less subsequent depreciation. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in the Statement of Profit or Loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property and equipment (Cont'd)

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

At the date of revaluation (year end), the accumulated depreciation on the revalued Land and buildings is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued properties, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when Land and buildings are expensed through the Statement of Comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

	Years
Buildings	35 - 40
Furniture and equipment	10
Motor vehicles	5
Computer equipment	5 - 10
Work in progress	Nil

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of equipment are determined by comparing the proceeds with their carrying amount and are included in the Statement of Profit or Loss.

2.7 Intangible assets

Acquired Computer software

Acquired computer software and licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over the estimated useful life of 10 years.

Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable with the design of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Intangible assets (Cont'd)

Computer software development costs (Cont'd)

- Available for use;
- The directors intend to complete the software product and use or sell;
- 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
- Expenditure attributable to the software product during its development can be reliably measured.

Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of 10 years.

2.8 Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are subject to impairment in line with the Bank’s policy as described in note 2.9 impairment of non-financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Leases (Cont'd)

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2.9 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that Property and equipment, Right of use asset, Intangible assets and prepayments may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the Statement of Profit or Loss under Other operating expenses.

2.10 Taxation

Current tax

Tax in the Statement of Profit or Loss relates to current year's tax which is the expected amount of tax payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Taxation (Cont'd)

Deferred tax

Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of equipment, provision for credit impairment on loans and advances and provision for retirement benefit obligation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date are used to determine deferred tax.

Current and deferred taxes are recognised as income tax benefits or expenses in the Satement of Profit or Loss except for tax related to the fair value remeasurement of debt instruments at FVTOCI which are charged or credited to Statement of Other Comprehensive Income.

Deferred Tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

2.11 Retirement benefit obligations

(i) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(ii) Length of service compensation

The amendments to the Seychelles Employment Act in the year 1999 entitled one day wage for each completed month of service provided the employee has completed five years continuous service. The Bank accrues this liability on a current basis and carries it to a provision account for payments to be made as and when they occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Retirement benefit obligations (Cont'd)

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays a fixed contribution into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods.

The Bank and Seychellois employees contributes to the Seychelles Pension Fund (SPF). This is a pension scheme which was promulgated under the Seychelles Pension Fund Act, 2005.

2.12 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit or Loss net of any reimbursement.

2.13 Equity reserves

The reserves recorded in equity on the Bank's statement of financial position include:

- The revaluation reserve; and
- The statutory reserve which is maintained in accordance with Section 24(1) of the Financial Institutions Act 2004 as amended.

2.14 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's Shareholders and Central Bank of Seychelles. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Interest income and expense

(a) The effective interest rate (EIR) method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the Statement of Financial Position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

(b) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the Statement of Profit or Loss for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in *note 2.15(a)* above.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in 'Net trading income'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Interest income and expense (Cont'd)

(b) Interest and similar income/expense (Cont'd)

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired as set out in *note 3.3.3(a*) and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in *note 3.3.3(a)*) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets (as set out in *note 3.3.3(a)*), the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

However for the financial years 2021 and 2020 the Bank did not recognise interest of all loans and advances that were 90 days past due. This has been credited to interest in suspense and adjusted to Loan and advance balance under note 6. The Bank however immediately release suspended interest once outstanding dues have been cleared.

2.16 Fees and commission

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

However, loan processing fees are recognised as income upon processing the loan.

3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. It's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Bank's financial performance.

A description of the significant risks is given below together with the risk management policies applicable.

3.1 *Strategy in using financial instruments*

The use of financial instruments is a major feature of the Bank's operations. It has been the Bank's policy to take deposits from customers mostly at variable rates and to reinvest these funds in a wide range of assets.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees.

3.2 *Capital adequacy*

In line with requirements of the Financial Institutions (Capital Adequacy) Regulations 2010, capital adequacy ratio is closely monitored in line with the requirements of the Financial Institutions Act, 2004 as amended and those of the Central Bank of Seychelles. The ratio is given below:

	2021	2020
	SR'000	SR'000
Capital Base:		
Tier I Capital	**164,639**	141,648
Tier II Capital	**18,336**	22,992
Total Capital Base (a)	**182,975**	164,640
Total Risk-adjusted Assets (b)	**824,964**	906,859
Capital adequacy (a/b)*100	22%	18%
Minimum requirement	12%	12%

The Bank has adhered to the capital requirements of Central Bank of Seychelles for the year under review.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.3 ***Credit risk***

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

3.3.1 **Credit risk management**

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and limits on the level of credit risk are approved by the Board of Directors with discretionary limits set for the Bank's management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

3.3.2 **Credit-related commitments risks**

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank to pay a third party, on behalf of its customers up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers continuously adhering to specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.3 ***Credit risk (Cont'd)***

3.3.3 **Impairment assessment**

The Bank's impairment assessment and measurement approach is set out below. It should be read in conjunction with the summary of significant accounting policies *note 2.3(e).*

(a) Definition of default, impaired and cure

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

The Bank has aligned its definition of credit impaired assets under IFRS 9 to prudent global definition of non-performing loans ('NPLs').

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Further detailed are included on staging on 3.3.3(f).

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months unless this was due to technical default in which case, Management cure it immediately. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(b) Grouping financial assets measured on a collective basis

As explained in note 2(e)(i) dependant on the factors below, the Bank calculates the allowance for ECL either on a collective or an individual basis.

The Bank calculates the allowance for ECL on loans and advances either on a collective or an individual basis. ECL on all stage 3 financial loans and some debts are classified on an individual basis. ECL on stage 1 and 2 loans and advances is computed on collective basis.

Asset classes where the Bank calculates ECL on an individual basis include:
- All Stage 3 assets, regardless of the class of financial assets; and
- Financial Institutions and Sovereign debt.

Asset classes where the Bank calculates ECL on an collective basis include:
- Stage 1 & 2 Loans and advances.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.3 ***Credit risk (Cont'd)***

3.3.3 **Impairment assessment (Cont'd)**

(c) The Bank's internal rating and Probability of Default (PD) estimation process

The bank allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement. In particular, grading of loans and advances is based on the modified Central Bank of Seychelles grading guidelines aligning to the Banks Days Past Due (DPD) as below:

CBS grading	Banks grading	DPD Date	Staging
Pass	High grading to standard grading	0 - 30	Stage 1 & 2
Special mention	Sub standard	31 - 90	Stage 2
Sub standard	Non performing loans	91 - 180	Stage 3
Doubtful	Non performing loans	181 - 365	Stage 3
Loss	Non performing loans	> 365	Stage 3

(i) *PD for Financial Institutions and Sovereign Debt*

The macro sensitive PD model developed by the Bank for the ECL computation for credit exposures to banks, Non-Financial Institutions, and sovereigns involves converting the average 12-month rating transition matrices published by S&Ps and Moody's into PIT transition matrices estimates based on variations in global GDP growth. Thereafter, a term structure of PD is generated from the transition matrices by picking up probabilities of transition from each rating grade to default. These are then calibrated to long term default rates for the segment.

