BANK OF BARODA - SEYCHELLES BRANCH

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The Branch management of **Bank of Baroda - Seychelles Branch (hereafter referred to as "the Branch")** is pleased to submit the report together with the audited financial statements of Branch for the year ended December 31, 2023.

PRINCIPAL ACTIVITY

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

RESULTS FOR THE YEAR

	SR
Profit before taxation	42,239,347
Taxation	(14,671,482)
Profit for the year	27,567,865
Retained earnings brought forward	191,530,145
Repatriation of profit	(11,320,000)
Retained earnings carried forward	207,778,010

REPATRIATION OF PROFIT

During 2022 financial year the Branch obtained approval from Central Bank of Seychelles to repatriate distributable profit amounting to **SR 136.85m**. Of the approved amount, **SR 83.42m** and **SR 11.32m** were remitted in 2022 and 2023 respectively. Branch management anticipate to transfer the remainder in 2024.

EQUIPMENT

The equipment of the Branch and the movements therein are detailed in note 9 to financial statements.

All equipment are stated at historical cost less accumulated depreciation. The Branch management are of the opinion that the carrying amount of the assets approximate their fair value and do not require any adjustments for impairment.

EVENTS AFTER REPORTING DATE

The Branch management is not aware of any material event which occurred after the reporting date and up to the date of this report.

GOING CONCERN

The Branch's management believes that the Branch is in a sound financial position and has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Branch management is responsible for the overall management of the affairs of the Branch including its operations and the making of investment decisions within the powers delegated by the Head Office.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES (CONT'D)

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

The Branch management considers that they have met their aforesaid responsibilities.

AUDITORS

The retiring auditors, Messers. Sey Auditors & Associates, being eligible offer themselves for re-appointment.

Mathi Chakravarthi
Chief Executive

Arun Subramanian
Senior Manager

Dated: 26 APR 2024
Victoria, Seychelles

SEY AUDITORS & ASSOCIATES
CHARTERED ACCOUNTANTS

The Créole Spirit
Quincy Street | P.O. Box 18
Victoria, Mahe Seychelles
Tel: +248 428 2400
Email: seyauditors@seyaud.sc

BANK OF BARODA - SEYCHELLES BRANCH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Bank of Baroda - Seychelles Branch** (hereafter referred to as "**the** Branch") set out on pages 3 to 43 which comprise the Statement of Financial Position as at December 31, 2023, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 43 give a true and fair view of the financial position of the Branch as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in line with the requirements of Seychelles Companies Act, 1972 and 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 Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Branch Management and Those Charged with Governance for the Financial Statements

The Branch Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Seychelles Companies Act, 1972, the Financial Institutions Act 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles, and for such internal control as the Branch 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 Branch Management is responsible for assessing the Branch'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 Bank of Baroda India either intend to liquidate the Branch or to cease operations, or have no realistic alternative but to do so.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Branch's Management.
- Conclude on the appropriateness of Branch Managements' 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 Branch'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 Branch 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.

SEY AUDITORS & ASSOCIATES
CHARTERED ACCOUNTANTS

BANK OF BARODA - SEYCHELLES BRANCH

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

Report on Other Legal and Regulatory Requirements

Seychelles Companies Act, 1972

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

We have obtained all information and explanations we have required.

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

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

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

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

Other matters

(a) The financial statements of the Branch for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on March 30, 2023.

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

SEY AUDITORS & ASSOCIATES

SEY AUDITORS & ASSOCIATES
Chartered Accountants

Dated: 26 APR 2024
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
ASSETS			
Cash and cash equivalents	5	212,452,941	302,079,090
Loans and advances	6	407,053,784	366,232,942
Debt instruments at amortised cost	7	745,829,293	647,538,927
Right-of-use asset	8(b)	1,902,748	3,424,946
Equipment	9	421,479	598,189
Deferred tax assets	10	2,270,290	2,214,360
Other assets	11	2,370,302	3,146,326
Total assets		1,372,300,837	1,325,234,780
LIABILITIES AND EQUITY			
LIABILITIES			
Lease liability	8(c)	2,310,460	3,943,568
Deposits from customers	12	1,106,621,632	1,078,145,217
Length of service provision	13	1,727,944	1,825,023
Borrowing from Central Bank of Seychelles		-	40,000
Current tax liability	14(a)	6,188,082	3,797,770
Other liabilities	15	7,674,709	5,953,057
Total liabilities		1,124,522,827	1,093,704,635
EQUITY			
Assigned capital	16	20,000,000	20,000,000
Statutory reserve	17	20,000,000	20,000,000
Retained earnings		207,778,010	191,530,145
Total equity		247,778,010	231,530,145
Total liabilities and equity		1,372,300,837	1,325,234,780
CONTINGENT LIABILITIES			
Bills and guarantees	25	1,726,000	1,797,801

These financial statements have been approved for issue by the Branch's Management on: 26 APR 2024

Mathi Chakravarthi
Chief Executive Officer

Arun Subramanian
Senior Manager

The notes on pages 7 to 43 form an integral part of these financial statements.
Auditor's report on pages 2 to 2(b).

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2023

	Notes	2023	2022
		SR	SR
Interest income	18	65,669,672	51,826,150
Interest expense	19	(16,868,230)	(11,626,646)
Net interest income		48,801,442	40,199,504
Net fee and commission income	20	4,373,414	4,073,629
Fee and commission expenses		(640,979)	(467,843)
Net fee and commission income		3,732,435	3,605,786
Net foreign exchange gains		2,270,554	3,721,672
Other income		453,021	5,025
Total other operating income		2,723,575	3,726,697
Net operating income		55,257,452	47,531,987
Amortisation of right-of-use	8(b)	(1,522,198)	(1,522,198)
Depreciation of equipment	9	(252,887)	(171,692)
Other operating expenses	21	(3,264,969)	(3,406,574)
Employee benefit expenses	22	(7,832,861)	(6,824,456)
Total operating expenses		(12,872,915)	(11,924,920)
Operating profit before impairment		42,384,537	35,607,067
Allowance for credit loss	23	(145,190)	7,656,840
Profit before taxation		42,239,347	43,263,907
Taxation	14(b)	(14,671,482)	(14,633,765)
Profit and total comprehensive income for the year		27,567,865	28,630,142

The notes on pages 7 to 43 form an integral part of these financial statements.
Auditor's report on pages 2 to 2(b).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2023

	Assigned capital	Retained earnings	Statutory reserve	Total
	SR	SR	SR	SR
At January 1, 2023	**20,000,000**	**191,530,145**	**20,000,000**	**231,530,145**
Total comprehensive income for the year	**-**	**27,567,865**	**-**	**27,567,865**
Profit repatriation	**-**	**(11,320,000)**	**-**	**(11,320,000)**
At December 31, 2023	**20,000,000**	**207,778,010**	**20,000,000**	**247,778,010**
At January 1, 2022	20,000,000	246,320,003	20,000,000	286,320,003
Total comprehensive income for the year	-	28,630,142	-	28,630,142
Profit repatriation	-	(83,420,000)	-	(83,420,000)
At December 31, 2022	20,000,000	191,530,145	20,000,000	231,530,145

