MESSAGE FROM THE CHAIRPERSON

At the beginning of the 2021 financial year, we were only just beginning to feel the effects of the global Covid-19 pandemic. Since then, Nouvobanq has mobilised successfully on an impressive scale. When an organisation is disrupted to that extent by such conditions, it provides an opportunity to reassess whether that organisation is on the right track. Events do not come much more disruptive than a global pandemic, and Covid-19 saw our Bank perform a role vital to all its stakeholders and the economy as a whole.

Our support to customers and communities remained unwavering in helping them emerge from the COVID pandemic. I feel proud of the commendable efforts and character displayed by all the team members of the Nouvobanq family. I would also like to thank all the COVID warriors all over the country for the tremendous job that they have been doing, especially the healthcare professionaDespite this challenging social and economic environment, Nouvobanq persevered in serving the nation and by respecting all the financial structures imposed by the Central Bank. I am particularly satisfied with the very prudent but resolute policies the Bank adopted in managing its portfolio during 2021. This is yet another demonstration of the Bank's sound sense of purpose.

It is with no surprise then that our institution yielded most satisfactory financial results with a substantial increase in our operating profit. We lived up to our targets and I am grateful to all our fellow employees for their dedicated work. Once again, our people rose to the occasion and performed exceptionally while adjusting to the disruption of their working lives, and of normal life in general. I am grateful for the efforts of our team to deliver – and keep on delivering – under unrelentingly tough circumstances while maintaining motivation, camaraderie, and consistently high standards.

I am particularly happy to report that the Bank is pursuing its digital upgrade both for its service to its customers and for its employees in their operations. This on-going investment on the e-Banking project and the setting up of an efficient e-Commerce Gateways are the main features of this ambitious programme. The transformation of our technology is focused on implementing sophisticated, digitally enabled, online platforms that will allow us to deliver outstanding customer service, become more efficient and support decision making, whilst retaining the flexible and specialist capabilities that our customers desire.

Our job now is to help businesses during the recovery period and beyond, strengthening the economy in the process. Our focus and the way we work will continue to change in so doing, but we are emerging from the pandemic more resilient and capable than ever, ready, and willing to help more Seychellois businesses to prosper and grow sustainably.

I must heartily thank all members of the Board and the Management for their support and their professional approach during this enduring year and I commend their efforts to make the Bank greater.

We are hopeful that 2022 will present a more positive outlook to the nation and its economy. We pledge to assist by all ways and means to make this happen for the ultimate prosperity and well-being of all our citizens.

Abdul Gafoor Yakub
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S MESSAGE

2021 has been a challenging year with a resurgence of theCOVID-19 pandemic as new waves of infection, driven by further virus mutations, such as Omicron, affected the slowly emerging recovery of the global economy. The pandemic continued to challenge our thinking about the setup of our economy , businesses, and households. The Bank's ability to provide support for our people, customers and intermediaries throughout the pandemic has again demonstrated the resilience of our proposition.During the year, we continued tostrengthen the core pillars of our business – people, products, andtechnology for driving executionalexcellence.

The COVID-19crisis has demonstrated the Bank'soperational robustness and its ability to respond rapidly to newsituations, developing new processes, systems, and ways ofworking. This is a tribute to the culture and spirit of our people and the strength of the relationships on which our business is based. In my view, this is the best demonstrationof our ability to live the values of fairness, professionalism,integrity, commitment, creativity, teamwork, andrespect, and of the positive results that these bring. In the face of potential economic collapse, our people stepped up, working tirelessly to support businesses and protect livelihoods. Up and down the country, throughout Seychelles, small and medium-sized businesses have been able to access finance and gain the confidence to carry on. None of this would have been possible without the full commitment of all our people to deliver the vital extra work required, in addition to their usual roles, which called for longer hours and increases in workload. Everyone working at the Bank has my heartfelt thanks for this shared sense of purpose.

We delivered on our targets with an increase of 65% of our profit before tax and a 37% increase of our net profit. This has been mainly due to the depreciation of the local currency, particularly to the US dollar as the months passed by during the year. The turnover of the Bank suffered an expected decrease as a result of the pandemic from SCR 10.8 to 9.8 Billion whereas customer deposits were unsurprisingly down by 12.3 % to reach SCR 8.5 Billion at the end of the year under review.

The Board and Management followed a prudent policy in its spending and the dealings with the investment programme while ensuring a satisfactory profit. Alongside its extensive emergency response activity, the Bank's core programmes continued to deliver, playing a major role in underpinning small business. Over the last 12 months we continued to support our customers with robust and resilient bank services, while some customers in selective segments faced disruptions of their own business due to the direct or indirect impact of COVID-19. The Bank's purpose continues and remains the unwavering support to the ambitions of the people and businesses of Seychelles by delivering efficient banking services.

In 2021, the Bank made substantial but reasonable provisions in its reporting system by adopting the international norm under IFRS 9, an International Financial Reporting Standard (IFRS) . IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items...

During 2021, the pandemic also accelerated thetechnology investments and execution-of transformation projects. We have made strong progress in our Digital Banking initiatives that we had started during the last fiscal year with the objective of not only reimagining end-to-end customer facing propositions, but also to scale up growth and productivity.

We have continued to revamp the e-Banking platform with the aim at extending reliable and faster banking services to our customers across the country. The Bank is committed to offer quality financial services to its customers using modern technologies which will help them in saving time. We are enhancing our e-Banking platform to make it moreuser friendly and to ensure an enriched customer experience for our retail and corporate customers. The revamped platform will enable customers track and manage their account activity; carry out multiple transactions and stay in total control of their bank accounts wherever, whenever across a range of devices including mobile phones, tablets, and computers without needing to visit the bank. This confirms the desire of the Bank to embrace the change in customer behaviour that technology brings, and to make sure we are offering the best possible digital services.

Our on-going project to improve our e-Commerce Gateway was also high on the agenda during 2021. As e-commerce industry in Seychelles is growing rapidly, our goal is to provide customers a convenient and secure platform, seamless transactions, and delivery to their doorstep. We strongly believe that our Bank must offer e-commerce platform thatrequires an efficient payment gateway which will increase customer loyalty and in turn sales and profit.We want businesses in Seychelles to reach more customers who are in increasing numbers at shopping online. Our e-Commerce Gateway aims at making our customers sell more online. It also has the objective of meeting consumer demand for a consistent experience across sales channels. This is being implemented by measures to help protect against data breach and fraud. Finally, our wish is to increase productivity across the local business community by automating certain processes to save time and effort while eliminating manual tasks such as data entry, processing paper invoices and managing customer disputes.

I reiterate my gratitude to all my colleagues for their relentless and selfless efforts in serving our customers despite all odds. I thank our externalstakeholders for their continuedwillingness to partner with our Bank inits long-term growth journey.We will continue tochallenge ourselves and strive towardsbuilding a distinctive Nouvobanq. The underlying fundamentals of the Bank's business are sound, our business plans and capital base are robust, and despite the short-term economic uncertainties, I believe we are well placed to move forward.

Ahmad Saeed
CHIEF EXECUTIVE OFFICER

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Corporate Information

Board of Directors	Abdul Gafoor Yakub Ahmad Saeed David Howes Michael Bluemner **Appointed effective July 1, 2021** Andrew Bainbridge Helene Maiche Michael Benstrong Odile Vidot Oliver Bastienne **Resigned effective July 1, 2021** Anil Dua Damien Thesee Vincent Van Heyste
Secretary	ACM Consultants (Pty) Limited PO Box 12890, First floor Allied Plaza, Francis Rachel Street, Victoria, Mahé, Seychelles
Registered Office	Nouvobanq House, Victoria, Mahé, Seychelles
Auditors	BDO Associates Chartered Accountants Seychelles

Director's Report

The Directors are pleased to present their report together with the audited financial statements of the Seychelles International Mercantile Banking Corporation Limited **("the Bank")** for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Bank consist of the provision of banking and financial services in Seychelles. The Bank operates mainly locally and its offshore activities are negligible and; therefore no separate disclosures are presented in these Financial Statements. There has been no change to these activities for the financial year under review.

RESULTS	**SR' 000**
Profit for the year	**298,772**
Retained earnings brought forward	**437,802**
Retained earnings carried forward	**736,574**

DIVIDENDS

In light of the impact of the COVID-19 pandemic, the Central Bank of Seychelles (CBS) 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 Financial institutions. This directive was communicated during the second quarter of 2020, applicable to the financial years ended December 31, 2019 to December 31, 2020. As a result the Directors did not declare any dividend for the financial year under review (2020: Same).

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. Commercial banks are now allowed to declare dividends for the financial year ended December 31, 2021 as per Section 31 of the Financial Institutions Act 2004 (amended). [Refer to note 32]

PROPERTY AND EQUIPMENT

The property and equipment of the Bank and the movements therein are detailed in Note 8 to the financial statements.

Property and equipment are stated at cost less accumulated depreciation. The Directors have estimated that the carrying amount of property and equipment at the reporting date approximate their fair value.

DIRECTORS' AND THEIR INTEREST IN THE BANK

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

Reappointment	**Appointed effective July 1, 2021**	**Resigned effective July 1, 2021**
Abdul Gafoor Yakub	Andrew Bainbridge	Anil Dua
Ahmad Saeed	Helene Maiche	Damien Thesee
David Howes	Michael Benstrong	Vincent Van Heyste
Michael Bluemner	Odile Vidot	
	Oliver Bastienne	

None of the Directors held any interest in the Bank during the financial year under review (2020: Nil).

Directors' Report (Cont'd)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Bank including the operations of the Bank and making 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 Bank's assets.

The Directors confirms that the financial statements presented for audit are free from material misstatement and they have met their aforesaid responsibilities.

AUDITORS

The retiring auditors, Messers. BDO Associates, being eligible offer themselves for re-appointment.

BOARD APPROVAL

Abdul Gafoor Yakub
Director

Ahmad Saeed
Director

David Howes
Director

Michael Bluemner
Director

Andrew Bainbridge
Director

Helene Maiche
Director

Michael Benstrong
Director

Odile Vidot
Director

Oliver Bastienne
Director

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

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED** (hereafter referred to as **"the Bank"**) set out on pages 4 to 68 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 on pages 4 to 68 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.

Allowance for Expected Credit Losses (ECL)

Key Audit Matter

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

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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

Key Audit Matters (Cont'd)

Allowance for Expected Credit Losses (ECL) (Cont'd)

Key Audit Matter (Cont'd)

Inherently judgemental modelling was used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), Exposures at Default ("EAD") and defining the criteria for increases in significant credit risk. The impact of COVID-19 on the economy has increased significantly the level of uncertainties. It remains unclear when the Global economy will fully recover from the COVID-19 pandemic. Reports of new waves and variants of the virus in many parts of the World are being followed up with further lockdown measures, which are adversely impacted economic activities and in many cases livelihood.

The Bank faced significant challenges to adapt its IFRS 9 modelling as compared to previous period so as to adequately fit the new Normal. In addition to the ECL framework, the Bank placed significant reliance on Management's overlay given the environment of increased uncertainty and vulnerability as well as limited view of credit risks in its portfolio.

In applying the post model adjustments, the Bank used a portfolio segmentation approach on its various sectors of exposures in addition to a multiplier effect to overlay the modelled Expected Credit Loss. The multiplier was based on the Bank's perception of risk by sector ranging from 1-8 according to the sectors resilience to COVID-19. *(Refer to note 4.1(b)).*

At December 31, 2021, the Bank reported total credit impairment of **SR 89.6m** (2020: SR 213.2m) out of which **SR 87.0m** (2020: SR 203.1m) was in respect of drawn loans and advances which represent an ECL cover ratio of 3.8% (2020: 7.6%).