(ii) *PD for loans and advances*

The macro sensitive PD model developed by the Bank for the ECL computation involves computing the historical default rate of the Bank based on default data Loans and Overdraft products.

The variation in historical default rate under these segments is then converted into segment wise macro sensitive PD forecasts by fitting a logistic regression framework with macroeconomic independent variables.

Independent variables used for the loan portfolio are Line of Business and Sector whereby both corporate and retail loans were segmented by Sector with the retail portfolio being a sector in itself and GDP at constant prices. Logistic regression algorithm has been considered for prediction of PD.

The overdraft portfolio was modelled by segmenting according to Retail, Corporate, and Temporary Overdrafts. Percentage change in Inflation rate for Seychelles was chosen as the macroeconomic variable due to its ease of availability as well as being statistically significant in the PD model.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.3 ***Credit risk (Cont'd)***

3.3.3 **Impairment assessment (Cont'd)**

(d) Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the Statement of Financial Position date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(e) Loss given default (LGD)

(i) *LGD for Financial Institutions and Sovereign Debt*

Financial Institution - *The LGD has been considered as BASEL prescribed 45% (2019: same)*.

(ii) *LGD for loans and advances*

Loss Given Default (LGD) is the estimated economic loss, expressed as a percentage of exposure, which will be incurred if an obligor goes into default. Producing robust and accurate estimates of potential losses is essential for the efficient allocation of capital within the Bank. LGD is calculated using the below approach:

*LGD = Probability of not being cured (P N C) * Loss Rate*

Where PNC = 1 - Probability of being cured

The computation of the loss rate for estimation purposes was exclusive of collateral recovery due to absence of recovery information. Hence it was computed based on monthly recoveries report since 2014. For the sake of the ECL computation, collateral amount will thereby be considered.

The logistic regression framework adopted throughout for the Loan and Overdraft portfolio were based on the average historical curing rate and recoveries exclusive of collateral recovery.

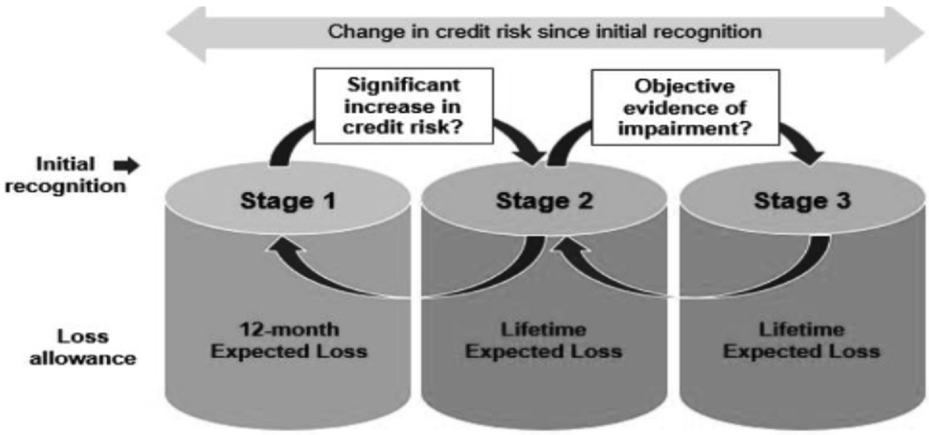
3. **FINANCIAL RISK MANAGEMENT (Cont'd)**

3.3 ***Credit risk (Cont'd)***

3.3.3 **Impairment assessment (Cont'd)**

(f) Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The stage-wise transition and requirements adopted by the Bank are depicted as follows:



The Bank uses the number of days past due (DPD) to determine significant in credit risk. Credit ratings are assigned to facilities granted by sectors upon initial recognition based on available information.

Credit risk is deemed to have increased significantly if credit ratings have deteriorated at the reporting date. When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

A watchlist is also maintained which consists of borrowers who have been re-structured/re-scheduled due to evidence of financial weakness observed for example salary has been reduced or unemployment. Any account that belongs to the watchlist is considered to be in stage 2.

The Bank further adopted the following qualitative and quantitative factors based on observed data:

3. **FINANCIAL RISK MANAGEMENT (Cont'd)**

3.3 ***Credit risk (Cont'd)***

3.3.3 **Impairment assessment (Cont'd)**

(f) Significant increase in credit risk (Cont'd)

No.	Classification Criteria	Description
(a)	Assessment of borrowers	• The Bank reviewed borrowers to assess if there is any deterioration in the financial situation of the borrower. The objective is to identify any stress in liquidity/cashflows, increase in debt, decrease in interest coverage etc. • The Bank considered customers on the watchlist to stage 2.
(b)	Identification of stressed industries	• The Bank identified stressed industries which were severely impacted by Covid related lockdowns.
		• Also, if a borrower was employed in or had business in the industries belonging to this stressed group, the borrower was classified as Stage
		• As a result of the above, accounts in moratorium as of December 2021 or applied for extension of moratorium during 2020 and belongs to Transportation, Residential rental sector, Small guest house, and self-catering apartment industry sectors were considered in Stage 2.
		• Also accounts in moratorium as of December 2021 or applied for extension of moratorium during 2021 and did not belong to the above-mentioned sector but had requested moratorium were considered as Stage 2.
(c)	DPD classification	• DPD Based review of the borrowers done for the period prior to beginning of COVID-19 related impact on the economy.
		• Borrower is > 30dpd as of February 2021 then classified as stage 2.
(d)	Cross default	• Borrowers availing multiple facilities with the Bank has defaulted in any one of them then other facilities which have not defaulted classified as stage 2.

3.3.4 **Risk concentration risk and exposure to credit risk**

The Bank’s concentration risk is managed by borrower and industry sector as shown on *3.3.4(b)* .

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent reviews. Limits on the level of credit risk are approved by the Board of Directors with discretionary limits set for the Bank's Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

3. **FINANCIAL RISK MANAGEMENT (Cont'd) / Credit risk (Cont'd)**

3.3.4 ***Risk concentation and exposure to credit risk (Cont'd)***

(a) The table that follow shows the maximum exposure of financial assets to credit risk for the components of the Statement of Financial Position.

