



# DEVELOPMENT BANK OF SEYCHELLES

ANNUAL REPORT FOR THE YEAR 2021

P.O Box 217, Independence Avenue, Victoria, Mahé, Seychelles.

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## CORPORATE INFORMATION

### BOARD MEMBERS

**January 2021 to July 2021**

Ms. Brenda Bastienne  
Mr. Brian Charlette  
Mr. Daniel Gappy  
Mrs. Ina Barbé  
Mr. Rupert Simeon  
Mr. Marc Naiken  
Mr. Roy Clarisse  
Mr. Ashwin Bhanderi  
Mr. Dick Labonte

Chairperson  
Vice-Chairperson  
Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non- Executive Director  
Non- Executive Director  
Non- Executive Director

**August 2021 to December 2021**

Mr. Norman Weber  
Mr. Dick Labonte  
Ms. Jean Preira  
Ms. Philippa Samson  
Mr. Rupert Simeon  
Mr. Darell Uranie  
Mr. David Jean Baptiste  
Mr. Ashwin Bhanderi

Chairperson  
Vice- Chairperson  
Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

### BOARD COMMITTEES

**January 2021 to July 2021**

**Audit, Risk & Compliance  
Committee**

Mrs. Ina Barbé  
Mr. Marc Naiken  
Mr. Brian Charlette  
Mr. Ashwin Bhanderi

Chairperson  
Member  
Member  
Member

**Remuneration Committee**

Mr. Rupert Simeon  
Mr. Roy Clarisse  
Mr. Dick Labonte

Chairperson  
Member  
Member

**August 2021 to December 2021**

**Audit, Risk & Compliance  
Committee**

Ms. Philippa Samson  
Mr. David Jean Baptiste  
Mr. Ashwin Bhanderi  
Mr. Darell Uranie

Chairperson  
Member  
Member  
Member

<b>Remuneration Committee</b>	Mr. Rupert Simeon Mr. Norman Weber Mr. Dick Labonte	Chairperson Member Member
<b>MANAGEMENT</b>		
<b>January 2021 to July 2021</b>	Mr. Daniel Gappy Ms. Jean Preira Ms. Rana Fernandes Ms. Maria Veille Mrs. Jennifer Loizeau Mr. Roy Charlette	Chief Executive Officer (CEO) Head of Finance Head of Credit Head of Collection & Recovery Head of Compliance, Risk & Legal Head of Corporate Services
<b>August 2021 to December 2021</b>	Ms. Jean Preira Vacant Ms. Rana Fernandes Ms. Maria Veille Mrs. Jennifer Loizeau Mr. Roy Charlette	Chief Executive Officer (CEO) Head of Finance Head of Credit Head of Collection & Recovery Head of Compliance & Risk Head of Corporate Services
<b>AUDITOR</b>	Pool and Patel Chartered Accountants Maison La Rosiere, P.O. Box 117, Victoria, Mahe, Seychelles	
<b>REGISTERED OFFICE</b>	Development Bank of Seychelles Independence Avenue P.O Box 217 Victoria, Mahé Seychelles	
<b>CONTACT DETAILS</b>	Tel: +248 4294400 Fax: +248 4224274 Email: devbank@dbs.sc Website: www.dbs.sc	

Dear Shareholders, on behalf of the Board of Directors, I have much pleasure in submitting the Annual Report and Audited Financial Statements for the year ended 31<sup>st</sup> December 2021.



### The year 2021 in review

In response to the COVID -19 pandemic, Government introduced strict measures to protect the public health and wellbeing, followed by fiscal and monetary interventions to counter the deflationary economic impact of the pandemic. The banking industry was not spared. The effect of the pandemic on the DBS in particular, was devastating and measures introduced in 2020 continued in the year 2021, to protect the liquidity position of the Bank. These measures included a deferral of approval decisions on new lending on the SME and general DBS lending schemes, a halt on capital investments, a reduction on administration expenses and deferment of DBS own capital investment.

The pandemic had an adverse effect on the operation and profitability of our customers, seriously and negatively affecting their abilities to honour their loan commitments. DBS continued to work in close collaboration with its key partners namely the Ministry of Finance, the Central Bank of Seychelles, Ministry of Agriculture & Fisheries, Ministry of Tourism, and others, to support businesses facing hardships as a result of the pandemic. Relief through restructuring of and moratorium on loans and schemes such as the 'Private Sector Relief Scheme', Small Business Support Facility (SBSF) and the Fisheries Development Fund Relief Scheme were introduced. DBS played a crucial role in ensuring that businesses had easy access to such financial assistance by offering its expertise in administering these schemes on behalf of the Government.

As a result of the deferral policy on new lending, a significant reduction in loan approval disbursement was observed. Seven loans only for a value of SCR 7'006'361 were approved for the year 2021 under the SME and the DBS scheme compared to 32 loans for a value of SCR34.3 million for the year 2020. Two of the loans approved in 2021 were for transfer of liabilities and five were additional loans to cater for cost overrun for existing projects.

The Bank recorded a net profit of SCR 8.7 million for the year 2021. This represents a decrease of 20.23 % when compared to net profit recorded in the year 2020 (SCR 10.92 million). With the economic contraction brought about by the pandemic, collection of debt was challenging. The ratio for non-performing loans (NPL) rose from 13.5 % in 2020 to 13.9 % in 2021. Nonetheless, this ratio remained below the acceptable NPL ratio of 15 % set out by the Central Bank of Seychelles.

## Achievements

The Central Bank of Seychelles conducted a limited scope examination of the DBS for the period of January 2019 to 31st July 2021. The examination was prompted after the Bank experienced major disruption to its operation due to a ransomware attack (in September 2020) on its information system, included its core banking system. In addition, the Bank conducted an IT Audit by independent auditor, Ernst & Young in the year 2021 and the Bank is on track with regards to implementation of the recommendations following the audit.

In 2021, the Bank continued with the exercise to review and introduce policies to achieve greater efficiency, transparency, and good governance. This included IT data back-up policy, a Standard Operating Procedure Manual for improved financial management and control and communications

I commend the efforts of management and staff as well as members of the Board who contributed to make this possible.

## Challenges

In 2021, the Bank remained pre-occupied with addressing the adverse effect of the COVID-19 pandemic on its operations, financial position, and overall profitability.

The pandemic brought great uncertainty in terms of the impact on people's livelihood and the degree of economic and financial impact on businesses. Several businesses approached the Bank to request extended moratoriums and rescheduling on loan repayments and noting the adverse impact of the pandemic on the economy and the hardships faced by businesses, the Bank had to review its debt recovery strategies. Thus, whilst, prior to the pandemic, the Bank's average loan repayment collected per month was SCR 13.89 million, in 2021, the average loan repayment collected per month was 8.9 million representing a decrease of 35%.

During the year, the Board raised concerns at the Bank's high cost of funds borrowed from commercial banks for on-lending. Management has therefore been tasked to actively seeking ways and means to lower the cost of funds from commercial banks and as a result enable the Bank to offer lower interest rates on its loans products. The Bank is working with its major shareholder and parent ministry, the Ministry of Finance, Investment, Economic Planning and Trade to reach that objective.

## Supporting our people

The Bank recognises that its human resources remain the 'heart' of the organisation. It recognises that its success relies on the competence and efficiency of its workforce, and it is committed to continuously invest in the training, development and welfare of its employees. Although, the budget for training was cut back in 2021 as part of the response to the pandemic, the Bank continued to cater for members of staff who are on ongoing training although most training was conducted through virtual platforms.

Noting, the fierce competition for qualified and experienced workers on the job market, the Bank is currently reviewing its existing scheme of service for members of staff. The aims are to ensure that employee's disposable income is suitably competitive in order to recruit and retain the best trained workforce in the banking industry.

## Corporate Governance

### Board Composition

In accordance with Section 10 of the Development Bank of Seychelles Decree, the President appointed new board members effective 1st August 2021. The Board, at the date of this Report, consists of eight directors, of which seven non-executive directors including four from the non-government sector.

The Board and Management have policy and executive responsibility respectively to ensure that the Bank's operations are conducted in accordance with its Decree and all applicable laws and regulations, as a profitable going concern. The Board met 9 times in the year 2021, further details of which are provided in the Corporate Governance Report on page 10 of this Annual Report.

### Outlook for 2022

With the decision by Government in April 2021, following a successful vaccination campaign, to re-open the country's borders with the outside world, visitor arrivals began to pick up from its all-time low, and the economy slowly started to recuperate from the adverse effect of the pandemic. The Bank has observed an improvement in loan repayments in 2022 and it is expected that this positive trend will continue for the rest of the year.

The Bank has started the process to replace the existing core banking system with a modern, and complete solution that is designed to meet the specific needs and requirements of a development bank. The DBS remains under the present Decree, as a non-deposit-taking institution, although it is regulated and supervised by the Central Bank of Seychelles. Nevertheless, the chosen solution will need to be as flexible and scalable as possible to meet the requirements of regulation and good governance and the ever-changing needs of customers in search of investment and development



funding withing a modern and progressive economy. The project is expected to be completed by end December 2023.

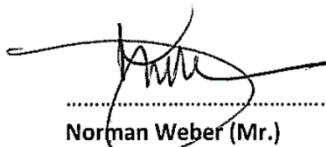
As economic activities slowly pick up, the Bank will resume lending and play its part in reviving the economy after the pandemic and to resume its normal business activities. However, there remains liquidity challenges and the Bank will need to be more selective in which sectors to support as the country seeks to attain its sustainable development goals. However, the Bank will continue its efforts to source new funding both nationally and internationally to meet existing and new commitments. As the country gradually recovers from the negative impact of the pandemic, the Bank is actively partnering with all its stakeholders in order to ensure that it delivers on its mandate.

The ongoing crisis in the Ukraine will create further pressures on the business communities and ultimately the performance of the Bank, but with a visionary board and dedicated management team and staff, I am confident we will continue to deliver on our mandate.

### Acknowledgement

On behalf of the Board of Directors, I would like to express my appreciation to our shareholders, executive management and staff for all their support and dedication towards the Bank. Most of all we remain thankful for the confidence and support of all our customers, present and future.

Thank you



.....  
Norman Weber (Mr.)  
Chairperson

**August 2022**

## GOVERNANCE

The Bank believes that good governance is essential for achieving its long-term goals and to enhance value of the Bank. The Bank's corporate philosophy is to ensure fairness, transparency, and integrity in the management of the Bank in order to protect the interests of our stakeholders.

It is to be noted that the mandate of the Board of Directors appointed in 2018 terminated in December 2020. Pending the formalities for appointment of the new Board, the President of the Republic of Seychelles extended the term of the Board of the Development Bank of Seychelles from January 2021 to 31<sup>st</sup> July 2021. The Board held only one meeting during that period. A new Board was appointed in August 2021 and eight meetings were conducted from the period August 2021 to December 2021.

Below is a table portraying the directors' attendance at the Board meetings held during 2021.

<i>Board Directors</i>	<i>Attendance</i>
<i>Norman Weber</i>	7/8
<i>Dick Labonte</i>	7/8
<i>Rupert Simeon</i>	5/8
<i>Philippa Samson</i>	7/8
<i>David Jean Baptiste</i>	4/8
<i>Darrel Uranie</i>	6/8
<i>Ashwin Bhanderi</i>	6/8
<i>Jean Preira</i>	8/8

### **Audit, Risk & Compliance Committee**

The Audit, Risk & Compliance Committee plays a major role in the corporate governance mechanism of the Bank and its function is to oversee the organization's audits, internal controls, accounting and financial reporting, regulatory compliance, and risk management.

The Audit, Risk & Compliance (ARC) committee consists of 4 non-executive directors, and it had one meeting during the year 2021. For the period January 2021 to July 2021, the members were:

Ina Barbe (Chairperson), Brian Charlette, Marc Naiken and Ashwin Bhanderi. The new committee consists of the following members;

<i>Name</i>	<b>Position</b>
<i>Philippa Samson</i>	Chairperson (of ARC)
<i>David Jean Baptiste</i>	Committee Member
<i>Darrel Uranie</i>	Committee Member
<i>Ashwin Bhanderi</i>	Committee Member

### **Remuneration Committee**

The major function of the Committee is to assist the Board of Directors in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Bank.

The Committee is made up of 3 non-executive directors and it met 2 times in 2021. Its members are:

<i>Name</i>	<b>Position</b>
<i>Rupert Simeon</i>	Chairperson
<i>Dick Labonte</i>	Committee Member
<i>Norman Weber</i>	Committee Member

Prior to August 2021, the committee members were Mr. Rupert Simeon (Chairperson), Mr. Roy Clarisse, and Mr. Dick Labonte.

### **Changes to the Composition of the Board**

It is to be noted that the mandate of the Board which was appointed in 2018 terminated in December 2020. Pending formalities for appointment of the new Board, the President of the Republic of Seychelles extended the terms of the Board, which was appointed in 2018 to 31<sup>st</sup> July 2021.

The Board, at the date of this Report, consists of eight Directors, with four of its eight non-executive directors being from the private sector and one executive director.

<b>Name</b>	<b>Designation</b>	<b>Employment</b>
<i>Mr. Norman Weber</i>	Chairperson (Non-Executive Director)	Private
<i>Mr. Dick Labonte</i>	Vice Chairperson (Non-Executive Director)	Government
<i>Mr. Rupert Simeon</i>	Non-Executive Director	Private
<i>Mr. Ashwin Bhanderi</i>	Non-Executive Director	Private
<i>Mr. Darrel Uranie</i>	Non-Executive Director	Private
<i>Mr. David Jean Baptiste</i>	Non-Executive Director	Government
<i>Ms. Philippa Samson</i>	Non-Executive Director	Government
<i>Ms. Jean Preira</i>	Executive Director	Government

## Directors Remuneration

The structure of the Board’s remuneration is in accordance with the ‘Board Fee Remuneration Framework and Policy’ approved in 2015 and amended in May 2019 by the Cabinet of Ministers. However, the Government of Seychelles amended the Policy in April 2020 in view of the adverse effect of COVID-19 pandemic on the economy of the country. The fees payable to the Chair, Vice-Chair and members were reduced to SCR 3920, SCR3136 and SCR2613.33.

DBS Board fees were as follows:

	<b>Fee Per Month</b>	<b>Total Paid for the Year 2021</b>
<i>Chairperson</i>	SCR 3920	SCR 47’040
<i>Vice Chairperson</i>	SCR 3136	SCR 37’512
<i>Non- Executive Members</i>	SCR 2613.33	SCR 175’093.11 <sup>1</sup>
<b>Total</b>		<b>SCR 259’645.11</b>

<sup>1</sup> Excluding the Chairperson & the Vice Chairperson, there were 6 non -executive directors from the period January 2021 to July 2021 & from August 2021 to December 2021, there were 5 non-executive directors.

## MOTTO

Your Partner in Development

## VISION

To be amongst the leading customer-oriented development financial institutions in the region.

## MISSION

Providing affordable financing for sustainable investments in diversified and emerging sectors of the economy

## CORE VALUES

### **Competence**

- Proficiency at all levels when serving customers.
- Professionalism, efficiency, and good governance in discharging responsibilities

### **Integrity**

- Highest standards and ethics at work
- Accountable in all activities

### **Client Orientation**

- Make clients and their needs a primary focus of the Bank's actions and develop and sustain productive client relationships.
- Align the Bank's activities with new economic business environment in order to meet clients' demand whilst remaining competitive in local financial market.

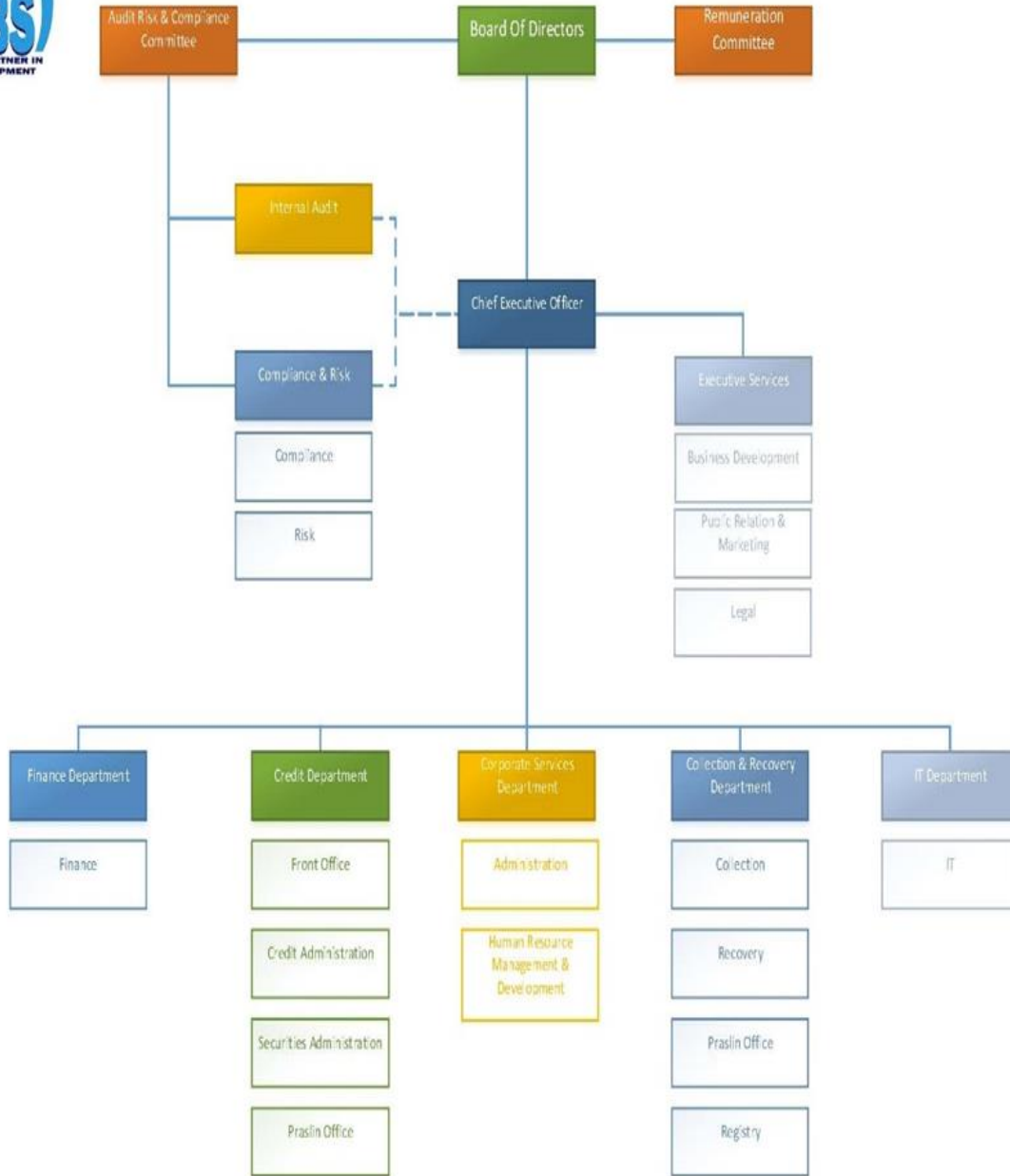
### **Teamwork**

- Committed to create an environment that foster teamwork, encourages equal opportunity and collaboration at all levels in the Bank

### **Confidentiality**

- Strictest level of confidentiality in all its interactions with stakeholders

Development Bank of Seychelles  
Organizational Structure



## REVIEW OF THE BANK'S PERFORMANCE FOR 2021

### LOAN APPROVALS

The year 2021 remained another challenging year for the Credit Department. With the COVID 19 pandemic still negatively impacting on the society, growth in business activities remained slow albeit the positive signs of economic recovery. The Bank, therefore, maintain its decision to defer approval decisions on new lending under the two main schemes (SME & DBS Scheme). Nonetheless, the Bank continued to manage other funds under its management, namely the SBSF Scheme, SBFAF Scheme, CBS Private Relief Scheme, ADF Scheme and the FDF Scheme

Though the moratorium on lending activities was being maintained, the Bank made provision for a budget of SCR15 million to cater for unforeseen cost overrun for project still being implemented/in disbursement stage

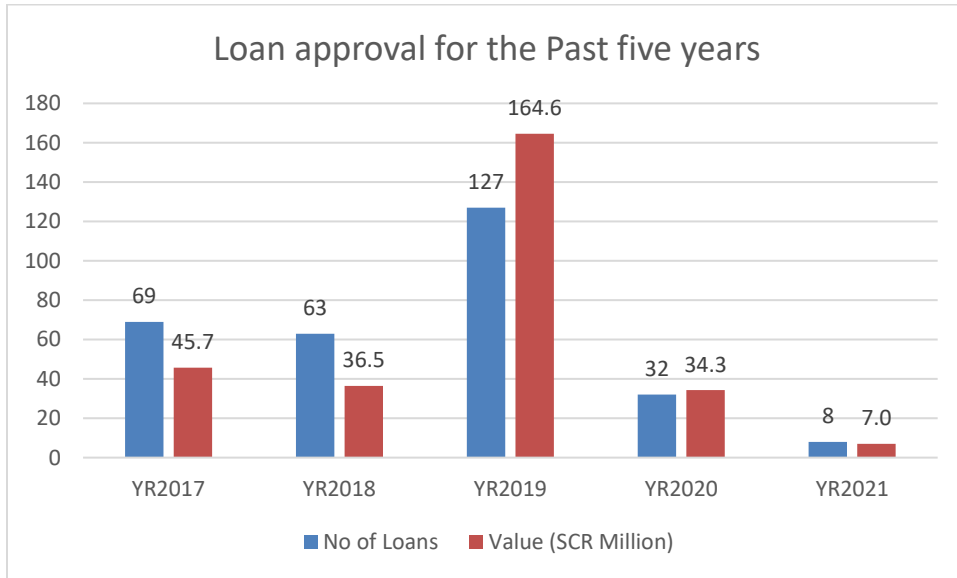
A total of 5 loans for a value of SCR2.4 million were approved for projects with cost overruns in 2021, representing a budget utilisation of only 15%.