How our audit addressed the key audit matter

With the assistance of our technical team we carried out the following tests to ensure reasonableness in the circumstances of the Bank's ECL modelling and overlay:

ECL modelling framework

- Evaluated the appropriateness of the Bank's IFRS 9 impairment methodologies;
- Reperformed and inspected model code for the calculation of certain components of the ECL model (including the staging criteria);
- Evaluated whether the changes were appropriate by assessing the updated IFRS 9 model methodology;
- 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, data and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and model assumptions applied;
- We assessed whether the disclosures were appropriate addressed the uncertainties which existed when determining the ECL including sensitivity analysis done. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear. *(Refer to note 4.1).*

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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

Key Audit Matters (Cont'd)

Allowance for Expected Credit Losses (ECL) (Cont'd)

How our audit addressed the key audit matter (Cont'd)

Management overlay

- We assessed the post-model overlay which were applied by the Bank as a response to ECL model framework shortfall due to COVID-19 related uncertainties;
- Scrutinised post model adjustments, considering the size and complexity of Management's adjustments with a focus on COVID-19 related ones, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to their source;
- We assessed the critical accounting estimates and judgements proposed by Management;
- We also considered the completeness and appropriateness of these adjustments by reviewing the estimates, judgements, methodologies and governance applied;
- We also reviewed the assessment made by the Bank's Risk Management Committee (RMC) to ensure justification for the Management overlay.

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.

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

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.

BDO

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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

Report on Other Legal and Regulatory Requirements (Cont'd)

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.

Other matters

This report is made solely to the members of **SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED** as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the Bank's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank or the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 28 APR 2022
Victoria, Seychelles

Statement of Financial Position as at December 31, 2021

	Notes	2021 SR' 000	2020 SR' 000
ASSETS			
Cash and bank balances	5	4,820,745	5,882,705
Loans and advances	6	2,175,148	2,467,422
Investment in financial assets	7	2,613,705	2,128,781
Property and equipment	8	187,627	195,352
Intangible assets	9	5,913	9,989
Right-of-use assets	10(b)	25,369	30,105
Retirement benefit assets	11(a)	8,105	14,996
Deferred tax assets	12(b)	18,653	58,053
Other assets	13	38,271	40,356
Total Assets		9,893,536	10,827,759
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Customers deposits	14	8,571,425	9,734,884
Borrowings	15	89,406	28,022
Retirement benefit obligation	11(a)	12,191	12,561
Current tax liabilities	16(a)	16,658	18,562
Other liabilities	17	58,743	94,789
Total Liabilities		8,748,423	9,888,818
EQUITY			
Share capital	18	100,000	100,000
Statutory reserve	19	100,000	100,000
Fair value reserve	20	207,325	295,220
Actuarial gains	20	1,214	5,919
Retained earnings		736,574	437,802
Total Equity		1,145,113	938,941
Total Liabilities and Equity		9,893,536	10,827,759
CONTINGENT LIABILITIES			
Guarantees, bills of collection, letters of credit, and other obligations on account of customers		486,887	593,291
Loan commitments	30(a)	521,102	412,106

The notes on pages 8 to 68 form an integral part of these financial statements

Auditor's Report on pages 3 to 3(d)

These financial statements were approved for issue by the Board of Directors on: 28 APR 2022

BOARD APPROVAL

Abdul Gafoor Yakub
Director

Ahmad Saeed
Director

David Howes
Director

Michael Bluemner
Director

Andrew Bainbridge
Director

Helene Maiche
Director

Michael Benstrong
Director

Odile Vidot
Director

Oliver Bastienne
Director

The notes on pages 8 to 68 form an integral part of these financial statements Auditor’s Report on pages 3 to 3(d)

Statement of profit or loss and other comprehensive income for the year ended December 31, 2021

	Notes	2021 SR' 000	2020 SR' 000
Interest income	21	**297,391**	278,756
Interest expense	22	**(40,570)**	(45,371)
Net interest income		**256,821**	233,385
Fees and commission income	23	**88,124**	65,453
Fees and commission expense		**(68,059)**	(41,047)
Net fee and commission income		**20,065**	24,406
Net interest, fee and commission income		**276,886**	257,791
Net trading income	24	**151,731**	157,818
Other operating income	25	**3,227**	2,295
Exceptional income - collateral realised	26	**-**	144,960
Total operating income		**431,844**	562,864
Non-interest expense			
Other operating expenses	27	**(90,752)**	(94,498)
Depreciation of property and equipment	8	**(12,416)**	(12,268)
Amortisation of intangibles	9	**(4,076)**	(3,905)
Depreciation of right-of-use	10(b)	**(4,105)**	(2,607)
Total operating expenses		**(111,349)**	(113,278)
Operating profit before impairment		**320,495**	449,586
Expected credit loss credit/(charge)	29	**123,586**	(180,870)
Profit before tax		**444,081**	268,716
Tax expenses	16(b)	**(145,309)**	(51,341)
Profit for the year		**298,772**	217,375
Other Comprehensive Income			
Items that will be reclassified to Statement of Profit or Loss			
Reserve on property foreclosed	26	**-**	(124,600)
Items that will not be reclassified to Statement of Profit or Loss			
Remeasurement of retirement benefit obligations (RBO)	11(c)	**(7,023)**	12,890
Deferred tax effect on remeasurement of RBO	12(b)	**2,318**	(4,254)
Net change in fair value of financial assets at FVTOCI	7(a)(ii)	**(87,895)**	128,704
Other Comprehensive Income net of tax for the year		**(92,600)**	12,740
Total Comprehensive Income for the year		**206,172**	230,115

The notes on pages 8 to 68 form an integral part of these financial statements Auditor’s Report on pages 3 to 3(d)

Statement of changes in equity for the year ended December 31, 2021

	Share capital	Statutory reserve	Reserve on property foreclosed	Fair value reserve	Actuarial gains/ (losses)	Retained earnings	Total
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
At January 1, 2021	**100,000**	**100,000**	**-**	**295,220**	**5,919**	**437,802**	**938,941**
Total Comprehensive Income for the year	**-**	**-**	**-**	**(87,895)**	**(4,705)**	**298,772**	**206,172**
At December 31, 2021	**100,000**	**100,000**	**-**	**207,325**	**1,214**	**736,574**	**1,145,113**
At January 1, 2020	100,000	100,000	124,600	166,516	(2,717)	220,427	708,826
Total Comprehensive Income for the year	-	-	(124,600)	128,704	8,636	217,375	230,115
At December 31, 2020	**100,000**	**100,000**	**-**	**295,220**	**5,919**	**437,802**	**938,941**

Statement of cash flows for the year ended December 31, 2021

Adjustments for:			
Expected credit loss (credit)/charge	29	**(123,586)**	180,870
Interest accrued - receivable	6 & 7	**(38,236)**	(9,094)
Depreciation of property and equipment	8	**12,416**	12,268
Property and equipment written off	8	**-**	118
Amortisation of intangible assets	9	**4,076**	3,905
Amortisation of right-of-use assets	10(b)	**4,105**	2,607
Interest accrued - payable	14	**9,863**	12,905
Retirement benefit obligations charge	11(d)(ii) & (e)	**812**	3,762
Effect of foreign exchange differences		**(35,338)**	(23,076)
Operating profit before working capital changes		**278,193**	452,981
Changes in working capital			
- Loans and advances		**421,632**	(438,195)
- Other assets net of recycled fair value	13	**2,085**	41,601
- Movement in mandatory balance with central bank	5(b)	**210,885**	(269,547)
- Customer deposits	14	**(1,173,322)**	3,013,161
- Other liabilities	17	**(24,445)**	(28,304)
Net cash generated from operations		**(284,972)**	2,771,697
Employer's contribution and direct benefits paid	11(d)(ii) & (e)	**(1,315)**	(4,591)
Tax refund received	16(a)	**-**	3,114
Tax paid	16(a)	**(105,495)**	(90,089)
Net cash (outflow)/inflow from operating activities		**(391,782)**	2,680,131
INVESTING ACTIVITIES			
Purchase of investments in financial assets	7(a)	**(5,715,090)**	(5,879,536)
Maturity of investments in financial assets	7(a)	**5,166,806**	5,223,974
Placement above three months net of short term investments	5(b)	**946,987**	(241,253)
Purchase of property and equipment	8	**(5,081)**	(4,232)
Purchase of intangible assets	9	**-**	(1,150)
Net cash outflow/(inflow) from investing activities		**393,622**	(902,197)
FINANCING ACTIVITIES			
Borrowings received	15	**64,768**	28,948
Borrowings repaid	15	**(3,384)**	(926)
Repayment of principal portion of lease liabilities	10(c)	**(2,787)**	(2,564)
Net cash inflow from financing activities		**58,597**	25,458
Net change in cash and cash equivalents		**60,437**	1,803,392
Movement in cash and cash equivalents:			
At January 1,		**3,705,978**	1,879,510
Increase		**60,437**	1,803,392
Effect of foreign exchange difference		**35,338**	23,076
At December 31,	5(b)	**3,801,753**	3,705,978

The notes on pages 8 to 68 form an integral part of these financial statements Auditor’s Report on pages 3 to 3(d)

Notes to the Financial Statements for the Year ended December 31, 2021

1. GENERAL INFORMATION

Seychelles International Mercantile Banking Corporation Limited is a limited liability company incorporated and domiciled in Seychelles. The Bank holds a banking license issued by the Central Bank of Seychelles under the Financial Institutions Act, 2004 as amended. The principal place of business is situated at the Nouvobanq House, Victoria, Mahé, Seychelles. The principal activities of the Bank are as stated on page 2 of the Directors' Report.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Seychelles International Mercantile Banking Corporation 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 Seychelles 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 is in compliance with adopted IFRS which 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 to adopt the going concern basis in preparing these financial statements. In reaching this assessment, the Directors have considered the implications of the COVID-19 pandemic macroeconomic and geopolitical headwinds upon the Bank's performance and projected funding and capital position.

(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;

Notes to the Financial Statements for the Year ended December 31, 2021

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

(c) New and amended standards and interpretations (Cont'd)

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

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- 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.

(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, but which the Bank has not early adopted.

(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.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(e) 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 when the fair value was determined.

(f) Financial instruments

(i) 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 Fair Value Through the Statement of Profit or Loss (FVTPL), transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at their transaction prices.

(ii) 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, measured either at Amortised Cost or Fair Value Through Other Comprehensive Income (FVTOCI).

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(ii) Classification and measurement (Cont'd)

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 objectives:

- 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
- 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, performance of the asset's 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 solely payments of principal and interest (SPPI) test.

Principal, for the purpose of SPPI 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.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(ii) Classification and measurement (Cont'd)

Equity instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI)

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVTOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the Statement of Profit or Loss. Dividends are recognised in the Statement of Profit or Loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in Statement of Other Comprehensive Income. Equity instruments at Fair Value through Other Comprehensive Income are not subject to an impairment assessment.

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 (EIR).

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit 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 an Expected Credit Loss (ECL) allowance.

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 ECL requirements.

The nominal contractual value of financial guarantees, letters of credit 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.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(iii) Reclassification of financial assets and liabilities

Financial assets are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Bank did not change its business model during the current and comparative period and did not make any reclassifications.

However financial liabilities will never be reclassified but continue to be classified as 'at amortised cost'.

(iv) 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.

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).

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

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

Financial asset 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.

If 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.

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.

(v) Impairment of financial assets

(i) *Overview of the ECL principles*

The Bank records an allowance for Expected Credit Loss (ECL) for all loans and receivables and other debt financial assets not held at FVPL, 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.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(v) Impairment of financial assets

(i) Overview of the ECL principles (Cont'd)

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).

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. (Refer to 3.3.3(g))

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. (Refer to 3.3.3(g))

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 a Bank 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 PD is defined as the probability that a borrower will be unable to meet a debt obligation over a stipulated time. The PD estimate incorporates information relevant to assess the borrower's ability and willingness to repay debts, as well as information about the economic environment in which the borrower operates. 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. The concept of PD is further explained in note 3.3.3(c)(ii).

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(v) Impairment of financial assets (Cont'd)

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

The mechanics of the ECL calculations are outlined below and the key elements are, as follows (Cont'd):

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).

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(f)(vi). It is usually expressed as a percentage of the EAD. The LGD is further explained in note 3.3.3(e).

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has a legal right to call it earlier.