Description	2021			2020		
	Gross exposure	E C L	Net exposure	Gross exposure	E C L	Net exposure
Cash and bank balances (note 5)	**680,246,657**	**-**	**680,246,657**	770,668,021	(56,329)	770,611,692
Loans and advances (note 6)	**735,724,692**	**(37,449,500)**	**698,275,192**	812,503,024	(36,840,249)	775,662,775
Investment in financial assets (note 7)	**557,410,934**	**(1,013,385)**	**556,397,549**	317,002,745	(527,500)	316,475,245
Other assets (excluding prepayments) (note 11)	**26,373,774**	**-**	**26,373,774**	24,025,704	-	24,025,704
Loan commitments (note 6(b)(iii) & 27)	**45,357,000**	**(124,261)**	**45,232,739**	79,473,000	(3,974,630)	75,498,370
Total	**2,045,113,057**	**(38,587,146)**	**2,006,525,911**	2,003,672,494	(41,398,708)	1,962,273,786

(b) Analysis of risk concentration

(i) *Loans and advances*

	2021		2020	
Corporate:	SR	%	SR	%
Housing Finance Company	**51,929,053**	**7.09%**	74,210,539	9.18%
Business and trade	**38,174,240**	**5.21%**	41,236,054	5.10%
Tourism	**19,245,627**	**2.63%**	7,221,842	0.89%
Building and construction	**170,193,116**	**23.22%**	185,797,294	22.97%
Transport	**17,070,648**	**2.33%**	25,911,839	3.20%
Manufacturing	**9,203,910**	**1.26%**	11,741,390	1.45%
Real estate	**12,089,387**	**1.65%**	11,150,727	1.38%
Others	**36,464,973**	**4.98%**	21,388,280	2.64%
Agriculture and horticulture	**6,101,943**	**0.83%**	8,859,969	1.10%
	360,472,897	**49.18%**	387,517,934	47.91%

3. **FINANCIAL RISK MANAGEMENT (Cont'd) / Credit risk (Cont'd)**

3.3.4 ***Risk concentation and exposure to credit risk (Cont'd)***

(b) Analysis of risk concentration (Cont'd)

(i) *Loans and advances (Cont'd)*

	2021		2020	
Retail:	SR	%	SR	%
Home repair and appliances	112,278,075	15.32%	145,104,480	17.94%
Mortgage	178,667,912	24.38%	178,567,884	22.08%
Vehicle	26,324,292	3.59%	37,983,853	4.70%
Others	3,637,550	0.50%	4,955,255	0.61%
Personal	913,648	0.12%	1,412,818	0.17%
	321,821,477	43.91%	368,024,290	45.50%
Overdrafts:	20,013,397	2.73%	22,467,846	2.78%
Staff:				
Mortgage	19,370,643	2.64%	19,560,260	2.42%
Home repair and appliances	11,245,040	1.53%	11,212,261	1.39%
	30,615,683	4.18%	30,772,521	3.80%
Total loans and advances	732,923,454	100%	808,782,591	100%
Accrued interest	2,801,238		3,720,433	
Total Gross loans and advances	735,724,692		812,503,024	
Less: ECL on loans and advances (notes 6(a), 6(b) & 6(c))	(37,449,500)		(36,840,249)	
	698,275,192		775,662,775	

(ii) *Cash and bank balances*

Cash and bank balances are held with other financial institutions and the Government of Seychelles (refer to note 5).

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.3.4 ***Risk concentation and exposure to credit risk (Cont'd)***

(b) Analysis of risk concentration (Cont'd)

(iii) Investment in financial assets balances are held with the Government of Seychelles (refer to note 7).

3.4 **Currency risk**

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. The latter is exposed with respect to foreign currency arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

The Bank managed its foreign currency exposure during the year under review to remain within limits set by the Financial Institutions (Foreign Currency Exposure) Regulations, 2009 as amended issued by the Central Bank of Seychelles which requires that long and short position to capital ratio is not more than 30% respectively.

On - Statement of Financial Position (SOFP) as at December 31, 2021

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	620,337	6,505	48,271	5,134	680,247
Loans and advances	732,462	2,957	306	-	735,725
Investment in financial assets	557,411	-	-	-	557,411
Right-of-use assets	1,434	-	-	-	1,434
Property and equipment	63,142	-	-	-	63,142
Intangible assets	8,973	-	-	-	8,973
Other assets	5,405	10,780	12,323	-	28,508
Deferred tax asset	9,234	-	-	-	9,234
	1,998,398	20,242	60,900	5,134	2,084,674
Liabilities					
Deposits from customers	1,765,185	9,787	18,578	1,231	1,794,781
Retirement benefit obligations	10,415	-	-	-	10,415
Lease liabilities	1,503	-	-	-	1,503
Borrowings	6,936	-	-	-	6,936
Current tax liabilities	1,300	-	-	-	1,300
Other liabilities	18,622	-	-	-	18,622
	1,803,961	9,787	18,578	1,231	1,833,557
Net on - SOFP	194,437	10,455	42,322	3,903	251,117
Less ECL on SOFP - financial assets (notes 5, 6 & 7)					(38,463)
					212,654

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.4 Currency risk (Cont'd)

Off Statement of Financial Position (SOFP) as at December 31, 2021

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Loan commitments	45,357	-	-	-	**45,357**
Less off SOFP ECL exposure (notes 6(a) to 6(c))					**(124)**
					45,233

On-Statement of Financial Position (SOFP) as at December 31, 2020

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	682,042	17,254	57,499	13,873	770,668
Loans and advances	806,665	4,456	-	1,382	812,503
Investments	317,003	-	-	-	317,003
Right-of-use assets	4,218	-	-	-	4,218
Property and equipment	62,775	-	-	-	62,775
Intangible assets	11,047	-	-	-	11,047
Other assets	8,363	1	17,984	1	26,349
Deferred tax asset	9,860	-	-	-	9,860
	1,901,973	21,711	75,483	15,256	2,014,423
Liabilities					
Deposits from customers	1,672,208	18,778	30,975	7,008	1,728,969
Retirement benefit obligations	8,680	-	-	-	8,680
Lease liabilities	4,256	-	-	-	4,256
Borrowings	1,034	-	-	-	1,034
Current tax liabilities	7,788	-	-	-	7,788
Other liabilities	21,642	-	-	-	21,642
	1,715,608	18,778	30,975	7,008	1,772,369
Net on - SOFP	186,365	2,933	44,508	8,248	242,054
Less ECL on SOFP - financial assets (notes 5, 6 & 7)					(37,424)
					204,630

Off Statement of Financial Position (SOFP) as at December 31, 2020

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Loan commitments	79,473	-	-	-	79,473
Less off SOFP ECL exposure (notes 6(a) to 6(c))					(3,975)
					75,498

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from deposits at call and short notice or maturing deposits, loan disbursements, guarantees and from margin and other calls. The Bank maintains cash resources to meet all of these needs based on ongoing analysis of volatile funds and past experience. It also sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing that should be in place to cover withdrawals at unexpected levels of demand. Maturity profile of assets and liabilities is as follows:

At December 31, 2021	**Up to 1 month**	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 3 years**	**Over 3 years**	**Non-maturity items**	**Total**
	SR'000	**SR'000**	**SR'000**	**SR'000**	**SR'000**	**SR'000**	**SR'000**	**SR'000**
Assets								
Cash and cash equivalents	191,000	15,962	-	-	-	-	473,285	680,247
Loans and advances	29,698	643	2,607	9,537	122,343	570,897	-	735,725
Investment in financial assets	-	35,569	94,176	42,834	95,000	289,842	-	557,411
Right-of-use assets	-	-	-	-	-	-	1,434	1,434
Property and equipment	-	-	-	-	-	-	63,142	63,142
Intangible assets	-	-	-	-	-	-	8,973	8,973
Other assets	-	-	-	-	-	-	28,508	28,508
Deferred tax asset	-	-	-	-	-	-	9,234	9,234
	220,698	52,174	96,783	52,371	217,343	860,739	584,576	2,084,674
Liabilities								
Deposits from customers	1,504,901	103,509	53,231	45,722	64,606	22,812	-	1,794,781
Retirement benefit obligations	-	-	-	-	-	-	10,415	10,415
Lease liabilities	41	64	939	163	296	-	-	1,503
Current tax liabilities	1,300	-	-	-	-	-	-	1,300
Borrowings	-	-	-	-	6,936	-	-	6,936
Other liabilities	16,008	-	-	2,614	-	-		18,622
	1,522,250	103,573	54,170	48,499	71,838	22,812	10,415	1,833,557
Maturity gap	(1,301,552)	(51,399)	42,613	3,872	145,505	837,927	574,161	251,117
Less ECL on SOFP financial assets (notes 5, 6 & 7)								(38,463)
								212,654

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Liquidity risk (Cont'd)

At December 31, 2020	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	Over 3 years	Non-maturity items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets								
Cash and cash equivalents	567,915	-	-	-	-	-	202,753	770,668
Loans and advances	27,014	759	-	19,773	99,289	665,668	-	812,503
Investment in financial assets	-	34,700	18,802	75,181	0	188,320	-	317,003
Right-of-use assets	-	-	-	-	-	-	4,218	4,218
Property and equipment	-	-	-	-	-	-	62,775	62,775
Intangible assets	-	-	-	-	-	-	11,047	11,047
Other assets	-	-	-	-	-	-	26,349	26,349
Deferred tax	-	-	-	-	-	-	9,860	9,860
	594,929	35,459	18,802	94,954	99,289	853,988	317,002	2,014,423
Liabilities								
Customer deposits	1,400,088	55,570	37,130	151,236	40,671	44,274	-	1,728,969
Retirement benefit obligations	-	-	-	-	-	-	8,680	8,680
Lease liabilities	222	674	1,178	1,396	786	-	-	4,256
Current tax liabilities	7,788	-	-	-	-	-	-	7,788
Borrowings	-	-	-	-	1,034	-	-	1,034
Other liabilities	14,605	-	-	7,037	-	-	-	21,642
	1,422,703	56,244	38,308	159,669	42,491	44,274	8,680	1,772,369
Maturity gap	(827,774)	(20,785)	(19,506)	(64,715)	56,798	809,714	308,322	242,054
Less ECL on SOFP financial assets (notes 5, 6 & 7)								(37,424)
								204,630

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Liquidity risk (Cont'd)

On the other hand, the Bank also complies with The Central Bank of Seychelles' requirement for all commercial banks to maintain 20% of total liabilities in liquid assets under the Financial Institutions (Liquidity Risk Management) Regulations, 2009 as amended in 2012.

During the year 2021 and 2020, the Bank has calculated its liquidity ratios as follows;

	2021	2020
	SR'000	SR'000
Liquid assets (a)	**656,990**	677,837
Banks total liabilities (b)	**1,854,834**	1,761,611
Liquidity ratio (a/b)	**35%**	38%

3.6 Interest rate risk

Interest rate risk arises from changes in interest rates. The main type of interest rate risk to which the Bank is exposed is “Re-pricing Risk”, which is defined as: The risk arising from timing differences in the maturity (for fixed rates) and re-pricing (for floating rates) of bank assets, liabilities and off balance sheet exposures, which can expose a bank’s income and/or underlying economic value to unanticipated fluctuations as interest rates vary.

It is the policy of the Bank to limit exposure of its balance sheet and off balance sheet to re-pricing risk by systematically inserting a clause in its contract that allows the Bank to re-price as and when required in line with changes in interest rates, thereby mitigating the re-pricing risk.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.6 **Interest rate risk (Cont'd)**

At December 31, 2021	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Non-interest items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets								
Cash and cash equivalents	488,550	-	-	-	-	-	191,697	680,247
Loans and advances	29,698	643	2,607	9,537	105,919	587,321	-	735,725
Investment in financial assets	-	35,569	94,176	42,824	95,000	289,842	-	557,411
Right-of-use assets	-	-	-	-	-	-	1,434	1,434
Property and equipment	-	-	-	-	-	-	63,142	63,142
Intangible assets	-	-	-	-	-	-	8,973	8,973
Other assets	-	-	-	-	-	-	28,508	28,508
Deferred tax asset	-	-	-	-	-	-	9,234	9,234
	518,248	36,212	96,783	52,361	200,919	877,163	302,988	2,084,674
Liabilities								
Deposits from customers	1,082,142	103,509	53,231	52,424	64,606	24,361	414,508	1,794,781
Retirement benefit obligations	-	-	-	-	-	-	10,415	10,415
Lease liabilities	41	64	939	163	296	-	-	1,503
Borrowings	-	-	-	-	-	-	6,936	6,936
Current tax liabilities	-	-	-	-	-	-	1,300	1,300
Other liabilities	-	-	-	-	-	-	18,622	18,622
	1,082,183	103,573	54,170	52,587	64,902	24,361	451,781	1,833,557
Maturity gap	(563,935)	(67,361)	42,613	(226)	136,017	852,802	(148,793)	251,117
								(38,463)
Less allowances for credit impairment								212,654

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.6 Interest rate risk (Cont'd)

At December 31, 2020	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Non-interest items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets								
Cash and cash equivalents	567,915	-	-	-	-	-	202,753	770,668
Loans and advances	27,014	759	-	19,773	99,289	665,668	-	812,503
Investment in financial assets	-	34,700	18,802	75,181	-	188,320	-	317,003
Right-of-use assets	-						4,218	4,218
Property and equipment	-	-	-	-	-	-	62,775	62,775
Intangible assets	-	-	-	-	-	-	11,047	11,047
Other assets	-	-	-	-	-	-	26,349	26,349
Deferred tax asset	-	-	-	-	-	-	9,860	9,860
	594,929	35,459	18,802	94,954	99,289	853,988	317,002	2,014,423
Liabilities								
Customer deposits	977,329	55,570	37,130	151,236	40,671	44,274	422,759	1,728,969
Retirement benefit obligations	-	-	-	-	-	-	8,680	8,680
Lease liabilities	222	674	1,178	1,396	786	-	-	4,256
Borrowings	-	-	-	-	-	-	1,034	1,034
Current tax liabilities	-	-	-	-	-	-	7,788	7,788
Other liabilities	-	-	-	-	-	-	21,642	21,642
	977,551	56,244	38,308	152,632	41,457	44,274	461,903	1,772,369
Maturity gap	(382,622)	(20,785)	(19,506)	(57,678)	57,832	809,714	(144,901)	242,054
Less ECL on SOFP financial assets (notes 5, 6 & 7)								(37,424)
								204,630

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.6 Interest rate risk (Cont'd)

If interest rates had been 10 basis points higher/lower and all other variables were held constant as at year-end, the Bank’s results would have been increased/decreased as follows:

	2021	2020
	SR	SR
Increase / Decrease	**91,618**	88,526

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements of the Bank requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 *Allowance for expected credit losses (ECL)*

The measurement of impairment losses under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Bank’s ECL calculations are outputs from complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be, measured on a life time Expected Credit Losses (LTECL) basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1 *Allowance for expected credit losses (Cont'd)*

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust with an overlay when necessary.