It is important to note that a total of 7 loans were approved in the year 2021 for a total value of SCR7 Million, however, two loans were for transfer of liabilities. This relates to the transfer of the loan from an existing debtor into the name of a new borrower after the business had been sold.

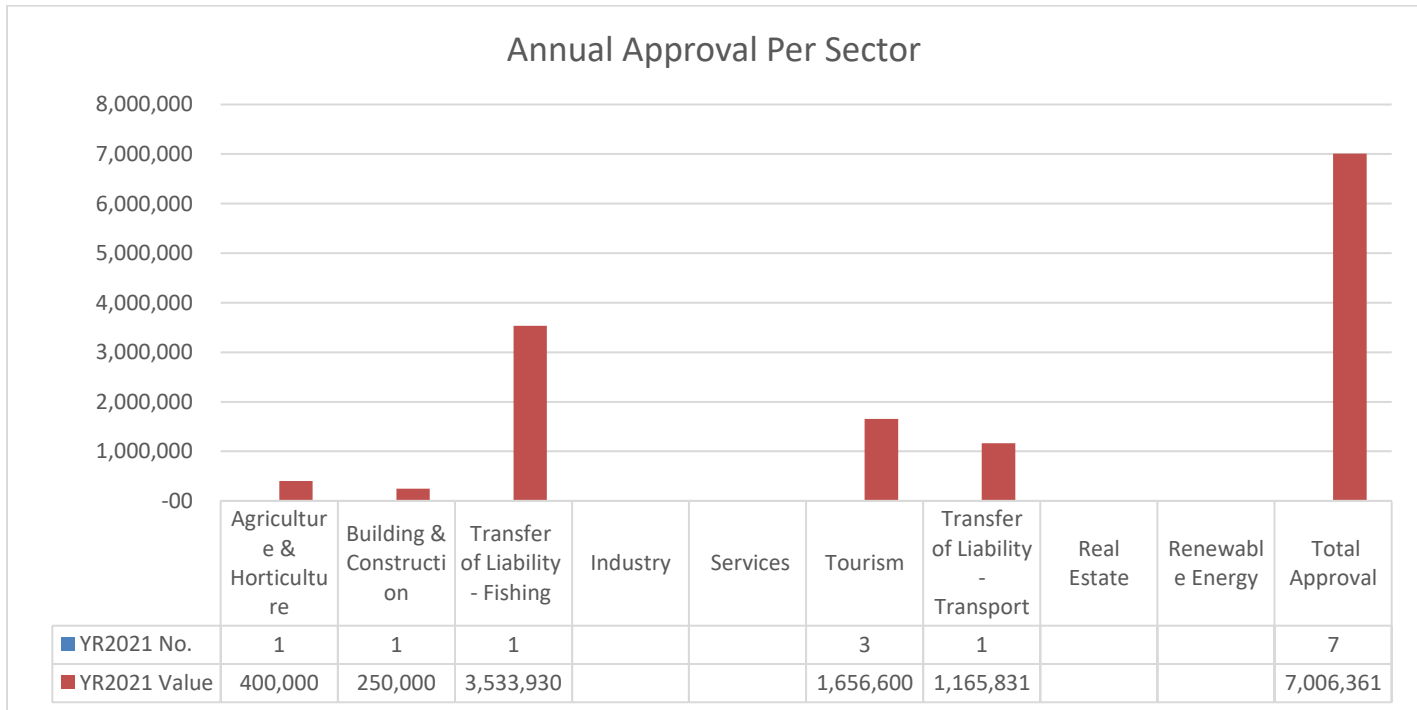
The loan performance for the year 2021, as was the case for the year 2020, is considered 'exceptional' when compared to preceding years. This was largely due to the adverse effects of the unforeseen global crisis brought about by the pandemic, which affected all aspects of the economy.

Graph 1 below gives an overview of the trend for loan approval in terms of numbers and value for the past five year. Graph 2 gives an overview of the performance of the sectors financed by the Bank in 2021.

Graph1: Loan approval for the period 2017 to 2021 in term of numbers & value



Graph 2: Loan Approval per Sector (DBS & SME Scheme)





## AGRICULTURE & HORTICULTURE

In COVID-19 pandemic had a devastating effect on the cost of living, including the cost of food as Seychelles imports most of its products. The operators in the Agricultural & Horticulture Sector were under immense pressure to increase productivity as they are considered as key players in safeguarding food self-sufficiency/security for the nation during the pandemic.

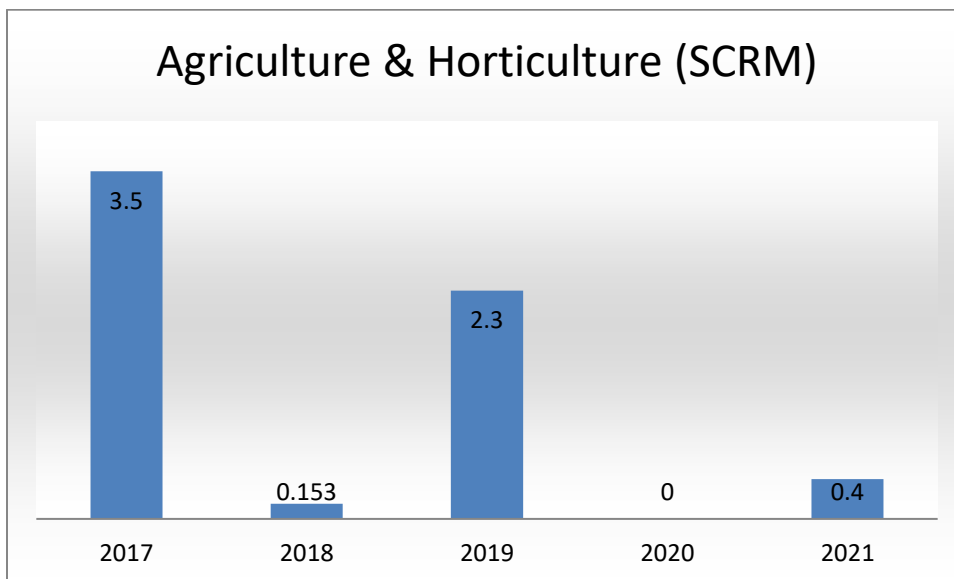
In 2021, an exception was made to approve a loan under the SME Scheme in order to support projects promoting food security.

Our record shows that promoters tend to opt for financing under the ADF (Agricultural Development Fund), which DBS manages on behalf of the Ministry of Agriculture & Fisheries. This scheme offers softer terms and conditions to the registered farmers. The maximum loan amount on offer during 2021 was SCR5 million with an interest rate of 2.5%.

For information purposes it is noted that a total of 22 loans worth SCR12.7 million was approved in 2021 under the ADF Scheme.

The normal DBS Scheme and the SME Scheme are available for promoters with larger projects requiring funding exceeding the maximum loan amount offered under the ADF scheme.

*Graph 3: Loan Approval (DBS & SME) in Agriculture & Horticulture for the period 2017 to 2021*



## FISHERIES

Noting that the Fisheries Sector is the second largest contributor of foreign exchange earnings in the country and the important role it plays towards food security for the country, the Government strengthened its commitment towards this sector albeit the economic and financial challenges brought about by the pandemic. Given that the appropriate mechanisms are in place, the Government is optimistic that this sector has the potential to generate as much foreign exchange for the country as the tourism sector.

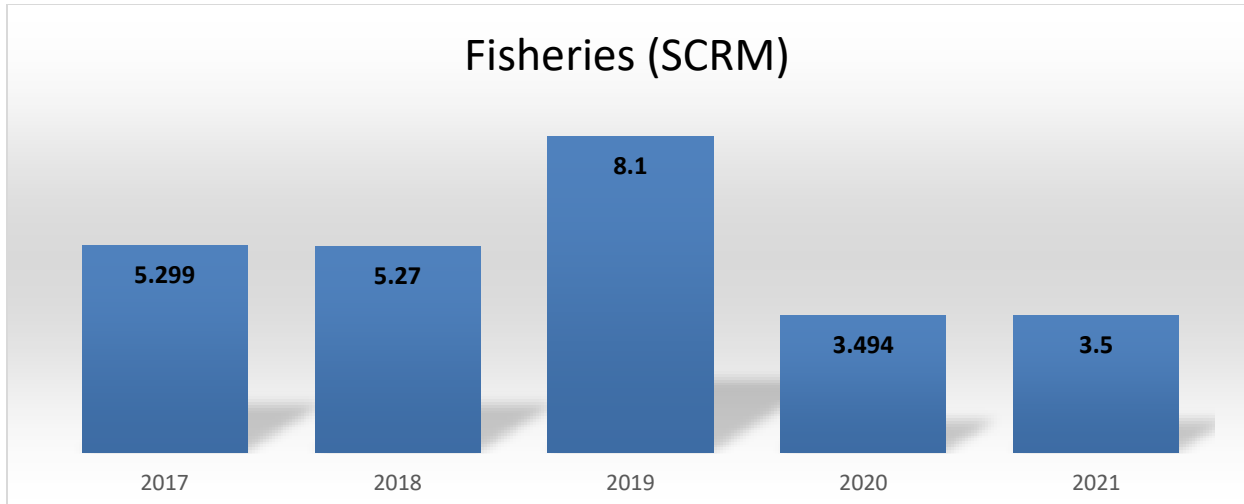
However, this sector remains to be a risky sector as operators face many challenges such as shortages of fish during southeast monsoon, unavailability of market and shortages of skilled workers to name a few. Albeit, the riskiness and uncertainties of this sector, the Development Bank of Seychelles continued to support this sector through loans for the financing of artisanal & semi-industrial fishing, the purchase or construction of boats, purchase of navigational equipment and reparation of fishing boats.

The record shows that there was no approval of new loans under this sector. However, there was one transfer of liability for a value of SCR3.5 million. It is to be noted that this statistic does not include loan approval under the Fisheries Development Fund (FDF)

The FDF is a fund from the European Union (EU) for the financing of long line fishing activities and value addition. This scheme is being managed by DBS on behalf of the Seychelles Fishing Authority (SFA). The interest rate is 3% and the loan amount to be financed is determined by SFA based on the proposed project. A total of 2 loans for a value of SCR4 Million was approved under this scheme for the year 2021.

In addition, 3 loans for the value of SCR407,000 was approved under the special scheme for Artisanal Fishery introduced, in June 2020. The aim of the scheme was to help assist Artisanal fishing boat owners with funding to purchase, repair or replace fishing equipment or undertake minor vessel repair. Maximum loan amount is SCR150,000/- per applicant and interest rate is 1%.

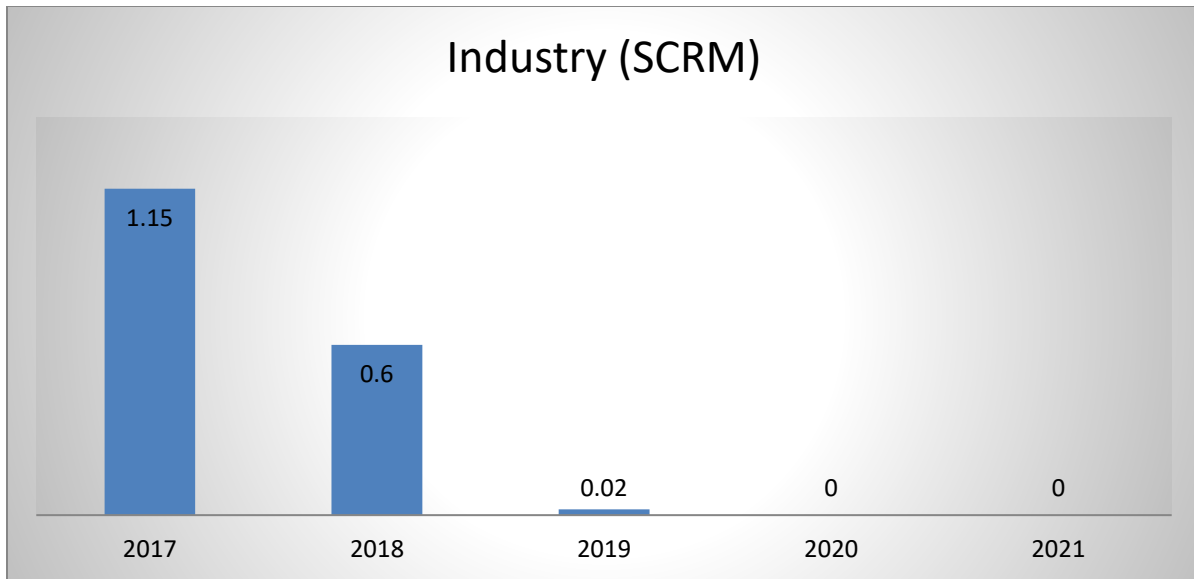
Graph 4: Loan Approval in Fisheries Sector for the period 2017 to 2021



## INDUSTRY

This sector involves all manufacturing related projects including food processing, steel and aluminium works, dress making and other forms of tailoring, craftworks etc. As per graph 5 below it is to be noted that DBS recorded a decline in performance of this sector. As it was the case in 2020, there was no loan approved for this sector in 2021.

Graph 5: Loan Approval for the Industry Sector for the period 2017 to 2021

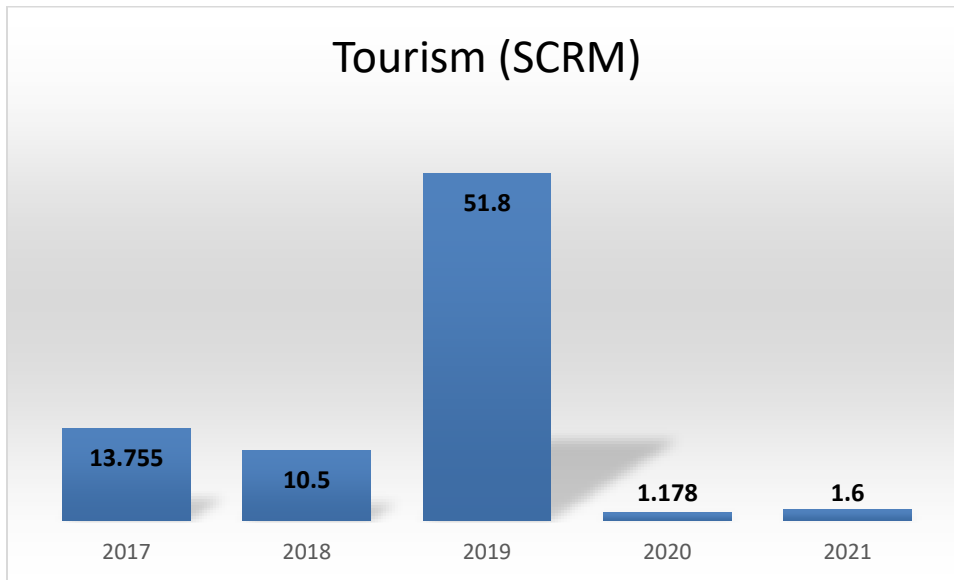


## TOURISM

With the ongoing moratorium on the development of tourism accommodation in certain areas of the country, the effect of the ongoing COVID-19 pandemic on the performance of this sector and the moratorium on new business loans, the statistic for loan approvals was significantly reduced. Three requests for additional loans worth SCR1.656 million were approved for projects with cost overrun for projects in construction phase.

It is to be noted that tourist arrivals increased from 114,858 in 2020 to 182,849 in 2021, representing an increase of 59 %. Nonetheless, tourist arrivals for both years remain significantly lower than in 2019, the benchmark year, whereby a record number of visitors were recorded. It is to be noted that a total of 384,204 visitors arrived that year, more than both 2020 and 2021 combined.

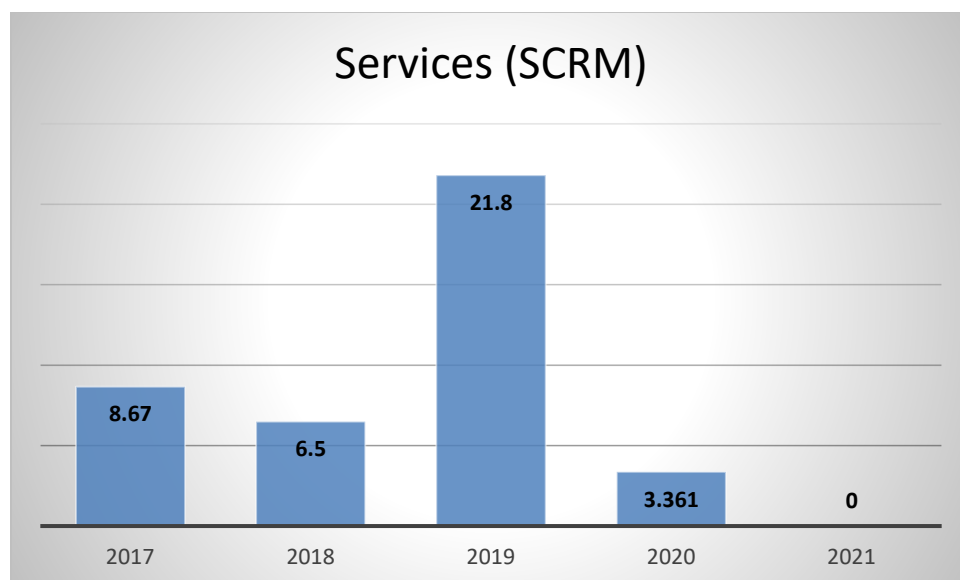
Graph 6: Loan Approval for the Tourism Sector for the period 2017 to 2021



## SERVICES

The service sector encompasses a broad spectrum of business activities such as hairdressing, food and take away outlets, retail, and wholesale businesses, clearing services, child minding, pharmacy, motor vehicle garages, cleaning agencies, IT services to name a few. Most businesses in this sector are somehow linked to the Tourism Sector, hence, they were also affected by the adverse effect of the pandemic. There were no new loans approved under this sector in 2021.

Graph 7: Loan approval for the service sector for the period 2017 to 2021

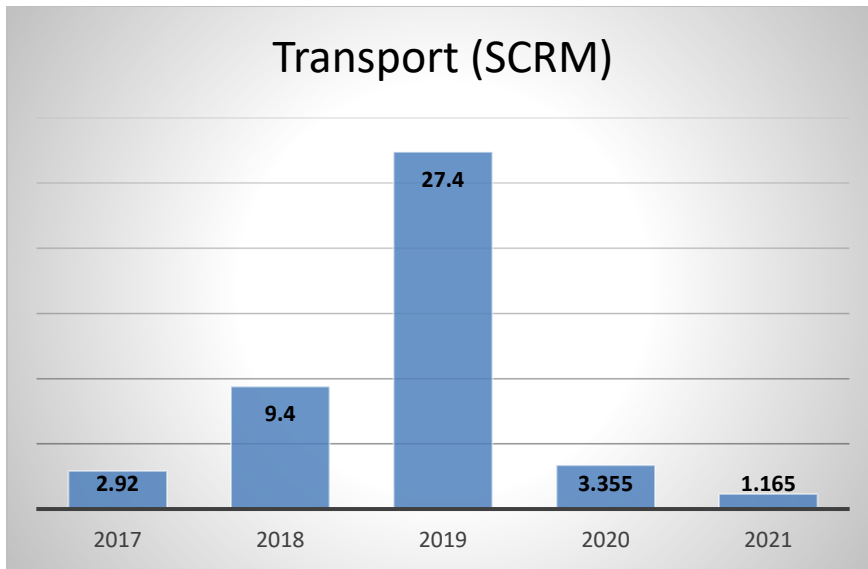


## Transport

The Transport Sector consists of sub-sectors namely care hire, taxi, omnibus and truck for commercial hiring. As in the preceding year, operators under this sector also suffered the negative impact of the pandemic as most of their client are tourists, whose arrival figures dropped significantly in 2020 and 2021.

One loan of SCR 1.165 million was recorded under this sector in 2021 and it relates to a transfer of liability from an existing debtor (car hire loan) in DBS' books to a new promoter.

Graph 8: Loan approval for the Transport sector for the period 2017 to 2021

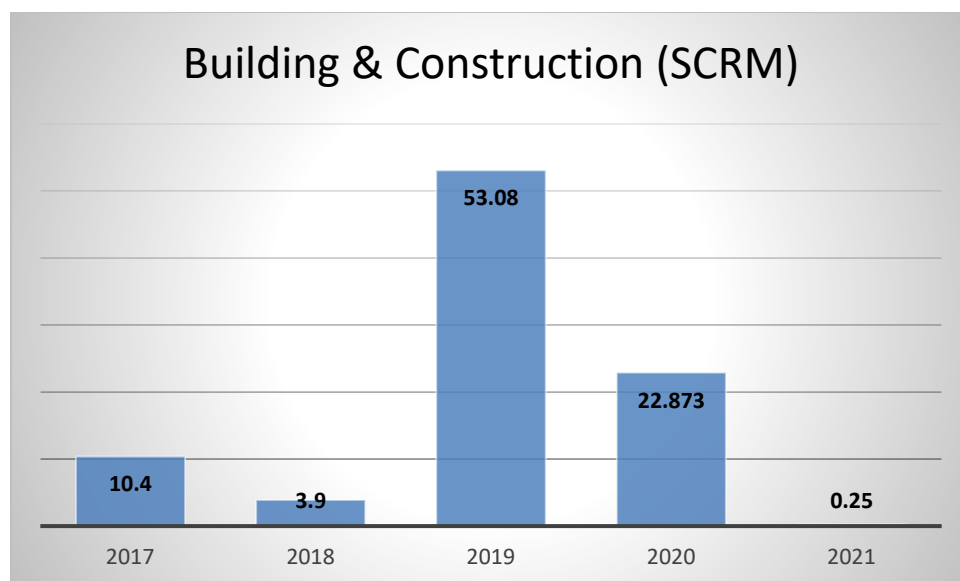


## Building & Construction

Financing under this sector is normally for construction of new commercial buildings for commercial use and construction of apartments/ houses for rental purposes. It is, however noted that DBS loan portfolio is largely dominated by this sector.