The notes on pages 7 to 43 form an integral part of these financial statements.
Auditor's report on pages 2 to 2(b).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2023

	Notes	2023 SR	2022 SR
Cash generated from operations			
Profit before taxation		**42,239,347**	43,263,907
Adjustments for non-cash items:			
Amortisation of right-of-use	8(b)	**1,522,198**	1,522,198
Depreciation charge	9	**252,887**	171,692
Equipments written off	9	**26,719**	-
Movement in allowance for credit impairment	23	**145,190**	(7,656,840)
Length of service (credit)/charge	13	**(97,079)**	16,701
Currency translation differences		**(2,270,554)**	(3,721,672)
Accrued interests	7(a)	**(13,823,292)**	(12,180,202)
Exchange movement on foreign placement	7(a)	**8,990,198**	20,853,215
Finance costs	8(c)	**354,092**	523,926
		37,339,706	42,792,925
Changes in working capital:			
- (Increase)/Decrease in loans and advances		**(42,835,446)**	1,044,466
- Decrease/(Increase) in other assets		**776,024**	(327,602)
- Increase/(Decrease) in deposits from customers		**28,476,415**	(228,743,545)
- Decrease in borrowings from Central Bank of Seychelles		**(40,000)**	(40,000)
- Increase in other liabilities		**1,721,652**	644,451
- Movement in mandatory cash balance	5(b)	**(1,634,598)**	(13,513,399)
Cash flows generated from/(absorbed by) operations		**23,803,753**	(198,142,704)
Tax paid	14(a)	**(11,948,778)**	(10,736,771)
Length of service paid	13	**-**	(55,559)
Net cash inflow/(outflow) from operating activities		**11,854,975**	(208,935,034)
Cash flows from investing activities			
Additions to equipment	9	**(102,896)**	(37,770)
Additions to debt instruments at amortised cost	7(a)	**(2,338,902,131)**	(1,393,091,049)
Redemption of debt instruments at amortised cost	7(a)	**2,246,925,951**	1,606,268,630
Movement in short term investment	5(b)	**72,388,966**	-
Net cash (outflow)/inflow from investing activities		**(19,690,110)**	213,139,811
Cash flows from financing activities			
Profit repatriation		**(11,320,000)**	(83,420,000)
Repayment of lease liability and interest		**(1,987,200)**	(1,987,200)
Net cash outflow from financing activities		**(13,307,200)**	(85,407,200)
Net change in cash and cash equivalents		**(21,142,335)**	(81,202,423)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At January 1,		**199,977,482**	277,458,233
Decrease		**(21,142,335)**	(81,202,423)
Currency translation differences		**2,270,554**	3,721,672
At December 31,		**181,105,701**	199,977,482

The notes on pages 7 to 43 form an integral part of these financial statements.
Auditor's report on pages 2 to 2(b).

1. GENERAL INFORMATION

BANK OF BARODA - SEYCHELLES BRANCH (hereafter referred to as "the Branch"), is a foreign branch licensed and domiciled in Seychelles. Its head office is Bank of Baroda Limited, a Company incorporated and domiciled in India. The principal place at which business is carried out is located at Francis Trinity House, Mahé, Seychelles.

The Branch is engaged in provision of banking services within the framework of its banking license from the Central Bank of Seychelles.

These financial statements will be submitted for consideration and approval by the Branch management.

2. MATERIAL ACCOUNTING POLICIES

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

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

2.1 Basis of preparation

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

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

2.2 New and amended standards and interpretations

(i) New standards, interpretations and ammendments effective for the current year

The following are new and amended IFRS Accounting Standards that are effective for the period beginning January 1, 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12; and
- International Tax Reform - Pillar Two Model Rules - Amendment to IAS 12.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.2 New and amended standards and interpretations (Con'd)

(i) New standards, interpretations and ammendments effective for the current year (Cont'd)

IFRS 17 Insurance Contracts

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The amendments had no impact on the Branch's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the financial statements of the Branch but affect the disclosure of accounting policies of the Branch.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Branch's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Branch's financial statements.

International Tax Reform - Pillar Two Model Rules - Amendment to IAS 12

The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.2 New and amended standards and interpretations (Con'd)

(i) New standards, interpretations and ammendments effective for the current year (Cont'd)

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments had no impact on the Branch's financial statements.

(ii) New standards, interpretations and ammendments in issue but not yet effective

At the date of authorisation of these financial statements, the Branch has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

The following amendments are effective for the period beginning January 1, 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendment is effective for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Branch is currently assessing the impact of these new accounting standards and amendments and does not expect any other standards issued by the IASB but not yet effective, to have a material impact on its financial statements.

2.3 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using Seychelles Rupee (SR), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Branch 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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies (Cont'd)

Transactions and balances (Cont'd)

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.

2.4 Financial instruments

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

(a) **Financial assets**

Classification and measurement

The Branch presently classifies and measures its financial assets as at amortised cost. The classification of financial assets at initial recognition depends on their contractual terms and the business model for managing the instruments. The Branch assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. Financial assets with embedded derivatives are considered in their entirety when considering their cash flow characteristics. The Branch reclassifies financial assets only when its business model for managing those assets changes.

All the Branch's financial asset are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest.

Financial assets measured at amortised cost includes loans and advances, debt instruments at amortised cost and cash and cash equivalents in the Statement of Financial Position. Loans and advances and reverse repurchase agreements are initially recognised when the Branch becomes a party to the contractual provisions of the instrument at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method.

Impairment of financial assets

The Branch recognises loss allowance for expected credit loss [ECL] for financial assets measured at amortised cost together with loan commitments, in this section, all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the financial instruments, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses. More details on the determination of a significant increase in credit risk are provided in note 3.3(e).

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

At initial recognition, allowance (or provision in the case of some loan commitments) is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses) financial instruments where 12- month expected credit losses are recognised are considered to be Stage 1; financial instruments which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial instruments which have defaulted or are otherwise considered to be credit-impaired are allocated to Stage 3.

The Branch does collective assessment of impairment by aggregating financial instruments with similar risk characteristics.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. In determining whether there has been a significant increase in credit risk, the Branch uses quantitative tests based on relative and absolute probability of default (PD), qualitative indicators such indicators of historical delinquency, credit weakness or financial difficulty. However, unless identified at an earlier stage, the credit risk of financial instruments is deemed to have increased significantly when more than 30 days past due. The use of a payment holiday in and of itself has not been judged to indicate a significant increase in credit risk, with the underlying long-term credit risk deemed to be driven by economic conditions and captured through the use of forward-looking models. These portfolio-level models are capturing the anticipated volume of increased defaults and therefore an appropriate assessment of staging and expected credit loss. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the financial instruments is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit-impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due which the Branch uses for all its products. In addition, other indicators of mortgage default are added including end-of-term payments on past due interest-only accounts and loans considered non-performing due to recent arrears or forbearance. The use of payment holidays is not considered to be an automatic trigger of regulatory default and therefore does not automatically trigger Stage 3. Days past due will also not accumulate on any accounts that have taken a payment holiday including those already past due.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

In certain circumstances, the Branch will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit-impaired (for a return to Stage 2). On renegotiation the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate. Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

Purchased or originated credit-impaired financial assets (POCI) include financial assets that are purchased or originated at a deep discount that reflects incurred credit losses. At initial recognition, POCI assets do not carry an impairment allowance; instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. All changes in lifetime expected credit losses subsequent to the assets' initial recognition are recognised as an impairment charge. The Branch had none occurred during the period under review.

