

THE MAURITIUS COMMERCIAL BANK (SEYCHELLES) LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **THE MAURITIUS COMMERCIAL BANK (SEYCHELLES) LIMITED** (hereafter referred to as "the Bank") set out on pages 4 to 58 which comprise the Statement of Financial Position as at December 31, 2022, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 58 give a true and fair view of the financial position of the Bank as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

Key Audit Matter

Adequacy for the provision for expected credit losses (ECL) per IFRS 9

At December 31, 2022, the Bank reported total Expected Credit Loss [ECL] of SCR 87.9m out of which SCR 80.3m was in respect of drawn loans and advances which represent an ECL cover ratio of 2.51% (2021: SCR 65.6m & ECL Cover of 2.13%).

The determination of ECL consists of a number of assumptions that require a high degree of complex and subjective auditor judgement, specialised skills and knowledge, complex impairment modelling and a high degree of estimation uncertainty.

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

Key Audit Matters (Cont'd)

Adequacy for the provision for expected credit losses (ECL) per IFRS 9

Specifically, the impact of the war in Ukraine, residual economic impact of the COVID-19 pandemic, as well as the economic impact of the rising cost of living on the ECL have been particularly judgemental given the inherent uncertainty in the current economic environment.

The key areas we identified as having the most significant level of management judgement were in respect of:

- **Staging** - the determination of significant increase in credit risk and resultant timely allocation of assets to the appropriate stage in accordance with IFRS 9;
- **Model estimations** - Determination of Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposures at Default ("EAD"); and
- **Forward-looking information** - Macroeconomic forecasts, including GDP, unemployment (national and regional), inflation, interest rates and The borrowers' probability of non-payment in response to macroeconomic factors.

How our audit addressed the key audit matter

- Evaluated the appropriateness of the Bank's IFRS 9 impairment methodologies;
- Reperformed and inspected model code for the calculation of certain components of the ECL model (including the staging criteria);
- Evaluated whether the changes were appropriate by assessing the updated IFRS 9 model methodology;
- Checked the reasonableness of the Bank's considerations on the ECL the impact of the war in Ukraine, residual economic impact of the COVID-19 pandemic, as well as the economic impact of the rising cost of living on the ECL;
- Sample-tested key inputs, data and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and model assumptions applied; and
- We assessed whether the disclosures were appropriate addressed the uncertainties which existed when determining the ECL including sensitivity analysis done. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 1972, the Financial Institutions Act 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONT'D)**Responsibilities of Directors and Those Charged with Governance for the Financial Statements (Cont'd)**

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Seychelles Companies Act, 1972

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

We have obtained all information and explanations we have required.

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

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

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

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

Other Matter

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

Dated: 24 APR 2023
Victoria, Seychelles

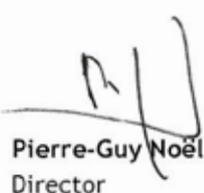
BDO ASSOCIATES

BDO ASSOCIATES
Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022
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	Notes	2022 SR	2021 SR
ASSETS			
Cash and bank balances	5	1,675,010,982	2,062,377,113
Loans and advances	6	3,116,354,296	3,018,912,139
Investment in financial assets	7	1,952,733,635	1,749,056,846
Right-of-use assets	8(b)	115,190,871	118,293,571
Property and equipment	9	98,072,883	111,166,087
Intangible assets	10	7,702,654	12,061,988
Deferred tax assets	11(b)	51,179,303	46,690,407
Other assets	12	69,143,676	53,529,998
Total Assets		7,085,388,300	7,172,088,149
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks and customers	13	6,022,347,766	6,025,989,504
Borrowings	14	97,220,879	255,291,141
Retirement benefit obligations	15	13,154,786	13,321,634
Current tax liabilities	16(a)	25,661,546	7,119,582
Other liabilities	17	207,999,849	217,035,314
Total Liabilities		6,366,384,826	6,518,757,175
EQUITY			
Share capital	18	20,000,000	20,000,000
Statutory reserve	19	20,000,000	20,000,000
Other reserves		39,420,161	42,566,100
Retained earnings		639,583,313	570,764,874
Total Equity		719,003,474	653,330,974
Total Liabilities and Equity		7,085,388,300	7,172,088,149
CONTINGENT LIABILITIES			
Acceptances, letters of credit and guarantees		361,168,789	314,620,444
Loan commitments	29(d)	91,837,416	340,188,328
Unutilised cards and overdraft commitments	29(d)	180,787,305	190,223,905
		633,793,510	845,032,677

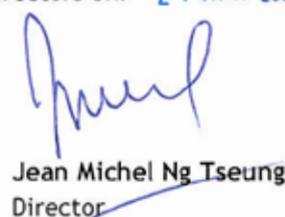
These financial statements were approved for issue by the Board of Directors on: **24 APR 2023**



Pierre-Guy Noël
Director



Bernard Jackson
Director



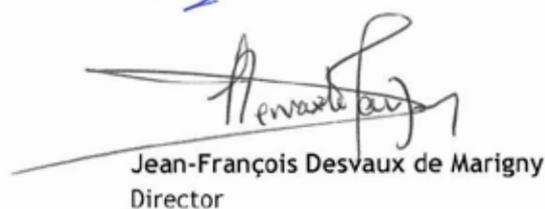
Jean Michel Ng Tseung
Director



Gilbert Gnany
Director



Régis Bistoquet
Director



Jean-François Desvaux de Marigny
Director

The notes on pages 8 to 58 form an integral part of these financial statements
Auditor's Report on pages 3 to 3(c)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**
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	Notes	2022 SR	2021 SR
Interest income	20	278,195,923	274,858,244
Interest expense	21	(48,440,148)	(53,271,005)
Net interest income		229,755,775	221,587,239
Fee and commission income	22	142,694,032	120,663,328
Fee and commission expense	23	(91,834,392)	(81,740,900)
Net fee and commission income		50,859,640	38,922,428
Other income			
Profit arising from dealing in foreign currencies		112,114,451	41,054,444
Other operating income	24	399,285	21,144
Total operating income		112,513,736	41,075,588
Net operating income		393,129,151	301,585,255
Non-interest expenses			
Depreciation of right-of-use	8(b)	(6,769,519)	(6,159,599)
Depreciation of property and equipment	9	(15,564,816)	(13,271,215)
Amortisation of intangibles	10	(4,359,334)	(6,945,490)
Staff costs	25	(67,087,228)	(54,422,142)
Other operating expenses	26	(74,668,520)	(68,234,358)
Total operating expenses		(168,449,417)	(149,032,804)
Operating profit before impairment		224,679,734	152,552,451
Expected credit loss expense	27	(11,771,463)	(4,687,146)
Profit before taxation		212,908,271	147,865,305
Taxation	16(b)	(74,089,834)	(50,942,068)
Profit for the year		138,818,437	96,923,237
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to the Statement of Profit or Loss:</i>			
Net change in fair value of financial assets at FVTOCI and Total Other Comprehensive (Expense)/Income for the year	7(a)(ii)	(3,145,939)	(19,848,020)
Total comprehensive income for the year		135,672,498	77,075,217

The notes on pages 8 to 58 form an integral part of these financial statements
Auditor's Report on pages 3 to 3(c)