In 2021, loan approved were for 2 projects with cost overrun amounting to SCR250,000.

Graph 9: Loan approval for the Building and Construction sector for the period 2017 to 2021



## LOAN DISBURSEMENT

Over the years, the Bank experienced significant drop in loan disbursement. This is primarily due to the drop in loan approval recorded over the years

With the ongoing economic crisis which affected the Bank’s liquidity position, the cap for monthly disbursement was reduced from SCR4 Million (or SCR48 Million per annum) to SCR2 Million per month as from March 2021. Although the requirement for loan withdrawal was high, disbursement was done in piece meal given the budget constraints.

Although the liquidity position of the Bank remained fragile, an additional SCR6 Million was allocated in November 2021 to help clear the accumulated backlog. The total disbursement for the year was SCR29.3 million

The table below provides a historical overview of loan disbursement over the past 4 years.

Year	2018	2019	2020	2021
<b>Approved Budget</b>	SCR180 million	SCR180 million	SCR96 million	SCR37 million
<b>Actual Disbursement</b>	SCR73 million	SCR101 million	SCR55 million	SCR29.3 million



## THE SME SCHEME

The SME Financing Incentive Scheme was launched in 2014 by the Government, with the aim of boosting access to finance for Small and Medium Enterprises. The Bank joined the scheme mid-year 2014 and as of 31<sup>st</sup> December 2021, the accumulated loan approval (YR2014 to YR2021) was 774 for a total value of SCR764.1 million.

The table below gives an overview of DBS' contribution towards the SME Scheme from year 2014 to 2021

<b>YEAR</b>	<b>No. of Loans</b>	<b>Value of Loans (SCR Million)</b>
<i>YR2014</i>	164	132.7
<i>YR2015</i>	204	201.8
<i>YR2016</i>	198	228.2
<i>YR2017</i>	25	19.9
<i>YR2018</i>	41	23.1
<i>YR2019</i>	112	127.2
<i>YR2020</i>	26	26.4
<i>YR2021</i>	4	4.8

## FUNDS UNDER MANAGEMENT

### 1. BLUE INVESTMENT FUND

The Blue Investment Fund (BIF) is intended to support diversification and expansion of fisheries value chains in Seychelles. It has been designed to only allow investments in value chains that are supported by managed fisheries, or investments in pre and postproduction components of the value chains that will add value without creating additional pressure on vulnerable fish populations. This will allow for continued economic growth in the sector while the main challenges facing the sector are being addressed through strengthening of policy and improved fisheries management.

The Blue Investment Fund has been designed around key principles for selecting eligible activities and evaluating proposals, which are then further defined based on information from commissioned studies

The Blue Investment Fund was officially launched by the Vice President of Seychelles, at the time, Mr. Vincent Meriton, during the ‘Our Ocean Conference’ held in Bali, Indonesia from the 29th to 30th of October 2018. The scheme was officially launched in April 2019. There were several investors that showed interest in the scheme, however, only 4 applications were submitted for processing in 2021.

As at end of December 2021, one application successfully passed the technical committee stage and was pending approval at Board level. As for the other three applications, the Bank was unable to proceed further given that there were other administrative issues still being finalized. The status of the applications are as follows: -

Application No.1 – Revision with regards to Environmental Impact Assessment (EIA) approval

Application No.2 – Sorting out exchange of land/lease agreement

Application No.3 – Undergoing Compliance Due Diligence (CDD) procedure within the Bank

## **2. SBFA (SMALL BUSINESS FINANCING AGENCY)**

The scheme makes provision for financial assistance to Micro enterprise through concessionary loans to promote competition of such businesses in the market and thereby contribute to the overall strengthening of the economy. The Fund which was previously managed by the Small Business Finance Agency (SBFA) was transferred to DBS in 2019.

Despite the adverse effect of the pandemic on the economy, financing under the SBFA scheme remained opened for financing in 2021. As at end of year 2021, a total of 58 loans for a value of SCR11.9 million was approved under the scheme

### 3. SCHEMES AVAILABLE TO MSME'S AFFECTED BY COVID-19 PANDEMIC

Given the adverse effect of the pandemic had on the economy, many businesses were affected and required financial support to sustain their business activities during the difficult period. With the aim of supporting MSME's the Government introduced two schemes, details of same are listed below:

	<b><i>CBS Private Relief Scheme</i></b>	<b><i>SBSF (Small Business Support Fund)</i></b>
<b><i>Purpose</i></b>	<p>Put in place to assist businesses in meeting their critical expenditures for a period of 12 months.</p> <p>This refers to day to day operating expenditures of eligible Micro, Small &amp; Medium Enterprises (with Annual Turnover of less than SCR25 Million) and includes, but not limited to</p> <ul style="list-style-type: none"> <li>- payment of rent,</li> <li>- utilities,</li> <li>- salaries,</li> <li>- Taxes goods and services contracts, to the extent not covered under other measures announced by the Government.</li> <li>- Other critical expenditures are to be considered depending on the specificity of the business</li> </ul>	<ul style="list-style-type: none"> <li>• Working Capital needs to the extent not covered under other measures announced by the Government for critical expenditures such as. <ul style="list-style-type: none"> <li>- salaries,</li> <li>- utilities,</li> <li>- rent,</li> <li>- purchase of goods,</li> <li>- taxes,</li> <li>- redundancy costs and services contracts,</li> </ul> </li> <li>• Costs attributable to improve competitiveness and productivity through means such as digitalizing of business process.</li> <li>• Cost in adapting to safe management practices with reference to Public Health guidelines transformation efforts to adapt to the current business environment and in preparation for the economic recovery.</li> <li>• Costs associated with strategic capabilities that can contribute to our national priorities such as Food Security Agenda and Import Substitution Strategy.</li> </ul>
<b><i>Source of Funding</i></b>	Credit Line from Central Bank of Government of Seychelles Seychelles	
<b><i>Effective</i></b>	19/05/2020	11/09/2020
<b><i>Validity of the scheme</i></b>	Extended to 31/03/2022	The scheme will remain until allocated budget is fully utilized
<b><i>Minimum loan amount</i></b>	No minimum amount	No minimum amount
<b><i>Maximum loan amount</i></b>	Depends on the client requirement	SCR100,000/-
<b><i>Interest Rate</i></b>	1.5%	Nil

<b>Equity</b>	None	None
<b>Tenor</b>	36 months	36 months
<b>Grace period</b>	12 months inclusive of the 36 months repayment terms	12 months
<b>Security cover</b>	0.3:1 (70% is guaranteed by GOS)	None
<b>Eligibility requirement</b>	Existing clients of DBS impacted by the effect of Covid-19 pandemic Non client of DBS is considered on a case-by-case basis	All businesses impacted by the effect of Covid-19 pandemic
<b>Non eligibility</b>	Loan accounts that were in default before February 2020. NPL cases will be considered on a case-by-case basis	Wholesale & retail businesses not operating from a commercial building Successful applicants of CBS Private Sector Relief Loan Scheme
<b>Capacity Building</b>	Not available yet	Yes – Coordinated by SCCI (Seychelles Chamber of Commerce & Industry)

Below is the performance for the Financial Relief Schemes managed by the Bank

	<b>CBS Private Relief Scheme</b>	<b>SBSF (Small Business Support Fund)</b>
<i>Number of Applications received as at 31/12/2021</i>	62	334
<i>Number of Loans Approved as at 31/12/2021</i>	30	187
<i>Value of Loan Approval as at 31/12/2021</i>	SCR6,110,422/-	SCR187,69,314/-

In addition to the above, the Bank is also managed the Fisheries Development Fund (FDF), Agricultural Development Fund (ADF), Green Climate Fund and the Photovoltaic Fund (PV rebate scheme). For all schemes, the Bank maintained a good working relationship and provided the services as per the Memorandum of Understanding with Seychelles Fishing Authority, Ministry of Agriculture Climate Change & Environment, Ministry of Fisheries and Ministry of Finance, National Planning & Trade, UNDP-GEF, Seychelles Energy Commission and the Department for Blue Economy for the processing of credit facilities.

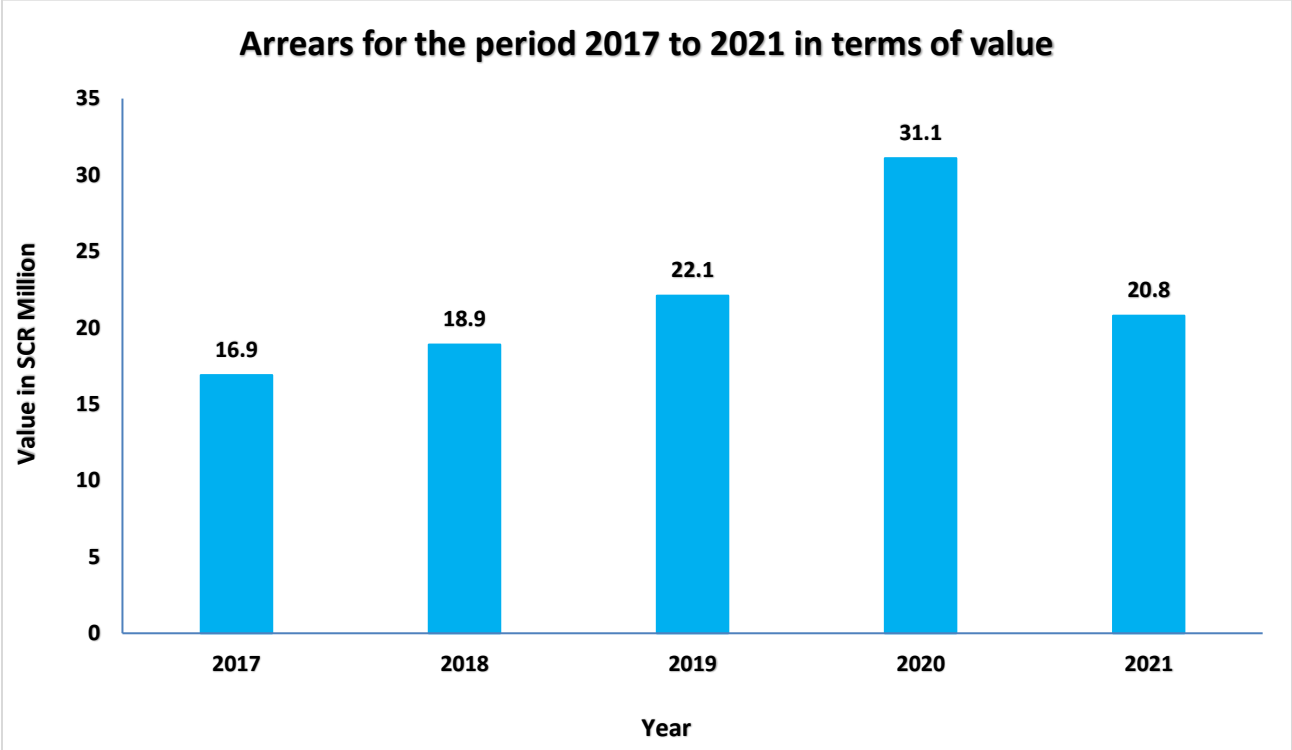
## **COLLECTION & RECOVERY**

Given the uncertainty as to how long the pandemic will last and the extent of its economic impact, maximizing debt collection was a major challenge for the Bank. Nonetheless, the Bank intensified its efforts and employed the appropriate debt recovery strategies to recover debts. It is to be noted that the value of arrears decreased from SCR 31.1 million in 2020 to SCR 20.8 million in 2021, representing a decrease of SCR 10.30 million (33.11%). The number of loan files in arrears for the same period decreased by 18.1%.

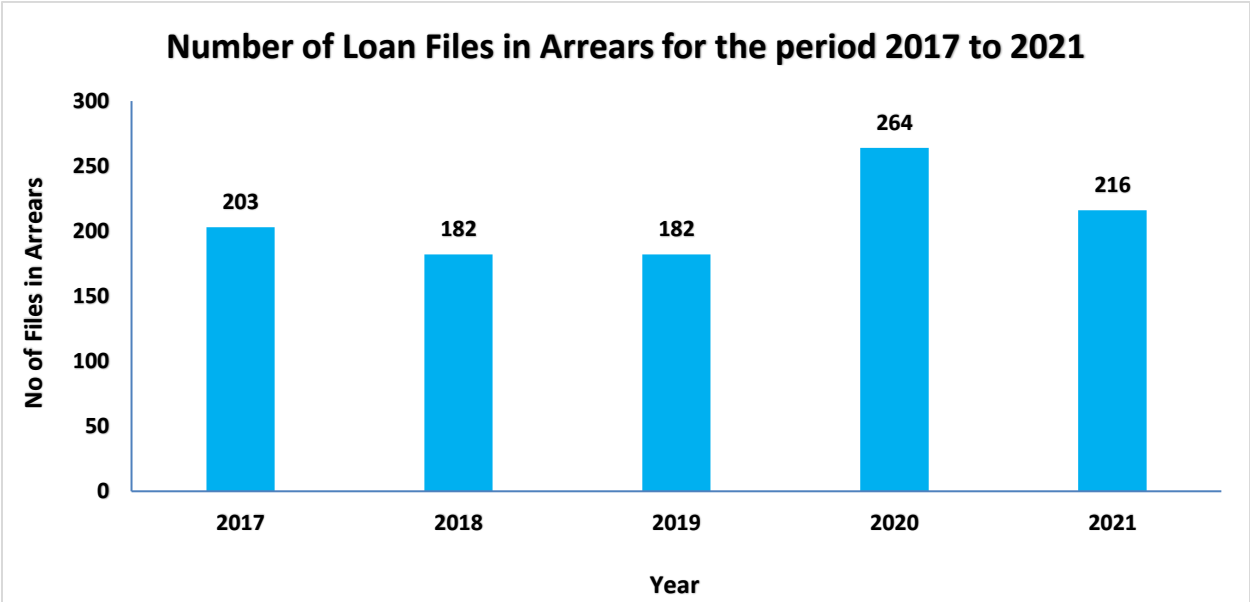
In line with the Financial Institution Act (FIA), the Bank performed in 2021, an exercise was conducted whereby accounts from the active list, of which arrears exceeded 365 days (therefore, being categorized in loss classification), were removed from the Bank's portfolio. The results from the exercise showed a significant decrease in loan arrears. It is to be noted that the Bank continued with its normal procedure to recover the debts i.e., legal actions are still being pursued for these cases.

The graphs below portray the trends in loans in arrears and loan collections for the period 2017 to 2021.

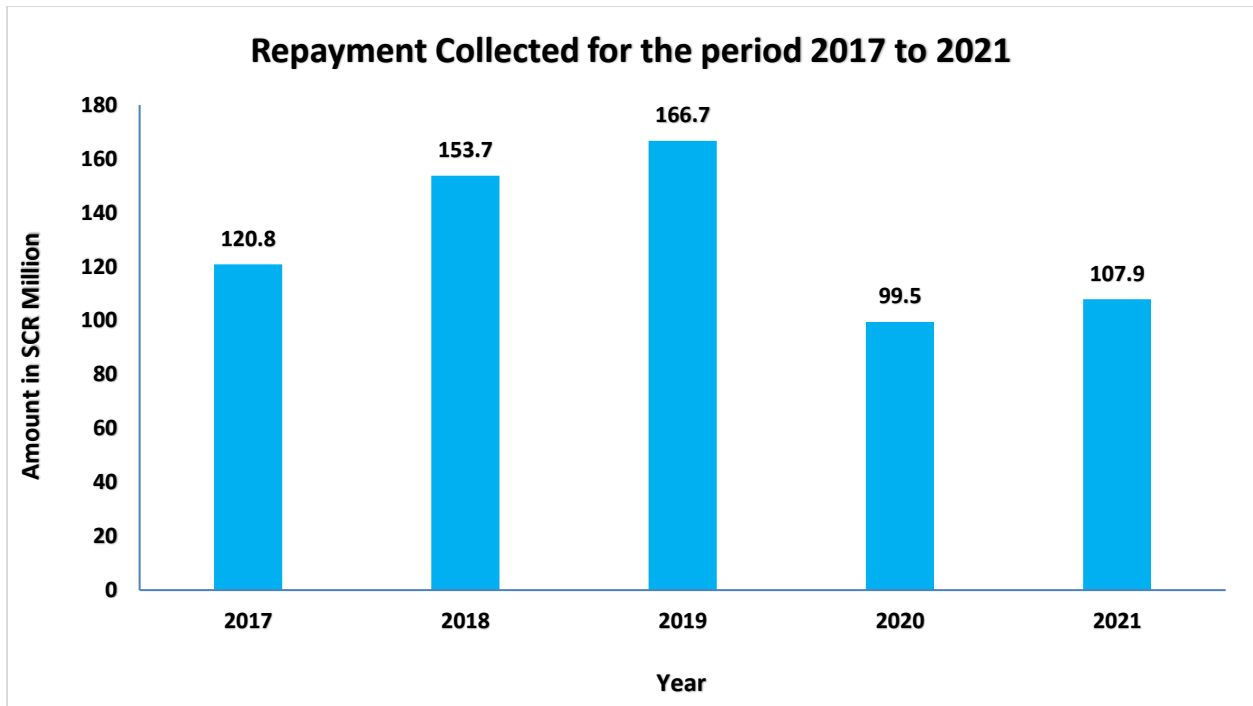
Graph 1: Arrears for the period 2017 to 2021 in terms of value



Graph 2: Number of Loan Files in Arrears for the period 2017 to 2021

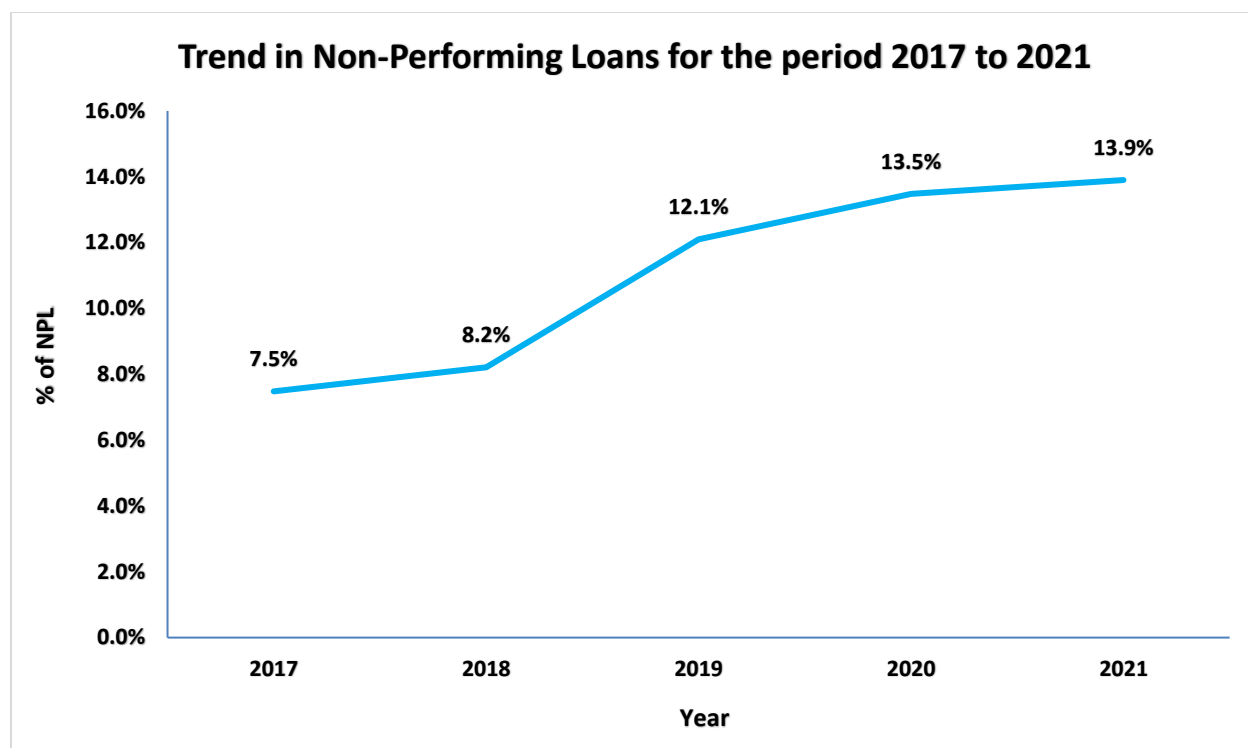


Graph 3: Repayment Collected for the period 2017 to 2021



The Bank recorded a total repayment of SCR 107.9 million for the year 2021 compared to SCR 99.5 million for the year 2020, representing an increase of 8.44%. On average, for the year 2021, the Bank collected SCR 8.99 million per month compared to SCR 8.29 million per month for the previous year. It is to be noted that prior to the Covid-19 pandemic, the Bank's average loan repayment collected was SCR 13.89 million, representing a drop of 35 % during the year 2021.