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.

The calculation of ECL including the ECL related to the undrawn element if any is as explained below:

Stage 1 : The 12mECL is calculated as the portion of LTECL that represents the ECL resulting 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-months 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 on stage 1 assets, 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. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(v) Impairment of financial assets (Cont'd)

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

Loan commitments and letters of credit - 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. For 'Deferred cards' and related undrawn commitment if any, ECL is calculated and presented together with 'Provision' same as loan commitments and letters of credit, the ECL is recognised within provisions under other liabilities. 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.

Financial guarantee contracts - 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 the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability of default and the ECL is recognised within provisions under other liabilities.

(iii) *Purchased or originated credit impaired financial assets (POCI)*

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance. There were however none during the period under review.

(iv) *Deferred cards*

The Bank's products offering includes a variety of corporate and retail credit cards facilities termed Deferred card, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice.

The Deferred cards portfolio of the Bank has not been combined with the retail portfolio. The deferred cards portfolio has not seen any historical defaults within the Bank. This portfolio is secured and backed by eligible financial collaterals.
The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in note 3.3.3(c), but greater emphasis is also given to qualitative factors such as changes in usage.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in note 3.3.3(b), on a collective basis. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(f) Financial instruments (Cont'd)

(iv) Impairment of financial assets (Cont'd)

(v) *Forward looking information*

The Bank incorporates forward looking information/Macro economic overlay on retail and corporate portfolio through the following methods:

PORTFOLIO	METHODOLOGY	MODEL TYPE	DATA TIME PERIOD
Corporate	Regression analysis	Bivariate Model	2015 Quarter 1 - 2019 Quarter 4
Retail	Regression analysis	Multivariate Model	2015 Quarter 1 - 2019 Quarter 4

The Bank uses general government gross debt and current account balance as percent of GDP specific to Seychelles on Corporate portfolio while GDP per capita at constant prices, total investments as percent of GDP and general government net debt) for Retail Portfolio.

The forward looking estimates were arrived through computation of a five year macroeconomic scalar for the above segments. The scalar is multiplied on a rolling basis to the PD term structure to arrive at the macroeconomic adjusted PD term structure.

(vi) Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collaterals, where possible. The collaterals come in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. 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 collaterals affect the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on practical basis by Management. However, some collaterals, 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 collaterals. The Bank relies on the market value provided by professional valuers as at the time a request is made.

Notes to the Financial Statements for the Year ended December 31, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial instruments (Cont'd)

(vi) Credit enhancements: collateral valuation and financial guarantees (Cont'd)

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.

(vii) Write-offs

Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include among others, customer files for bankrupcy, the failure of a customer to engage in a repayment plan with the Bank, and a failure to make contractual payments for a period of greater than 365 days past due.

The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(g) Cash and cash equivalents

Cash and cash equivalents as referred to in the Statement of Cash Flows comprises cash on hand, 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, non–restricted current accounts with Central Bank of Seychelles and amounts due from banks on demand or with an original maturity of three months or less and bank overdrafts.

(h) 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:

Notes to the Financial Statements for the Year ended December 31, 2021

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

(h) Fair value (Cont'd)

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.

(i) Property and equipment

Property and equipment are carried at historical cost less accumulated 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.

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

	Years
Buildings	Leasehold period
Leasehold improvements	Leasehold period
Furniture and fittings	5
Office equipment	5
Premises' fixed equipment	5 to 10
Motor vehicles	4

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. (as outlined on note 2(l))

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

Notes to the Financial Statements for the Year ended December 31, 2021

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

(j) 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(l) impairment of non-financial assets.

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.

(k) Intangible assets

Acquired computer software

Intangible assets comprise of software and licenses which have a finite economic life.

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 5 years.

The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(k) Intangible assets (Cont'd)

The amortisation expense on intangible assets is recognised in the Statement of Profit or Loss.

Computer software is subject to impairment in line with the Bank's policy as described in note 2(l) impairment of non-financial assets.

(l) Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that Property and equipment, Right of use assets, Intangible assets and Other assets 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 cash generating unit's (CGU) 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.

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

(m) 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.

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, provision for retirement benefit obligation, excess of lease obligation over right-of-use, cummulative actuarial gains/losses.

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.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(m) Taxation (Cont'd)

Current and deferred taxes are recognised as income tax benefits or expenses in the Statement of Profit or Loss except for tax related to remeasurement of actuarial gains/losses 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.

(n) 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 discounted.

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) 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.

(iii) 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.

(iv) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(n) Retirement benefit obligations (Cont'd)

(iv) Defined benefit plan (Cont'd)

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined obligation at the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are accumulated in a separate reserve and will not be reclassified to the Statement of Profit or loss in the subsequent periods.

The Bank recognises the following changes in the net benefit obligation under 'employment benefit expenses 'in the Statement of Profit or Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

(o) 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.

(p) Equity reserves

The reserves recorded in equity on the Bank's Statement of Financial Position include:

- The cumulative net change in the fair value of Equity instruments classified at FVTOCI;
- The statutory reserve is maintained in accordance with section 24(1) of the Financial Institutions Act 2004 as amended;
- Unrealised profits emanating from assets repossesed for which loans and advances had been previously written off. This is subsequntly released to the Statement of Other Comprehensive Income upon disposal of the repossessed assets. (refer to note 2(f)(vii)); and
- Cumulative actuarial gains/losses emanating from defined benefit obligation. (as set out on note n (ii)).

Notes to the Financial Statements for the Year ended December 31, 2021

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

(q) 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.

(r) Interest income and expense

(i) 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.

(ii) 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.

Notes to the Financial Statements for the Year ended December 31, 2021

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

(r) Interest income and expense (Cont'd)

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

Interest income/expense is calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in note 2(r)(i) above.

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

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 interests of all loans and advances that were 90 days past due. These were credited to an interest in suspense account and adjusted to Loan and advance balance under (note 6). The Bank release suspended interest once outstanding dues have been cleared per the backward transition explained on note 3.3.3(g).

(s) 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.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors and management

The Bank's activities expose it to a variety of financial risk, market risk (including currency and fair value interest risk), credit risk and liquidity risk. 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.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Its exposures are not restricted to just on-Statement of Financial Position loans and advances but also to other commitments such as acceptances, letters of credit and bank guarantees.

A description of the significant risks is given as follows together with the risk management policies applicable. It is the Bank's policy to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets.

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	**936,574**	637,802
Tier II Capital	**41,768**	26,260
Total Capital Base (a)	**978,342**	664,062
Total Risk Weighted Assets for Credit risk	**3,175,753**	3,932,755
Operational Risk Capital Requirement	**610,878**	529,055
Total Risk-adjusted Assets (b)	**3,786,631**	4,461,810
Capital adequacy (a/b)*100	**25.84%**	14.88%
Minimum requirement	**12%**	12%

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

3.3 Credit risk

The Bank is exposed 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 are subject to frequent reviews.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

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 personal guarantees.

3.3.1 Credit risk management

Bank's approach to credit risk management is based on the foundation of independence and integrity of risk management. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Bank's credit policy focuses on the core credit principles, lending guidelines and parameters, control and monitoring requirements, problem loan identification, management of high risk counterparties and provisioning. Standard procedures specific to businesses have been established to manage various types of risks across different business segments, products and portfolios

Portfolio performance is periodically measured against risk appetite parameters and breaches if any are actioned by the Bank's Senior Management.

(a) Retail & Corporate banking credit risk management

Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

The Bank has a well-defined process for identification and management of Early Alert (EA), Watch List (WL) & Impaired Non Performing Loans (NPL). There are policies which govern credit review of EA, WL & NPL accounts and impairment, in line with Basel Guidelines, International Financial Reporting Standards and regulatory guidelines.

(b) Consumer banking credit risk management

The Bank has a structured management framework for Consumer Banking risk management. The framework enables the Bank in identification and evaluation of the significance of all credit risks that the Bank faces, which may have an adverse material impact on its financial position.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.1 Credit risk management (Cont'd)

(b) Consumer banking credit risk management

In the Consumer Banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to lending transactions.

The Bank's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Bank to prudently recognise impairment on its portfolios.

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.

3.3.3 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(f)(v).

<u>(a) Definition of default and impairment</u>

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 unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. 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.

In addition, the Bank may identify certain exposures as defaulted where, in the opinion of the Management, there is a threat of the exposure having to be classified as default in a short period of time.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

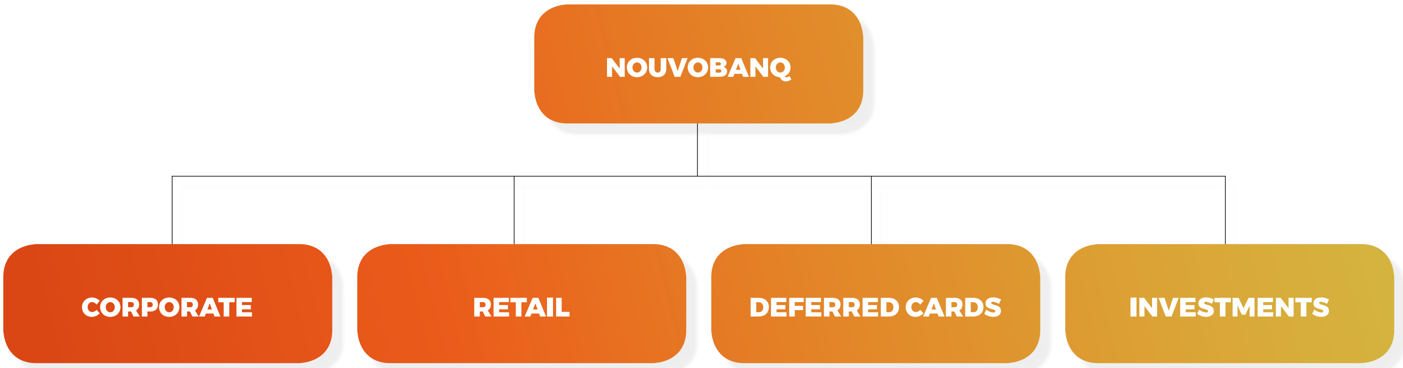
3.3.3 Impairment assessment (Cont'd)

(a) Definition of default and impairment (Cont'd)

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

(b) Segmentation of financial assets

The Bank extends credit facilities to individual customers and to corporate entities. Its portfolio is broadly categorized as detailed below:



Corporate portfolio include overdraft and term loans. This has been segmented based on the size of each industry within the loan book. Real estate, Tourism and Trade categories were identified to have significant segments and have been modelled individually to arrive at the Probability of Default (PD) and the remaining industries have been combined together for the modelling purpose.

Retail portfolio includes Mortgage loans, Private households loans and Consumer loans. The loan book is relatively smaller in size, and therefore has not been considered for distinct segmentation.

The Bank evaluate Deferred cards portfolio separately including the evaluation of each risk component.

For the investments portfolio, the ECL computation was done separately for each product. This includes Treasury Bills, Treasury Bonds, Placements, Letter of Credits (LC's) and Guarantees.

(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. For the loans and advances, credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of the borrower.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment (Cont'd)

(c)(i) Bank's Grading

The Bank does not have an approved grading system, however for financial reporting the Bank adopted below grading which is based on allocation of each exposure to credit risk grade in turn 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 Bank's Days Past Due (DPD) days as below:

C B S grading	Bank's grading	DPD Date	Staging
Pass	High to Standard	0 - 30	Stage 1 and Stage 2
Special mention	Sub standard	31 - 90	Stage 2 and Stage 3
Sub standard,	Non performing loans	91 - 180	Stage 3
Doubtful	Non performing loans	181 - 365	Stage 3
Loss	Non performing loans	> 365	Stage 3

Grading of other financial assets is based on Moody's rating which comprises grading from 1-4 is classified as high grade, 5-16 as standard grade, 17-19 as sub standard grading and 20 as non-performing.