Modifications of financial assets

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

If the terms are substantially different, the Branch 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 Branch 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 Branch 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 Branch 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.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.4 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Write-offs

Financial assets are normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Any subsequent recoveries are credited to credit loss expense. Write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing attempts to recover are no longer appropriate.

Collateral repossessed

Repossessed collateral represents financial and non-financial assets acquired by the Branch in settlement of overdue loans or foreclosure on loans that are in default. Such assets are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Repossessed assets are initially recognised at fair value when acquired and classified as inventories within 'other assets' unless they meet the requirements of non current assets-held-for sale or disposal groups under IFRS 5. Repossessed properties are subsequently measured at the lower of carrying amount and net realisable value.

(b) Financial liabilities

Financial liabilities which include deposits, borrowings, leases and other liabilities issued by the Branch are classified as financial liabilities at amortised cost and recognised at fair value, being their issue proceeds net of transaction costs incurred when the Branch becomes a party to the contractual provisions of the instrument. These are subsequently measured at amortised cost using the Effective Interest Rate method.

(c) Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right of offset and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Cash collateral on exchange traded derivative transactions is presented gross unless the collateral cash flows are always settled net with the derivative cash flows. In certain situations, even though master netting agreements exist, the lack of management intention to settle on a net basis results in the financial assets and liabilities being reported gross on the Statement of Financial Position.

(d) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Branch has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Branch has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Branch in the management of its short-term commitments. Cash and cash equivalents comprise cash on hand, balances with the Central Branch of Seychelles net of mandatory balance, amounts due from banks on demand or with an original maturity of three months or less and bank overdrafts.

2.6 Leases

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

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

Right-of-use assets

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

The right-of-use assets are subject to impairment in line with the Branch's policy as described in note 2.8 impairment of non-financial assets.

Lease liability

At the commencement date of the lease, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term, disocunted using the Branch's incremental borrowing rate. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The weighted average incremental borrowing rate applied to the lease liability on the last remeasurement date was 11.03% p.a.

2.7 Equipment

Equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.7 Equipment (Cont'd)

Depreciation on equipment is charged so as to allocate the cost of the assets less their residual values over their estimated useful lives as follows:

Category	Depreciation method	Rate
Furniture, fittings & equipments:		
- Air conditions	Written down value	18.1%
- Computers	Straight line	33.33%
- Other furniture, fittings & equipments	Written down value	18.1% - 25.89%
Automated Teller Machine (ATM)	Straight line	20%
Motor vehicle	Written down value	31.32%

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

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

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

2.8 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).

2.9 Taxation

The tax expense for the year comprises of business tax, tousism and marketing tax and deferred tax. Tax is recognised in Statement of Profit or Loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity.

Business tax

The business tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Tourism and marketing tax

The tourism and marketing tax charge is calculated based on 0.5% of the turnover for the year.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.9 Taxation (Cont'd)

Deferred tax

Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of equipment, provision for credit impairment on loans and advances and provision for retirement benefit obligation. The rates enacted or subsequently enacted at the date of the reporting period are used to determine deferred tax.

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

2.10 Fair value

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

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

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

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

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

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

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

At the end of the year the Branch assume that the carrying amount at the end of the year approximate fair value and there were no transfer between levels in the hierarchy.

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.11 Employee benefits

(i) Short-term employee benefits

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

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

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

(ii) Length of service compensation

The amendments to the Seychelles Employment Act in the year 1999 entitled 5/6 of one day's wage for each completed month of service provided the employee has completed five years continuous service. The Branch accrues this liability on a current basis and carries it to a provision account for payments to be made as and when they occur.

(iii) Defined contribution plans

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

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

2.12 Equity reserves

The reserves recorded in equity on the Branch's Statement of Financial Position include the statutory reserve is maintained in accordance with section 24(1) of the Financial Institutions Act 2004 as amended.

2.13 Provisions

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

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D)

2.14 Acceptances

Acceptances comprise undertakings by the Branch to pay bills of exchange drawn on customers. The Branch expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

2.15 Interest income and expense

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

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 Branch 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 Branch 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. Fore 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.

2.16 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.

3. FINANCIAL RISK MANAGEMENT

3.1 Risk management structure

The Branch's risk results from variations and fluctuations in assets, liabilities, incomes as well as outflows and inflows of cash etc. This note describes the objective, policy and process for managing those risks and methods used to measure them.

The objectives of risk management function for the Branch are:

- To identify, measure, monitor and manage the risks arising out of the banking operations which are characterized by limited avenues for profitable deployment of resources, cut throat competition among banks to acquire quality assets.
- To inculcate risk management culture among staff and strengthening of the three lines of defence for effective risk management systems.
- To achieve the corporate objectives and goals proposed in the strategic plan for the Branch, by mitigating various risks attendant to operations.

Process for managing those risks

The Enterprise Risk Management Committee (ERMC) at Corporate Office is the authority for approving the review of Risk Management Policy for the Branch. The ERMC role is to approve the overall business strategies and significant policies including those related to managing and taking risks.

The ERMC through policy also set specific exposure limits and regularly review management reports that highlight the Branch's current exposure including expected changes, interest rate changes, prepayments, withdrawals, credit quality etc.

At territorial level, the Seychelles RMC (Territory Level Risk Management Committee) have the responsibility for evaluating the overall risks faced by the territory and represent the same to the Corporate Office, if any, on behalf of the territory.

The Committee shall comprise of the Chief Executive, Chief Manager/ Senior Manager (Credit & Risk), Senior Manager / Manager (Operations & IT), Compliance Officer and One of the local officer/ supervisor.

The territory has adopted the three lines of defence strategy to manage risks of the Branch.

1st Line of Defence:

The business lines of territory, will be the first line of defence. It has the ownership and accountability of risk, whereby it acknowledges and manages the day to day risks incurred in conducting its activities.

2nd Line of Defence:

Risk Management - The risk management function of the territory is responsible for further identifying, measuring, monitoring and reporting risks on an enterprise-wide basis as part of the second line of defence, independently from the first line of defence.