Graph 4: Non-Performing Loans for the period 2017 to 2021



Although 2021 was another challenging year for the Bank, DBS managed to maintain the NPL ratio below 15%, which satisfied the requirements of the Association of African Development Finance Institutions (AADFI), the Central Bank Seychelles (CBS) and the European Investment Bank (EIB). The non-performing loans (NPL) was slightly increased from 13.5% in 2020 to 13.9% in 2021, representing a slight increase of 0.40 %. The increase was mostly due to the adverse effect of the Covid-19 pandemic on the performance of businesses and moratorium on new business loans imposed by the Bank during the years 2020 and 2021. As a result, the Bank's portfolio became smaller as there was no new lending. Furthermore, a few existing customers paid off their loans, therefore, the total outstanding loan balance was decrease.

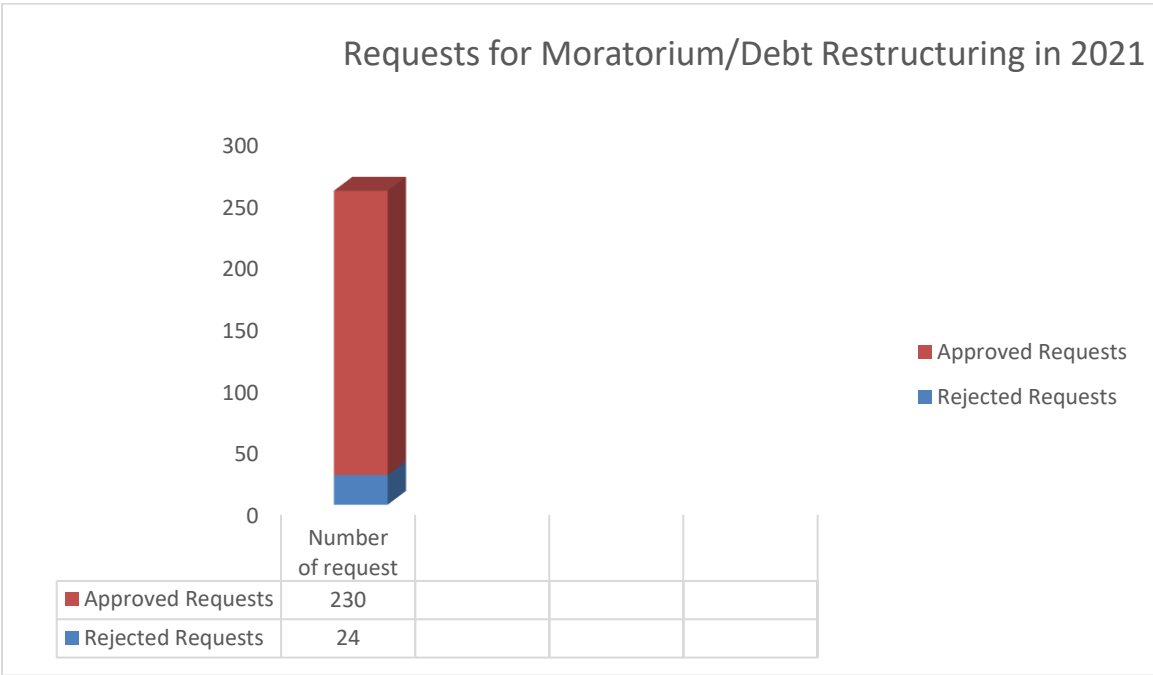
During the year 2021, the Bank continued to administer the relief measures; moratorium on loan repayments and debt restructuring, which was introduced during the year 2020 by the Central Bank of Seychelles (CBS) and the Seychelles Banking Association (SBA).



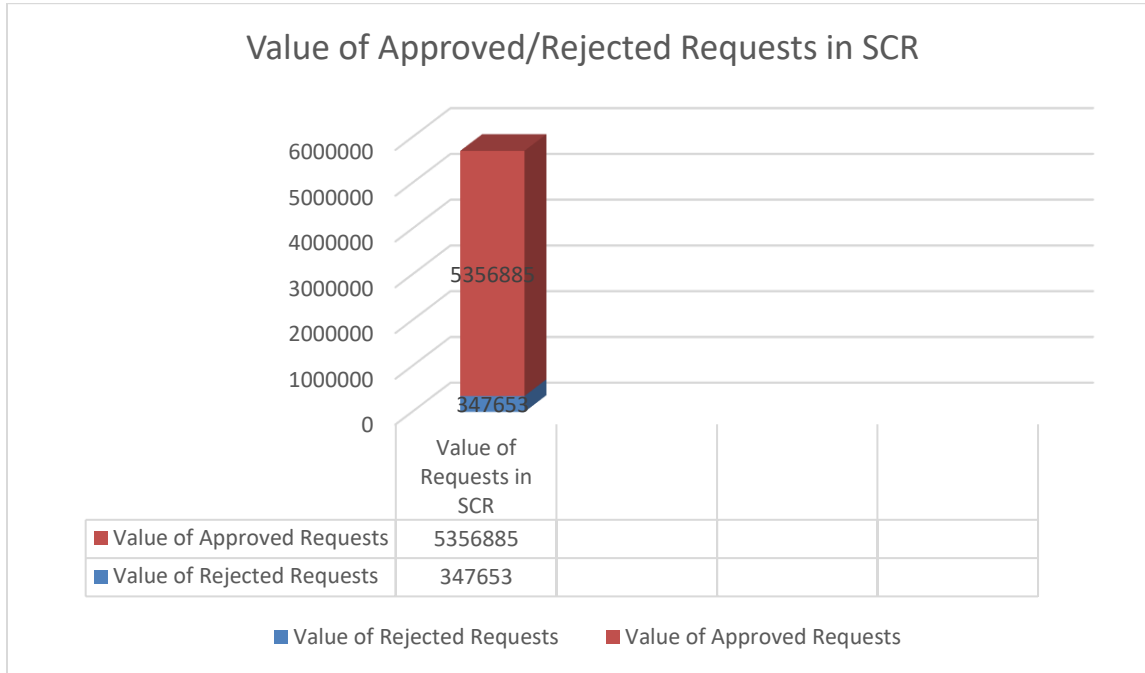
For the period January 2021 to December 2021, a total of 254 requests was received for debt restructuring and moratorium, out of which 230 requests were approved for the value of SCR 5.4 million. As was the case in 2020, moratorium and debt restructuring were considered to sectors more affected by the pandemic. They qualified for a maximum grace period of 6 to 12 months and in some cases loan tenor was extended to 25 years.

The below graphs give statistical details on the requests for assistance.

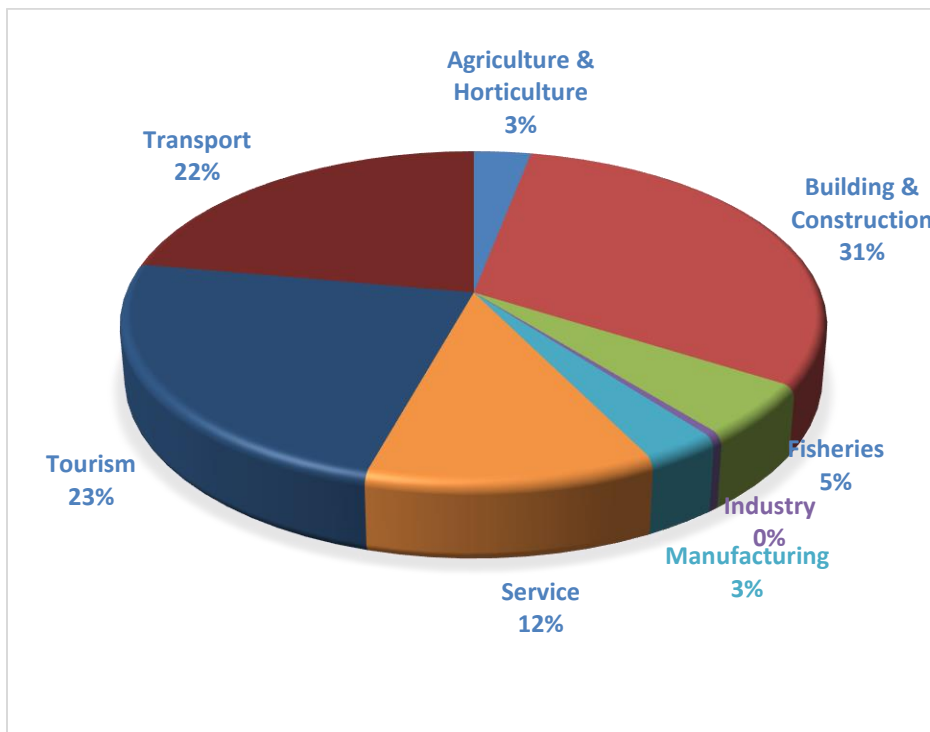
*Graph 5: Number of Approved/Rejected Requests for Moratorium and Debt Restructuring for the period January 2021 to December 2021*



Graph 6: Value of Approved/Rejected Requests for Moratorium and Debt Restructuring for the period January 2021 to December 2021



Graph 6: Percentage of number of approved requests by sector



Businesses from three main sectors required assistance during the year 2021; the Building & Construction Sector (31 %), Tourism Sector (23%), and the Transport Sector (22%).

When compared to statistics of the previous year, this represents 10.71% increase in assistance in the Building and Construction sector, a 1% increase in the Tourism sector and a 22.73% decrease in the Transport sector. It is to be noted that for the year 2020, assistance for the Building and Construction sector was 28%, Transport sector was 27% and the Tourism sector was 22%.

## **HUMAN RESOURCES**

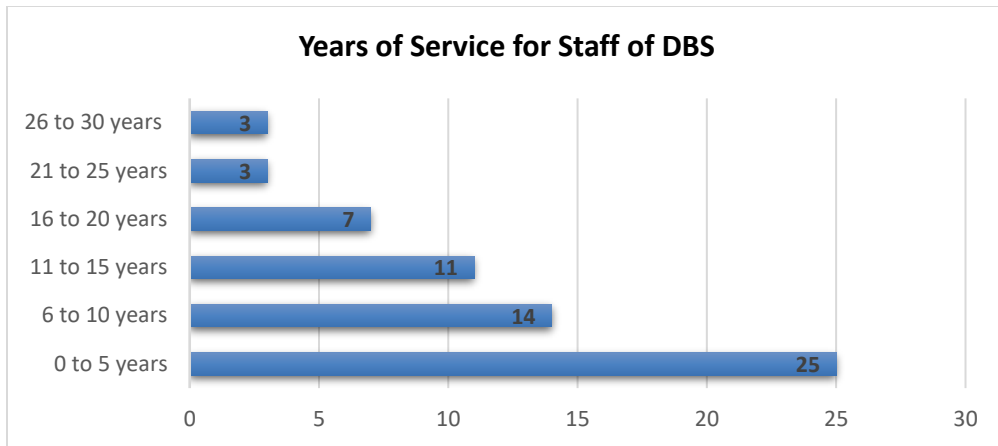
The Corporate Services Department is responsible for attracting and retaining top talent through the adoption and implementation of appropriate human resources strategies. The Department is charged with the responsibility of providing technical and administrative support to the Bank on all matters relating to the management of human resources.

With the COVID-19 pandemic persisting, the Corporate Services Department continued to implement health and safety measures in the workplace to ensure protection of its clients and employees and adherence to guidance/requirements of the Authority responsible for Public Health.

In view that there were restrictions on recruitment of new member of staff, following the instruction from the Government that all State-Owned Enterprise (SOE's) should put a freeze on recruitment and creation of new positions, only two members of staff were recruited in 2021. At the end of December 2021, DBS' workforce comprised of 63 employees. The employee turnover rate in 2021 was 9 %. It is to be noted that five members of staff resigned, and two members of staff retired from employment. There were six members of staff who were promoted to higher positions within the organization.

Albeit the financial difficulty brought about by the pandemic, DBS did its utmost to keep its existing workforce. The bar graph below gives statistics on the years of service of the Bank's workforce.

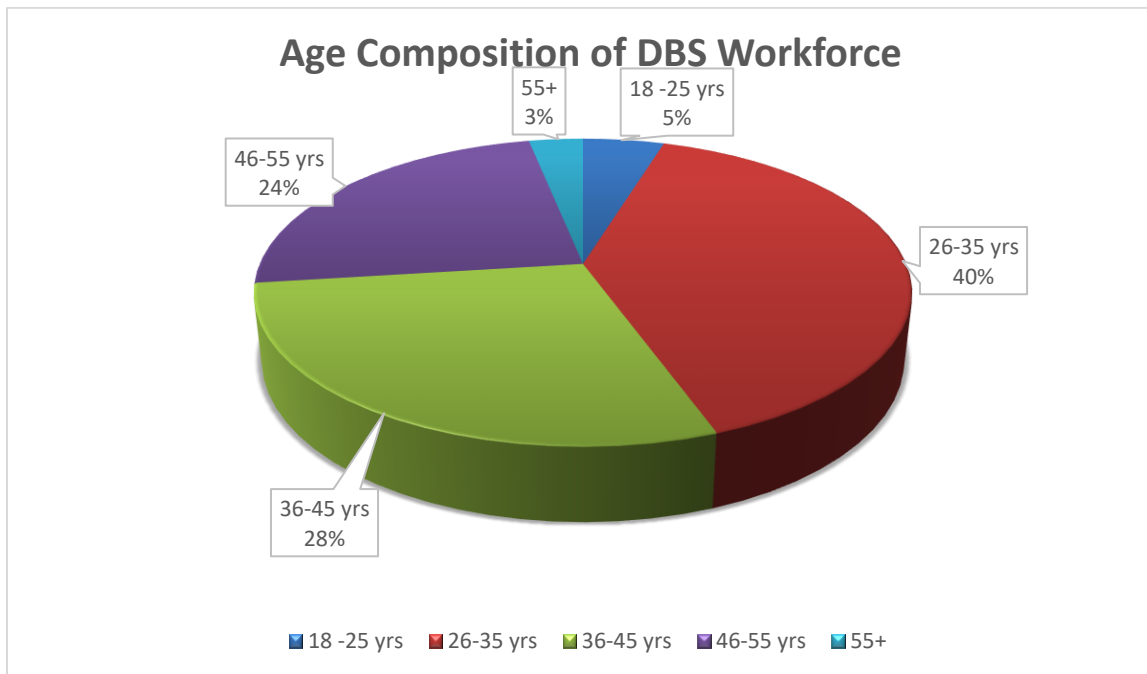
Graph 16: Graph indicating years of service of DBS staff



Nearly 40% of DBS workforce has been in employment with the organization for 10 years or more. There is a good distribution of young and experienced members of staff in DBS workforce.

Below is a graphical representation of the age composition of DBS' workforce.

Chart 2: Age Composition of DBS Workforce



Gender-wise, the Bank’s workforce is largely dominated by female. The female domination of DBS’ workforce is reflected in positions of leadership within the organisation. From January 2021 to August 2021, the Board consisted of seven male and two female board members. The Chairperson was female and vice-chairman was male. In August 2021, a new Board consisting of two female and six male directors was appointed. Prior to August 2021, the management team, consisted of six members, of which four were female. The current Chairperson of the Bank is male, and the current Chief Executive Officer (CEO) is female, both were appointed in August 2021.

The graphs below portray the gender balance in DBS.

Figure 1: DBS Workforce by Gender

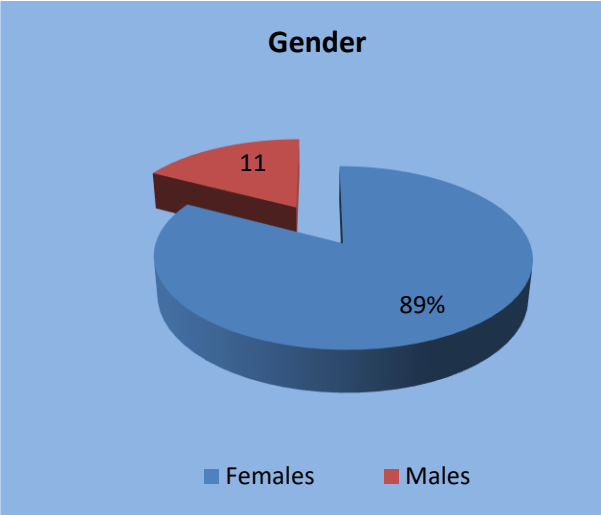
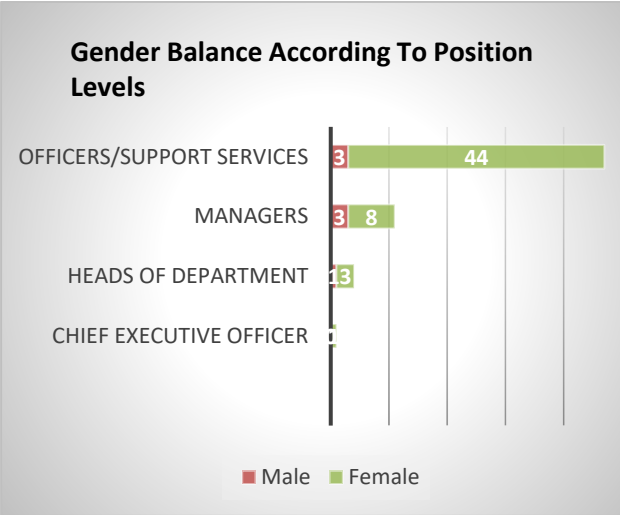


Figure 2: Number of Women in Leadership Position in DBS



**Training**

DBS understand the importance of having a highly trained workforce as it is crucial to the overall performance of the Bank as it allowed members of staff to work more efficiently and effectively. DBS normally organize a series of training for its employees every year. The training scheduled every year included trainings conducted in-house, at local educational institutions, online and overseas for employees at all levels. It also includes training of board members as well. With health

and safety restrictions imposed by the Health Authority, the training plan for the 2021 was disrupted, as was the case in 2020.

*Table 1: Training Offered to DBS staff in 2021*

<b>Training Undertaken by DBS Staff in 2021</b>	
Number of staff attended in-house training	63
Number of staff attending training at local institutions	24
Number of Staff attended training abroad	0
Number of Staff attending training online	5
Number of Staff attended overseas meeting/forum	0

### **Staff Welfare**

The Management of DBS understand the importance of its employees enjoying a very good work-life balance. Therefore, social activities and sport activities are encouraged by the Bank. Under normal circumstances, DBS often organized activities outside of working hours through its social club and sport club. It is recognized that these activities promote teamwork, friendship, unity and harmony amongst members of staff within the organization. They also give management team a chance to interact with their staff in a less formal setting. In 2021, the number of activities organized were limited due to health measures imposed by the Health Authority. However, noting the importance of physical activity and physical exercise during the COVID1-9 pandemic, the Bank organize a few physical activities such as hike, games on the beach and fitness class for its members of staff, after working hours.

## **CORPORATE SOCIAL RESPONSIBILITY**

Despite its financial position being adversely affected by the Covid-19 pandemic, the Bank remained committed in supporting the Community by providing various sponsorships and donations throughout 2021.

Noting the adverse effects of the COVID-19 pandemic on the business community which it serves, the Bank donated SCR 50,000 towards the COVID-19 Relief Fund; an account activated in January 2021 at the Central Bank of Seychelles, whereby, individuals or organizations could make voluntary contributions towards the COVID-19 vaccination campaign.

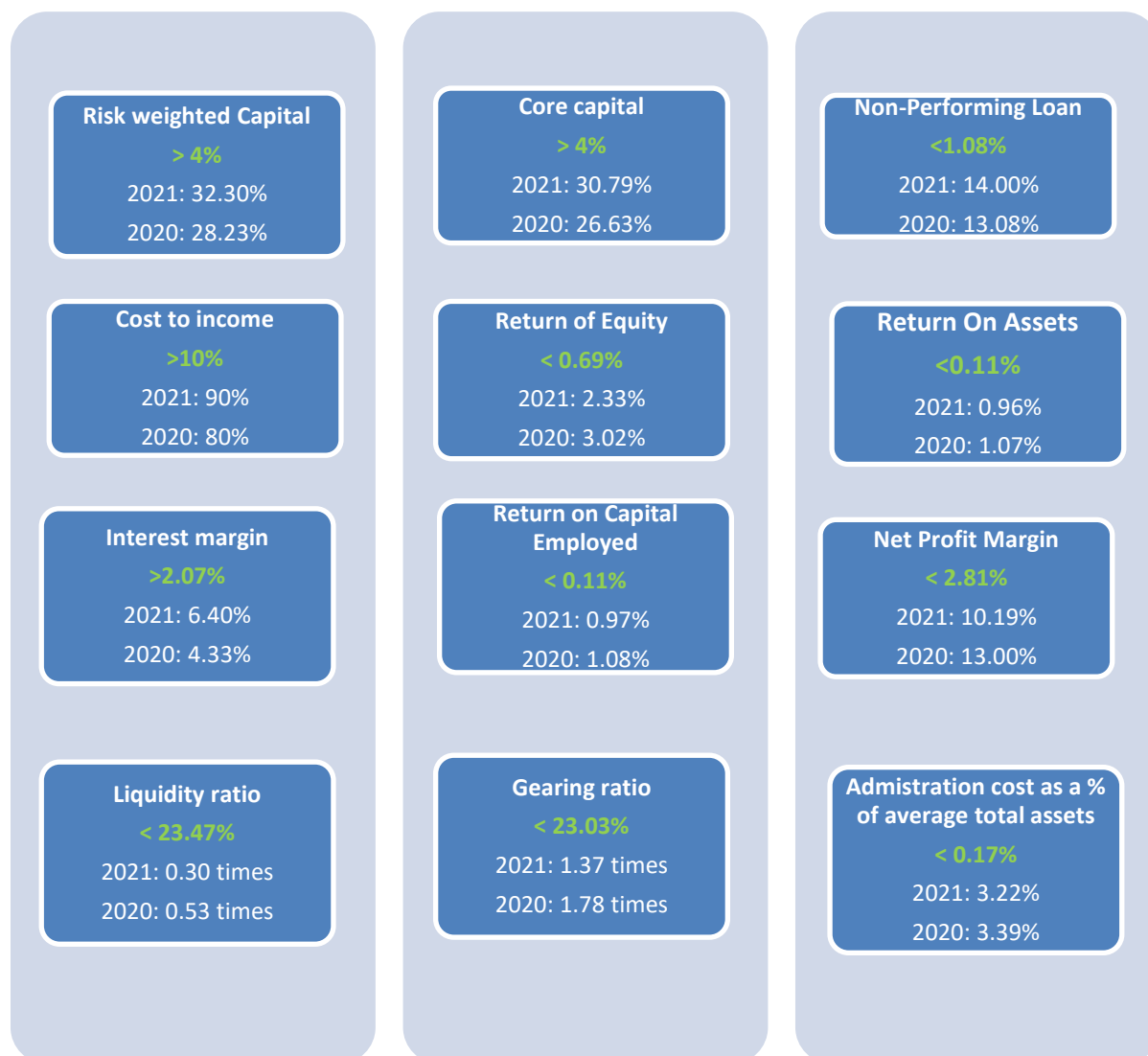
In October 2021, the Bank and its staff also donated SCR 7040 towards a non-profit organization, namely Cancer Concerns Association, which has the objective of educating the public on cancer and to assist and support cancer patients and their families during their times of need.