(c)(ii) Probability of Default (PD)

The PD computation is based on Vintage analysis by considering a rolling window of 5 years (January 2015 – December 2019) for both the corporate and retail portfolios. (Refer to table below). Data of year 2020 was not included for the PD model because of data unavailability as majority of the loans were in moratorium. The PDs computed through this process are Through the Cycle (TTC) PDs.

Portfolio	Methodology	Data Time Period
Retail	Vintage analysis	January 2015 - December 2019
Corporate	Vintage analysis	January 2015 - December 2019
Deferred Cards	Basel Prescribed Minimum PD of 0.03%	
Investments	Basel Prescribed Minimum PD of 0.03%	

The macro model built in 2020 financial year took the quarterly default rates from 2015 to 2019. Data of year 2020 & 2021 was not included for the PD model for this current year because of data unavailability as majority of the loans were in moratorium. So, the same FY2020 macroeconomic model was used, but updated with the latest IMF estimates for year 2021-2025.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment (Cont'd)

(c)(ii) Probability of Default (PD) (Cont'd)

Macroeconomic variable time series data (2021-2025) pertaining to the Seychelles economy and sourced from the International Monetary Fund (IMF), and quarterly default rates (2015-2019) were used to build a macroeconomic overlay model.

The macroeconomic overlay/impact computed from macroeconomic overlay model is applied on Through the Cycle (TTC) PD to come up with Point in Time (PIT) PD.

The methodology followed and the assumptions used while arriving at the PD and the corresponding PD Term structure have been detailed in the following sections.

Corporate Portfolio PD Computation

The PD computation for the corporate portfolio has been based on Vintage analysis. The corporate portfolio was segmented within the Bank based on the industries in which they have an exposure. For the PD model, the segmentation done for the corporate portfolio was based on the number of accounts present in the following industries: (a) Real Estate, (b) Tourism, (c) Trade and (d) Others.

Based on this analysis, 4 segments were created to compute the TTC PD's for the Bank. A separate Vintage analysis was performed to track the accounts for each of the four segments.

Retail Portfolio PD Computation

The Bank combined the entire retail portfolio and computed a single TTC PD using Vintage analysis as explained above. This was due to few defaults noted in the Bank's historic performance as well as materiality of the portfolio.

Through the cycle (TTC) PD was computed using data that covered an economic cycle of at least 5 – 7 years. For the Bank, 5 years of default data was considered. The PD computation was used to create a term structure for the portfolio using survival analysis.

Deferred Cards Portfolio PD Computation

The deferred cards portfolio have not seen any historical defaults within the Bank. This portfolio is secured and backed by eligible financial collaterals. Each month any outstanding balance is recovered from cash security held by the Bank. The Bank has concluded that no ECL should be levied on Deferred Cards.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment (Cont'd)

(c)(ii) Probability of Default (PD) (Cont'd)

Investments Portfolio PD Computation

The Investments portfolio have been treated individually. Since the investments have no historical defaults within the Bank, no model has been built to arrive at the PD estimates.

The Bank adopted Basel prescribed minimum floor on the PD component of 0.03%. This floor was applied to all the investments.

(d) Exposure at default (EAD)

EAD is defined as the gross exposure under a facility upon default of an obligor. The amortised principal and the interest accrued has been considered for the EAD computation.

The Bank computes EAD for undisbursed portion of exposure by applying a credit conversion factor of 20% if the original maturity is less than a year and a factor of 50% if the original maturity is greater than 1 year. This application has been aligned with the Basel guidelines.

EAD = Disbursed Exposure * 100% + Undisbursed Exposure * CCF factor

(e) Loss given default (LGD)

LGDs for both the Retail & Corporate portfolios, Deferred Card and Investment were based on the foundation – IRB approach.

The foundation IRB approach (F-IRB) is based on regulatory prescribed LGD's. In a situation where the Bank is not able to arrive at internal estimates for their risk components based on their internal data, the Regulator prescribed an LGD value based on haircuts that can be applied on the collaterals. For the Bank, this methodology was adopted due to the paucity of default data.

The FIRB approach which considers some other forms of collateral, known as eligible IRB collateral, and were also recognized. These include receivables, specified commercial and residential real estate, and other physical collateral, where they met the minimum requirements.

(f) Significant increase in credit risk (SICR)

The Bank's portfolio were classified into three stages based on comparisons made between an account's credit risk at origination and its credit risk on the reporting date.

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 assessed whether there has been a significant increase in credit risk since initial recognition.

Notes to the Financial Statements for the Year ended December 31, 2021

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 (SICR) (Cont'd)

The Bank used the number of days past due (DPD) to determine significant increase in credit risk. Credit gradings are assigned to facilities granted by sectors upon initial recognition based on available information. For Corporate and Retail loans Stage 1: 0-29 DPD, Stage 2: 30-89 DPD and Stage 3: 90+ DPD+. The Bank however considered each investment (across every product mentioned above) and checked if the instrument was invoked. If such was the case, then the account would be classified as Stage 3, else, it would be in Stage 1.

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 (as set out in note 3.3.3(b)), the Bank applied the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

The Bank also applied a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk was deemed to have increased significantly since initial recognition.

In 2020, Nouvobanq granted moratorium to several borrowers due to COVID-19. In such cases, DPD did not give a clear picture of borrowers' risk. The below qualitative and qualitative criterias were considered when the Bank took the decision to classify Borrowers in stage two:

Qualitative criteria for Corporate portfolio:

Borrowers who were in moratorium as at December 2021 and classified under 'severely impacted industry by Bank's Management were those who were considered to be severely impacted by COVID-19.

Borrowers who were in moratorium as at December 2021, but classified in 'moderately and less impacted' industries by the Bank's Management, and whose interests were being capitalised.

Other risk industry like tourism were reclassified to Stage 2.

Quantitative criteria for Corporate portfolio:

Borrowers, (irrespective of moratorium or interest paid), who were in 30+dpd during Mar-19 to Feb-20.

(g) Treatment of restructuring, curing and backward transitions

The Bank keeps the restructured accounts in Stage 3 where restructurations of cash flows are done on the account due to the financial stress of the customers. Portfolios are then moved to Stage 2 based on Management's outlook with appropriate evidences of timely payments for at least 3 months.

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (Cont'd)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment (Cont'd)

(g) Treatment of restructuring, curing and backward transitions (Cont'd)

When an improvement to the credit quality occurs, and there are adequate and documented reasons that make it possible to transfer credit claims from Stage 3 to Stage 2, or from Stage 2 to Stage 1, the Bank transfers credit exposure from upper stage to lower stage after verifying the credit status of the claim and obligation through payment of monthly installments.

Upon transition back from higher risk grades to lower risk grades i.e. from Stage 3 to Stage 2 or Stage 2 to Stage 1, the following are considered:

- That all payments are up-to-date i.e. all outstanding payments on the credit facility are made on time and no payments are in arrears; and

- The PD has remained below the threshold that is considered a 'significant increase' 'for a minimum period of 3 months (Probation period) as per Central Bank of Seychelles.

3.3.4 Concentration risk and exposure to credit risk

The Bank's concentration risk is managed by client and industry sector as shown in 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 review. 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, corporate and personal guarantees.

Notes to the Financial Statements for the Year ended December 31, 2021

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

3.3.4 *Concentation risk 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 Gross exposure	2021 E C L	2021 Net exposure	2020 Gross exposure	2020 E C L	2020 Net exposure
Cash and bank balances (note 5)	**4,821,125**	**(380)**	**4,820,745**	5,883,222	(517)	5,882,705
Loans and advances (note 6)	**2,262,114**	**(86,966)**	**2,175,148**	2,670,494	(203,072)	2,467,422
Investment in financial assets (note 7)	**2,614,026**	**(321)**	**2,613,705**	2,129,025	(244)	2,128,781
Other assets excluding prepayments (note 13)	**34,280**	**-**	**34,280**	34,633	-	34,633
Commitments (SOFP)(notes 17 & 30)	**1,007,989**	**(1,962)**	**1,006,027**	1,005,397	(9,382)	996,015
Total	**10,739,534**	**(89,629)**	**10,649,905**	11,722,771	(213,215)	11,509,556

Analysis of concentration risk

	Financial services SR' 000	Government of Seychelles SR' 000	Real estate SR' 000	Tourism SR' 000	Trade SR' 000	Personal SR' 000	Others SR' 000	Total SR' 000
December 31, 2021								
Cash and bank balances	4,742,056	-	-	-	-	-	79,069	4,821,125
Loans and advances	120,116	370,701	344,526	593,735	81,496	207,784	543,756	2,262,114
Investment in financial assets	234,162	2,379,864	-	-	-	-	-	2,614,026
Other assets	14,591	-	-	-	-	-	19,689	34,280
Commitments	-	-	50,034	60,734	156,021	10,637	730,563	1,007,989
Total concentration of risk	5,110,925	2,750,565	394,560	654,469	237,517	218,421	1,373,077	10,739,534
December 31, 2020								
Total concentration of risk	6,293,975	1,921,987	603,632	767,764	156,624	223,023	1,755,766	11,722,771

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

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 risk 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.

At December 31, 2021, if the Seychelles Rupee had weakened/strengthened by 5% against foreign currencies (mainly US dollar and Euro) with all other variables held constant, profit for the year would have been SR 16.6mm (2020: SR 23.8m) higher/lower, mainly as a result of foreign exchange gains/(losses) on translation of foreign currency denominated assets and liabilities balances.

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

	EURO	USD	SCR	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	**1,179,762**	**2,841,441**	**710,328**	**89,594**	**4,821,125**
Loans and advances	**481,182**	**512,235**	**1,268,697**	**-**	**2,262,114**
Investment in financial assets	**605**	**232,921**	**2,380,500**	**-**	**2,614,026**
Property and equipment	**-**	**-**	**187,627**	**-**	**187,627**
Intangible asset	**-**	**-**	**5,913**	**-**	**5,913**
Right-of-use assets	**-**	**-**	**25,369**	**-**	**25,369**
Deferred tax assets	**-**	**-**	**18,653**	**-**	**18,653**
Retirement benefit assets	**-**	**-**	**8,105**	**-**	**8,105**
Other assets	**6,908**	**532**	**30,831**	**-**	**38,271**
	1,668,457	**3,587,129**	**4,636,023**	**89,594**	**9,981,203**
Liabilities					
Deposits from banks & customers	**1,660,733**	**3,251,377**	**3,579,330**	**79,985**	**8,571,425**
Borrowings	**-**	**-**	**89,406**	**-**	**89,406**
Retirement benefit obligations	**-**	**-**	**12,191**	**-**	**12,191**
Other liabilities	**854**	**11,290**	**45,183**	**1,416**	**58,743**
Current tax liabilities	**-**	**-**	**16,658**	**-**	**16,658**
	1,661,587	**3,262,667**	**3,742,768**	**81,401**	**8,748,423**
Net on-SOFP position	**6,870**	**324,462**	**893,255**	**8,193**	**1,232,780**
Less ECL on SOFP financial assets (notes 5, 6 & 7)					**(87,667)**
					1,145,113

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.4 Currency risk (Cont'd)

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

	EURO SR'000	**USD SR'000**	**SCR SR'000**	**Others SR'000**	**Total SR'000**
Acceptances, letters of credit and guarantees	**4,720**	**372,665**	**103,399**	**6,103**	**486,887**
Loan commitments	**9,545**	**229,801**	**281,756**	**-**	**521,102**
	14,265	**602,466**	**385,155**	**6,103**	**1,007,989**
Less off SOFP ECL exposure (note 17)					**(1,962)**
					1,006,027

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

	EURO SR'000	USD SR'000	SCR SR'000	Others SR'000	Total SR'000
Total assets	1,919,600	4,761,371	4,247,165	103,456	11,031,592
Total liabilities	1,916,752	4,287,674	3,589,413	94,979	9,888,818
Net on-SOFP position	2,848	473,697	657,752	8,477	1,142,774
Less ECL on SOFP financial assets (notes 5, 6 & 7)					(203,833)
					938,941