Compliance - Is responsible for overall oversight, monitoring and ensuring that the Branch operates in compliance with applicable, laws, regulations and internal policies.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Risk management structure (Cont'd)

Process for managing those risks (Cont'd)

3rd Line of Defence:

The internal audit function acts as the third line of defence, conducting risk-based audits and reviews to provide assurance to the Board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

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

3.2 Capital adequacy

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

	2023	2022
	SR'000	SR'000
Capital Base:		
Tier I Capital	220,210	202,900
Tier II Capital	30,495	32,134
Total Capital Base (a)	250,705	235,034
Total Risk Weighted Assets for Credit risk	398,527	317,852
Operational Risk Capital Requirement	50,645	49,214
Total Risk-adjusted Assets (b)	449,172	367,066
Capital adequacy (a/b)*100	56%	64%
Minimum requirement	12%	12%

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

3.3 Credit risk

Credit Risk Management

Credit risk is defined as the possibility that a borrower or counterparty will default to pay back or fail to meet its obligations in accordance with agreed terms in relation to lending.

The Branch has adopted various credit rating models to measure the level of credit risk in a specific loan transaction. Apart from assessing credit risk at the counterparty level, the Branch has appropriate processes and systems to assess credit risk at the portfolio level. The Branch undertakes portfolio reviews at regular intervals to improve the quality of the portfolio or to mitigate the adverse impact of concentration exposures to certain borrowers, sectors or industries. Credit risk is mitigated by obtaining various types of securities to secure the exposures on its borrowers.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

Impairment assessment

The Branch's impairment assessment and measurement approach is set out below and should be read in conjunction with the summary of significant accounting policies note 2.4(a). ECL calculated on a collective basis for loans and advances whereas ECL on financial institutions and sovereign debt is computed on individual basis.

(a) Definition of default, impaired and cure

The Branch considers a financial instrument to be in default for ECL calculations when the debt becomes 90 days past due on contractual payments. The Branch considers treasury and inter branch balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Branch also considers a various instances that may indicate the likelihood not to pay. When such events occur, the Branch carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as either Stage 3 or Stage 2 for ECL calculations, whichever is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default;
- The borrower having past due liabilities to public creditors or employees;
- The borrower is deceased;
- A covenant breach not waived by the Branch; and
- The debtor (or any entity within the debtor's group) filing for bankruptcy application/protection.

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

(b) Probability of Default (PD) estimation process

(i) *PD for Loans and advances*

The Branch used weighted average Global Corporate Default rates by industry published by S&P between 1981 - 2022 and these have been assumed to be a good indicator of the credit quality of the credit exposures in the Branch's portfolio due to absence of historical default counts.

The PD has been assumed to be sensitive to changes in macroeconomic conditions and computed for a period of five future years and considered constant thereafter. The basis for the assumption is validated by the convergence of macroeconomic forecasts post the 5 year period.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

(b) Probability of Default (PD) estimation process (Cont'd)

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

A product between the Global Corporate Default rates by Industry and the calibrated logistic PD forecasts has been considered to reach the calibrated PD structure. Below is the model outputs for calibrated PIT PD estimates obtained between calibrated logistic PD forecasts using long term default rate.

Industry	T	T+1	T+2	T+3	T+4
Aerospace/automotive/capital	1.07%	1.06%	1.05%	1.03%	1.02%
Consumer/service resources	1.32%	1.31%	1.29%	1.27%	1.26%
Energy and natural resources	1.83%	1.81%	1.79%	1.77%	1.74%
Financial institutions	0.34%	0.34%	0.33%	0.33%	0.32%
Forest and building	1.27%	1.25%	1.23%	1.22%	1.20%
Health care/chemicals	0.77%	0.76%	0.75%	0.74%	0.73%
High technology/computers/office	0.65%	0.64%	0.63%	0.63%	0.62%
Insurance	0.14%	0.14%	0.14%	0.14%	0.14%
Leisure time/media	1.76%	1.74%	1.72%	1.70%	1.68%
Real estate	0.45%	0.45%	0.44%	0.43%	0.43%
Telecommunications	1.35%	1.33%	1.31%	1.30%	1.28%
Transportation	1.10%	1.08%	1.07%	1.06%	1.04%
Utility	0.23%	0.23%	0.23%	0.22%	0.22%

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

The Branch has insufficient default history in this segments and have adopted internally developed PD. The PD applied on money market with related entities and investment with Central Bank of Seychelles for the year ended December 31, 2023 are **0.12%** and **0.16%** respectively.

(c) Exposure at default (EAD)

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

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

(d) Loss given default (LGD)

LGD for Financial Institutions and Sovereign Debt

The Branch adopted the Basel standardised approach applicable to all banks of 45%.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

(d) Loss given default (LGD) (Cont'd)

LGD for Corporate and Retail Lending

The Branch adopted the Basel prescribed LGD estimates due to low default counts. This include determining the effective LGD under the foundation approach for cases where banks have taken eligible IRB collateral to secure corporate exposure.

(e) Significant increase in credit risk

The Branch continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Branch assesses whether there has been a significant increase in credit risk since initial recognition.

The Branch uses the number of days past due (DPD) to determine significant increase in credit risk. Credit ratings are assigned to facilities granted by sectors upon initial recognition based on available information. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

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

3.3.4 Risk concentration risk and exposure to credit risk

The Branch's concentration risk is managed by borrower and industry sector as shown on 3.3.4(b).

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

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

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

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

Description	2023 Gross exposure	2023 E C L	2023 Net exposure	2022 Gross exposure	2022 E C L	2022 Net exposure
Cash and bank balances (note 5)	212,452,941	-	212,452,941	302,079,090	-	302,079,090
Loans and advances (note 6)	411,479,717	(4,425,933)	407,053,784	369,235,053	(3,002,111)	366,232,942
Debt instruments at amortised cost (note 7)	746,258,490	(429,197)	745,829,293	649,449,216	(1,910,289)	647,538,927
Other assets (note 11)	2,370,302	-	2,370,302	3,146,326	-	3,146,326
Guarantees and bill payables (note 25)	1,726,000	-	1,726,000	1,834,618	(36,817)	1,797,801
Total	1,374,287,450	(4,855,130)	1,369,432,320	1,325,744,303	(4,949,217)	1,320,795,086

(b) Analysis of risk concentration

	Financial services	Government of Seychelles	Construction & mortgages	Real estate & mortgages	Trading	Others	Total
	SR	SR	SR	SR	SR	SR	SR
December 31, 2023							
Cash and bank balances (note 5)	201,787,483	-	-	-	-	10,665,458	212,452,941
Loans and advances (note 6)	-	93,598,000	24,011,000	161,234,000	31,611,000	101,025,717	411,479,717
Debt instruments at amortised cost (note 7)	518,617,870	227,640,620	-	-	-	-	746,258,490
Other assets (note 11)	2,058,959	-	-	131,000	-	180,343	2,370,302
Guarantees and bill payables (note 25)	-	-	-	226,000	1,300,000	200,000	1,726,000
Total concentration of risk	722,464,312	321,238,620	24,011,000	161,591,000	32,911,000	112,071,518	1,374,287,450

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

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

	Financial services	Government of Seychelles	Construction	Tourism	Personal	Others	Total
	SR	SR	SR	SR	SR	SR	SR
December 31, 2022							
Cash and bank balances (note 5)	289,154,064	-	-	-	-	12,925,026	302,079,090
Loans and advances (note 6)	-	93,598,000	35,772,000	79,418,000	57,389,000	103,058,053	369,235,053
Debt instruments at amortised cost (note 7)	400,955,376	248,493,840	-	-	-	-	649,449,216
Other assets (note 11)	2,743,502	-	-	110,000	-	292,824	3,146,326
Guarantees and bill payables (note 25)	-	-	-	109,000	1,488,801	200,000	1,797,801
Total concentration of risk	692,852,942	342,091,840	35,772,000	79,637,000	58,877,801	116,475,903	1,325,707,486

3.4 Currency risk

Relates to the possibility of loss arising from adverse movements of market determined rates and prices. Other market risks to which the Branch is exposed are foreign exchange risk on foreign currency positions, liquidity, or funding risk and price risk on trading portfolios. The Branch has policies to control and monitor its treasury functions.