4.2 *Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortised cost prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.3 *Going concern*

The Bank’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt on the Bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.4 *Asset lives and residual values*

Property and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

4.5 *Impairment of non financial assets*

At each financial reporting year end, Bank's Management reviews and assesses the carrying amounts of other assets and where relevant, write them down to their recoverable amounts based on best estimates.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.6 *Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Significant valuation issues are reported to the Board of Directors and further information about the assumptions made in measuring fair values is included relevant notes.

4.7 *Length of service*

The amendments to the Seychelles Employment Act in the year 1999 entitled one day wage for each completed month of service provided the employee has completed five years continuous service. The Company accrues this liability on a current basis and carries it to a provision account for payments to be made as and when they occur. The Directors have estimated that the amount of the liability provided will not be materially different had it been computed by an external Actuary.

4.8 *Limitation of sensitivity analysis*

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2021	2020
	SR	SR
Foreign currency notes and coins	**3,690,049**	9,778,992
Cash in hand	**42,844,989**	40,196,539
Balances with banks abroad	**20,611,719**	43,078,786
Balances with Central Bank of Seychelles (CBS)	**583,574,541**	652,853,359
Balances with local banks		
- Seychelles rupees	**1,410,352**	1,475,668
- Foreign currencies	**28,115,007**	23,284,677
	680,246,657	770,668,021
Less: Allowance for expected credit loss (note 5(a), 5(b) & 6(d))	**-**	(56,329)
	680,246,657	770,611,692

(a) Expected credit loss (ECL) relates to Balances with Banks abroad. The Directors have estimated that ECL on mandatory cash and balances with Central Banks and other banks to be nil in 2021.

(b) Movement in ECL during the year is as follows:

	2021	2020
	SR	SR
As at January 1	**56,329**	170,374
ECL credit during the year (note 6(d))	**(56,329)**	(114,045)
As at December 31,	**-**	56,329

6. LOANS AND ADVANCES

	2021	2020
	SR	SR
Gross loans and advances (note 6(a))	**732,923,454**	808,782,591
Net interest receivable	**2,801,238**	3,720,433
Gross carrying amount	**735,724,692**	812,503,024
Less: ECL allowance on loans and advances (note 6(a) & 6(c))	**(37,449,500)**	(36,840,249)
	698,275,192	775,662,775

(a) *Allowances for credit impairment*

	2021			2020
	Gross Amount	ECL	Net amount	Net amount
	SR	SR	SR	SR
Loans and advances (note 6)	**735,724,692**	**(37,449,500)**	**698,275,192**	775,662,775
Investments (note 7)	**557,410,934**	**(1,013,385)**	**556,397,549**	316,475,245
Bank and cash balances (note 5)	**680,246,657**	**-**	**680,246,657**	770,611,692
Commitments (note 27(b))	**45,357,000**	**(124,261)**	**45,232,739**	75,498,370
At December 31,	**2,018,739,283**	**(38,587,146)**	**1,980,152,137**	1,938,248,082

6. LOANS AND ADVANCES (CONT'D)

(b) Credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification by segment.

	Year ended 2021				Year ended 2020
	At amortised cost				Amortised cost
Classes of financial assets	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL - not credit impaired**	**Stage 3 Lifetime ECL - credit impaired**	**Total**	**Total**
	SR	**SR**	**SR**	**SR**	**SR**
(i) *Loans and advances*					
Pass	685,430,052	-	2,057,515	687,487,567	715,629,853
Special mention	-	7,586,229	-	7,586,229	22,403,018
Sub standard	-	-	8,934,812	8,934,812	9,780,035
Doubtful	-	-	4,478,545	4,478,545	50,504,678
Loss	-	-	27,237,539	27,237,539	14,185,440
Gross loans and advances	685,430,052	33,199,274	42,708,411	735,724,692	812,503,024
Allowance for credit impairment (note 6(c))	(10,279,204)	(358,936)	(26,811,360)	(37,449,500)	(36,840,249)
Carrying amount	675,150,848	31,584,513	15,897,051	698,275,192	775,662,775
(ii) *Investments in financial assets at amortised cost (note 7)*	557,410,934	-	-	557,410,934	317,002,745
Allowance for credit impairment (notes 6(c) & 7(b))	(1,013,385)	-	-	(1,013,385)	(527,500)
Carrying amount	556,397,549	-	-	556,397,549	316,475,245
(ii) *Cash and cash equivalents*	680,246,657	-	-	680,246,657	770,668,021
Allowance for credit impairment (notes 5(b) & 6(c))	-	-	-	-	(56,329)
Carrying amount	680,246,657	-	-	680,246,657	770,611,692
(iii) *Commitments*	45,357,000	-	-	45,357,000	79,473,000
Allowance for credit impairment (note 6(c) and 17)	(124,261)	-	-	(124,261)	(3,974,630)
Carrying amount	45,232,739	-	-	45,232,739	75,498,370

6. LOANS AND ADVANCES (CONT'D)

(c) The table below analyses the movement of the loss allowance during the year.

Loss allowances	Stage 1 12-month ECL	Stage 2 Lifetime ECL - not credit impaired	Stage 3 Lifetime ECL - credit impaired	2021 Total	2020 Total
	SR	SR	SR	SR	SR
At January 1,					
Loans and advances (notes 6(a) & 6(b))	11,940,680	1,614,761	23,284,808	36,840,249	17,846,313
Investments in Financial assets at amortised cost (note 7(a))	527,500	-	-	527,500	1,200,958
Bank and cash balances (note 5)	56,329	-	-	56,329	170,374
Commitments (notes 6(b) & 16)	3,613,887	360,743	-	3,974,630	1,336,974
Total on January 1,	16,138,396	1,975,504	23,284,808	41,398,708	20,554,619
Movement during the year: (Page 5)	(4,721,546)	(1,616,568)	3,526,552	(2,811,562)	20,844,089
At December 31,	11,416,850	358,936	26,811,360	38,587,146	41,398,708
Loans and advances (notes 6(a) & 6(b))	10,279,204	358,936	26,811,360	37,449,500	36,840,249
Investments in Financial assets at amortised cost (note 7(b))	1,013,385	-	-	1,013,385	527,500
Bank and cash balances (note 5)	-	-	-	-	56,329
Commitments (notes 6(b) & 16)	124,261		-	124,261	3,974,630

(d) The credit concentration risk of loans and advances by industry sectors is shown under note 3.3.4.