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

	EURO SR'000	USD SR'000	SCR SR'000	Others SR'000	Total SR'000
Acceptances, letters of credit and guarantees	9,476	479,750	101,977	2,088	593,291
Loan commitments	40,480	169,604	202,022	-	412,106
	49,956	649,354	303,999	2,088	1,005,397
Less off SOFP ECL exposure (note 17)					(9,382)
					996,015

Notes to the Financial Statements for the Year ended December 31, 2021

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 3 month	3 - 12 months	1 - 5 years	Over 5 years	Non-maturity items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets						
Cash and cash equivalents	3,379,672	529,163	-	-	912,290	4,821,125
Loans and advances	175,146	76,340	1,086,123	919,834	4,671	2,262,114
Investment in financial assets	422,081	768,324	928,043	261,416	234,162	2,614,026
Right-of-use assets	-	-	-	-	25,369	25,369
Property and equipment	-	-	-	-	187,627	187,627
Intangible assets	-	-	-	-	5,913	5,913
Deferred tax assets	-	-	-	-	18,653	18,653
Retirement benefit assets	-	-	-	-	8,105	8,105
Other assets	30,665	-	-	-	7,606	38,271
	4,007,564	1,373,827	2,014,166	1,181,250	1,404,396	9,981,203
Liabilities						
Deposits from banks and customers	8,206,816	358,835	5,774	-	-	8,571,425
Borrowings	-	-	-	89,406	-	89,406
Retirement benefit obligation	-	-	-	-	12,191	12,191
Other liabilities	32,987	129	3,394	18,063	4,170	58,743
Current tax liabilities	16,658	-	-	-	-	16,658
	8,256,461	358,964	9,168	107,469	16,361	8,748,423
Maturity gap	(4,248,897)	1,014,863	2,004,998	1,073,781	1,388,035	1,232,780
Less ECL on SOFP financial assets (notes 5, 6 & 7)						(87,667)
						1,145,113

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Liquidity Risk (Cont'd)

At December 31, 2020	Up to 3 month	3 - 12 months	1 - 5 years	Over 5 years	Non-maturity items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Total assets	4,905,215	1,828,219	1,632,670	848,639	1,816,849	11,031,592
Total liabilities	9,259,928	515,263	38,515	19,466	55,646	9,888,818
Maturity gap	(4,354,713)	1,312,956	1,594,155	829,173	1,761,203	1,142,774
Less ECL on SOFP financial assets (notes 5, 6 & 7)						(203,833)
						938,941

The Bank also complies with the Central Bank of Seychelles' requirements as a commercial bank and maintains liquid assets of an amount which shall not, as a daily average each month, be less than 20% of the Bank's total liabilities under the Financial Institutions (Liquidity Risk Management) Regulations, 2009 as amended in 2012.

The Bank met the guidelines of the Central Bank of Seychelles in terms of its liquidity ratio during the years 2021 and 2020.

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 Statement of Financial Position 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 Statement of Financial Position and off Statement of Financial Position 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.

Notes to the Financial Statements for the Year ended December 31, 2021

3.6 FINANCIAL RISK MANAGEMENT (CONT'D) / Interest rate risk (Cont'd)

At December 31, 2021	Up to 12 months	1 to 3 years	Over 3 years	Non-interest items	Total
Assets	SR'000	SR'000	SR'000	SR'000	SR'000
Cash and cash equivalents	2,813,067	-	-	2,008,058	4,821,125
Loans and advances	256,156	565,832	1,440,126	-	2,262,114
Investment in financial assets	1,164,826	446,026	743,434	259,740	2,614,026
Right-of-use assets	-	-	-	25,369	25,369
Property and equipment	-	-	-	187,627	187,627
Intangible assets	-	-	-	5,913	5,913
Deferred tax assets	-	-	-	18,653	18,653
Retirement benefit assets	-	-	-	8,105	8,105
Other assets	-	-	-	38,271	38,271
	4,234,049	1,011,858	2,183,560	2,551,736	9,981,203
Liabilities					
Deposits from banks and customers	1,969,839	5,774	-	6,595,812	8,571,425
Borrowings	-	-	-	89,406	89,406
Retirement benefit obligation	-	-	-	12,191	12,191
Other liabilities	168	915	20,542	37,118	58,743
Current tax liabilities	-	-	-	16,658	16,658
	1,970,007	6,689	20,542	6,751,185	8,748,423
Interest sensitivity gap	2,264,042	1,005,169	2,163,018	(4,199,449)	1,232,780
Less ECL on SOFP financial assets (notes 5, 6 & 7)					(87,667)
					1,145,113
At December 31, 2020					
Total assets	6,657,875	962,570	1,518,374	1,892,773	11,031,592
Total liabilities	1,990,653	5,480	24,479	7,868,206	9,888,818
Maturity gap	4,667,222	957,090	1,493,895	(5,975,433)	1,142,774
Less ECL on SOFP financial assets (notes 5, 6 & 7)					(203,833)
					938,941

Notes to the Financial Statements for the Year ended December 31, 2021

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.6 Interest rate risk (Cont'd)

If interest rates had been 5 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' 000	SR' 000
Increase/Decrease	128	117

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements of the Bank requires Management to make judgements, 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 Impairment losses on financial assets

(a) Expected Credit Loss Under IFRS 9

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; (note 3.3.3(f)

- The segmentation of financial assets when their ECL is assessed on a collective basis; (note 3.3.3(b))

- Development of ECL models, including the various formulas and the choice of inputs; (note 3.3.3)

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; (notes 3.3.3(c), 3.3.3(d) and 3.3.3(e)) and

Notes to the Financial Statements for the Year ended December 31, 2021

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Impairment losses on financial assets (Cont'd)

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. (note 3.3.3(c)(ii)).

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

(b) Management overlay in view of COVID-19

The Bank faced significant set of challenges to adapt IFRS 9 Expected Credit Loss (ECL) frameworks for the new normal. Formulating a response to these challenges in measuring ECL during the Covid-19 pandemic required the Bank to increase the use and reliance on Management overlays given the environment of increased uncertainty and a limited view on risks in the portfolio.

While complying with international practices advocating post-model overlays/adjustments in instances where effects of COVID-19 cannot be accurately reflected in models and given relative lack of data, the Bank has used multipliers to overlay on its IFRS 9 Expected Credit Loss model.

The post model adjustments were segmentation based and the portfolios of the Bank were segmented by sectors of exposure and multipliers were used to overlay the modelled Expected Credit Loss. The multiplier value was estimated based on the Bank's perception to risk of a particular sector based on the sectors resilience to COVID-19.

Table below highlights the Covid-19 multipliers that are currently being used:

Sectors	Multiplier	Sectors	Multiplier
Agriculture & Horticulture	1	Manufacturing	1
Art & Entertainment	2	Non-Profit Organizations	1
Building & Construction	4	Health	2
Cars/Boats	1	Real Estate	2
Community, Social & Personal	1	Tourism	8
Education	1	Trade	4
Financial Institutions	1	Transport	4
Fishing	1	Others	1
Governmental Organizations	1	Professional, Scientific & Technical Services	1
Telecommunication, Computer & Information	1		

The Mutiplier is expected to address the clients from the standpoint of the facility risk and not only the borrower's risk.

Notes to the Financial Statements for the Year ended December 31, 2021

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

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.

4.6 Fair value estimation

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 2(h)).

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 Retirement benefit obligations

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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.

Notes to the Financial Statements for the Year ended December 31, 2021

5. CASH AND BANK BALANCES

	2021 SR' 000	2020 SR' 000
Cash in hand	**79,069**	110,436
Balances with Central Bank of Seychelles (CBS)	**1,190,674**	1,503,148
Balances with banks abroad (note 5(a))	**3,515,621**	3,691,969
Balances with local banks	**35,761**	577,669
Gross carrying amount (notes 5(b) and 5(e))	**4,821,125**	5,883,222
Less: Allowance for expected credit loss (notes 5(c), 5(d) & 5(e))	**(380)**	(517)
Net carrying amount	**4,820,745**	5,882,705

(a) Balances with banks abroad are reconciled as follows:

	2021 SR' 000	2020 SR' 000
Balances with original maturity of less than three month	**2,986,458**	2,198,505
Balances with original maturity above three month (note 5(b))	**529,163**	1,493,464
	3,515,621	3,691,969

(b) For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following at the end of the reporting period:

	2021 SR' 000	2020 SR' 000
Gross cash and bank balances	**4,821,125**	5,883,222
Add: Short term investments (note 7)	**422,081**	439,395
Less: Placements with original maturity above three month (note 5(a))	**(529,163)**	(1,493,464)
Less: Mandatory cash balance with CBS	**(912,290)**	(1,123,175)
	3,801,753	3,705,978

(c) Allowance for expected credit loss

Expected credit loss (ECL) relates to short term investments with Banks abroad. The Directors have estimated that ECL on mandatory cash and balances with banks to be nil. Per internal rating grades, all cash and bank balances are standard graded. These have been perfoming and have been classified within stage 1.

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

	2021 SR' 000	2020 SR' 000
As at January 1,	**517**	332
ECL (credit)/charge for the year (note 29)	**(137)**	185
As at December 31,	**380**	517

Notes to the Financial Statements for the Year ended December 31, 2021

5. CASH AND BANK BALANCES

(e) There were no transfers between stages during the year (2020: none). A reconciliation of changes in gross carrying amount and corresponding ECL allowances in stage 1 is as follows:

	2021		2020	
	Gross amount	ECL	Gross amount	ECL
	SR' 000	SR' 000	SR' 000	SR' 000
At January 1,	**5,883,222**	**517**	3,545,954	332
New assets originated or purchased	**4,821,125**	**380**	5,883,222	517
Payments and assets derecognised	**(5,883,222)**	**(517)**	(3,545,954)	(332)
At December 31,	**4,821,125**	**380**	5,883,222	517

6. LOANS AND ADVANCES

	2021	2020
	SR' 000	SR' 000
Loans and advances to customers	**2,248,490**	2,662,163
Interest accrued	**13,624**	8,331
Gross carrying amount	**2,262,114**	2,670,494
Less: Allowance for credit impairment (notes 6(a) and 6(b))	**(86,966)**	(203,072)
	2,175,148	2,467,422

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

	2021	2020
	SR' 000	SR' 000
As at January 1,	**203,072**	29,208
(Credit)/Charge for the year (note 29)	**(116,106)**	173,864
As at December 31,	**86,966**	203,072

(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.

(i) Corporate lending

	2021			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High to Standard	**1,033,698**	**1,008,570**	**5,778**	**2,048,046**
Sub-standard grade	**427**	**24**	**-**	**451**
Non-performing				
Individually impaired	**-**	**-**	**5,820**	**5,820**
Gross carrying amount	**1,034,125**	**1,008,594**	**11,598**	**2,054,317**
Expected credit loss	**(17,425)**	**(63,153)**	**(6,158)**	**(86,736)**
Net carrying amount	**1,016,700**	**945,441**	**5,440**	**1,967,581**

Notes to the Financial Statements for the Year ended December 31, 2021

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. (Cont'd)

(i) Corporate lending

	2020			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High to Standard	739,051	1,683,288	-	2,422,339
Sub-standard grade	-	17	620	637
Non-performing				
Individually impaired	-	-	13,254	13,254
Gross carrying amount	739,051	1,683,305	13,874	2,436,230
Expected credit loss	(19,615)	(176,306)	(6,825)	(202,746)
Net carrying amount	719,436	1,506,999	7,049	2,233,484

(ii) Retail lending

	2021			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	SR	**SR**	**SR**	**SR**
Performing				
High to Standard	**207,465**	**-**	**-**	**207,465**
Sub-standard grade	**217**	**-**	**-**	**217**
Non-performing				
Individually impaired	**-**	**-**	**115**	**115**
Gross carrying amount	**207,682**	**-**	**115**	**207,797**
Expected credit loss	**(178)**	**-**	**(52)**	**(230)**
Net carrying amount	**207,504**	**-**	**63**	**207,567**

	2020			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High to Standard	148,936	85,088	87	234,111
Sub-standard grade	44	27	59	130
Non-performing				
Individually impaired	-	23	-	23
Gross carrying amount	148,980	85,138	146	234,264
Expected credit loss	(110)	(152)	(64)	(326)
Net carrying amount	148,870	84,986	82	233,938

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

Notes to the Financial Statements for the Year ended December 31, 2021

6. LOANS AND ADVANCES (CONT'D)

(d) The currencies and maturities profiles of loans and advances are shown under notes 3.4 and 3.5 respectively.