Throughout the year, the Bank also donated a total of SCR 15,000 towards a home for the elderly (Home of the Elderly at Grand Anse Praslin), which it has adopted in 2018. The donations were in the forms of equipment and food supplies needed by the residents of the home.

## OPERATING & FINANCIAL REVIEW

### FINANCIAL REVIEW

#### Key Performance Indicators



DBS assesses its financial performance using the above KPI which some forms part of Central Bank of Seychelles' guidelines, the prudential guideline of the Association of African Development Finance Institution (AADFI), the DBS Decree and Creditor's financial covenants. The Management ensures that they are on track with the execution of the Bank's strategy to



ensure sustainable returns and at the same time remain relevant with its role and function as per the Decree.

### Summary of income and expenses for the last five years

The financial statements from 2017 - 2021 were prepared in accordance with the requirement of the DBS Decree 1977, International Financial Reporting Standards (IFRS), the Financial Institution Act 2004, as amended, the Financial Institution (Application of Act) regulations, 2010 and the regulations and directives of Central Bank of Seychelles.

Table 2: Financial Statements for the year 2017 to 2021

<b>For the year ended 31<sup>st</sup> December</b>	<b>2017 SCR m</b>	<b>2018 SCR m</b>	<b>2019 SCR m</b>	<b>2020 SCR m</b>	<b>2021 SCR m</b>
Operating income	81.71	93.31	89.55	87.38	92.41
Interest expenses	(37.82)	(40.34)	(39.29)	(34.89)	(23.81)
Operating expenses	(24.37)	(26.65)	(32.01)	(31.01)	(28.98)
Profit/(loss) on exchange	1.36	0.17	(0.15)	6.15	(7.07)
Allowance for credit impairment	(3.35)	1.70	(11.01)	(12.77)	(20.55)
Depreciation of property and equipment / amortization of intangible assets	(1.72)	(1.74)	(2.03)	(3.94)	(3.27)
<b>Profit / (Loss) for the year</b>	<b>15.82</b>	<b>26.45</b>	<b>5.06</b>	<b>10.92</b>	<b>8.71</b>

### Profitability

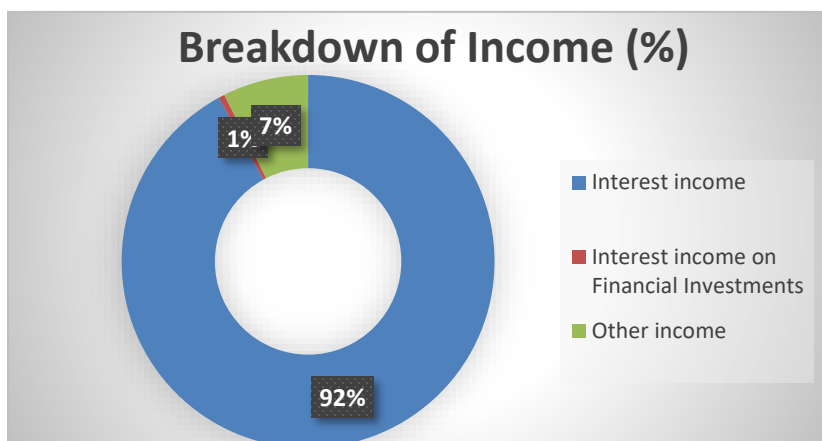
In 2021, DBS achieved a profit of SCR 8.71 million which represented a slight decrease of 20% compared to the previous year. This was mainly due to an increase in credit impairment of SCR 20.55 and on foreign exchange loss of SCR 7.07 million.

### Income

The operating income in 2021 increased by SCR 5 million, which represented an increase of 6% from the previous year's performance. DBS was charging interest rate on DBS Scheme in the range of 7.50% to 12%. The SME scheme offers interest rates of 10.00% to 11.75% and is subsidized by the Government of Seychelles; borrowers are charged 5% on the first million and 7% on the remaining.

The graph below shows the breakdown of operating income.

Chart 1: Breakdown of Income in Percentage



DBS main activity is providing financing to the productive sectors of the Seychelles economy. Therefore, its main income is generated from interest on loans which represents 92% of total income (2020: 93%). For 2021, interest income was SCR 85.55 million (2020: SCR 81.25 million) this represents 5% increase compared to previous year. The main reason for the increase was due to the increase in tourist arrival stimulating economic activities despite the country still recuperating from the adverse effect of the COVID-19 pandemic. The Bank is no longer accepting requests for additional re-scheduling of loans, and it has been observed that are slowly picking up on the payment of their loans.

DBS normally invests excess cash in short term fixed deposit with the Commercial Banks or short-term securities with the Central Bank of Seychelles. However, with slower clients' repayments, the Bank were encountering liquidity problems, thus invested less than the prior year. Therefore, interests earned on Bank deposits and short-term securities were SCR 0.48 million (2020: SCR 1.71 million) which represent a significant decrease of 72%.

Other income is mainly fees that DBS charges for its services. This includes management fees for the funds that the Bank manages on behalf of Government and other Agencies, application fees, re-scheduling fees, capitalization fees etc. In 2021, the other income was SCR 6.86 million (2020: SCR 6.12 million) representing 7% of the total income.

## Expenses

DBS recorded interest expenses amounting to SCR 23.81 million in 2021 (2020: SCR 34.88 million). This represents 32% decrease compared to previous year. Borrowing rates can be found at Note 13 of the Audited account on page 35. Operating expenses of SCR 32.26 million which include staff costs, administrative expenses and other costs went down by 7.7% compared to previous years (2020: SCR 34.95 million).

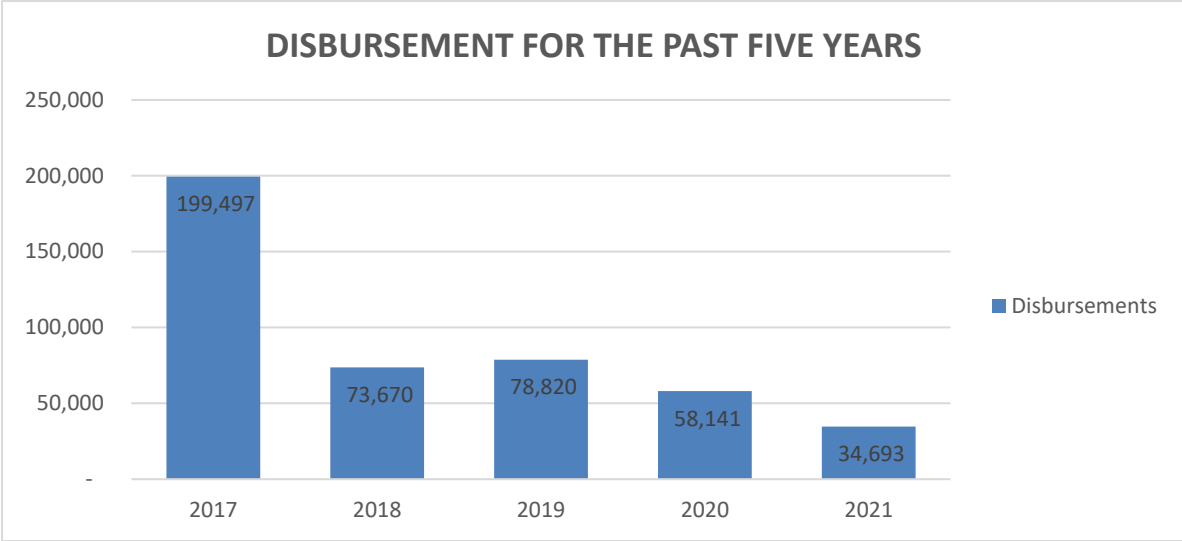
Provisions for credit impairment net of bad debts recovered and expected loss on cash amounted to SCR20.55 million. This represents an increase 60.91% compared to previous year (2020: SCR 12.77 million. (The breakdown of this cost can be seen at note 6.1 of the audited account page 30).

## Financial Position

The year 2021 was a challenging year for the Bank as was the case for the year 2020. However, the successful Government's vaccination campaign against COVID-19 and its decision to re-open the country's borders enabled the country's economic activities to gradually resume, resulting to slow and fragile economic recovery. Subsequently, DBS experienced a slight increase in loan repayments by clients and a reduction in the requests for loan re-scheduling was observed. Though, it impacted positively on DBS cashflow, the Bank's liquidity position remained in a fragile state. The Bank maintained the decisions taken end of March 2020 to implement restrictive measures, which included restriction of disbursement of loans to SCR 4 million per month, freeze on approval on new loans and halt on purchase of capital expenditure. During the year 2021, the Bank disbursed only SCR34.69million (2020: SCR 58.14 million) which represented a decrease of 50% compared to the previous year. The loans commitments at the end of 2020 were SCR 77.61 million (2020: SCR 112.74 million).

The graph below shows the level of disbursement for the last five years.

Graph 7: Disbursement from 2017 to 2021



The total repayments received from clients were SCR 107.95 million (2020: SCR 102.41 million) and Debt capital raised SCR 130 million; of which includes SCR 95.0 million being advances from Government. The Bank were able to meet all its financial obligation including payment relating to Bond of SCR 50 million which matured during 2021.

**Funding**

DBS raised funds through borrowings to meet its commitments for the year 2021. The Bank normally looks for concessionary lines of credit and bonds issuance on the local market or from overseas credit provider to on-lend at affordable rate of interest. Funds raised was SCR 130 million of which includes SCR95.0 million being Government advances and loan of SCR 35.0 million from ABSA.

## Summary Statements of Financial Position for The Last Five Years

For the year ended 31 <sup>st</sup> December	2017 SCR m	2018 SCR m	2019 SCR m	2020 SCR m	2021 SCR m
<b>Assets</b>					
Cash and Bank Balances/maturity investment	158.99	134.03	149.24	87.45	60.40
Other assets	20.37	24.88	29.55	67.20	18.43
Loans and advances	885.15	870.99	835.47	834.17	787.51
Tangible & Intangible assets	18.54	22.16	22.25	35.04	39.71
<b>Total Assets</b>	<b>1,083.05</b>	<b>1,052.06</b>	<b>1,036.51</b>	<b>1,023.86</b>	<b>906.05</b>
<b>Liabilities</b>					
Other liabilities	8.89	10.48	11.74	12.14	18.02
Borrowings & DBS Bonds	747.67	685.44	667.52	643.13	510.12
Funds Under Management	10.21	10.49	8.66	6.68	4.44
	<b>766.77</b>	<b>706.41</b>	<b>687.92</b>	<b>661.95</b>	<b>532.58</b>
<b>Equity</b>					
Share capital	39.20	39.20	39.20	39.20	39.20
Reserves	58.56	63.39	63.39	65.79	68.64
Retained earnings	218.52	243.06	246.00	256.92	265.63
	<b>316.29</b>	<b>345.65</b>	<b>348.59</b>	<b>361.91</b>	<b>373.47</b>
<b>Total Liability and equity</b>	<b>1,083.05</b>	<b>1,052.06</b>	<b>1,036.51</b>	<b>1,023.86</b>	<b>906.05</b>

The total assets of SCR 906.04 million shows a decrease of 12% (2020: SCR 1.023 billion). The decrease was mainly attributed to the depreciated value by 6% of Loan Asset in view of the freeze on lending and decrease of 27% in cash and cash equivalent. As mentioned earlier, in 2021 DBS had to pay SCR 50 million bond payment, in addition, to the monthly borrowing commitments which average to SCR 13 million per month.

The total liabilities of SCR 532.57 million shows a decrease of 20% (2020: SCR 661.95). The decrease is attributed to the decrease in borrowings given that DBS managed to meet all its obligations on time. It is also attributed to the 'funds under management' which are basically funds which the Bank managed on behalf of the Government and other agencies. The latter has decreased by 34%.

On equity side, there were no increase in share capital. The Reserves of SCR 68.64 million increased by 12% (2020: SCR 65.79 million) due to revaluation of asset. The retained earnings increase by 3% due to the profit made in 2021.

## **DIRECTORS REPORT & FINANCIAL STATEMENTS**



# DEVELOPMENT BANK OF SEYCHELLES

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Tel: 4294400, Fax:4224274, E-mail: devbank@dbs.sc, Web: www.dbs.sc

*Please address all correspondence to Chief Executive Officer*

**DIRECTORS REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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# DEVELOPMENT BANK OF SEYCHELLES

## DIRECTOR'S REPORT

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The directors have pleasure in submitting their report on the financial statements of Development Bank of Seychelles (the "Bank" or "DBS" for the year ended December 31, 2021).

### Principal activities

The principal activities of the Bank are:

- to establish, maintain, develop or re-organise or to assist in or promote the establishment, maintenance, development or reorganisation of any industry; to establish, maintain or develop;
- or to assist in or promote the establishment, maintenance or development of, money or capital markets in the Seychelles; and
- to co-operate with other institutions and organisations, whether public or private, national or international, which wish to further any of the purposes referred to in section (4) of the Development Bank of Seychelles Decree 1977.

There has been no change in the nature of this activity for the financial year under review.

### Results for the year

	<u>SCR</u>
Profit for the year	8,713,871
Dividend paid during the year	-
Retained earnings brought forward	256,917,088
Retained earnings carried forward	265,630,959

### Dividends

The Bank did not declare any dividend for the year 2021 (2020: Nil).

### Property and equipment, and investment property

Additions to property and equipment during the year amounted to SCR 99,979 comprised of purchase of equipment and furniture fittings. Additions to investment property is due to the revaluation surplus on lands amounting to SCR 2,257,411.

Property and equipment, and investment properties are stated at revalued value or historical cost less accumulated depreciation. The Directors are of the opinion that the carrying amount of the assets approximate their fair value and do not require any adjustments for impairment.

### Statement of Directors' Responsibilities

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

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the Financial Institutions Act 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles and the Development Bank of Seychelles Decree 1977. 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 Board of Directors have the general responsibility of safeguarding the assets, both owned by the Bank and those that are held in trust and used by the Bank.

The Board takes note that prior to declaration of dividends, authority should be sought from the Central Bank under section 31.

The Board considers that they have met their aforesaid responsibilities.

**DEVELOPMENT BANK OF SEYCHELLES**  
**DIRECTOR'S REPORT**

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**Directors and their interest in the Bank**

The Directors of the bank during the year and their interests were as follows:-

Norman Weber	:	Chairperson (appointed effective 1st August 2021)
Dick Labonte	:	Vice-Chairperson (appointed effective 1st August 2021)
Jean Preira	:	Director (appointed effective 1st August 2021)
David Jean-Baptiste	:	Director (appointed effective 1st August 2021)
Darrel Uranie	:	Director (appointed effective 1st August 2021)
Philippa Samson	:	Director (appointed effective 1st August 2021)
Rupert Simeon	:	Director
Ashwin Bhanderi	:	Director
Brenda Bastienne	:	Chairperson (resigned on 30th July 2021)
Brian Charlette	:	Vice-Chairperson (resigned on 30th July 2021)
Daniel Gappy	:	Director (resigned on 30th July 2021)
Ina Barbe	:	Director (resigned on 30th July 2021)
Marc Naiken	:	Director (resigned on 30th July 2021)
Roy Clarisse	:	Director (resigned on 30th July 2021)

All directors of the Bank are citizens of Seychelles.

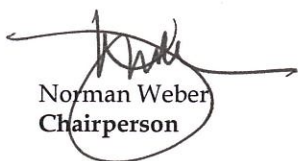
No directors held any interest, directly or indirectly in the equity of the Bank.

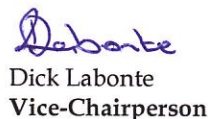
No contract of significance subsisted with the Bank at any time during the year in which the directors had directly or indirectly, a material interest.

**Auditors**

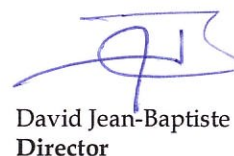
The retiring auditors are Pool & Patel who are eligible for re-appointment.

**Board Approval**

  
Norman Weber  
Chairperson

  
Dick Labonte  
Vice-Chairperson

  
Jean Preira  
Director

  
David Jean-Baptiste  
Director

  
Rupert Simeon  
Director

  
Darrel Uranie  
Director

  
Philippa Samson  
Director

  
Ashwin Bhanderi  
Director

Date : 22 April 2022

**TO THE SHAREHOLDERS OF DEVELOPMENT BANK OF SEYCHELLES**  
**Report on the audit of the financial statements**

**Opinion**

We have audited the accompanying financial statements of "Development Bank of Seychelles" set out on pages 6 to 44, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and a five-year financial summary.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with the, financial reporting provisions of International Financial Reporting Standards "IFRS's", Development Bank of Seychelles Decree 1977, Public Enterprise Monitoring Commission Act, 2013, Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles.

**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. 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 the audit of our 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

➤ *Impairment allowance for loans and advances:*

Our audit considered impairment allowance for loans and advances as a key audit matter. The materiality of the reported amounts for financial assets (and impairment allowance thereof), the subjectivity associated with Management's impairment estimation underpinned our basis for considering it as a key audit matter.

The estimation of impairment allowance for financial assets involved complex manual calculations. Significant estimates and assumptions used by the Management in such calculations are disclosed in Notes 04.

To assess the reasonableness of the impairment allowance, our audit procedures (among others) were designed to obtain sufficient and appropriate audit evidences, included the following:

**TO THE SHAREHOLDERS OF DEVELOPMENT BANK OF SEYCHELLES**  
**Report on the audit of the financial statements (cont...)**

**Key audit matters (cont...)**

- We evaluated design effectiveness of controls over estimation of impairment of financial assets, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and Management.
- We test-checked the underlying calculations and data.
- We assessed the completeness of the underlying information in financial assets used in the impairment calculations by agreeing details to the Bank's source documents and information in information technology system (IT).
- We assessed Management's key assumptions, such as: definition of default, probability of default ("PD"), significant increases in credit risk and the staging applied by Management.
- We performed procedures to ensure the competence, objectivity and independence of the Bank's Consultant.
- We assessed the adequacy of the related financial statement disclosures as set out in Note 06.

**Responsibilities of Management and those charged with governance for the financial statements**

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, Development Bank of Seychelles Decree 1977, Public Enterprise Monitoring Commission Act, 2013, Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles, and for such internal control as the management 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 Management is 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 Management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

**TO THE SHAREHOLDERS OF DEVELOPMENT BANK OF SEYCHELLES**  
**Report on the audit of the financial statements (cont...)**

**Auditor's responsibilities for the audit of the financial statements (cont...)**

- 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 management.
- Conclude on the appropriateness of Management 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 regulatory requirements**

**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.

**Public Enterprise Monitoring Commission Act, 2013**

We confirm that we have obtained all the information and explanations necessary for the performance of our audit and are satisfied with the information obtained and, in our opinion, proper books of accounting have been kept by the Bank based on our examination of those records.

ACCA membership number of the engagement partner responsible for signing this independent auditors' report is 2673981.

*Pool. Patel*  
POOL & PATEL  
CHARTERED ACCOUNTANTS  
Date : 22 April 2022

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# DEVELOPMENT BANK OF SEYCHELLES

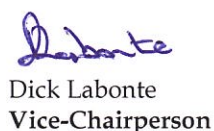
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31,

Financial statements are prepared in Seychelles Rupees

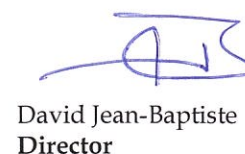
	Note	2021	2020
<b>Assets</b>			
Cash and cash equivalent	5	53,056,926	72,335,431
Loans and advances	6	787,504,042	834,167,598
Maturity investments	7	7,334,750	15,113,472
Other assets	8	18,435,765	67,196,617
Property and equipment	9	26,279,864	25,724,873
Investment property	10	11,355,610	9,098,199
Intangible assets	11	250,046	45,751
Right to use asset	12	1,821,479	175,367
<b>Total assets</b>		<b>906,038,482</b>	<b>1,023,857,308</b>
<b>Liabilities</b>			
Borrowings	13	409,419,155	491,950,783
DBS bonds	14	100,702,052	151,174,658
Lease liability	15	1,912,003	197,781
Funds under management	16	4,438,655	6,682,256
Other liabilities	17	9,146,780	3,972,010
Compensation benefit obligations	18	6,948,876	7,972,365
<b>Total liabilities</b>		<b>532,567,521</b>	<b>661,949,853</b>
<b>Equity</b>			
Share capital	19	39,200,000	39,200,000
Contingent reserve	20	41,385,321	41,385,321
Revaluation reserve		27,254,681	24,405,046
Retained earnings		265,630,959	256,917,088
<b>Total equity</b>		<b>373,470,961</b>	<b>361,907,455</b>
<b>Total liabilities and equity</b>		<b>906,038,482</b>	<b>1,023,857,308</b>

The notes on pages 10 to 44 are an integral part of these financial statements.