(e) The Bank offers variable interest rate loans. The interest rates for Corporate and Retails Loans range between 11% to 13% (2020: 11% to 13%) and for Staff loan, and these range between 4% to 10% (2020: same).

7. INVESTMENTS IN FINANCIAL ASSETS AT AMORTISED COST

(a) The movement in financial assets at amortised cost is as summarised below:

	2021	2020
	SR	SR
At January 1,	**317,002,745**	350,969,475
Additions	**400,115,625**	2,294,985,293
Matured	**(178,950,745)**	(2,332,705,779)
Accrued interest	**19,243,309**	3,753,756
	557,410,934	317,002,745
Less: Allowance for ECL (notes 6(b) & 6(c))	**(1,013,385)**	(527,500)
At December 31,	**556,397,549**	316,475,245

(b) Movement in net allowance for credit impairment

	2021	2020
	SR	SR
At January 1,	**527,500**	1,200,958
Charge / (credit) for the year	**485,885**	(673,458)
At December 31, (notes 6(b) & 6(c))	**1,013,385**	527,500

(c) Investments in financial assets include the following:

	Maturity Date	2021 Interest rate	**2021**	2020
		%	**SR**	SR
Treasury bills	Jan - Jul '22	6.0% - 7.0%	**156,783,837**	130,137,502
Treasury bonds	Jun '23 - Jul '28	3.50% - 12.00%	**400,627,097**	186,865,243
			557,410,934	317,002,745

(d) Currency and maturity profiles of investment in financial assets are detailed under notes 3.4 & 3.5 respectively.

8. LEASES

(a) Lease contracts

The Bank has lease contracts for its Head Office, Branches and ATM houses and housing used in its operations. Leases of Head office, branches and ATM houses generally have lease terms between 2 to 6 years. The Bank's obligations under its leases are secured by the lessor's title to the leased assets.

8. LEASES (CONT'D)

(b) Right-of-use assets

	SR
At January 1, 2020	1,865,228
Additions	4,659,573
Amortisation charge for the year	(2,306,967)
At December 31, 2020	**4,217,834**
Amortisation charge for the year	**(2,784,237)**
As at December 31, 2021	**1,433,597**

(c) Lease liabilities

	SR
At January 1, 2020	2,234,262
Additions	4,659,573
Finance cost (note 21)	416,122
Payments	(3,054,374)
As at December 31, 2020	**4,255,583**
Finance cost (note 21)	**210,721**
Payments	**(2,963,124)**
As at December 31, 2021	**1,503,180**

(d) The maturity analysis of lease liabilities are disclosed under note 3.5.

9. INTANGIBLE ASSETS

	2021	2020
COST	**SR**	SR
At January 1,	**29,133,291**	22,397,403
Transfer from property and equipment (note 10)	**-**	6,735,888
Additions	**27,116**	-
At December 31,	**29,160,407**	29,133,291
AMORTISATION		
At January 1,	**18,085,801**	16,293,396
Charge for the year	**2,101,602**	1,792,405
At December 31,	**20,187,403**	18,085,801
NET BOOK VALUE		
At December 31,	**8,973,004**	11,047,490

10. PROPERTY AND EQUIPMENT

	Buildings on leasehold land	Furniture and equipment	Motor vehicles	Computer equipment	Work in progress	Total
	SR	SR	SR	SR		SR
COST & VALUATION						
At January 1, 2020	43,678,833	9,609,446	3,251,242	19,520,135	10,531,014	86,590,670
Additions	879,845	620,956	-	1,503,510	-	3,004,311
Disposal	-	-	(740,684)	-	-	(740,684)
Transfer to intangible assets (note 9)	-	-	-	-	(6,735,888)	(6,735,888)
Other transfers	-	-	-	385,180	(385,180)	-
Revaluation adjustment	5,721,322	-	-	-	-	5,721,322
At December 31, 2020	**50,280,000**	**10,230,402**	**2,510,558**	**21,408,825**	**3,409,946**	**87,839,731**
Additions	**148,114**	**1,219,602**	**-**	**1,376,900**	**3,651,966**	**6,396,582**
Write off adjustment (note 25)	**-**	**-**	**-**	-	**(1,947,944)**	**(1,947,944)**
At December 31, 2021	**50,428,114**	**11,450,004**	**2,510,558**	**22,785,725**	**5,113,968**	**92,288,369**
ACCUMULATED DEPRECIATION						
At January 1, 2020	5,609,537	6,994,031	1,792,846	14,376,166	-	28,772,580
Charge for the year	1,186,382	448,603	406,695	1,787,231	-	3,828,911
Disposal adjustment	-	-	(740,684)	-	-	(740,684)
Revaluation adjustment	(6,795,919)	-	-	-	-	(6,795,919)
At December 31, 2020	**-**	**7,442,634**	**1,458,857**	**16,163,397**	**-**	**25,064,888**
Charge for the year	**1,359,444**	**517,008**	**308,107**	**1,896,705**	**-**	**4,081,264**
At December 31, 2021	**1,359,444**	**7,959,642**	**1,766,964**	**18,060,102**	**-**	**29,146,152**
NET BOOK VALUE						
At December 31, 2021	**49,068,670**	**3,490,362**	**743,594**	**4,725,623**	**5,113,968**	**63,142,217**
At December 31, 2020	50,280,000	2,787,768	1,051,701	5,245,428	3,409,946	62,774,843

10. PROPERTY AND EQUIPMENT (CONT'D)

(a) As at December 31, 2020, the Bank engaged Messrs, Nigel Antoine Roucou & Co, an independent qualified Quantity Surveyor and Property Consultant, to value the Bank's land and buildings on their current/present market values. The present market value was determined based on an open-market basis by reference to market evidence of transaction prices for similar properties.

In determining the fair value of the property the Quantity Surveyor considered the current market price, not only for the properties being valued, but also for comparable properties in the same vicinity. Factors included the geographical features of the terrain and also essential services available in the vicinity and finally, the market value was also determined in on the demand and supply prices.

This resulted in Land and buildings being revalued to SR 50.3m from SR 37.8m and the valuation falls within category level 2 of the fair value hierarchy.

There was no revaluation in 2021.

(b) Significant unobservable valuation input

	Range - SR
Price per square metre	29,101 - 31,985

Significant increase/(decrease) in estimated price per square metre in isolation would result in significantly higher/(lower) fair value within the range stipulated above.

(c) Fair value measurement disclosures for revalued land and buildings are provided in Note 2.5.

11. OTHER ASSETS

	2021	2020
	SR	SR
Visa Collateral (note 11(b))	**23,091,422**	17,965,377
Local banks ATM and POS clearing account	**1,052,481**	1,484,631
Other assets	**2,229,871**	4,575,696
	26,373,774	24,025,704
Prepayments	**2,133,828**	2,322,732
	28,507,602	26,348,436

(a) The carrying amounts of 'other assets' approximate their fair values and the currencies in which they are denominated are shown in note 3.4.