The Branch's foreign exchange rate risk is monitored by the Foreign Currency Exposure Regulations return submitted on a daily basis. The exposure during the year under review remained within limits set by the Financial Institutions (Foreign Currency Exposure) Regulations, 2009 as amended issued by the Central Bank of Seychelles which requires that long and short position to capital ratio is not more than 30% respectively. At year end financial assets by currency were as follows:

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.4 Currency risk (Cont'd)

	EURO	USD	SR	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
December 31, 2023					
Assets					
Cash and cash equivalents	11,345	43,648	152,936	4,524	212,453
Loans and advances	-	7,892	403,588	-	411,480
Debt instruments at amortised cost	214,453	288,663	229,612	13,530	746,258
Other assets	-	1,290	1,080	-	2,370
	225,798	341,493	787,216	18,054	1,372,561
Liabilities					
Deposits	222,589	339,135	531,153	13,745	1,106,622
lease liability	-	-	2,310	-	2,310
Other liabilities	-	902	6,735	38	7,675
	222,589	340,037	540,198	13,783	1,116,607
Net foreign currency exposure	3,209	1,456	247,018	4,271	255,954
December 31, 2022					
Assets					
Cash and cash equivalents	41,850	57,226	188,607	14,396	302,079
Loans and advances	-	6,475	362,760	-	369,235
Debt instruments at amortised cost	-	400,955	248,494	-	649,449
Other assets	-	830	2,316	-	3,146
	41,850	465,486	802,177	14,396	1,323,909
Liabilities					
Deposits	41,846	451,312	571,183	13,804	1,078,145
lease liability	-	-	3,944	-	3,944
Borrowings	-	-	40	-	40
Other liabilities	4	898	4,955	96	5,953
	41,850	452,210	580,122	13,900	1,088,082
Net foreign currency exposure	-	13,276	222,055	496	235,827

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the Branch's inability to meet its obligations when they become due without incurring unacceptable losses. It includes the inability to manage unplanned decreases or changes in funding sources. It also arises from failure to recognize or address changes in market conditions that affects the ability to liquidate assets quickly and with minimal loss in value.

For mitigating liquidity risk, the assets liability management cell (ALM) reviews the liquidity position on a quarterly basis to ensure that the negative gap does not exceed the tolerance limit in the respective time buckets. The Branch also monitors its liquidity position on weekly basis through L1 return submitted to CBS. Maturity profile of assets and liabilities is as follows:

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	Over 3 years	Non-maturity items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2023								
Assets								
Cash and cash equivalents	108,717	-	-	-	-	-	103,736	212,453
Loans and advances	35,371	1,387	1,729	34,738	155,914	182,341	-	411,480
Debt instruments at amortised cost	139,285	243,622	73,997	64,992	59,914	164,448	-	746,258
Other assets	2,370	-	-	-	-	-	-	2,370
	285,743	245,009	75,726	99,730	215,828	346,789	103,736	1,372,561
Liabilities								
Deposits	650,904	128,665	55,125	268,235	2,519	1,174	-	1,106,622
Leases	144	288	432	864	582	-	-	2,310
Other liabilities	6,334	-	-	-	-	-	1,341	7,675
	657,382	128,953	55,557	269,099	3,101	1,174	1,341	1,116,607
Maturity gap	(371,639)	116,056	20,169	(169,369)	212,727	345,615	102,395	255,954

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Liquidity Risk (Cont'd)

	Up to 1 month SR'000	1 - 3 months SR'000	3 - 6 months SR'000	6 - 12 months SR'000	1 - 3 years SR'000	Over 3 years SR'000	Non-maturity items SR'000	Total SR'000
At December 31, 2022								
Assets								
Cash and cash equivalents	199,977	-	-	-	-	-	102,102	302,079
Loans and advances	44,006	996	1,085	41,712	71,107	210,329	-	369,235
Debt instruments at amortised cost	-	12,180	412,441	43,133	53,000	128,695	-	649,449
Other assets	3,146	-	-	-	-	-	-	3,146
	247,129	13,176	413,526	84,845	124,107	339,024	102,102	1,323,909
Liabilities								
Deposits	730,055	107,161	12,319	217,368	8,344	2,898	-	1,078,145
Leases	202	400	591	1,148	1,603	-	-	3,944
Borrowings from Central Bank of Seychelles	3	10	10	10	7	-	-	40
Other liabilities	5,021	-	-	-	-	-	932	5,953
	735,281	107,571	12,920	218,526	9,954	2,898	932	1,088,082
Maturity gap	(488,152)	(94,395)	400,606	(133,681)	114,153	336,126	101,170	235,827

On the other hand, the Branch also complies with the Central Bank of Seychelles' requirement for all commercial banks to maintain liquid assets of an amount which shall not, as a daily average each month, be less than 20% of the Bank's total liabilities under the Financial Institutions (Liquidity Risk Management) Regulations, 2009 as amended in 2012.

The Branch met the guidelines of the Central Bank of Seychelles in terms of its liquidity ratio during the year 2023 and 2022.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.6 Interest rate risk

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

In Seychelles exposure to interest rate risk is minimal. Because as per Seychelles law, the Branch is incorporating a clause in loan sanction letter that interest may change according to market conditions. Hence with the change in interest rates on the liabilities, Branch also changes interest rates on its assets.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2023								
Assets								
Cash and cash equivalents	70,000	-	-	-	-	-	142,453	212,453
Loans and advances	35,371	1,387	1,729	34,738	155,914	182,341	-	411,480
Debt instruments at amortised cost	139,285	243,622	73,997	64,992	59,914	164,448	-	746,258
Other assets	-	-	-	-	-	-	2,370	2,370
	244,656	245,009	75,726	99,730	215,828	346,789	144,823	1,372,561
Liabilities								
Deposits from banks and customers	318,584	128,665	55,125	268,235	2,519	1,174	332,320	1,106,622
Lease liability	144	288	432	864	582	-	-	2,310
Other liabilities	-	-	-	-	-	-	7,675	7,675
	318,728	128,953	55,557	269,099	3,101	1,174	339,995	1,116,607
Interest sensitivity gap	(74,072)	116,056	20,169	(169,369)	212,727	345,615	(195,172)	255,954