  
Norman Weber  
Chairperson

  
Dick Labonte  
Vice-Chairperson

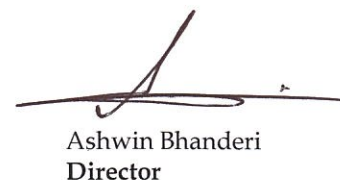
  
Jean Preira  
Director

  
David Jean-Baptiste  
Director

  
Rupert Simeon  
Director

  
Darrel Uranie  
Director

  
Philippa Samson  
Director

  
Ashwin Bhanderi  
Director

Date : 22 April 2022

**DEVELOPMENT BANK OF SEYCHELLES****STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31,**

Financial statements are prepared in Seychelles Rupees

	Note	2021	2020
Interest income	21	85,546,333	81,253,866
Interest expense	22	(23,812,819)	(34,886,470)
<b>Net interest income</b>		<b>61,733,514</b>	<b>46,367,396</b>
Other income	23	6,860,273	6,124,543
Net foreign exchange (loss)/profit		(7,070,774)	6,145,512
		<b>61,523,013</b>	<b>58,637,451</b>
<b>Non-interest expense</b>			
Employee benefit expenses	24	(20,146,668)	(21,649,936)
Depreciation		(2,028,407)	(2,284,931)
Amortisation		(30,231)	(56,277)
Administrative expenses	25	(8,599,975)	(9,175,111)
Amortisation of right to use assets		(1,214,351)	(1,595,626)
Interest cost on lease liability		(237,524)	(188,346)
<b>Total operating expenses</b>		<b>(32,257,156)</b>	<b>(34,950,227)</b>
<b>Profit from operations</b>		<b>29,265,857</b>	<b>23,687,224</b>
Provision for credit impairment		(20,551,986)	(12,772,175)
<b>Profit from continuing operations</b>		<b>8,713,871</b>	<b>10,915,049</b>
<b>Other comprehensive income</b>			
Revaluation of land and building		2,257,411	2,404,212
Adjustments to revaluations		592,224	-
<b>Total other comprehensive income for the year</b>		<b>2,849,635</b>	<b>2,404,212</b>
<b>Total comprehensive income for the year</b>		<b>11,563,506</b>	<b>13,319,261</b>

The notes on pages 10 to 44 are an integral part of these financial statements.



**DEVELOPMENT BANK OF SEYCHELLES****STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2021**

Financial statements are prepared in Seychelles Rupees

	Share capital	Contingent reserve	Revaluation reserve	Retained earnings	Total
Balance at December 31, 2019	39,200,000	41,385,321	22,000,834	246,002,039	348,588,194
Profit for the year	-	-	-	10,915,049	10,915,049
Revaluation surplus	-	-	2,404,212	-	2,404,212
Dividend paid during the year	-	-	-	-	-
Balance at December 31, 2020	39,200,000	41,385,321	24,405,046	256,917,088	361,907,455
Profit for the year	-	-	-	8,713,871	8,713,871
Revaluation surplus	-	-	2,257,411	-	2,257,411
Adjustments to revaluations	-	-	592,224	-	592,224
Dividend paid during the year	-	-	-	-	-
Balance at December 31, 2021	39,200,000	41,385,321	27,254,681	265,630,959	373,470,961

The notes on pages 10 to 44 are an integral part of these financial statements.

# DEVELOPMENT BANK OF SEYCHELLES

## STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31,

Financial statements are prepared in Seychelles Rupees

	2021	2020
<b>Operating activities</b>		
Profit for the year	8,713,871	10,915,049
<i>Adjustments for:</i>		
Depreciation and Amortisation	3,272,989	3,936,834
Loss on disposal of equipment and right of use	-	320,110
Allowance for credit impairment	20,551,986	12,772,175
Provision for benefit obligations	2,630,996	3,132,064
Net interest on financial instruments	23,812,819	34,886,470
Foreign exchange loss/(gain) on borrowings	(70,481,990)	62,591,493
Net foreign exchange difference	7,070,774	(6,145,512)
Interest cost on lease liability	237,524	188,346
<b>Operating profit before working capital changes</b>	<b>(4,191,031)</b>	<b>122,597,029</b>
<b>Changes in working capital</b>		
Decrease/(increase) in loans and advances	26,111,570	(11,469,665)
Decrease/(increase) in other assets	48,760,852	(44,143,736)
Decrease in funds under management	(2,243,601)	(1,978,666)
Increase in other liabilities	5,174,770	1,325,300
<b>Net cash generated from operations</b>	<b>73,612,560</b>	<b>66,330,262</b>
<b>Compensations paid</b>	<b>(3,654,485)</b>	<b>(2,245,718)</b>
<b>Net cash inflow from operating activities</b>	<b>69,958,075</b>	<b>64,084,544</b>
<b>Investing activities</b>		
Purchase of intangible assets	(234,526)	(39,100)
Purchase of equipment	(99,979)	(7,995,665)
Investment in financial assets at amortised costs	(7,662,539)	(15,113,472)
Proceeds from redemption of financial assets at amortised costs	15,441,261	28,082,766
<b>Net cash inflow from investing activities</b>	<b>7,444,217</b>	<b>4,934,529</b>
<b>Financing activities</b>		
Proceeds from borrowings	130,000,000	154,011,587
Interest paid	(24,637,735)	(35,662,341)
Repayment of borrowings	(141,697,328)	(90,225,383)
Bonds redeemed	(50,000,000)	(150,000,000)
Payment of lease rentals	(1,383,765)	(1,828,074)
Dividend paid	-	-
<b>Net cash outflow from financing activities</b>	<b>(87,718,828)</b>	<b>(123,704,211)</b>
<b>Net change in cash and cash equivalents</b>	<b>(10,316,536)</b>	<b>(54,685,138)</b>
<b>Movement in cash and cash equivalents</b>		
As at January 1,	72,335,431	121,160,030
Net decrease in cash and cash equivalent	(10,316,536)	(54,685,138)
Net foreign exchange difference	(8,961,969)	5,860,539
<b>At December 31,</b>	<b>53,056,926</b>	<b>72,335,431</b>

The notes on pages 10 to 44 are an integral part of these financial statements.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 1 General information

The Development Bank of Seychelles established in 1977 under the Development Bank of Seychelles Decree as a corporate body. The principal activities of the bank are as stated on page 1 of the Directors' Report. The principal place of business is situated at the Independence Avenue, Victoria, Mahe, Seychelles.

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

### 2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), Development Bank of Seychelles Decree 1977, Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4. (Critical accounting estimates and judgements.) The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### 2.1.1 New accounting standards/amendments to published Standards issued but not effective at reporting date

The following new standards or amendments to standards (With early adoption permitted) which have been issued but not yet effective at the reporting date have not been applied in preparing these financial statements. The Directors are assessing the impact on the bank's financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform
- Amendments to IAS 37-Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IAS 16-Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to IFRS 3-Reference to the Conceptual Framework.
- Amendments to IAS 1-Classification of liabilities as current or non-current.
- IFRS 17 - Insurance contracts

##### 2.1.2 New accounting standards/amendments to published Standards issued and effective at reporting date

A number of new standards or amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the bank has not early adopted them in preparing these financial statements. The following amended/new standards have not, and are not expected to have, a material impact on the Bank in the current year or future reporting periods and on foreseeable future transactions.

- Amendment to IFRS 16-COVID-19-Related Rent Concessions
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' – Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 17: – Profit rate benchmark reform
- Amendments to the Conceptual framework
- Amendments to IFRS 4:-Extension of the Temporary Exemption from Applying IFRS 9

#### 2.1.3 Comparative information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

### 2.2 Financial instruments

#### 2.2.1 Classification and measurement of financial assets and financial liabilities

Financial assets are classified into one of the categories discussed below,

- measured at amortised cost,
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL)

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where host is a financial asset in the scope of the standard, are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

#### *Business model assessment*

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect the contractual cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model.

#### *Solely payments of principal and interest test*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through Statement of Profit and Loss.

The Bank reclassifies its financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period under review.

The Bank holds loans and advances, maturity investments and other short term investments to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding and are categorised at amortised cost.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.2.1 Classification and measurement of financial assets and financial liabilities (cont...)

##### *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

##### *Debt instruments measured at FVOCI*

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The financial statement do not include any FVOCI investments

##### *Equity investments*

Investments in equity instruments are always measured at fair value.

For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in OCI. There is no recycling of amounts from OCI to profit and loss (for example, on sale of an equity investment), nor are there any impairment requirements. However, the entity might transfer the cumulative gain or loss within equity. All the equity instrument for which the irrevocable option is not made are measured at fair value through profit or loss.

The financial statement do not include any equity investments

##### *Other*

All other financial assets are classified as financial assets measured at FVTPL.

#### 2.2.2 Impairment of financial assets

The impairment is calculated with a forward-looking "Expected Credit Loss" (ECL) model and the model applies to financial assets that are not measured at FVTPL, including financing contracts, certain loan commitments and financial guarantee contracts and all other debt securities. ECL does not apply to equity investments which need to be measured at fair value.

##### *Determining the stage of impairment*

Under ECL model the Bank uses a dual measurement approach, under which the loss allowance is measured as either 12-month ECL or lifetime ECL. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition.

The Bank applies three-stage approach to measuring ECL on financing contracts and other financial assets measured at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

##### Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.2.2 Financial instruments / Impairment of financial assets (cont...)

##### Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

##### Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as collective or individual basis and financing revenue is calculated by applying effective profit rate to the amortised cost (net of provision) rather than the gross carrying amount.

When determining whether credit risk on a financial asset has increased significantly since the initial recognition, the Bank considers both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit risk assessment, including forward-looking information.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is equal or more than 30 days past due. Where there is a significant increase in credit risk the Bank uses lifetime ECL model to assess loss allowances instead of 12-month ECL model.

The Bank considers that a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

#### *Calculation of expected credit loss*

##### *Loans and advances*

ECL is calculated using three main components: i.e., a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are generally derived from internally developed statistical models combined with historical, current and forward-looking customer and macro-economic data.

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

' - EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The ECL is determined by projecting the PD, EAD and LGD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.2.2 Financial instruments / Impairment of financial assets (cont...)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band and supported by historical analysis.

- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- The 12-months ECL is equal to the discounted sum over the next 12-months of monthly PD multiply by LGD and EAD.

- Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiply by LGD and EAD.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

#### Incorporation of forward-looking information

The Bank has established procedures to consider a range of relevant forward-looking macro- economic assumptions for the determination of unbiased general sector / industry adjustments and any related specific sector/ industry adjustments that support the calculation of ECLs. Macro-economic factors taken into consideration include but not limited to unemployment, interest rates, gross domestic product, inflation and commercial property prices and require an evaluation of both the current and forecast direction of the macro-economic cycle. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

#### Modifications of financial assets

The Bank sometimes renegotiates or otherwise the contractual cash flow of financing contracts. When this happens, the Bank assesses whether or not the terms are substantially different to the original terms, amongst others.

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 profit rate for the asset. 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 as a gain or loss on derecognition.

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 profit rate (or credit-adjusted effective profit rate for purchased or originated credit- impaired financial assets).

The Bank observes a minimum probationary period of six months to confirm if the risk of default has decreased significantly before upgrading exposures within stages, i.e. from stage 3 to stage 2 or stage 2 to stage 1.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.2 Financial Instruments (cont...)

##### *Collateral repossessed*

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

##### *Financial assets measured at amortised cost other than loans and advances*

The model of ECL applies to other financial assets measured at amortised cost as well. The Bank had not calculated any ECL on other financial assets measured at amortised cost, due to no loss events noted in the past periods as well as based on available information, there is unlikely to have any loss due to default, therefore impairment loss for other financial assets measured at amortised cost has been estimated to be nil.

##### *Write-off*

The gross carrying amount of a financial asset is written off when the Bank has no reasonable expectations of recovering a financial in its entirety or a portion thereof. The Bank has a policy of writing off the gross carrying amount when the financial asset is 365 days of being classified as loss. The Bank expects no significant recovery from the amount written off but however, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank procedures for recovery of amounts due.

##### *Financial liabilities*

Financial liabilities issued by the Bank that are not designated at FVTPL are classified as financial liabilities at amortised cost and are subsequently measured at amortised cost using the (Effective Interest Rate) EIR method.

A financial liability is derecognised when the obligation under the liability is discharged or 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, and the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

##### *Derecognition of financial assets other than on modification*

The Bank derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legal enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and liability simultaneously.

##### *Hedge accounting*

The Bank has not applied any hedge accounting for the reporting periods covered under this financial statements.

##### *Principal financial instruments*

Financial assets and liabilities are recognised on the Bank's Statement of Financial Position when they have become a party to the contractual provisions of the instruments. The Bank's accounting policies in respect of the main financial instruments are set out below.



# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.2 Financial Instruments (cont...)

##### *Cash and cash equivalents and placements*

Cash and cash equivalents comprise cash in hand and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents include cash in hand, deposits held at call with Bank's and other short-term highly liquid investments with original maturities of 3 months or less.

##### *Loans and advances*

Loans and advances are recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs.

Loans and advances to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate.

The effective interest rate (EIR) method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The EIR amortisation is included in interest income in the statement of profit or loss as well as losses arising from impairment.

##### *Guarantees and other obligations on account of customers*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to Bank's, financial institutions and others on behalf of customers to secure loans, overdrafts and other Banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of

- The amount of the expected credit loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount net of the loss allowance. The Bank has not provided any commitment for loans to be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

##### *Maturity Investments*

Maturity investments are initially recognised at fair value plus directly attributable costs and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, interest income, foreign exchange gains and losses and any gain and losses on derecognition are recognised in the Statement of Profit or Loss.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.2 Financial Instruments (cont...)

##### *Other payables*

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

The following table shows the measurement categories of financial instruments which are measured in amortised cost along with their carrying amounts as at 31 December 2021.

		In Seychelles Rupees (SCR '000)			
	Measurement category	Gross Amount	ECL	Carrying amount 31-12-2021	Carrying amount 31-12-2020
<b>Financial assets</b>					
Cash and cash equivalents	Amortised cost	53,057	-	53,057	72,335
Loans and advances at amortised cost	Amortised cost	822,940	(35,436)	787,504	834,168
Investments at amortised cost	Amortised cost	7,335	-	7,335	15,113
Other assets	Amortised cost	18,436	-	18,436	67,197
<b>Total financial assets</b>				<b>866,331</b>	<b>988,813</b>
<b>Financial liabilities</b>					
Borrowings	Amortised cost	409,419	-	409,419	491,951
DBS bonds	Amortised cost	100,702	-	100,702	151,175
Other liabilities	Amortised cost	9,147	-	9,147	3,972
<b>Total financial liabilities</b>				<b>519,268</b>	<b>647,097</b>

#### 2.3 Property and equipment

Property and equipment are stated at revalued value or historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The Bank's policy is to revalue Land and buildings every 2 years.

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 lives as follows:

	<u>Years</u>
Buildings	10 to 25
Equipment	3 to 7
Furniture and fittings	3
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.

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

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.4 Leases

The Bank leases some buildings to run its offices and the period varies from 2 - 4 years, with an option to renew.

##### 2.4.1 Right-of-use

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost comprising,

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

##### 2.4.2 Lease liability

Lease liability is measured at the present value of the remaining lease payments, discounted using the general market banks incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

### 2.5 Intangible asset

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. They are amortised over a useful life of 3 years.

### 2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 2.7 Retirement benefit obligations

The Bank contributes to a defined contribution plan as well as has several other long term benefit Schemes. They are, Compensation - end of contract, Gratuity, Compensation - retirement, Long service award scheme and Performance incentive.

The cost of compensation - retirement plan has been determined using the method as per the Seychelles Employment Act and management has estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

The other additional plan's cost of compensation has been determined using Bank defined calculations as stated in Note 17 to this financial statements.

Payments of defined contribution retirement benefit plans are recognised as an expense in the statement of profit or loss when employees rendered service entitling them to contributions.

### 2.8 Taxation

The Bank is exempted from the provision of Business Tax Act 2009 as per section 39 of Development Bank Decree 1977.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.9 Foreign currencies

##### **Functional and presentation currency**

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

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss.

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

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

#### 2.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

##### *Interest income and expense*

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revise their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the effective interest rate to the amortised cost of the credit-impaired financial assets i.e., the gross carrying amount less the allowance for expected credit losses.

##### *Fees and commission income*

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.

##### *Other income*

Other income is recognised as it accrues.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 2 Significant accounting policies (cont...)

#### 2.11 Provisions

Provisions are recognised, where the bank has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The bank recognises a provision for onerous contracts when the expected benefit to be derived from a contract are less than the unavoidable costs of meeting the obligation under the contract.

### 3 Financial risk management

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

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

#### 3.1 Strategy in using financial instruments

The Bank borrows money from local and foreign banks and issues bonds locally and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing.

#### 3.2 Capital adequacy

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 as follows:

	2021 SCR '000	2020 SCR '000
<u>Capital base:</u>		
Tier I Capital	296,117	285,202
Tier II Capital	14,562	17,110
Total capital base (a)	310,679	302,312
Risk weighted assets (b)	961,167	1,070,870
Capital adequacy ratio (a/b) %	32%	28%
Minimum Requirement (%)	12%	12%

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

#### 3.3 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank is mainly exposed to credit risk from financing activity.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 3 *Financial risk management (cont...)*

#### *Portfolio classification and establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

The Bank also complies with the Financial Institutions (Credit Classification and Provisioning) Regulations, gazetted in 2010 and amended in 2011 which require the classification of its credits into specific categories and gives guidance on the minimum provisioning required for each category.

#### *Assessment of significant increase in credit risk*

When determining whether the risk of default has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit risk assessment, including forward-looking information.

The Bank uses the number of days past due (DPD) to determine significant in credit risk. Credit ratings are assigned to facilities granted by sectors upon initial recognition based on available information. Credit risk is deemed to have increased significantly if credit ratings have deteriorated at the reporting date. In addition, as a backstop, the Bank considers that significant increase in credit risk occurs when an assets is more than 30 DPD.

#### *Credit quality per class of financial assets*

An ageing analysis of credit quality by class of asset for all financial assets exposed to credit risk has been performed. Credit risk for loans and advances is managed by the Credit department subject to Bank's established policy, procedures and control relating to credit risk management. Credit quality is assessed based on a credit rating evaluation, collateral values and ability of underlying projects to service the debt. Loans and advances in arrears are regularly monitored and evaluated for restructuring when warranted.

#### *Collateral and other credit enhancements*

Exposure to credit risk is also managed, in part, by obtaining and monitoring collateral in the form of government guarantee for SME loans, interests over properties and vehicles, Corporate and personal guarantees are also accepted by the Bank. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

#### *Exposure to credit risk*

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.

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

	2021	2020
	SCR '000	SCR '000
Cash and cash equivalents	53,057	72,335
Loans and advances at amortised cost	787,504	834,168
Investments at amortised cost	7,335	15,113
Other assets	18,436	67,197
<b>Total credit risk exposure</b>	<b>866,331</b>	<b>988,813</b>

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

3 Financial risk management (cont...)

Calculation of Expected Credit Loss (ECL)

Immediately after initial recognition, an expected credit loss allowance is recognised for loans and receivable at amortised cost as previously explained under note (2.2.2).

Commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank. Detailed below is the Bank's maximum credit risk exposure for commitments. The maximum exposure to credit risk relating to the commitments is the full amount which amounted to SCR 77,618,450 (2020: SCR 112,738,347).

Loan commitments provided by the Bank are measured as the amount of the loss allowance. For loan commitments, the loss allowance is recognised as a provision. However for the contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected losses are recognised as a provision.

An analysis of the Bank's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements is as disclosed below:

Class of financial asset SCR '000	Year ended 2021				2020
	At amortised cost				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL-not credit impaired	Stage 3 Lifetime ECL- credit impaired	Total	
<i>Loans and advances</i>					
Pass	582,684	-	-	582,684	619,556
Special Mention	-	133,680	-	133,680	146,503
Substandard	-	-	49,610	49,610	18,499
Doubtful	-	-	9,246	9,246	31,999
Loss	-	-	56,939	56,939	64,734
<b>Total amount committed (note 6)</b>	<b>582,684</b>	<b>133,680</b>	<b>115,795</b>	<b>832,159</b>	<b>881,291</b>
Cumulative allowance for credit impairment	(1,379)	(3,347)	(30,710)	(35,436)	(34,272)
<b>Carrying amount</b>	<b>581,305</b>	<b>130,333</b>	<b>85,085</b>	<b>796,723</b>	<b>847,019</b>
<i>Commitments</i>					
Gross (note 25)	77,618	-	-	77,618	112,738
Cumulative allowance for credit impairment	(1,094)	-	-	(1,094)	(656)
<b>Carrying amount</b>	<b>76,524</b>	<b>-</b>	<b>-</b>	<b>76,524</b>	<b>112,082</b>
Total Non-Performing				115,795	115,232
Non-Performing Ratio				14%	13%

\* The stage allocation above is solely based on CBS guidelines and based on number of days due.