(e) Reconciliation of gross carrying amount and ECL

(i) A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for Loans and advances is as follows:

	Stage 1		Stage 2		Stage 3		Total	
	Gross amount carrying	ECL	Gross amount carrying	ECL	Gross amount carrying	ECL	Gross amount carrying	ECL
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
At January 1, 2020	**2,200,294**	**20,245**	**1,756**	**6**	**21,918**	**8,957**	**2,223,968**	**29,208**
New assets originated or purchased	**519,873**	**14,036**	-	-	-	-	**519,873**	**14,036**
Payments and assets derecognised	**(278,996)**	**(7,285)**	**(1,086,293)**	**(29,330)**	**(11,104)**	**(4,849)**	**(1,376,393)**	**(41,464)**
Transfers to Stage 1	-	-	-	-	-	-	-	-
Transfers to Stage 2	**(2,278,566)**	**(170,899)**	**2,278,566**	**170,899**	-	-	-	-
Transfers to Stage 3	**(270)**	**(255)**	-	-	**270**	**255**	-	-
Other movements	**725,696**	**163,883**	**574,414**	**34,883**	**2,936**	**2,526**	**1,303,046**	**201,292**
At December 31, 2020	**888,031**	**19,725**	**1,768,443**	**176,458**	**14,020**	**6,889**	**2,670,494**	**203,072**
New assets originated or purchased	**347,317**	**9,953**	**240,274**	**26,696**	**737**	**158**	**588,328**	**36,807**
Payments and assets derecognised	**(177,675)**	**(36,381)**	**(85,659)**	**(28,668)**	**(1,054)**	**(1,015)**	**(264,388)**	**(66,064)**
Transfers to Stage 1	**560,201**	**77,113**	**(559,581)**	**(76,853)**	**(620)**	**(260)**	-	-
Transfers to Stage 2	**(214,663)**	**(1,024)**	**214,663**	**1,024**	-	-	-	-
Transfers to Stage 3	**(140)**	**(273)**	**(205)**	**(111)**	**345**	**384**	-	-
Other movements	**(161,264)**	**(51,510)**	**(569,341)**	**(35,393)**	**(1,715)**	**54**	**(732,320)**	**(86,849)**
At December 31, 2021	**1,241,807**	**17,603**	**1,008,594**	**63,153**	**11,713**	**6,210**	**2,262,114**	**86,966**

Notes to the Financial Statements for the Year ended December 31, 2021

6. LOANS AND ADVANCES (CONT'D)

(f) Sensitivity analysis

The Bank's ECL on corporate and retail loans based on baseline values from IMF amounted to SR 88.8m (2020: SR 212.7m) for drawn and undrawn corporate and retail portfolio.

If the International Monetary Fund variables used in adopting Macro overlay had worsened by 10%, the ECL of the Bank would have increased by 3.62% (2020: 1.67%).

If the International Monetary Fund variables used in adopting Macro overlay had improved by 10%, the ECL of the Bank decrease by 1.94% (2020: 1.83%).

7. INVESTMENTS IN FINANCIAL ASSETS

	2021	2020
	SR' 000	SR' 000
Debt instruments at amortised cost (notes 7(a)(i)	**2,379,864**	1,806,968
Balances with original maturity above three months	**1,933,171**	1,366,810
Balances with original maturity of less than three months (note 5(b))	**422,081**	439,395
Interest accrued	**24,612**	763
Equity instruments measured at FVOCI (note 7(a)(ii))	**234,162**	322,057
Gross carrying amount	**2,614,026**	2,129,025
Less: Allowance for expected credit loss (note 7(c))	**(321)**	(244)
Net carrying amount	**2,613,705**	2,128,781

(a) Movement in financial assets is as follows:

(i) Debt instruments at amortised cost

	Treasury bill	Treasury bond	DBS bond	D A A	Total
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
As at January 1, 2021	**1,600,767**	**206,201**	**-**	**-**	**1,806,968**
Additions during the year	**2,543,872**	**984,225**	**-**	**2,186,993**	**5,715,090**
Matured during the year	**(2,979,813)**	**-**	**-**	**(2,186,993)**	**(5,166,806)**
Interest accrued	**-**	**24,612**	**-**	**-**	**24,612**
As at December 31, 2021	**1,164,826**	**1,215,038**	**-**	**-**	**2,379,864**
As at January 1, 2020	901,453	25,202	50,345	173,643	1,150,643
Additions during the year	2,795,387	180,236	-	2,903,913	5,879,536
Matured during the year	(2,096,073)	-	(50,345)	(3,077,556)	(5,223,974)
Interest accrued	-	763	-	-	763
As at December 31, 2020	1,600,767	206,201	-	-	1,806,968

Notes to the Financial Statements for the Year ended December 31, 2021

7. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

(a) Movement in financial assets is as follows: (Cont'd)

(ii) Equity instruments measured at FVOCI

	Visa shares	Mastercard shares	Afrexim shares	SWIFT SCRL	Unquoted investment	Total
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
As at January 1, 2020	107,395	43,757	41,193	372	636	193,353
Fair value net of exchange difference (note 20)	78,736	34,122	15,611	235	-	128,704
As at December 31, 2020	186,131	77,879	56,804	607	636	322,057
Fair value net of exchange difference (note 20)	(55,023)	(22,142)	(10,728)	(2)	-	(87,895)
As at December 31, 2021	131,108	55,737	46,076	605	636	234,162

(b) Fair value measurement

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by Senior Management. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Valuation method	**Level 1**	**Level 2**	**Level 3**	**Total**
		SR' 000	**SR' 000**	**SR' 000**	**SR' 000**
At December 31, 2021					
- Class C Visa shares	**Fair value**	**-**	**131,108**	**-**	**131,108**
- Mastercard shares	**Fair value**	**-**	**55,737**	**-**	**55,737**
- Afrexim shares	**Fair value**	**-**	**46,076**	**-**	**46,076**
- SWIFT SCRL	**Fair value**	**605**	**-**	**-**	**605**
- Unquoted investment	**Cost**	**-**	**-**	**636**	**636**
Total financial assets measured at fair value		**605**	**232,921**	**636**	**234,162**

Notes to the Financial Statements for the Year ended December 31, 2021

7. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

(b) Fair value measurement (Cont'd)

	Valuation method	Level 1	Level 2	Level 3	Total
		SR' 000	SR' 000	SR' 000	SR' 000
At December 31, 2020					
- Class C Visa shares	Fair value	-	186,131	-	186,131
- Mastercard shares	Fair value	-	77,879	-	77,879
- Afrexim shares	Net asset value	-	-	56,804	56,804
- SWIFT SCRL	Fair value	607	-	-	607
- Unquoted investment	Cost	-	-	636	636 -
Total financial assets measured at fair value		607	264,010	57,440	322,057

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

	2021	2020
	SR' 000	SR' 000
As at January 1	**244**	155
ECL charge during the year (note 29)	**77**	89
As at December 31,	**321**	244

The Bank's debt instrument were held through Cental Bank of Seychelles/Government of Seychelles and Development Bank of Seychelles. Per internal rating grades, all local debt instruments are standard grades. There was no transfer between stages during the year (2020: none)

(d) In 2021, the Bank received dividends of **SR 2.17m** (2020: SR 1.62m) from its FVOCI equities which was recorded in the Statement of Profit or Loss as other operating income. Refer to note 25.

(e) The currencies and maturities profiles of investment in financial assets are shown under notes 3.4 and 3.5 respectively.

Notes to the Financial Statements for the Year ended December 31, 2021

8. PROPERTY AND EQUIPMENT

(b) Fair value measurement (Cont'd)

	Building	Improvement on leasehold assets	Furniture fixtures & equipment	Motor vehicles	Total
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
COST					
At January 1, 2020	158,101	1,909	82,832	3,435	246,277
Additions	-	-	3,807	425	4,232
Write offs	-	-	(2,570)	-	(2,570)
At December 31, 2020	**158,101**	**1,909**	**84,069**	**3,860**	**247,939**
Additions	**-**	**-**	**5,081**	**-**	**5,081**
Disposals				**(425)**	**(425)**
Write offs	**-**	**-**	**(851)**	**-**	**(851)**
At December 31, 2021	**158,101**	**1,909**	**88,299**	**3,435**	**251,744**
ACCUMULATED DEPRECIATION					
At January 1, 2020	4,739	1,894	33,873	2,265	42,771
Charge for the year	1,777	2	9,959	530	12,268
Write-off adjustments	-	-	(2,452)	-	(2,452)
At December 31, 2020	**6,516**	**1,896**	**41,380**	**2,795**	**52,587**
Charge for the year	**1,777**	**2**	**10,270**	**367**	**12,416**
Disposals adjustments	**-**	**-**	**-**	**(35)**	**(35)**
Write-off adjustments	**-**	**-**	**(851)**	**-**	**(851)**
At December 31, 2021	**8,293**	**1,898**	**50,799**	**3,127**	**64,117**
NET BOOK VALUE					
At December 31, 2021	**149,808**	**11**	**37,500**	**308**	**187,627**
At December 31, 2020	151,585	13	42,689	1,065	195,352

9. INTANGIBLE ASSETS

	2021	2020
	SR' 000	SR' 000
COST		
At January 1,	**35,506**	34,356
Additions	**-**	1,150
At December 31,	**35,506**	35,506
AMORTISATION CHARGE		
At January 1,	**25,517**	21,612
Charge for the year	**4,076**	3,905
At December 31,	**29,593**	25,517
NET CARRYING VALUE		
At December 31,	**5,913**	9,989

Notes to the Financial Statements for the Year ended December 31, 2021

10. LEASES

(a) Lease contracts

The Bank has lease contracts for the land on which the Nouvobanq Building is found, branches offices, ATM houses and staff accomodations. Leases of Branches offices, ATM houses and staff accomodations have lease terms ranging between 1 and 10 years, while lease of land is 99 years. The Bank's obligations under its leases are secured by the lessors' titles to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets.

The Bank applied the short-term leases exemption for leases amounting to SR 1.1m (2020: SR 1.3m) and has been shown as rental expenses (note 27).

(b) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period under review.

	Land	Buildings	Total
	SR' 000	**SR' 000**	**SR' 000**
As at January 1, 2020	4,561	3,966	8,527
Additions	-	24,108	24,108
Effect of modification to lease terms	-	77	77
Depreciation charge for the year (note 10(d))	(53)	(2,554)	(2,607)
As at December 31, 2020	**4,508**	**25,597**	**30,105**
Additions	**-**	**(726)**	**(726)**
Effect of modification to lease terms	**-**	**95**	**95**
Depreciation charge for the year (note 10(d))	**(53)**	**(4,052)**	**(4,105)**
As at December 31, 2021	**4,455**	**20,914**	**25,369**

(c) Lease liabilities

The carrying amounts of lease liabilities (included under 'Other liabilities' in note 17) and the movements noted during the period as follows:

	SR' 000
As at January 1, 2020	4,083
Additions	24,108
Finance cost (notes 10(d) & 22)	515
Exchange movement	179
Payments	(3,079)
As at December 31, 2020	**25,806**
Additions	**(726)**
Finance cost (notes 10(d) & 22)	**1,409**
Exchange movement	**(668)**
Payments	**(4,196)**
As at December 31, 2021	**21,625**

Notes to the Financial Statements for the Year ended December 31, 2021

10. LEASES (CONT'D)

(c) Lease liabilities (Cont'd)

The Bank had total cash outflows for leases of SR 6.11m (2020: SR 6.02m) and the maturity analysis of lease liabilities is disclosed in note 3.5.