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.6 Interest rate risk (Cont'd)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Non-interest bearing items	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2022								
Assets								
Cash and cash equivalents	125,000	-	-	-	-	-	177,079	302,079
Loans and advances	44,006	996	1,085	41,712	71,107	210,329	-	369,235
Debt instruments at amortised cost	-	12,180	412,441	43,133	53,000	128,695	-	649,449
Other assets	-	-	-	-	-	-	3,146	3,146
	169,006	13,176	413,526	84,845	124,107	339,024	180,225	1,323,909
Liabilities								
Deposits from banks and customers	730,055	107,161	12,319	217,368	8,344	2,898	-	1,078,145
Lease liability	202	400	591	1,148	1,603	-	-	3,944
Borrowings	-	-	-	-	-	-	40	40
Other liabilities	-	-	-	-	-	-	5,953	5,953
	730,257	107,561	12,910	218,516	9,947	2,898	5,993	1,088,082
Interest sensitivity gap	(561,251)	(94,385)	400,616	(133,671)	114,160	336,126	174,232	235,827

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) *Allowance for expected credit losses (ECL)*

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

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

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

(b) *Useful lives and residual values*

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 Branch management have used historical information relating to the Branch and the relevant industry in which it operates in order to best determine the useful lives and residual values of equipment.

(c) *Length of service*

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

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

(d) *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 Branch's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Branch's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2023	2022
	SR	SR
Cash in hand	10,665,458	12,925,026
Central Bank of Seychelles (CBS)		
- Standing deposit facility	70,000,000	125,000,000
- Mandatory balance (note 5(b)	103,736,206	102,101,608
- Other balances	17,433,591	-
Balances with banks abroad	8,718,672	44,549,718
Absa Bank Seychelles Limited	1,899,014	17,502,738
	212,452,941	302,079,090

(a) All bank balances have been assessed to have low credit risk at the end of each reporting date as they are held with reputable banking institutions and Branch's management is of the view that ECL at December 31, 2023 is immaterial.

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

	2023	2022
	SR	SR
Gross cash and bank balances (note 5)	212,452,941	302,079,090
Add: Short term investments (note 7)	72,388,966	-
Less: Mandatory cash balance with CBS	(103,736,206)	(102,101,608)
	181,105,701	199,977,482

6. LOANS AND ADVANCES

	2023	2022
	SR	SR
Government of Seychelles	93,598,413	93,598,413
Term loans	282,510,452	234,959,551
Bank overdrafts	35,370,852	40,677,089
Gross loans and advances	411,479,717	369,235,053
Less: Allowance for credit impairment (notes 3.3.4(a) and 6(a))	(4,425,933)	(3,002,111)
	407,053,784	366,232,942

6. LOANS AND ADVANCES (CONT'D)

(a) Movement in allowance for credit impairment is given below:

	2023	2022
	SR	SR
At January 1,	3,002,111	9,412,929
Write back	51,103	-
Charge/(Credit) to Statement of Profit or Loss (note 23)	1,372,719	(6,410,818)
At December 31,	4,425,933	3,002,111

(b) Credit quality and the maximum exposure to credit risk based on the Branch's regulatory credit rating system and year-end stage classification in total is as follows:

	Stage 1	Stage 2	Stage 3	Total
December 31, 2023	SR	SR	SR	SR
Gross loans & advances				
Pass	387,719,525	-	-	387,719,525
Special mention	-	23,444,773	-	23,444,773
Substandard	-	-	39,724	39,724
Doubtful	-	-	30,881	30,881
Loss	-	-	244,814	244,814
	387,719,525	23,444,773	315,419	411,479,717
Allowance for credit loss				
Pass	2,941,211	-	-	2,941,211
Special mention	-	1,172,239	-	1,172,239
Substandard	-	-	9,847	9,847
Doubtful	-	-	57,822	57,822
Loss	-	-	244,814	244,814
	2,941,211	1,172,239	312,483	4,425,933
Net Carrying Amount	384,778,314	22,272,534	2,936	407,053,784
December 31, 2022				
Gross loans & advances				
Pass	361,434,376	-	-	361,434,376
Special mention	-	6,143,187	-	6,143,187
Substandard	-	-	905,313	905,313
Doubtful	-	-	497,331	497,331
Loss	-	-	254,846	254,846
	361,434,376	6,143,187	1,657,490	369,235,053
Allowance for credit loss				
Pass	2,612,201	-	-	2,612,201
Special mention	-	135,064	-	135,064
Substandard, Doubtful and Loss	-	-	254,846	254,846
	2,612,201	135,064	254,846	3,002,111
Net Carrying Amount	358,822,175	6,008,123	1,402,644	366,232,942

6. LOANS AND ADVANCES (CONT'D)

(c) Reconciliation of gross carrying amounts and ECL

No disclosure has been made show the reconciliation of changes in gross carrying amount and corresponding ECL allowances due to unavailability of data.

(d) Credit concentration of risk by industry sectors

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

7. DEBT INSTRUMENTS AT AMORTISED COST

	2023	2022
	SR	SR
Money markets with related entities (notes 7(b) and 30)	**518,617,870**	400,955,376
Central Bank of Seychelles (CBS) (note 7(b))		
- Treasury bills	-	51,798,781
- Treasury bonds	**227,640,620**	196,695,059
Gross carrying amount	**746,258,490**	649,449,216
Less: Allowance for expected credit loss (notes 3.3.4(a) and 7(b))	**(429,197)**	(1,910,289)
Net carrying amount	**745,829,293**	647,538,927
Reconciled as		
Matures within 3 months (note 5)	**72,388,966**	-
Matures after 3 months	**673,869,524**	649,449,216
	746,258,490	649,449,216

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

	2023	2022
	SR	SR
At January 1,	**649,449,216**	871,299,810
Additions during the year	**2,338,902,131**	1,393,091,049
Matured during the year	**(2,246,925,951)**	(1,606,268,630)
Exchange movement on foreign placement	**(8,990,198)**	(20,853,215)
Accrued interests	**13,823,292**	12,180,202
At December 31,	**746,258,490**	649,449,216

(b) Allowance for expected credit loss (ECL)

	2023		2022	
	Gross amount	ECL	Gross amount	ECL
	SR	SR	SR	SR
Money markets with related entities	**518,617,870**	**263,677**	400,955,376	925,839
Debt securities with CBS	**227,640,620**	**165,520**	248,493,840	984,450
	746,258,490	**429,197**	649,449,216	1,910,289

7. DEBT INSTRUMENTS AT AMORTISED COST (CONT'D)

(b) Allowance for expected credit loss (ECL) (Cont'd)

Movement in ECL during the year is as follows:

	2023	2022
	SR	SR
At January 1,	1,910,289	3,112,909
Credit to Statement of Profit or loss (note 23)	(1,481,092)	(1,202,620)
At December 31,	**429,197**	1,910,289

(c) During the year, there were no transfers between stages (2022: none). There is no reconciliation of changes in gross carrying amount and corresponding ECL allowances due to unavailability of data.