\* The non-performing loans ratio is based on loans in arrears greater than 89 days.

DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

3 Financial risk management (cont...)

Credit quality and provisioning requirements

Credit quality of loans and advances

	2021 SCR '000	2020 SCR '000
Neither past due nor impaired	582,684	619,556
Past due but not impaired	133,680	146,503
Impaired	115,795	115,232
Gross loans and advances	832,159	881,291
Less: Allowances for credit impairment	(35,436)	(34,272)
Fair value of collaterals of past due but not impaired	796,723	847,019

Loans and advances that are past due but not impaired are classified as such where net current market value of supporting security is sufficient to cover all principal, interest and other amounts (including legal, enforcement, realisation costs, etc.) due on the facility.

3.4 Currency risk

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

Concentration of assets and liabilities by currency

At 31 December 2021 (SCR '000)	SCR	Euro	USD	GBP	Others	Total
<b>Assets</b>						
Cash and cash equivalents	42,558	2,701	7,798	-	-	53,057
Loans and advances	787,504	-	-	-	-	787,504
Maturity investments	-	-	7,335	-	-	7,335
Other assets	18,436	-	-	-	-	18,436
Property & equipment	26,280	-	-	-	-	26,280
Investment property	11,356	-	-	-	-	11,356
Intangible assets	250	-	-	-	-	250
Right to use asset	1,821	-	-	-	-	1,821
	<b>888,205</b>	<b>2,701</b>	<b>15,133</b>	<b>-</b>	<b>-</b>	<b>906,039</b>
<b>Liabilities</b>						
Borrowings	321,263	84,697	3,459	-	-	409,419
DBS bonds	100,702	-	-	-	-	100,702
Lease liability	1,912	-	-	-	-	1,912
Compensation benefit obligations	6,949	-	-	-	-	6,949
Funds under management	4,439	-	-	-	-	4,439
Other liabilities	9,147	-	-	-	-	9,147
	<b>444,412</b>	<b>84,697</b>	<b>3,459</b>	<b>-</b>	<b>-</b>	<b>532,568</b>
<b>Net on balance sheet position</b>	<b>443,793</b>	<b>(81,996)</b>	<b>11,674</b>	<b>-</b>	<b>-</b>	<b>373,471</b>
<b>Off balance sheet position</b>						
Undrawn commitments	77,618	-	-	-	-	77,618
Less : Allowance for credit impairment	(1,094)	-	-	-	-	(1,094)
<b>Net off balance sheet position</b>	<b>76,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,524</b>



# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 3 Financial risk management (cont...)

#### 3.4 Currency risk (cont...)

At 31 December 2020 (SCR '000)	SCR	Eur	USD	GBP	Others	Total
<b>Assets</b>						
Cash and cash equivalents	60,706	7,173	4,456	-	-	72,335
Loans and advances	834,168	-	-	-	-	834,168
Maturity investments	-	-	15,113	-	-	15,113
Other assets	67,197	-	-	-	-	67,197
Property & equipment	25,725	-	-	-	-	25,725
Investment property	9,098	-	-	-	-	9,098
Intangible assets	46	-	-	-	-	46
Right to use asset	175	-	-	-	-	175
	<b>997,115</b>	<b>7,173</b>	<b>19,569</b>	-	-	<b>1,023,857</b>
<b>Liabilities</b>						
Borrowings	291,537	135,447	64,967	-	-	491,951
DBS bonds	151,175	-	-	-	-	151,175
Lease liability	198	-	-	-	-	198
Compensation benefit obligations	7,972	-	-	-	-	7,972
Funds under management	6,682	-	-	-	-	6,682
Other liabilities	3,972	-	-	-	-	3,972
	<b>461,536</b>	<b>135,447</b>	<b>64,967</b>	-	-	<b>661,950</b>
<b>Net on balance sheet position</b>	<b>535,579</b>	<b>(128,274)</b>	<b>(45,398)</b>	-	-	<b>361,907</b>
<b>Off balance sheet position</b>						
Undrawn commitments	112,738	-	-	-	-	112,738
Less : Allowance for credit impairment	(656)	-	-	-	-	(656)
<b>Net off balance sheet position</b>	<b>112,082</b>	-	-	-	-	<b>112,082</b>

#### Sensitivity analysis

If exchange rates had been 1% 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
	SCR '000	SCR '000
Impact on results	± 71	± 61

#### 3.5 Liquidity risk

The Bank is exposed to daily calls on its available cash resources from borrowings, from loan draw down, from margin and other calls. The bank maintains cash resources to meet all of these needs based on experience. The bank sets limits on the minimum proportion of maturing funds available to meet such calls.

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

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 3 Financial risk management (cont...)

#### 3.5 Liquidity risk (cont...)

As at 31 December 2021 (SCR '000)	< 3 months	3 - 6 months	6 - 12 months	1 - 3 years	> 3 years	Non-maturity items	Total
<b>Assets (Net of impairment)</b>							
Cash and cash equivalents	53,057	-	-	-	-	-	53,057
Loans and advances	234	420	4,147	42,874	775,264	-	822,939
Maturity investments	-	7,335	-	-	-	-	7,335
Other assets	-	-	-	-	-	18,436	18,436
Property & equipment	-	-	-	-	-	26,280	26,280
Investment property	-	-	-	-	-	11,356	11,356
Intangible assets	-	-	-	-	-	250	250
Right to use asset	-	-	-	-	-	1,821	1,821
	<b>53,291</b>	<b>7,755</b>	<b>4,147</b>	<b>42,874</b>	<b>775,264</b>	<b>58,143</b>	<b>941,474</b>
Less allowances for credit impairment							(35,436)
							<b>906,038</b>
<b>Liabilities</b>							
Borrowings	29,573	28,411	59,430	196,957	95,048	-	409,419
DBS bonds	-	50,345	-	50,357	-	-	100,702
Lease liability	296	304	634	678	-	-	1,912
Compensation benefit obligations	-	-	-	-	-	6,949	6,949
Funds under management	-	-	-	-	-	4,439	4,439
Other liabilities	-	-	-	-	-	9,147	9,147
	<b>29,869</b>	<b>79,060</b>	<b>60,064</b>	<b>247,992</b>	<b>95,048</b>	<b>20,534</b>	<b>532,568</b>
Maturity gap	<b>23,422</b>	<b>(71,305)</b>	<b>(55,917)</b>	<b>(205,118)</b>	<b>680,216</b>	<b>37,608</b>	<b>408,906</b>
<b>As at 31 December 2020 (SCR '000)</b>							
	< 3 months	3 - 6 months	6 - 12 months	1 - 3 years	> 3 years	Non-maturity items	Total
<b>Assets (Net of impairment)</b>							
Cash and cash equivalents	72,335	-	-	-	-	-	72,335
Loans and advances	5,663	2,849	5,755	59,660	794,513	-	868,440
Maturity investments	-	-	15,113	-	-	-	15,113
Other assets	-	-	-	-	-	67,197	67,197
Property & equipment	-	-	-	-	-	25,725	25,725
Investment property	-	-	-	-	-	9,098	9,098
Intangible assets	-	-	-	-	-	46	46
Right to use asset	-	-	-	-	-	175	175
	<b>77,998</b>	<b>2,849</b>	<b>20,868</b>	<b>59,660</b>	<b>794,513</b>	<b>102,241</b>	<b>1,058,129</b>
Less allowances for credit impairment							(34,272)
							<b>1,023,857</b>
<b>Liabilities</b>							
Borrowings	60,030	25,948	52,394	224,672	128,907	-	491,951
DBS bonds	1,175	50,000	-	50,000	50,000	-	151,175
Lease liability	198	-	-	-	-	-	198
Compensation benefit obligations	-	-	-	-	-	7,972	7,972
Funds under management	-	-	-	-	-	6,682	6,682
Other liabilities	-	-	-	-	-	3,972	3,972
	<b>61,403</b>	<b>75,948</b>	<b>52,394</b>	<b>274,672</b>	<b>178,907</b>	<b>18,626</b>	<b>661,950</b>
Maturity gap	<b>16,595</b>	<b>(73,099)</b>	<b>(31,526)</b>	<b>(215,012)</b>	<b>615,606</b>	<b>83,615</b>	<b>361,907</b>

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 3 Financial risk management (cont...)

#### 3.6 Interest rate risk

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending and borrowing.

#### Interest sensitivity of assets and liabilities - repricing analysis

As at 31 December 2021 (SCR '000)	< 3 months	3 - 6 months	3 - 12 months	1 - 3 years	> 3 years	Non-interest bearing	Total
<b>Assets</b>							
Cash and cash equivalents	44,102	-	-	-	-	8,955	53,057
Loans and advances	822,940	-	-	-	-	-	822,940
Maturity investments	-	7,335	-	-	-	-	7,335
Other assets	-	-	-	-	-	18,436	18,436
Property & equipment	-	-	-	-	-	26,280	26,280
Investment property	-	-	-	-	-	11,356	11,356
Intangible assets	-	-	-	-	-	250	250
Right to use asset	-	-	-	-	-	1,821	1,821
	<b>867,042</b>	<b>7,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,098</b>	<b>941,475</b>
Less allowances for credit impairment							(35,436)
							<b>906,039</b>
<b>Liabilities</b>							
Borrowings	29,573	28,411	59,430	196,957	95,048	-	409,419
DBS bonds	-	50,345	-	50,357	-	-	100,702
Lease liability	296	304	634	678	-	-	1,912
Compensation benefit obligations	-	-	-	-	-	6,949	6,949
Funds under management	-	-	-	-	-	4,439	4,439
Other liabilities	-	-	-	-	-	9,147	9,147
	<b>29,869</b>	<b>79,060</b>	<b>60,064</b>	<b>247,992</b>	<b>95,048</b>	<b>20,534</b>	<b>532,568</b>
Interest sensitivity gap	<b>837,173</b>	<b>(71,725)</b>	<b>(60,064)</b>	<b>(247,992)</b>	<b>(95,048)</b>	<b>46,563</b>	<b>373,471</b>
<b>As at 31 December 2020 (SCR '000)</b>							
	<b>&lt; 3 months</b>	<b>3 - 6 months</b>	<b>3 - 12 months</b>	<b>1 - 3 years</b>	<b>&gt; 3 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	25,531	-	-	-	-	46,804	72,335
Loans and advances	868,440	-	-	-	-	-	868,440
Maturity investments	-	-	15,113	-	-	-	15,113
Other assets	-	-	-	-	-	67,197	67,197
Property & equipment	-	-	-	-	-	25,725	25,725
Investment property	-	-	-	-	-	9,098	9,098
Intangible assets	-	-	-	-	-	46	46
Right to use asset	-	-	-	-	-	175	175
	<b>893,971</b>	<b>-</b>	<b>15,113</b>	<b>-</b>	<b>-</b>	<b>149,045</b>	<b>1,058,129</b>
Less allowances for credit impairment							(34,272)
							<b>1,023,857</b>
<b>Liabilities</b>							
Borrowings	60,030	25,948	52,394	224,672	128,907	-	491,951
DBS bonds	1,175	50,000	-	50,000	50,000	-	151,175
Lease liability	198	-	-	-	-	-	198
Compensation benefit obligations	-	-	-	-	-	7,972	7,972
Funds under management	-	-	-	-	-	6,682	6,682
Other liabilities	-	-	-	-	-	3,972	3,972
	<b>61,403</b>	<b>75,948</b>	<b>52,394</b>	<b>274,672</b>	<b>178,907</b>	<b>18,626</b>	<b>661,950</b>
Interest sensitivity gap	<b>832,568</b>	<b>(75,948)</b>	<b>(37,281)</b>	<b>(274,672)</b>	<b>(178,907)</b>	<b>130,419</b>	<b>361,907</b>

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 3 *Financial risk management (cont...)*

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 3 *Financial risk management (cont...)*

#### 3.6 Interest rate risk (cont...)

##### *Sensitivity analysis*

If interest rates had been 1% 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
	SCR '000	SCR '000
Impact on results	±617	±463

### 4 *Critical accounting estimates and judgements*

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the Banking disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

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 as follows:

##### *Impairment losses on financial assets*

The measurement of impairment losses under IFRS 9 across all categories of financial assets 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 in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of 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 ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Financial statements are prepared in Seychelles Rupees

### 4 *Critical accounting estimates and judgements (cont...)*

#### *Impairment losses on financial assets (cont...)*

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

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

#### *Calculation of Loss allowance*

When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

#### *Impairment of other 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.

#### *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.

#### *Significant increase in credit risk*

In assessing whether the credit risk of an asset has significantly increased the Bank considers qualitative and quantitative reasonable and supportable forward-looking information.

#### *Useful lives and residual values of equipment*

Determining the carrying amounts of equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Bank and the relevant industry in which it operates in order to best determine the useful lives and residual values of equipment.

#### *Retirement benefit obligations*

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and Management has estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

Financial statements are prepared in Seychelles Rupees

**4 Critical accounting estimates and judgements (cont...)**

*Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from for example, a stock exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

*Limitation of sensitivity analysis*

The sensitivity analysis demonstrate 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.

The sensitivity analyses do 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.

# DEVELOPMENT BANK OF SEYCHELLES

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,  
Financial statements are prepared in Seychelles Rupees

## 5 Cash and Cash equivalents

	2021	2020
Balances with local banks	53,452,584	72,915,596
Cash in hand	20,137	28,806
Allowance for credit impairment	(415,795)	(608,971)
	<b>53,056,926</b>	<b>72,335,431</b>

## 6 Loans and advances

	2021	2020
Loans and advances to customers	817,661,871	862,029,653
Staff loans	14,496,679	19,262,213
	<b>832,158,550</b>	<b>881,291,866</b>
Less : Allowance for credit impairment (See below)	(35,435,944)	(34,272,274)
Interest in Suspense	(9,218,564)	(12,851,994)
	<b>787,504,042</b>	<b>834,167,598</b>

### 6.1 Loans and advances by credit quality

	Stage 1 12-month ECL	Stage 2 lifetime ECL not credit impaired	Stage 3 lifetime ECL credit impaired	As at 31 December 2021	As at 31 December 2020
<b>Loans and advances</b>					
Loans and advances	627,181,080	109,254,916	95,722,554	832,158,550	881,291,866
Allowance for credit impairment	(8,318,548)	(5,242,581)	(21,874,814)	(35,435,944)	(34,272,274)
	<b>618,862,532</b>	<b>104,012,335</b>	<b>73,847,739</b>	<b>796,722,606</b>	<b>847,019,592</b>

### 6.2 Allowance for credit impairment

	2021	2020
<b>Cumulative allowance for credit impairment</b>		
Loans and advances	34,272,274	16,701,579
Undrawn commitments	655,896	190,579
<b>As at January 1,</b>	<b>34,928,170</b>	<b>16,892,158</b>
Provision reversal up to the write off made	(2,807,026)	(1,234,190)
Expected loss charge for the year	4,408,392	19,270,202
Loans and advances	35,435,944	34,272,274
Undrawn commitments	1,093,592	655,896
<b>As at December 31,</b>	<b>36,529,536</b>	<b>34,928,170</b>

### Amounts directly recognised in profit and loss

Bad debts recovered	(1,304,542)	(917,757)
Loans written off to profit or loss	15,518,153	1,845,955
<b>Net bad debts written off</b>	<b>14,213,611</b>	<b>928,198</b>

### **Total allowance for credit impairment credited/(charged) to profit or loss:**

Expected loss charge for the year	4,408,392	19,270,202
Net bad debts written off	14,213,611	928,197
Expected loss charge for the year - Cash and cash equivalent (Note 5)	415,795	-
	<b>19,037,798</b>	<b>20,198,399</b>

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,

Financial statements are prepared in Seychelles Rupees

### 6 *Loans and advances (Continued)*

Below is an analysis of concentration of credit risk by industry sectors.

	Number of loans	2021	%	2020	%
SME loan scheme	411	488,910,465	58.75%	514,966,524	58.43%
Services	57	41,315,950	4.96%	60,668,486	6.88%
Tourism	49	112,883,922	13.57%	99,760,900	11.32%
Building and construction	76	114,620,774	13.77%	116,215,615	13.19%
Agriculture	5	9,295,228	1.12%	17,580,486	1.99%
Manufacturing	8	29,443,129	3.54%	29,617,136	3.36%
Staff (*)	71	14,496,679	1.74%	19,262,213	2.19%
Transport	7	1,858,162	0.22%	4,009,066	0.45%
Agriculture and horticulture	3	6,468,695	0.78%	6,803,424	0.77%
Manufacturing industry	1	86,074	0.01%	101,113	0.01%
Fisheries	8	4,034,549	0.48%	4,725,404	0.54%
Trade	4	1,090,070	0.13%	1,390,018	0.16%
Community, social and personal	1	2,019,873	0.24%	2,148,550	0.24%
Former staff (*)	8	501,297	0.06%	1,102,248	0.13%
Covid relief scheme	28	5,133,683	0.62%	2,940,683	0.33%
	<b>737</b>	<b>832,158,550</b>	<b>100.0%</b>	<b>881,291,866</b>	<b>100.0%</b>
Less : Allowance for credit impairment		<b>(35,435,944)</b>	<b>-4.26%</b>	<b>(34,272,274)</b>	<b>-3.89%</b>
Interest in suspense		<b>(9,218,564)</b>	<b>-1.11%</b>	<b>(12,851,994)</b>	<b>-1.46%</b>
		<b>787,504,042</b>	<b>94.6%</b>	<b>834,167,598</b>	<b>94.7%</b>

DBS offers variable interest rate loans and periodically evaluates their lending pool to adjust rates globally based on changing market conditions. Interest rates on loans in the DBS Scheme range from 7.50% to 12% and Staff loans range from 3.75% to 11.5%. The SME scheme offers 10.00% to 11.75% and is subsidised by the Government of Seychelles; borrowers are charged 5% on the first million and 7% on the remaining.

(\*) This pertains to loans to current and former staff. Interest on loans to current staff ranges from 3.75% to 4%, and interest on loans to former staff is at 10% to 11.5%.

### 7 *Maturity investments*

	2021	2020
As at January 1,	15,113,472	28,082,766
Additions	7,334,750	15,109,443
Interest accrued	327,789	4,029
Maturity	(15,441,261)	(28,082,766)
<b>As at December 31,</b>	<b>7,334,750</b>	<b>15,113,472</b>

The bank has invested in USD fixed deposits in local banks with a maturity of 6 months.



# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,

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### 8 Other assets

	2021	2020
Balance due from Ministry of Finance (a)	-	60,385,925
Prepayments	590,666	169,132
Other receivables (b)	8,804,227	6,641,560
Land Parcel C1815	9,040,872	-
	<b>18,435,765</b>	<b>67,196,617</b>

(a) The above balance includes foreign exchange differences arising on conversion of the borrowings from Nouvobanq S.I.M.B.C and Mauritius Commercial Bank. The net foreign exchange differences arising from the conversion will be claimed at the time of maturity of the above borrowings from Ministry of Finance, National Planning and Trade, according to the guarantee agreement signed between government of Seychelles represented by the Ministry of Finance, National Planning and Trade. As at 31 December 2021 the net foreign exchange gain of SCR 5,207,251 is presented under other liabilities (note No. 17).

(b) Other receivables mainly comprise of management fees charged for management of the Photovoltaic Fund, Agricultural Development Fund, EU Fisheries Development Fund & Small Business Financing Agency Fund. In addition it includes subsidies interest for Small and Medium Enterprise loans due from Seychelles Government, and balances receivable from staff in respect of telephone charges settled by the Bank on their behalf.

### 9 Property and equipment

	Land and buildings	Equipment	Furniture and fittings	Motor vehicles	Total
<b>Cost</b>					
As at January 1, 2020	17,937,503	3,521,636	1,553,935	1,290,887	24,303,961
Additions	5,736,538	1,493,179	765,948	-	7,995,665
Disposals	(78,253)	(359,407)	(166,976)	-	(604,636)
Revaluation	2,404,212	-	-	-	2,404,212
<b>As at December 31, 2020</b>	<b>26,000,000</b>	<b>4,655,408</b>	<b>2,152,907</b>	<b>1,290,887</b>	<b>34,099,202</b>
Additions	-	51,240	48,739	-	99,979
Disposals	-	-	-	-	-
Revaluation	-	-	-	-	-
<b>As at December 31, 2021</b>	<b>26,000,000</b>	<b>4,706,648</b>	<b>2,201,646</b>	<b>1,290,887</b>	<b>34,199,181</b>
<b>Accumulated depreciation</b>					
As at January 1, 2020	1,193,855	2,950,366	1,338,708	1,131,915	6,614,844
Charge for the year	1,361,720	465,902	298,337	158,972	2,284,931
Disposals	(72,157)	(288,488)	(164,801)	-	(525,446)
<b>As at December 31, 2020</b>	<b>2,483,418</b>	<b>3,127,780</b>	<b>1,472,244</b>	<b>1,290,887</b>	<b>8,374,329</b>
Charge for the year	1,267,300	425,277	335,829	-	2,028,406
Disposals	-	-	-	-	-
Transfer to revaluation reserves	(2,483,418)	-	-	-	(2,483,418)
<b>As at December 31, 2021</b>	<b>1,267,300</b>	<b>3,553,057</b>	<b>1,808,073</b>	<b>1,290,887</b>	<b>7,919,317</b>
<b>Net book value</b>					
<b>As at December 31, 2021</b>	<b>24,732,700</b>	<b>1,153,591</b>	<b>393,573</b>	<b>-</b>	<b>26,279,864</b>
<b>As at December 31, 2020</b>	<b>23,516,582</b>	<b>1,527,628</b>	<b>680,663</b>	<b>-</b>	<b>25,724,873</b>

# DEVELOPMENT BANK OF SEYCHELLES

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### 9 *Property and equipment (Continued)*

- (a) The Bank's land and buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation was performed by Blackburn Consulting (Pty) Ltd, an independent professionally qualified chartered surveyor on December, 2020.