(d) The following are the amounts have been recognised in the Statement of Profit or Loss:

	2021	2020
	SR' 000	SR' 000
Depreciation expense of right-of-use assets (note 10(b))	**4,105**	2,607
Interest expense on lease liabilities (notes 10(c) and 22)	**1,409**	515
Expense relating to short-term leases included in:	**1,915**	2,143
- Other operating expenses (note 27)	**1,114**	1,343
- Employment benefit expenses (note 28)	**801**	800
Total amount recognised in Statement of Profit or Loss	**7,429**	5,265

(e) The Bank entered into a 99 years lease agreement with Government of Seychelles on June 20, 2007. Lease premium and relevant taxes totalling SR 5.25m were paid in advance and were classified and amortised in other assets. Upon adoption of IFRS 16 on January 1, 2019, the Bank transferred the net of SR 4.61m made of SR 5.25m upfront lease payments and SR 0.64m accumulated amortisation to right-of-use asset.

11. RETIREMENT BENEFIT (ASSETS)/OBLIGATIONS

(a) Statement of Financial Position as at December 31,

	2021	2020
	SR' 000	SR' 000
Defined pension benefits (notes 11(d)(ii) and 11(d)(iii))	**(8,105)**	(14,996)
Other post retirement benefits (note 11(e))	**12,191**	12,561
	4,086	(2,435)

(b) Statement of Profit or Loss (SPL):

	2021	2020
	SR' 000	SR' 000
Defined pension benefits (notes 11(d)(ii), 11(d)(vi) and 28)	**(132)**	1,695
Other post retirement benefits (notes 11(e) and 28)	**944**	2,067
	812	3,762

Notes to the Financial Statements for the Year ended December 31, 2021

11. RETIREMENT BENEFIT (ASSETS)/OBLIGATIONS (CONT'D)

(c) Statement of Other Comprehensive Income (OCI)

	2021	2020
	SR' 000	SR' 000
Retirement benefit obligations (notes 11(d)(ii), 11(d)(vii) and 20)	**(7,023)**	12,890

(d) Defined pension benefits

(i) The Bank contributes towards a defined pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years of retirement.

The assets of the plan are administered by SIMBC Fiduciary Pension Fund.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at December 31, 2021 by Aon Hewitt Ltd (Actuarial Valuer).

(ii) Reconciliation of net defined benefit asset:

	2021	2020
	SR' 000	SR' 000
At January 1,	**(14,996)**	(1)
(Credit)/Charge to SPL (notes 11(b) and 11(d)(vi))	**(132)**	1,695
Charge/(Credit) to OCI (note 11(d)(vii))	**7,023**	(12,890)
Less: Employer contributions paid (note 11(d)(v))	**-**	(3,800)
At December 31,	**(8,105)**	(14,996)

(iii) The amounts recognised in the Statement of Financial Position are as follows:

	2021	2020
	SR' 000	SR' 000
Defined benefit obligation (note 11(d)(iv))	**46,913**	38,222
Fair value of plan assets (note 11(d)(v))	**(55,018)**	(53,218)
At December 31,	**(8,105)**	(14,996)

(iv) The movement in the defined benefit obligations over the year is as follows:

	2021	2020
	SR' 000	SR' 000
At January 1,	**38,222**	46,589
Current service cost (note 11(d)(vi))	**1,368**	1,825
Interest cost	**3,677**	3,237
Liability experience (gain)/loss (note 11(d)(vii)	**(469)**	701
Liability (gain)/loss on change in financial assumption (note 11(d)(vii)	**7,095**	(13,412)
Benefits paid (note 11(d)(v))	**(2,980)**	(718)
At December 31,	**46,913**	38,222

Notes to the Financial Statements for the Year ended December 31, 2021

11. RETIREMENT BENEFIT (ASSETS)/OBLIGATIONS (CONT'D)

(v) The movement in the fair value of plan assets of the year is as follows:

	2021	2020
	SR' 000	SR' 000
At January 1,	**53,218**	46,590
Interest income	**5,324**	3,367
Employer contributions (note 11(d)(ii))	**-**	3,800
Benefits paid (note 11(d)(iv))	**(2,980)**	(718)
Return on plan assets exclusing interest income (note 11(d)(vii))	**(2,018)**	1,653
Effect of asset ceiling (note 11(d)(vii))	**1,474**	(1,474)
At December 31,	**55,018**	53,218

Fair value percentages of plan assets by category:	2021	2020
	%	%
Equity in Seychelles	**15**	16
Property in Seychelles	**62**	62
Cash and others	**5**	22
Unquoted debts in Seychelles	**18**	-
	100	100

(vi) Amounts recognised in the Statement of Profit or Loss:

	2021	2020
	SR' 000	SR' 000
Current service cost (note 11(d)(iv))	**1,368**	1,825
Net interest on defined benefit plan (notes 11(d)(iv) and 11(v))	**(1,500)**	(130)
	(132)	1,695

(vii) Amounts recognised in Statement of Other Comprehensive Income:

	2021	2020
	SR' 000	SR' 000
Liability experience (gain)/loss (note 11(d)(iv))	**(469)**	701
Liability (gain)/loss on financial assumptions (note 11(d)(iv))	**7,095**	(13,412)
Change in effect of asset ceiling in OCI (note 11(v))	**(1,474)**	1,474
Change in effect of asset ceiling in SPL	**(147)**	-
Return on plan assets exclusing interest income (note 11(d)(v))	**2,018**	(1,653)
	7,023	(12,890)

(viii) Principal assumptions used at the end of the period:

	2021	2020
Discount rate	**8.5%**	10.0%
Rate of salary increases	**3.0%**	3.0%
Rate of pension increases	**0.0%**	0.0%
Average retirement age (ARA) & Average life expectancy for:		
- Male	**63 year**	63 year
- Female	**60 year**	60 year
- Male at ARA	**17.5 years**	17.3 years
- Female at ARA	**24.3 years**	24.3 years

Notes to the Financial Statements for the Year ended December 31, 2021

11. RETIREMENT BENEFIT (ASSETS)/OBLIGATIONS (CONT'D)

(ix) Sensitivity analysis on defined benefit obligation at end of period

	2021	2020
	SR' 000	SR' 000
Increase in discount rate	**5,219**	3,619
Decrease in discount rate	**4,276**	3,021

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of the period after increasing or decreasing the discount rate by 1% while leaving all other assumption unchanged. Any similar variation in the other assumptions who have shown smaller variations in the defined benefit obligation.

(x) The defined benefit pension plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longetivity and salary risks. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. There has been no plan amendment, curtailment in settlement during the year.

(xi) The Bank is not expected to contribute to its post-employment benefit plans for the year ending December 31, 2022. The weighted average duration of the defined benefit obligation is 10 years at the end of the reporting period.

(e) Other post retirement benefits

Other post retirement benefits relates to length-of-service compensation payable under the Seychelles Employment Act, as amended. Movement in length-of-service compensation is as follows:

	2021	2020
	SR' 000	SR' 000
At January 1,	**12,562**	11,286
Charge to Statement of Profit or Loss (notes 11(b) and 28)	**944**	2,067
Paid during the year	**(1,315)**	(791)
At December 31,	**12,191**	12,562

12. DEFERRED TAX

(a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 16(d).

(b) 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 for the same entity.

	2021	2020
	SR' 000	SR' 000
Net deferred tax assets (note 12(c))	**18,653**	58,053

Notes to the Financial Statements for the Year ended December 31, 2021

12. DEFERRED TAX (CONT'D)

The movement in deferred tax account and amounts shown in the Statement of Financial Position are as follows:

	2021	2020
	SR' 000	SR' 000
At January 1,	**58,053**	4,997
(Charge)/Credit to Statement of Profit or Loss (notes 16(b) & 12(c))	**(41,718)**	57,310
Credit/(Charge) to Statement of Other Comprehensive Income (notes 12(c) & 20)	**2,318**	(4,254)
At December 31,	**18,653**	58,053

Analysed as follows:

	2021	2020
	SR' 000	SR' 000
Deferred tax assets (note 12(c)(ii))	**34,564**	75,589
Deferred tax liabilities (note 12(c)(i))	**(15,911)**	(17,536)
	18,653	58,053

(c) Deferred tax is recognised in the Statement of Financial Position with respect to the following:

(i) DEFERRED TAX ASSETS

	Actuarial losses	Excess of obligation to right-of-use	Payroll provisions*	Provision for credit impairment	Total
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
At January 1, 2020	913	39	3,724	10,674	15,350
Credit to Statement of Profit or Loss	-	30	1,434	59,688	61,152
Charge to Statement of Other Comprehensive Income	(913)	-	-	-	(913)
At December 31, 2020	-	**69**	**5,158**	**70,362**	**75,589**
Credit to Statement of Profit or Loss	**-**	**165**	**(406)**	**(40,784)**	**(41,025)**
At December 31, 2021	**-**	**234**	**4,752**	**29,578**	**34,564**

* Payroll provisions include gratuity and compensation of SR 12.2m (2020: SR 12.6m) (note 11) and leave pay provision amounting to **SR 2.2m** (2020: SR 3.1m) included in other liabilities (note 17).

Notes to the Financial Statements for the Year ended December 31, 2021

12. DEFERRED TAX (CONT'D)

(ii) DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	Actuarial gains	Retirement benefit assets	Total
	SR' 000	SR' 000	SR' 000	SR' 000
At January 1, 2020	(10,353)	-	-	(10,353)
Credit/(Charge) to Statement of Profit or Loss	1,107	-	(4,949)	(3,842)
Charge to Statement of Other Comprehensive Income	-	(3,341)	-	(3,341)
At December 31, 2020	**(9,246)**	**(3,341)**	**(4,949)**	**(17,536)**
(Charge)/Credit to Statement of Profit or Loss	**(2,967)**	**-**	**2,274**	**(693)**
Credit to Statement of Other Comprehensive Income	**-**	**2,318**	**-**	**2,318**
At December 31, 2021	**(12,213)**	**(1,023)**	**(2,675)**	**(15,911)**

13. OTHER ASSETS

	2021	2020
	SR' 000	SR' 000
Prepayments	**3,991**	5,723
Refundable deposits	**272**	257
Stocks of stationeries	**3,343**	3,014
Other receivables	**30,665**	31,362
	38,271	40,356

(a) The carrying amounts of 'other assets' approximate their fair value and the Directors are of the opinion that risk of default is remote and no impairment is required at December 31, 2021 (2020: Nil).

(b) The currency profile and maturity terms are detailed under notes 3.4 and 3.5 respectively.

14. CUSTOMER DEPOSITS

	2021	2020
	SR' 000	SR' 000
Current accounts	**7,789,603**	8,899,166
Term deposits	**771,959**	822,813
Interest accrued	**9,863**	12,905
	8,571,425	9,734,884

(a) The range of interest on customer deposits varied from **0.05% to 6.00%** (2020: 0.15% to 6.15%).

Notes to the Financial Statements for the Year ended December 31, 2021

15. BORROWINGS

	2021	2020
	SR' 000	SR' 000
At January 1,	**28,022**	-
Additions during the year	**64,768**	28,948
Repayments during the year	**(3,384)**	(926)
At December 31,	**89,406**	28,022

(a) The Central Bank of Seychelles extended lines of credit to financial institutions at zero interest rate for lending to entities affected by COVID-19 pandemic and are denominated in Seychelles Rupees. The lines of credit are available to Micro Business Small and Medium Enterprises (MSME) and Large Corporates (LC). The Government of Seychelles has agreed to guarantee 70% of the loans to MSME and 50% of the loans to Large Corporates.

As at December 31, 2021 the Bank had drawn an amount of **SR 89.4m** (2020: SR 28m). Out of this, **SR 28.5m** (2020: SR 13m) had been lent to MSME and **SR 60.9m** (2020: SR 15m) to Large Corporates.