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

8. LEASES

(a) Lease contracts

The Branch has lease contracts for its office and expatriate housing. Lease term of the office is 5 years expiring in 2025 whilst housing leases are short term. The Branch's obligations under its leases are secured by the lessor's title to the leased assets. There are no lease contracts that include extension and termination options and variable lease payments.

The Bank applied the short-term leases exemption for leases amounting to **SR 785k** (2022: SR 611k) and has been shown as staff rental (note 22).

(b) Right-of-use assets

	2023	2022
	SR	SR
At January 1,	3,424,946	4,947,144
Amortisation charge for the year	(1,522,198)	(1,522,198)
At December 31,	**1,902,748**	3,424,946

(c) Lease liability

	2023	2022
	SR	SR
At January 1,	3,943,568	5,406,842
Finance cost (note 19)	354,092	523,926
Payments	(1,987,200)	(1,987,200)
At December 31,	**2,310,460**	3,943,568

The Branch had total cash outflows for leases of **SR 2.77m** (2022: SR 2.60m).

(d) The maturity analysis of lease liability is disclosed in note 3.5.

9. EQUIPMENT

	Office equipment SR	Furniture & fittings SR	Motor vehicles SR	Total SR
COST				
At January 1, 2022	4,963,473	790,047	344,000	6,097,520
Additions	37,770	-	-	37,770
At December 31, 2022	**5,001,243**	**790,047**	**344,000**	**6,135,290**
Addition	**102,896**	**-**	**-**	**102,896**
Write off	**(2,250,977)**	**(199,916)**	**-**	**(2,450,893)**
At December 31, 2023	**2,853,162**	**590,131**	**344,000**	**3,787,293**
ACCUMULATED DEPRECIATION				
At January 1, 2022	4,408,598	699,433	257,378	5,365,409
Charge for the year	106,534	36,271	28,887	171,692
At December 31, 2022	**4,515,132**	**735,704**	**286,265**	**5,537,101**
Charge for the year	**211,005**	**27,892**	**13,990**	**252,887**
Write off adjustment	**(2,224,258)**	**(199,916)**	**-**	**(2,424,174)**
At December 31, 2023	**2,501,879**	**563,680**	**300,255**	**3,365,814**
NET BOOK VALUE				
At December 31, 2023	**351,283**	**26,451**	**43,745**	**421,479**
At December 31, 2022	486,111	54,343	57,735	598,189

10. DEFERRED TAX ASSETS

(a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 14(d).

(b) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority for the same entity.

	2023 **SR**	2022 SR
Deferred tax assets (note 10(c))	**2,409,378**	2,402,303
Deferred tax liabilities (note 10(c))	**(139,088)**	(187,943)
Net deferred tax assets	**2,270,290**	2,214,360

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

	2023 **SR**	2022 SR
At January 1,	**2,214,360**	4,717,347
Charge to Statement of Profit or Loss (note 14(b))	**55,930**	(2,502,987)
At December 31,	**2,270,290**	2,214,360

10. DEFERRED TAX ASSETS (CONT'D)

(i) Deferred tax assets

	Provision for credit losses	Payroll provisions	Right-of-use to lease liability	Total
	SR	SR	SR	SR
At January 1, 2022	4,159,999	615,081	151,700	4,926,780
(Charge)/Credit for the year	(2,531,099)	(12,823)	19,445	(2,524,477)
At December 31, 2022	**1,628,900**	**602,258**	**171,145**	**2,402,303**
(Charge)/Credit for the year	**(26,707)**	**70,382**	**(36,600)**	**7,075**
At December 31, 2023	**1,602,193**	**672,640**	**134,545**	**2,409,378**

(ii) Deferred tax liability

	Accelerated depreciation
	SR
At January 1, 2022	209,433
Credit for the year	(21,490)
At December 31, 2022	**187,943**
Credit for the year	**(48,855)**
At December 31, 2023	**139,088**

11. OTHER ASSETS

	2023	2022
	SR	SR
Visa receivable	**2,058,959**	2,743,502
Advance to staff	**152,405**	244,449
Refundable deposits	**158,938**	158,375
	2,370,302	3,146,326

12. DEPOSITS FROM CUSTOMERS

	2023	2022
	SR	SR
Current accounts	**332,320,179**	350,418,751
Time deposits	**519,560,402**	495,587,266
Savings deposits	**250,083,265**	231,441,371
Interest accrued	**4,657,786**	697,829
	1,106,621,632	1,078,145,217

(a) The current accounts include **SR 16.26m** (2022: SR 30.4m) due to a consortium for funds deposited upon liquidation of a customer.

(b) Current accounts are repayable on demand. Savings deposits have restrictions on the amount repayable on demand and earned interest at an average rate of **1.15%** in 2023 (2022: 1.15%). All fixed deposits mature within one year and earned interest at an average rate of **1.25% to 5.5%** in 2023 (2022: 1.25% to 5.5%).

12. DEPOSITS FROM CUSTOMERS (CONT'D)

(c) Currencies in which deposits are denominated and maturity profile of the deposits are shown in notes 3.4 and 3.5 respectively.

13. LENGTH OF SERVICE PROVISION

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

	2023	2022
	SR	SR
At January 1,	1,825,023	1,863,881
Charge for the year (note 22)	(97,079)	16,701
Paid during the year	-	(55,559)
At December 31,	**1,727,944**	1,825,023

14. CURRENT TAX ASSETS

(a) **Statement of Financial Position**

	2023	2022
	SR	SR
At January 1,	3,797,770	2,403,763
Charge for the year (notes 14(b) & 14(c))	14,339,090	11,820,000
Adjustment to prior year provision	-	15,563
Paid during the year	(11,948,778)	(10,441,556)
At December 31,	**6,188,082**	3,797,770

(b) **Statement of Profit or Loss**

	2023	2022
	SR	SR
Current tax on adjusted profit for the year at applicable tax rates (note 14(d))	14,339,090	11,820,000
Adjustment to prior year provision	-	15,563
	14,339,090	11,835,563
Deferred tax (charge)/credit (note 10(c))	(55,930)	2,502,987
Tourism and marketing tax	388,322	295,215
	14,671,482	14,633,765

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

	2023	2022
	SR	SR
Profit before taxation	42,239,347	43,263,907
Tax calculated at applicable tax rate (note 14(d))	13,858,985	14,197,089
Accelerated tax depreciation	40,037	91,826
Expenses not deductible for tax purposes	440,068	(2,468,915)
	14,339,090	11,820,000

14. CURRENT TAX ASSETS (CONT'D)

(d) **Applicable tax rates are as follows:**

Taxable income threshold	2023 & 2022
≤ SR. 1,000,000	25%
> SR. 1,000,000	33%

15. OTHER LIABILITIES

	2023	2022
	SR	SR
VISA payable	5,098,978	3,621,461
Clearing accounts and unidentified deposits	1,325,206	1,296,335
Margin on guarantees	-	75,000
Other payables and accruals	1,250,525	923,444
Allowance for credit losses on commitments (note 15(b))	-	36,817
	7,674,709	5,953,057

(a) The currency profile and maturity terms are shown in notes 3.4 and 3.5 respectively.