(b) The visa collateral is a security deposit held by Visa as per the contract which is US Dollar. Other assets include cheques in clearing and deposits.

12. DEFERRED TAXES

(a) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity. The following net amounts are shown in the statement of financial position:

	2021	2020
	SR	SR
Deferred tax liability (note 12 (c(i))	**(6,958,596)**	(6,678,498)
Deferred tax asset (note 12 (c(ii))	**16,193,544**	16,538,356
Deferred tax asset	**9,234,948**	9,859,858

(b) The movement on the deferred tax account is as follows :

	2021	2020
	SR	SR
At January 1,	**9,859,858**	3,124,770
(Charge) / Credit for the year (note 16(b))	**(624,910)**	6,735,088
At December 31,	**9,234,948**	9,859,858

(c) The movement in deferred tax assets and liabilities during the year is as follows:

(i) **Deferred tax liabilities**

	Accelerated capital allowances
	SR
At January 1, 2020	6,702,011
Charged for the year	(23,513)
At December 31, 2020	**6,678,498**
Credit for the year	**280,098**
At December 31, 2021	**6,958,596**

(ii) **Deferred tax assets**

	Excess of obligation to right-of-use	**Provisions**	**Total**
	SR	**SR**	**SR**
At January 1, 2020	121,781	9,705,000	9,826,781
(Charge) / Credit for the year	(109,324)	6,820,899	6,711,575
At December 31, 2020	**12,457**	**16,525,899**	**16,538,356**
Credit / (Charge) for the year	**10,505**	**(355,317)**	**(344,812)**
At December 31, 2021	**22,962**	**16,170,582**	**16,193,544**

13. DEPOSITS FROM CUSTOMERS

	2021	2020
	SR	SR
Current accounts	**437,966,370**	422,759,084
Savings deposits	**876,808,045**	819,871,605
Time deposits	**471,869,882**	477,323,024
Accrued interest	**8,136,345**	9,015,599
	1,794,780,642	1,728,969,312

(a) Movements in deposits is as follows:

	2021	2020
	SR	SR
At January 1,	**1,728,969,312**	1,641,619,243
Net movements during the year	**66,690,584**	88,568,074
Net movements in accrued interest	**(879,254)**	(1,218,005)
At December 31,	**1,794,780,642**	1,728,969,312

(b) The currency and maturity profiles of deposits from customers are shown under notes 3.4 and 3.5 respectively.

14. RETIREMENT BENEFIT OBLIGATIONS

Length of service compensation - Movement in length-of-service compensation payable under the Seychelles Employment Act is given below:

	2021	2020
	SR	SR
At January 1,	**8,679,774**	8,854,473
Paid during the year	**(1,132,271)**	(3,258,704)
Charge to Statement of Profit or Loss	**2,867,115**	3,084,005
At December 31,	**10,414,618**	8,679,774

15. BORROWINGS

	2021	2020
	SR	SR
At January 1,	**1,033,611**	-
Additions during the year	**6,730,694**	1,033,611
Repayments during the year	**(828,174)**	-
At December 31,	**6,936,131**	1,033,611

15. BORROWINGS (CONT'D)

(a) The Central Bank of Seychelles extended lines of credit to Commercial Banks, Development Bank of Seychelles and Seychelles Credit Union at zero interest rate for lending to entities affected by COVID-19 economic pandemic. The lines of credit are available to Micro Business Small and Medium Enterprises (MSME) and Large Corporates. The Government of Seychelles has agreed to guarantee 70% of the loans to MSME and 50% of the loans to Large Corporates.

A total amount of **SR 6.7m** (2020: SR 3.63m) was drawn from the Central Bank of Seychelles (CBS) to assist businesses affected by COVID-19, out of which **SR 0.8m** (2020: SR 2.6m) had been repaid to CBS by December 31, 2021.

(b) All funds received from the borrowers in repayment of any principal amount of a loan are to be remitted to CBS every quarter, commencing December 31, 2021 and shall be made within 15 days after the end of the relevant quarter. Refer to note 3.5 for maturity profile.

16. CURRENT TAX LIABILITY/ EXPENSE

(a) **Statement of financial position**

	2021	2020
	SR	SR
At January 1,	**7,787,966**	2,826,487
Charge for the year (note 16(c))	**8,716,827**	15,205,242
Tax paid during the year	**(15,205,242)**	(10,243,763)
At December 31,	**1,299,551**	7,787,966

(b) **Statement of profit or loss**

	2021	2020
	SR	SR
Current tax based on profit for the year (note 16(a))	**8,716,827**	15,205,242
Deferred tax charge / (credit) (note 12(b))	**624,910**	(6,735,088)
	9,341,737	8,470,154

(c) Tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2021	2020
	SR	SR
Profit before tax	**17,365,863**	**31,461,895**
Tax calculated at tax rates (note 16(d))	**5,650,735**	10,302,425
Adjustments for items not allowable for tax	**3,522,315**	4,730,758
Surplus of capital allowances over depreciation	**(456,223)**	172,059
	8,716,827	15,205,242

16. CURRENT TAX LIABILITY/ EXPENSE (CONT'D)

(d) Applicable tax rates are as follows:

Taxable income threshold	2021 & 2020
	Tax rates - %
≤ SR. 1,000,000	25%
> SR. 1,000,000	33%

17. OTHER LIABILITIES

	2021	2020
	SR	SR
Accruals	**666,746**	2,265,297
Provision for profit sharing benefit (note 17(a))	**1,854,847**	1,399,062
Local banks & POS clearing account	**12,859,852**	12,310,733
Other payables	**3,116,606**	1,691,999
ECL on loan commitments (note 6(b) & 6(c))	**124,261**	3,974,630
	18,622,312	21,641,721

(a) Provision for staff benefits is payable to all employees in accordance with the Bank's policy.

18. SHARE CAPITAL

	2021 & 2020
	SR
Issued and fully paid up	
At December 31,	**60,000,000**

The assigned capital has been maintained above SR 20 million as per the requirements of Section 4(1) of the Financial Institutions (Capital Adequacy) Regulations, 2010.

19. STATUTORY RESERVE

	2021	2020
	SR	SR
At January 1,	**35,214,489**	30,616,141
Transfer during the year (page 6)	**1,604,825**	4,598,348
At December 31,	**36,819,314**	35,214,489

Section 24(1) of the Financial Institutions Act 2004, as amended requires that a Statutory Reserve Fund be maintained from an appropriation of not less than 20% of net profits for the year before any transfers until such reserve is equal to the Share Capital of SR 60 million.