In determining the fair value of the property the quantity surveyor considered the current market price, not only for the properties being valued, but also for comparable properties in the same vicinity. Factors included the geographical features of the terrain and also essential services available in the vicinity. Finally, the market value was also determined in accordance with the demand and supply.

- (b) The Bank does not have any of its assets pledged as securities.

### 10 *Investment property*

	2021	2020
<b>Cost</b>		
As at January 1,	9,098,199	2,600,000
Additions	-	6,498,199
Revaluation	2,257,411	-
<b>As at December 31</b>	<b>11,355,610</b>	<b>9,098,199</b>
<b>Accumulated depreciation</b>		
As at January 1,	-	-
Depreciation	-	-
<b>As at December 31,</b>	<b>-</b>	<b>-</b>
<b>Net book value as at December 31,</b>	<b>11,355,610</b>	<b>9,098,199</b>

- (a) The Bank's investment properties includes lands seized from customers and are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluations were performed by Blackburn Consulting (Pty) Ltd, and Thyra Laporte Quantity Surveying, independent professionally qualified chartered surveyors on February 2021.

In determining the fair value of the property the quantity surveyor considered the current market price, not only for the properties being valued, but also for comparable properties in the same vicinity. Factors included the geographical features of the terrain and also essential services available in the vicinity. Finally, the market value was also determined in accordance with the demand and supply.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,

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### 11 Intangible assets

	2021	2020
<b>Cost</b>		
As at January 1,	4,659,958	4,620,858
Additions	234,526	39,100
<b>As at December 31</b>	<b>4,894,484</b>	<b>4,659,958</b>
<b>Accumulated amortisation</b>		
As at January 1,	4,614,207	4,557,930
Amortisation	30,231	56,277
<b>As at December 31,</b>	<b>4,644,438</b>	<b>4,614,207</b>
<b>Net book value as at December 31,</b>	<b>250,046</b>	<b>45,751</b>

(a) Intangible assets comprise of software and licenses.

(b) Cash outflow for the purchase of intangible assets was SCR 234,526 for the current year (2020: 39,100).

### 12 Right to use asset

	2021	2020
<b>Cost</b>		
As at January 1,	2,328,979	3,478,869
Additions	-	475,068
Disposals	-	(1,624,958)
Remeasurement	2,860,463	-
<b>As at December 31,</b>	<b>5,189,442</b>	<b>2,328,979</b>
<b>Accumulated amortisation</b>		
As at January 1,	2,153,612	1,583,109
Amortisation	1,214,351	1,595,626
Disposal	-	(1,025,123)
<b>As at December 31,</b>	<b>3,367,963</b>	<b>2,153,612</b>
<b>Net book value as at December 31,</b>	<b>1,821,479</b>	<b>175,367</b>

# DEVELOPMENT BANK OF SEYCHELLES

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### 13 Borrowings

	Interest rate	Maturity	2021	2020
Al Salam Bank Bahrain	6.80%	2021	-	54,689,082
BADEA bank loan	4%	2023	4,287,206	10,275,885
Absa Bank Seychelles	Prime lending rate - 4.75%	2023	17,187,500	26,562,500
Nouvobanq S.I.M.B.C	5%	2023	9,221,028	17,850,547
Absa Bank Seychelles	Prime lending rate - 4.75%	2023	14,166,667	24,166,667
Seychelles Government (EIB) - 1	1.91%	2023	2,479,694	3,681,810
Seychelles Government (EIB) - 2	1.73%	2024	9,647,003	13,390,126
Mauritius Commercial bank of Seychell	MCB base rate	2024	9,464,931	20,661,125
Mauritius Commercial bank of Seychell	Euro libor 3 months + margin 5.5%	2024	10,786,671	14,277,888
Al Salam Bank Seychelles	6.90%	2024	29,154,448	37,602,548
Seychelles Government (EIB) - 3	1.66%	2025	25,011,984	31,896,774
Seychelles Government (ADF Bilateral)	2.75%	2027	60,112,998	66,920,790
Seychelles Government (Grant)	Interest fee	2024	30,952,381	45,238,095
Nouvobanq S.I.M.B.C	4.5% + 3 months Euribor	2025	60,783,722	121,169,078
Seychelles Government	Interest fee	2025	50,000,000	-
Seychelles Government	3.26%	2026	35,000,000	-
Absa Bank Seychelles	6.75%	2027	35,052,500	-
Private Sector Relief Scheme	Interest fee	8 years from disbursement	6,110,422	3,567,868
			409,419,155	491,950,783

The loans are secured by the Government of Seychelles except for loan from Al Salam Bank Bahrain.

### Reconciliation of borrowings:

	2021	2020
As at January 1,	491,950,783	365,337,996
Proceeds from borrowings	130,000,000	154,011,587
Interest charges	16,167,037	19,109,402
Repayments of interest	(16,519,347)	(18,874,312)
Repayment of principal	(141,697,328)	(90,225,383)
Foreign exchange (gain)/loss	(70,481,990)	62,591,493
As at December 31,	409,419,155	491,950,783

The Bank contracted loans in line with the Public Debt Management Act, and signed a contract with the Ministry of Finance, National Planning and Trade stating that the net foreign exchange losses arising on the loan facilities will be reimbursed by the latter. Total net foreign exchange gain/(loss) incurred during 2021 was SCR 70,481,990 (SCR 2020: 62,591,493).

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,

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### 14 DBS Bonds

	2021	2020
As at January 1,	151,174,658	302,185,619
Redeemed during the year	(50,000,000)	(150,000,000)
Issued during the year	-	-
Interest expense	7,645,782	15,777,068
Interest payments	(8,118,388)	(16,788,029)
<b>As at December 31,</b>	<b>100,702,052</b>	<b>151,174,658</b>

- (a) Interest rates on the above bonds ranges between 6% and 6.5% (2020: 6% and 7.5%).  
 (b) The bonds are guaranteed by the Government of Seychelles.  
 (c) The currency profile and maturity terms of the bonds are detailed in Note 3.

### 15 Lease liability

	2021	2020
As at January 1,	197,781	2,006,329
Additions	-	475,068
Disposals	-	(643,888)
Remeasurement	2,860,463	
Interest cost	237,524	188,346
Payments made	(1,383,765)	(1,828,074)
<b>As at December 31,</b>	<b>1,912,003</b>	<b>197,781</b>

15.1 Minimum lease payments payable on lease commitment is as follows,

	Future minimum lease payments	Interest cost	Present value of minimum lease payments 31-12-2021	Present value of minimum lease payments 31-12-2020
Within 1 year	1,383,659	149,769	1,233,890	197,781
Later than 1 year	701,705	23,592	678,113	-
<b>As at December 31,</b>	<b>2,085,364</b>	<b>173,361</b>	<b>1,912,003</b>	<b>197,781</b>

15.2 Amounts recognised in the statement of profit or loss,

	2021	2020
Amortisation charge of right to use asset	1,214,351	1,595,626
Interest cost	237,524	188,346
	<b>1,451,875</b>	<b>1,783,972</b>

### 16 Funds under management

	2021	2020
Credit guarantee scheme (a)	870,134	870,134
EU fisheries, ADF and SBFA (b)	1,345,236	1,320,473
Photovoltaic project (c)	472,874	2,741,238
Green climate fund (d)	1,750,411	1,750,411
	<b>4,438,655</b>	<b>6,682,256</b>

- (a) This fund was created from a donation made by Frederick Ebert Stiftung (a private foundation in the West of Germany). The objective of the fund is to support small entrepreneurs and young graduates from the Polytechnic on ventures not exceeding SCR 150,000. The fund is repayable on demand.

# DEVELOPMENT BANK OF SEYCHELLES

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### 16 Funds under management (Cont...)

- (b) This pertains to funds received on behalf of EU Fisheries Development Fund, Agricultural Development Fund, Small Business Financing Agency, and Small Business Support Fund loan schemes, which have not yet been transferred to these respective loan schemes. The Bank has been given the mandate of administering these funds on behalf of the Government. The funds are repayable on demand.
- (c) This relates to balance held on behalf of the government with regards to the Photovoltaic project. The Government introduced the project in 2014 with the aim of intensifying efforts to reduce the country's dependency on fossil fuel by encouraging the use of renewable energy. The Bank is managing this fund on behalf of the Government.
- (d) This fund was created under the United Nations Framework Convention on Climate Change. The objective of the fund is to assist in the hiring of consultants and procurement of services to build capacity of the coordination and management unit that will have the responsibility of coordinating with other ministries, NGO's and stakeholders on the Green Climate Fund.

### 17 Other liabilities

	2021	2020
Trade payable (a)	1,191,085	472,502
ECL provision on off-balance sheet items	1,093,592	655,896
Other payables and accruals (b)	1,654,852	2,843,612
Balance due to Ministry of Finance	5,207,251	-
	<b>9,146,780</b>	<b>3,972,010</b>

- (a) Trade payables consist mainly of retention amounts due upon completion of construction contracts, to which the Bank has a current obligation for services rendered and invoiced by the construction companies.
- (b) Other payables consist mainly of sundry creditors and personal contribution deposited by the clients toward the financing of total project costs.

### 18 Compensation benefit obligations

	2021	2020
Compensation - end of contract (a)	1,980,750	2,386,392
Gratuity (b)	250,250	234,417
Compensation -retirement (c)	3,773,473	4,395,744
Long service award scheme (d)	911,250	882,875
Performance incentive (e)	33,153	72,937
	<b>6,948,876</b>	<b>7,972,365</b>

#### (a) Compensation - end of contract

	2021	2020
As at January 1,	2,386,392	2,005,481
Charged to profit or loss	1,726,137	1,532,005
Benefits paid	(2,131,779)	(1,151,094)
<b>At December 31,</b>	<b>1,980,750</b>	<b>2,386,392</b>

End of contract compensation represents the Bank's obligation to pay compensation to employees on fixed term contracts upon the termination of their contracts. The contracts are for a minimum period of 2 years.

# DEVELOPMENT BANK OF SEYCHELLES

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,

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### 18 Compensation benefit obligations (Continued)

<i>(b) Gratuity</i>	2021	2020
As at January 1,	234,417	313,417
Charged to profit or loss	110,833	62,336
Benefits paid	(95,000)	(141,336)
<b>At December 31,</b>	<b>250,250</b>	<b>234,417</b>

This represents the Bank's obligation for compensation of every five years of continued service performed.

<i>(c) Compensation - Retirement</i>	2021	2020
As at January 1,	4,395,744	3,682,524
Current service cost	418,655	1,293,623
Benefits paid	(1,040,926)	(580,403)
<b>As at December 31,</b>	<b>3,773,473</b>	<b>4,395,744</b>

Compensation benefit obligation is a statutory obligation which all financial institutions incorporated in Seychelles under the Employment Act 1995 shall pay to employee upon resignation or termination of the employee provided that same has completed five years of continuous service. However, the Bank's internal policy allows for compensation payment to be made even though the continuous five year period has not been met.

<i>(d) Long service award scheme</i>	2021	2020
As at January 1,	882,875	880,750
Charged to profit or loss	230,875	227,125
Benefits paid	(202,500)	(225,000)
<b>As at December 31,</b>	<b>911,250</b>	<b>882,875</b>

The Bank has a long service award scheme for all of its employees. The scheme is one where the Bank recognises the effort and commitment of those who have been in the service for a continuous long period. This represents the Bank's obligation for compensation of every five years of continued service performed.

<i>(e) Performance incentive</i>	2021	2020
As at January 1,	72,937	203,847
Charged to profit or loss	144,496	16,975
Benefits paid	(184,280)	(147,885)
<b>As at December 31,</b>	<b>33,153</b>	<b>72,937</b>

The scheme is one where the Bank recognises the performance of CEO based on the achievement of the set targets and plan for the year.

### 19 Share capital

	2021	2020
Authorised share		
<b>As at December 31,</b>	<b>40,000,000</b>	<b>40,000,000</b>
Issued and fully paid shares		
<b>As at December 31,</b>	<b>39,200,000</b>	<b>39,200,000</b>

**DEVELOPMENT BANK OF SEYCHELLES**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,**

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**20 Contingent reserve**

	2021	2020
As at December 31,	41,385,321	41,385,321

The contingent reserve is maintained in accordance with the provisions of Chapter 63 Development Bank of Seychelles Decree, 1977. Section 33, Application of Monies, requires that the bank set aside in a reserve fund up to the Share Capital, that is, SCR 39.2 million.

**21 Interest income**

	2021	2020
Cash and short term funds	154,329	768,265
Interest on financial assets at amortised cost	327,789	943,315
Loans and advances	88,390,026	86,150,860
Interest in suspense	(3,325,811)	(6,608,574)
	85,546,333	81,253,866

**22 Interest expense**

	2021	2020
Interest on borrowing and loan arrangement fees	16,167,037	19,109,402
Interest on DBS bonds	7,645,782	15,777,068
	23,812,819	34,886,470

**23 Other income**

	2021	2020
Management fees	6,551,022	6,262,100
Fees from loans and advances	124,389	77,508
Application fees	32,554	105,045
Concessions on lease payments	152,308	-
Loss on disposal of Property and equipment & right of use asset	-	(320,110)
	6,860,273	6,124,543

**24 Employee benefit expenses**

	2021	2020
Salaries and wages	15,940,442	17,253,559
Pension costs	484,766	495,968
Compensation benefit obligation	2,598,272	3,132,064
Directors fees and committee allowance	260,587	363,091
Other staff costs	862,601	405,254
	20,146,668	21,649,936



# DEVELOPMENT BANK OF SEYCHELLES

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### 25 Administrative expenses

	2021	2020
Auditors' remuneration	297,850	269,100
Bank charges	707,743	1,117,191
Communication costs	676,582	647,648
Donations	78,489	35,000
Insurance expenses	141,012	119,496
Legal and professional fees	1,578,115	773,938
Maintenance costs	2,304,190	2,257,861
Membership fees	222,115	433,635
Office expenses	556,211	623,068
Promotion and advertising costs	180,323	371,396
Rental expenses	604,673	824,479
Travelling expenses	5,328	134,243
Utilities costs	503,402	394,696
Other administration expenses	743,942	1,173,360
	<b>8,599,975</b>	<b>9,175,111</b>

### 26 Capital commitments

Loans and advances approved but yet disbursed as at December 31, 2021 totaled to SCR 77,618,450 (2020: 112,738,347). Their expected credit loss is SCR 1,093,592 (2020: SCR 655,869). All capital commitments are classified in stage one.

### 27 Related party transactions

During the year ended 31 December 2021, there were the followings following between the bank and its related parties.

	Relationship	2021	2020
<b>(a) Borrowings</b>			
<u>Government of Seychelles</u>			
As at January 1,		161,127,595	133,440,534
Additions (Government advance)		95,000,000	50,000,000
Interests	Shareholder	2,803,610	2,894,351
Repayments		(45,727,145)	(25,207,290)
<b>At December 31,</b>		<b>213,204,060</b>	<b>161,127,595</b>
<u>Nouvobanq - SIMBC</u>			
As at January 1,		139,019,625	40,006,497
Additions		-	100,443,720
Interests	Government	4,368,537	3,771,978
Repayments	related (*)	(31,157,605)	(30,552,092)
Foreign exchange (gain)/loss		(42,225,807)	25,349,522
<b>At December 31,</b>		<b>70,004,750</b>	<b>139,019,625</b>

(\*) The Government of Seychelles holds shares in both Development bank of Seychelles and Nouvobanq.

### (b) Interest subsidy

	2021	2020
<u>Government of Seychelles</u>		
Interest subsidy on SME loan scheme	21,072,226	21,050,614

Interest subsidy is the difference between interest paid by the client and the lending rate of the Bank. The subsidy is payable on a quarterly basis. The above figure represents total interest subsidy for the year. The balance receivable relating to the interest subsidy is SCR 5,128,617.

**DEVELOPMENT BANK OF SEYCHELLES****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,**

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**27 Related party transactions (Continued)**

	Relationship	2021	2020
<b>(c) Salaries and other benefits</b>			
Personal salaries	Key management personnel	922,959	1,650,652
Remuneration	Directors	272,347	363,091
End of contract settlement	Key management personnel	2,916,641	2,151,122
End of contract provision	Key management personnel	107,430	85,310
Long service award scheme settlement	Key management personnel	82,500	37,500
Long service award scheme provision	Key management personnel	262,875	272,250
<b>(d) Outstanding balances</b>			
Recovery on financial Guarantee contract	Shareholder	(5,207,251)	60,385,925
Borrowings	Shareholder	213,204,060	161,127,595
Borrowings	Government related	70,004,750	139,019,625
Loans and advances	Key management personnel	3,927,014	5,098,216
Loans and advances	Directors	7,711,416	9,300,354

In 2015 due to organisation restructuring, the Bank created a new position to head their departments. The heads of the departments are known as key management personnel.

**28 Contingent liabilities**

There were no contingent liabilities as at December 31, 2021 (2020 : Nil).

**29 Events after reporting date**

The current conflict in Ukraine started on February 24, 2022. The Bank believes no further adjustments needed to the financial year ended December 31, 2021 and considered as non adjusting event. The Bank is still assessing the impact of the above in the financial statements for the next reporting period.

# DEVELOPMENT BANK OF SEYCHELLES

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Financial statements are prepared in Seychelles Rupees

### 30 Fair Value of Financial Instruments

The following table provides an analysis of assets and liabilities measured at fair value and not measured at fair values as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position:

	Level 1 Quoted prices in active market	Level 2 Significant observable input	Level 3 Significant unobservable	Total Fair Value	Total Carrying Amount
<b>As at 31 December 2021</b>					
<b><u>Financial assets not measured at fair values</u></b>					
Cash and cash equivalents	-	53,056,926	-	53,056,926	53,056,926
Loans and advances	-	-	787,504,042	787,504,042	787,504,042
Financial assets at amortised cost	-	-	7,334,750	7,334,750	7,334,750
Other assets	-	-	18,435,765	18,435,765	18,435,765
<b>Total</b>	<b>-</b>	<b>53,056,926</b>	<b>813,274,557</b>	<b>866,331,483</b>	<b>866,331,483</b>
<b><u>Financial liabilities not measured at fair values</u></b>					
Borrowings	-	-	409,419,155	409,419,155	409,419,155
DBS bonds	-	-	100,702,052	100,702,052	100,702,052
Other liabilities	-	-	9,146,780	9,146,780	9,146,780
<b>Total</b>	<b>-</b>	<b>-</b>	<b>519,267,987</b>	<b>519,267,987</b>	<b>519,267,987</b>
<b>As at 31 December 2020 (SCR)</b>					
<b><u>Financial assets not measured at fair values</u></b>					
Cash and cash equivalents	-	72,335,431	-	72,335,431	72,335,431
Loans and advances	-	-	834,167,598	834,167,598	834,167,598
Financial assets at amortised cost	-	-	15,113,472	15,113,472	15,113,472
Other assets	-	-	67,196,617	67,196,617	67,196,617
<b>Total</b>	<b>-</b>	<b>72,335,431</b>	<b>916,477,687</b>	<b>988,813,118</b>	<b>988,813,118</b>
<b><u>Financial liabilities not measured at fair values</u></b>					
Borrowings	-	-	491,950,783	491,950,783	491,950,783
DBS bonds	-	-	151,174,658	151,174,658	151,174,658
Other liabilities	-	-	3,972,010	3,972,010	3,972,010
<b>Total</b>	<b>-</b>	<b>-</b>	<b>647,097,451</b>	<b>647,097,451</b>	<b>647,097,451</b>

30.1 Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows.

#### *Fixed rate financial instruments*

The fair value of fixed rate financial assets and liabilities carried at amortised cost (eg. fixed rate financing contracts, due to other customers, subordinate liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

**DEVELOPMENT BANK OF SEYCHELLES**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,**

Financial statements are prepared in Seychelles Rupees

**30 Fair Value of Financial Instruments (Continued)**

*Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments.*

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

*Assets for which fair value approximates carrying value*

For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

**DEVELOPMENT BANK OF SEYCHELLES****NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31,****FIVE YEAR FINANCIAL SUMMARY**

	2021	2020	2019	2018	2017
<b>Statement of financial position</b>					
Share capital	39,200,000	39,200,000	39,200,000	39,200,000	39,200,000
Authorised	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Issued and fully paid	39,200,000	39,200,000	39,200,000	39,200,000	39,200,000
Retained earnings	265,630,959	256,917,088	246,002,039	243,060,562	218,520,784
Net assets employed	304,830,959	296,117,088	285,202,039	282,260,562	257,720,784
<b>Statement of income</b>					
Profit (loss) before taxation	8,713,871	10,915,049	5,057,182	26,446,317	15,818,393
Taxation	-	-	-	-	-
Profit/(loss) after taxation	8,713,871	10,915,049	5,057,182	26,446,317	15,818,393
Dividends	-	-	(2,115,705)	-	-
Transfer to statutory reserve	-	-	-	-	-
Retained Profit	8,713,871	10,915,049	2,941,477	26,446,317	15,818,393
Retained earnings 1 January	256,917,088	246,002,039	243,060,562	218,520,784	202,702,391
Adjustment on applying IFRS 09	-	-	-	(1,906,539)	-
Restated retained earnings - 31 December	265,630,959	256,917,088	246,002,039	243,060,562	218,520,784