(b) This relates to ECL on bill and guarantees that are standard graded. Their ECL movement during the year is as follows:

	2023	2022
	SR	SR
At January 1,	36,817	80,219
ECL credit during the year (note 23)	(36,817)	(43,402)
At December 31,	-	36,817

16. ASSIGNED CAPITAL

	2023	2022
	SR	SR
Authorised, Issued and fully paid up		
At January 1, **and December 31,**	20,000,000	20,000,000

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

17. STATUTORY RESERVE

	2023	2022
	SR	SR
At January 1, **and December 31,**	20,000,000	20,000,000

Section 24(1) of the Financial Institutions Act, 2004, as amended requires that a Statutory Reserve Fund be maintained from an appropriation of 20% of net profits for the year before any transfers until such reserve is equal to the Assigned Capital. The Branch's statutory reserve is equal to SR 20m, hence no transfer has been made for the current year.

18. INTEREST INCOME

	2023	2022
	SR	SR
Placement with Central Bank of Seychelles	213,603	600,986
Placement with associated entities	12,254,598	7,475,485
Interest on debt instrument with Central Bank of Seychelles	23,443,138	16,440,253
Loans and advances	29,758,333	27,309,426
	65,669,672	51,826,150

19. INTEREST EXPENSE

	2023	2022
	SR	SR
Deposits from customers	16,514,138	11,102,720
Interest on lease (note 8(c))	354,092	523,926
	16,868,230	11,626,646

20. FEE AND COMMISSION INCOME

	2023	2022
	SR	SR
Commissions on loan and advances	1,750,316	1,436,359
Incidental charges	1,517,372	1,183,041
Other fee income and commissions	870,216	1,003,744
Foreign currency transaction	235,510	450,485
	4,373,414	4,073,629

21. OTHER OPERATING EXPENSES

	2023	2022
	SR	SR
Auditor's remuneration	170,000	166,750
Licences	750,000	750,000
Legal and professional fees	174,400	57,550
Repairs and maintenance	376,501	355,263
Insurance charges	109,843	135,185
Utilities	206,568	202,185
Communication charges	108,464	113,011
Travelling expenses	301,411	190,575
Supervision charges to Head office	75,828	56,328
Equipments written off	26,719	-
Other administrative charges	965,235	1,379,727
	3,264,969	3,406,574

22. EMPLOYEE BENEFIT EXPENSE

	2023	2022
	SR	SR
Salaries and wages	6,259,541	5,898,159
Movement in length of service provision (note 13)	(97,079)	16,701
Pension and provident fund	225,386	204,165
Staff rent (note 8(a))	784,500	611,416
Other staff costs	660,513	94,015
	7,832,861	6,824,456

23. EXPECTED CREDIT LOSS EXPENSE

		2023			
	Notes	Stage 1	Stage 2	Stage 3	Total
		SR	SR	SR	SR
Loans and advances	6(b)	329,010	1,037,175	6,534	1,372,719
Debt instruments at amortised cost	7(b)	(1,481,092)	-	-	(1,481,092)
Other liabilities	15(b)	(36,817)	-	-	(36,817)
		(1,188,899)	1,037,175	6,534	(145,190)

		2022			
	Notes	Stage 1	Stage 2	Stage 3	Total
		SR	SR	SR	SR
Loans and advances	6(b)	(1,610,247)	118,592	(4,919,163)	(6,410,818)
Debt instruments at amortised cost	7(b)	(1,202,620)	-	-	(1,202,620)
Other liabilities	15(b)	(43,402)	-	-	(43,402)
		(2,856,269)	118,592	(4,919,163)	(7,656,840)

24. COMMITMENTS

There were no capital commitments as at December 31, 2023 (2022: Nil).

25. CONTINGENT LIABILITIES

	2023	2022
	SR	SR
Bills and guarantees	1,726,000	1,834,618
Less: Allowance for credit impairment	-	(36,817)
	1,726,000	1,797,801

To meet the financial needs of customers, the branch enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, bills for collection. Even though the obligations may not be recognised on the statement of fiancial position, they contain credit risk, and are therefore part of the overall risk of the branch.

26. RELATED PARTY TRANSACTIONS

(a) The Branch carries out transactions in the ordinary course of its business with its group and associated entities

Balances with associated entities at the reporting date were as follows:

	2023	2022
	SR	SR
Cash and cash equivalents:		
- Bank of Baroda Mumbai (INR)	**2,749,221**	45,320
- Bank of Baroda London (GBP)	**283,771**	10,064,909
- Bank of Baroda Brussels (EUR)	-	14,871,140
- Bank of Baroda New York (USD)	**4,634,087**	19,492,401
- Bank of Baroda Port Louis	-	32,906
Investments in financial assets:		
- Bank of Baroda London	**13,456,350**	-
- Bank of Baroda Singapore (USD)	-	14,066,700
- Bank of Baroda Uganda (USD)	**86,231,430**	360,810,855
- Bank of Baroda Gift City (EUR)	**213,855,793**	-
- Bank of Baroda Gift City (USD)	**194,529,624**	14,066,700
Deposits from:		
- Bank of Baroda London-Consortium (SR)	**16,255,877**	30,455,877
Transaction with associated entities during the year were as follows:		
- Income from placements with associated entities	**12,254,598**	7,475,485

Transaction with related parties are conducted at arms length and outstanding balances unsecured.

(b) Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Branch. The management staffs of the Branch has been identified as key management personnel based on the above requirements.

The aggregate remuneration provided for and paid to key management personnel comprised:

	2023	2022
	SR	SR
Salaries and related expenses	**2,440,091**	2,545,033

(c) Loan and advances to key management personnel are approved and disbursed as per the Branch's loan policy. Loans and advance due from key management as at December 31, 2023 was **SR 193k** (2022: 121k).

27. FIVE YEAR FINANCIAL SUMMARY

	2023	2022	2021	2020	2019
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**42,239**	43,264	36,045	42,731	39,178
Taxation charge	**(14,671)**	(14,634)	(11,848)	(15,063)	(13,480)
Profit for the year	**27,568**	28,630	24,197	27,668	25,698
Profit repatriation	**(11,320)**	(83,420)	-	(30,000)	-
Retained earnings brought forward	**191,530**	246,320	222,123	224,455	198,757
Retained earnings carried forward	**207,778**	191,530	246,320	222,123	224,455
EQUITY					
Assigned capital	**20,000**	20,000	20,000	20,000	20,000
Statutory reserve	**20,000**	20,000	20,000	20,000	20,000
Retained earnings	**207,778**	191,530	246,320	222,123	224,455
	247,778	231,530	286,320	262,123	264,455