(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

(a) Statement of Financial Position

	2021	2020
	SR' 000	SR' 000
At January 1,	**18,562**	(3,114)
Charge to Statement of Profit or Loss (notes 16(b) and 16(c))	**103,591**	108,651
Tax refund received	**-**	3,114
Payments during the year	**(105,495)**	(90,089)
At December 31,	**16,658**	18,562

(b) Statement of Profit or Loss

	2021	2020
	SR' 000	SR' 000
Current tax based on the profit for the year (note 16(c))	**103,591**	108,651
Deferred tax charge/(credit) (note 12(b))	**41,718**	(57,310)
Tax expenses	**145,309**	51,341

Notes to the Financial Statements for the Year ended December 31, 2021

16. CURRENT TAX (CONT'D)

(c) Reconciliation between tax expense and accounting profit is as follows:

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' 000	SR' 000
Profit before taxation	**444,081**	268,716
Tax calculated at applicable tax rates (note 16(d))	**146,466**	88,596
- Income not subject to tax	**(715)**	(42,005)
- Expenses not deductible for tax purposes	**(39,196)**	62,142
- Excess of capital allowance over depreciation	**(2,964)**	(82)
	103,591	108,651

(d) Applicable tax rates are as follows:

	2021 & 2020
Taxable income threshold	
< SR 1,000,000	25%
> SR 1,000,000	33%

17. OTHER LIABILITIES

	2021	2020
	SR' 000	SR' 000
Foreign drafts and local cheques payable	**15,013**	21,455
Other payables	**17,935**	35,078
ECL provision for off SOFP items (notes 17(a) and 17(b))	**1,962**	9,382
Lease liabilities (note 10(c))	**21,625**	25,806
Provision for leave liability	**2,208**	3,068
	58,743	94,789

(a) ECL on off-SOFP is classified in Stage 1 and there were no movements within stages during the year under review.

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

	2021	2020
	SR' 000	SR' 000
As at January 1	**9,382**	2,650
ECL (credit)/charge during the year (note 29)	**(7,420)**	6,732
As at December 31,	**1,962**	9,382

18. SHARE CAPITAL

	2021 & 2020
	SR' 000
Authorised, issued and fully paid-up:	
100,000 ordinary shares of SR 1,000 each	**100,000**

Notes to the Financial Statements for the Year ended December 31, 2021

19. STATUTORY RESERVE

	2021 & 2020
	SR' 000
At December 31,	**100,000**

The statutory reserve is maintained in accordance with section 24(1) of the Financial Institutions Act 2004 as amended and is equivalent to the share capital of SR 100 million.

20. OTHER RESERVES

	Actuarial gain/ (losses)	Fair value reserve	Total
	SR' 000	SR' 000	SR' 000
At January 1, 2020	(2,717)	166,516	163,799
Defined benefit plan (note 11(d)(vii))	12,890	-	12,890
Deferred tax on actuarial movements (note 12(b))	(4,254)	-	(4,254)
Fair value adjustments (note 7(a)(ii))	-	128,704	128,704
At December 31, 2020	**5,919**	**295,220**	**301,139**
Defined benefit plan (note 11(d)(vii))	**(7,023)**	**-**	**(7,023)**
Deferred tax on actuarial movements (note 12(b))	**2,318**	**-**	**2,318**
Fair value adjustments (note 7(a)(ii))	**-**	**(87,895)**	**(87,895)**
At December 31, 2021	**1,214**	**207,325**	**208,539**

21. INTEREST INCOME

	2021	2020
	SR' 000	SR' 000
Investments in financial assets	**18,994**	38,548
Cash and short term funds	**131,179**	77,986
	150,173	116,534
Loans and advances	**147,218**	162,222
	297,391	278,756

22. INTEREST EXPENSE

	2021	2020
	SR' 000	SR' 000
Customer deposits	**39,161**	44,856
Interest expense on lease liabilities (note 10(c))	**1,409**	515
	40,570	45,371

Notes to the Financial Statements for the Year ended December 31, 2021

23. FEE INCOME AND COMMISSIONS

	2021	2020
	SR' 000	SR' 000
Fees and commissions arising on:		
- Card fees	**55,103**	34,164
- Commission on sale of forex	**9,482**	10,028
- Letter of credit fees	**1,155**	5,978
- Loan commitment fees	**8,450**	6,037
- Portfolio and other management fees	**5,487**	5,637
- Other fees received	**8,447**	3,609
	88,124	65,453

24. NET TRADING INCOME

	2021	2020
	SR' 000	SR' 000
Net foreign exchange gains	**142,944**	149,640
Recovery of charges	**8,787**	8,178
	151,731	157,818

25. OTHER OPERATING INCOME

	2021	2020
	SR' 000	SR' 000
Dividend received (note 7(b))	**2,166**	1,621
Cashiers Surplus	**28**	20
Miscellaneous income	**1,033**	654
	3,227	2,295

26. EXCEPTIONAL INCOME

Exceptional income in 2020 relates to proceeds from realisation of repossessed collateral acquired by the Bank as settlement of an overdue loan in 2018. This repossession had been legally enforced through the Court upon default of the customer. The Bank sold this collateral in 2020 at a total consideration of USD 10m equivalent to SR 173.35m. The associated fair value initially recognised at SR 124.60m was recycled to Statement of Profit or Loss since it formed part of the exceptional income - collateral realised of SR 144.96m.

27. OTHER OPERATING EXPENSES

	2021	2020
	SR' 000	SR' 000
Employee benefit expenses (note 28)	**44,479**	47,044
Auditors' remuneration	**412**	386
Administrative expenses	**25,151**	31,032
Computer costs	**8,582**	5,148
Rental expenses (notes 10(a) & 10(d))	**1,114**	1,343
Maintenance and other related costs	**11,014**	9,545
	90,752	94,498

Notes to the Financial Statements for the Year ended December 31, 2021

28. EMPLOYEE BENEFIT EXPENSE

	2021	2020
	SR' 000	SR' 000
Salaries and wages	**38,336**	38,096
Directors' emoluments (note 28(a))	**3,618**	2,962
Defined benefit obligations (notes 11(b) and 11(d)(vi))	**(132)**	1,695
Other retirement benefit obligations (notes 11(b) and 11(e))	**944**	2,067
Other staff costs**	**1,713**	2,224
	44,479	47,044

** This includes short term lease of SR 801k (2020: SR 800k).

(a) Directors' emoluments:

	2021			2020
	Directors' fees	Other emoluments	Total	Total
	SR' 000	SR' 000	SR' 000	SR' 000
Ahmad Saeed	-	2,609	2,609	2,584
Abdul Gafoor Yakub	89	-	89	87
Vincent Van Heyste	28	-	28	60
Damien Thesee	28	-	28	60
Anil Dua	28	-	28	60
David Howes	62	-	62	60
Michael Bluemner	62	-	62	51
Andrew Bainbridge	33	-	33	-
Helene Maiche	33	-	33	-
Michael Benstrong*	-	580	580	-
Odile Vidot	33	-	33	-
Oliver Bastienne	33	-	33	-
	429	3,189	3,618	2,962

* The salary and bonus are for the period from July to December 2021.

29. EXPECTED CREDIT LOSS PROVISION

	Notes	2021			
		Stage 1	Stage 2	Stage 3	Total
		SR' 000	SR' 000	SR' 000	SR' 000
Cash and cash equivalents	5(d)	(137)	-	-	(137)
Loans and advances	6(a)	(2,122)	(113,305)	(679)	(116,106)
Investment in financial assets	7(c)	77	-	-	77
Loan commitments	17(b)	(7,401)	-	-	(7,401)
Other commitments	17(b)	(19)	-	-	(19)
		(9,602)	(113,305)	(679)	(123,586)

Notes to the Financial Statements for the Year ended December 31, 2021

29. EXPECTED CREDIT LOSS PROVISION (CONT'D)

		2020			
		Stage 1	Stage 2	Stage 3	Total
		SR' 000	SR' 000	SR' 000	SR' 000
Cash and cash equivalents	5(d)	185	-	-	185
Loans and advances	6(a)	(520)	176,452	(2,068)	173,864
Investment in financial assets	7(c)	89	-	-	89
Loan commitments	17(b)	6,685	-	-	6,685
Other commitments	17(b)	47	-	-	47
		6,486	176,452	(2,068)	180,870

30. COMMITMENTS AND CONTINGENCIES

(a) Loan and other commitments

	2021	2020
	SR' 000	SR' 000
Loans and other facilities approved and not yet disbursed	**521,102**	412,106
Guarantees, bills of collection, letters of credit, and other obligations on account of customers	**486,887**	593,291
	1,007,989	1,005,397

(b) Capital commitments

	2021	2020
	SR' 000	SR' 000
Approved but contracted for	**8,200**	-
Approved but not contracted for	**18,300**	16,408

(c) Legal claim contingency

The Bank does not have legal claim contingency as at December 31, 2021 (2020: Nil).

31. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, there were the following transactions between the Bank and its related parties:

	Interest from related parties	**Interest to related parties**	**Amount owed by related parties**	**Amount owed to related parties**
	SR' 000	**SR' 000**	**SR' 000**	**SR' 000**
December 31, 2021:				
Government of Seychelles	**167**	**-**	**87,804**	**1,264**
State owned or controlled enterprises	**1,614**	**3,763**	**547,972**	**1,487,925**
Minority shareholder of the Bank	**-**	**-**	**-**	**496**
Directors	**2**	**27**	**4,599**	**2,943**

Notes to the Financial Statements for the Year ended December 31, 2021

31. RELATED PARTY TRANSACTIONS (CONT'D)

	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	SR' 000	SR' 000	SR' 000	SR' 000
December 31, 2020:				
Government of Seychelles	6,078	-	115,019	1,274
State owned or controlled enterprises	22,349	3,811	557,710	1,423,560
Minority shareholder of the Bank	-	-	-	496
Directors	8	103	87	5,487

(a) "Transactions with related parties are made at normal market prices.

(b) Outstanding balances at the end of the reporting period are secured, interest rates are at arm's length and are guaranteed by the Government of Seychelles. For the year ended December 31, 2021, the Bank recorded an impairment of loans and advances comprising Government of Seychelles and State owned or controlled enterprises amounted to SR 49.9k and SR 354.7k respectively (2020: SR 3.6m and SR 14.3m). The amounts are estimated based on the Bank's ECL methodologies applicable to other entities.

(c) Key management personnel

	2021	2020
	SR' 000	SR' 000
(i) Salaries and related costs		
Salaries and other benefits (note 28(a))	**3,189**	2,584
Directors' remuneration	**429**	378
Pension costs	**-**	267
	3,618	3,229
(ii) Transactions during the year		
Net repayment of loans and advances	**-**	-
Net payments from/(to) customers	**611**	194
	611	194

32. EVENT AFTER REPORTING DATE

Dividends proposed

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.

Following the above, the Directors declared a dividend of SR 345m representing SR 3,450 per share during the board meeting held on March 24, 2022. The Dividend had been approved by Central Bank of Seychelles on February 25, 2022.

Notes to the Financial Statements for the Year ended December 31, 2021

33. FIVE YEAR FINANCIAL SUMMARY

			As restated		
	2021	2020	2019	2018	2017
	SR' 000	SR' 000	SR' 000	SR' 000	SR' 000
Profit before tax	**444,081**	268,716	249,291	277,615	249,553
Tax expense	**(145,309)**	(51,341)	(85,111)	(132,943)	(79,773)
Profit for the year	**298,772**	217,375	164,180	144,672	169,780
Retained earnings brought forward	**437,802**	220,427	221,247	301,575	256,795
Profit available for distribution	**736,574**	437,802	385,427	446,247	426,575
Dividends paid	**-**	-	(165,000)	(225,000)	(125,000)
Retained earnings carried forward	**736,574**	437,802	220,427	221,247	301,575
EQUITY					
Share capital	**100,000**	100,000	100,000	100,000	100,000
Statutory reserve	**100,000**	100,000	100,000	100,000	100,000
Retained earnings	**736,574**	437,802	220,427	221,247	301,575
Reserve on property foreclosed	**-**	-	124,600	124,600	-
Fair value reserve	**207,325**	295,220	166,516	110,530	86,136
Other reserves/(deficit)	**1,214**	5,919	(2,717)	(3,193)	122
	1,145,113	938,941	708,826	653,184	587,833