20. INTEREST INCOME

	2021	2020
	SR	SR
Loans and advances	**82,556,305**	94,784,361
Investment in financial assets	**45,082,197**	27,697,709
Cash and short term funds	**561,305**	3,333,413
	128,199,807	125,815,483

21. INTEREST EXPENSE

	2021	2020
	SR	SR
Customer deposits	**36,371,450**	39,289,349
Interest expense on lease liabilities (note 8(c))	**210,721**	416,122
	36,582,171	39,705,471

22. FEE INCOME AND COMMISSIONS

	2021	2020
	SR	SR
Account maintenance	**3,768,737**	3,696,785
Processing charges	**846,818**	743,569
Commissions from Visa	**5,099,735**	4,113,835
Standing instructions	**1,501,132**	1,491,950
Commission from agency work and sale of foreign currency	**1,821,953**	809,777
Transaction charges	**549,040**	824,326
Loan documentation	**821,800**	284,090
Referred cheque charges	**375,692**	466,080
Unauthorized overdraft charges	**79,300**	164,150
SMS alert charges	**475,209**	430,566
Mortgage agreement charges	**103,615**	143,481
Cheque books	**201,704**	235,498
Other related income	**42,062**	198,008
	15,686,797	13,602,115

23. SUNDRY INCOME

	2021	2020
	SR	SR
Recovery of bad debts written off	**196,383**	126,340
Profit on disposal	**-**	278,600
	196,383	404,940

24. EMPLOYEE BENEFIT EXPENSE

	2021	2020
	SR	SR
Wages and salaries	24,116,794	23,436,142
Directors' fees (note 24(a))	197,120	243,840
Retirement benefit obligations charge (note 14)	2,867,115	3,084,005
Pension costs	626,285	610,963
Other staff costs	1,642,009	733,048
	29,449,323	28,107,998

(a) Directors' fees

	2021	2020
	SR	SR
Patrick Payet (Chairman)	53,760	64,320
Esther Boniface	35,840	44,880
Robert Morgan	35,840	44,880
Sandy Mothee	35,840	44,880
Jamshed Pardiwalla	35,840	44,880
	197,120	243,840

25. OTHER EXPENSES

	2021	2020
	SR	SR
Premises cost	2,632,959	3,272,278
Computer maintenance expenses	11,688,385	11,064,194
Card expenses	6,922,526	6,653,142
Security services	3,229,532	2,828,637
Legal and professional charges	2,839,718	1,769,419
Stationery and postage expenses	947,513	937,354
Telecommunication	2,760,364	2,426,897
Licenses, insurance and subscription	1,412,733	967,114
Write off adjustment (note 9)	1,947,944	-
Others	3,243,731	2,447,622
CSR tax	264,717	875,927
Tourism marketing tax	489,451	875,927
Fuel, conveyance and vehicles maintenance	242,927	249,991
Advertising and promotion expenses	97,459	325,006
AGM expenses	115,067	107,502
Auditors' remuneration	161,000	161,000
	38,996,026	34,962,010

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for cashflow purposes have been arrived as follows:

	2021	2020
	SR	SR
Gross cash and bank balances (note 5)	**680,246,657**	770,668,021
Add: Short term investments - Treasury bills	**-**	34,700,000
Less: Mandatory cash balance with CBS	**(171,054,286)**	(202,753,058)
	509,192,371	602,614,963

27. COMMITMENTS

(a) **Capital commitments**

	2021	2020
	SR	SR
Approved and contracted for:	**13,727,223**	18,700,728

(b) **Loan commitments**

	2021	2020
	SR	SR
Loan commitments	**45,357,000**	79,473,000

28. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In the normal course of its operations, the Bank enters into transactions with related parties. Related parties includes other entities with common control and key management personnel, consisting of members of the Board of Directors.

	Balance	Transactions
	Loans and advances	Interest Income
	SR'000	SR'000
December 31, 2021		
Directors	**1,181**	**99**
December 31, 2020		
Key management	33	3
Directors	1,321	111

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

	Relationship	Balance Deposits SR'000	Transaction Interest Expense SR'000
December 31, 2021			
Parastatals	Common Control	**234,204**	**3,278**
Government organisations and agencies other than parastatals	Common Control	**79,443**	**-**
December 31, 2020			
Parastatals	Common Control	467,627	8,125
Government organisations and agencies	Common Control	87,188	-

(a) The above transactions have been made at arm's length on normal commercial terms and in the normal course of business.

(b) Outstanding balances at the end of the reporting period are per terms and conditions aforesaid. For the year ended December 31, 2021, the Bank had not recorded any impairment of receivables since the fair value of the eligible security fully covers the carrying amount relating to amounts owed by related parties (2020: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

(c) Loan and advances to key management personnel are approved and disburded as per the Authority's loan policy. As at December 31, 2021 loans and advance to Key Management amounted to **SR: nil** (2020: SR 33k). There were no loans and advances issued in 2021 (2020: nil). The Bank charges an interest rate of 4% . Loans advanced to Directors amounted to SR 1.2m (2020: SR 1.3m).

(d) Key management personnel

	Relationship	2021 SR	2020 SR
Directors remuneration (note 24(a)	Directors	**197,120**	243,840
Directors' other emoluments & gratuity compensation			
Annie Vidot	Key management	**1,074,540**	1,363,034
Jenna Thelermont	Key management	**802,272**	1,021,757

29. EVENT AFTER REPORTING DATE

Dividends

Early February 2022, the Central Bank of Seychelles (CBS) announced removal of restriction on dividend declaration effective financial year 2021 as part of the unwinding strategy of COVID-19-revision of remedial measures. However, in line with section 31 of the Financial Institutions Act, as amended, banks are required to obtain CBS' approval prior to payment of dividend.

Following the above, the Directors declared a dividend of SR 4.8m representing SR 8 per share during the board meeting held early 2022. Subsequently, the Central Bank of Seychelles approved the dividend.

30. FINANCIAL SUMMARY

	2021	2020	2019	2018	2017*
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**17,366**	31,462	23,162	20,292	19,139
Tax expense	**(9,342)**	(8,470)	(7,685)	(7,294)	(5,805)
Profit for the year	**8,024**	22,992	15,477	12,998	13,334
Transfer to statutory reserve	**(1,605)**	(4,598)	(3,095)	(2,600)	(2,667)
Dividends	**-**	-	-	(6,000)	(6,000)
Retained earnings brought forward	**69,425**	51,031	38,649	34,251	31,162
Retained earnings carried forward	**75,844**	69,425	51,031	38,649	35,829
EQUITY					
Share capital	**60,000**	60,000	60,000	60,000	60,000
Statutory reserve	**36,819**	35,214	30,616	27,521	24,921
Revaluation reserve	**39,991**	39,991	27,474	27,474	26,831
Retained earnings	**75,844**	69,425	51,031	38,649	35,829
	212,654	204,630	169,121	153,644	147,581

SEYCHELLES COMMERCIAL BANK

Location of SCB Branches & Agencies

Mahé

Victoria Branch
Kingsgate House, Independence Avenue, Victoria

Corporate Branch
Orion Mall, Palm Street, Victoria

Anse aux Pins Branch
Anse Aux Pins

Providence Branch
Providence Industrial Estate

Praslin

Praslin Agency
Praslin Domestic Airport, Amitie

Praslin Branch
Grand Anse Praslin

La Digue

La Digue Branch
La Passe