DEVELOPMENT BANK OF SEYCHELLES

Annual Report
2015

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CORPORATE INFORMATION

BOARD MEMBERS	Mrs. Lekha Nair	Chairperson
	Mr. Rupert Simeon	Vice-Chairperson
	Mrs. Annie Vidot	Executive Director
	Mrs. Ina Barbé	Non-Executive Director
	Ms. Rosanda Alcindor	Non-Executive Director
	Mr. Jerry Morin*	Non-Executive Director
	Mr. Mike Laval	Non-Executive Director
	Mr. Marc Naiken	Non-Executive Director
	Mr. Roy Clarisse	Non-Executive Director
BOARD COMMITTEES		
Audit & Risk Committee	Mr. Rupert Siméon	Chairperson
	Mr. Jerry Morin*	Vice-Chairperson
	Mr. Mike Laval	Member
	Mrs. Ina Barbé	Member
	Mr. Roy Clarisse	Member
Remuneration Committee	Ms. Rosanda Alcindor	Chairperson
	Mr. Marc Naiken	Member
	Mrs. Ina Barbe	Member
MANAGEMENT	Mrs. Annie Vidot	Chief Executive Officer (CEO)
	Ms. Jean Preira	Head of Finance
	Ms. Rana Fernandes	Head of Credit
	Mrs. Agnes Poris	Head of Collection & Recovery
	Mrs. Jennifer Loizeau	Head of Corporate Services
AUDITOR	Ernst & Young (Seychelles) Ltd Laximan House Castor Road, English River P.O Box 1289, Victoria Mahé, Seychelles	
REGISTERED OFFICE	Development Bank of Seychelles Independence Avenue P.O Box 217 Victoria, Mahé Seychelles Tel: +248 4294400 Fax:+248 4224274 Website: www.dbs.sc	

*Ceased to be a member of the Board as of 1st June, 2015

CHAIRPERSON REPORT

It is a great honour and privilege for me to welcome you all to the 2nd Annual General Meeting of the Development Bank of Seychelles (DBS) and to deliver my report for the financial year ending 31st December 2015. I would like to firstly express my thanks and profound gratitude to you all for your continued support and trust that you have reposed in us. In this report, I share with you our achievements for the year, some of the challenges faced and our future plans.

The year 2015 remained a challenging one for the global economy especially with the slowdown of economic activity in China and a fall in prices for energy. This actually had a positive impact for Seychelles, where our economy grew by 4.3%, namely due to tourism, with the services sector remaining the key driver of growth. The primary industries and the construction sector also grew and they were the two sectors where DBS played a major role. 2015 also saw Seychelles graduate to a high income status and gross national income per capita, climb to US$14,100.

For DBS, 2015 was another good year, registering an impressive growth in its loans portfolio by 36% as compared to 2014. The operating performance of the Bank was also noteworthy showing net profit of SCR of SR 14.5 million, with the most rewarding and notable results for the year being, the reduction in Non- Performing Loans to 2.7% as at 31st December 2015.

This growth is testimony to our customers' confidence in DBS and its ability to prudently serve their needs and place within easy reach of the people, medium to long-term loan facilities. Our loans portfolio expanded extensively in tourism, transport and construction. Indeed, we lived-up to our shareholder's expectation of providing reasonable credit facilities to our core niche sector- the entrepreneurial commercial sector and small and medium-sized enterprises. Once again, DBS continues to be the biggest player in the special SME scheme introduced by Government a couple of years ago and gives its assurance that it will continue to support such initiatives as we acknowledge the significant contribution that SME makes to the socio-economic development of our country.

The Bank actually kick-started the year 2015 with the implementation of a new organisation structure, after a complete internal review of the Bank in 2014, carried out by an independent consultant. As a result, the management team was downsized from nine members to five members including the CEO, with the aim of facilitating the decision making process and rendering its operations more effective and efficient. The Human Resources, Administration and IT operations were amalgamated to create a new department called "Corporate Services" whereas the other departments -Finance, Credit and Collection & Recovery, and the Executive Services under the office of the CEO, were restructured to cater for new work arrangements for the respective functions. A new scheme of service which has the aim of creating a fairer reward system and promoting productivity amongst its staff was also successfully implemented in 2015. This enhanced the performance of employees and motivated them considerably.

Early in the year, DBS organised its first ever National SME Forum which had the primary objective of creating greater visibility for DBS and promoting its services and products to the business community. The event also coincided with the Bank's 37^{th} Anniversary and the period whereby DBS was preparing its five-year strategic plan. The Forum gave DBS the opportunity to consult with the business community and to touch base with our clients, so as to focus, understand and cater to their needs and better our services and array of products being offered. It also helped in incorporating the customer needs, aspirations and challenges in the Bank's strategy. DBS also participated in other forums for SME development, along with other local partners such as Seychelles Investment Bureau and Ministry of Agriculture, as a further PR exercise to educate and promote its banking services.

On the credit side, DBS performed excellently in 2015 and recorded an unprecedented level of loan approvals. The loans were distributed to various sectors of the economy, with the larger portion going to the Building and Construction sector. We tried for a good diversification in the lending portfolio with more renewable energy projects which the Bank is eager to promote, and we are fairly satisfied with our performance for 2015. The Bank made remarkable contribution to the SME sector yet again, with more than 71% of lending being diverted for SME development. Overall, DBS input in the SME Financing Scheme represented 88% in 2015, which is no small feat when compared to other well established banks.

In spite of the superior credit performance in 2015, the Bank is nevertheless prudent in its credit activities, especially in areas that are seen to be risky such as motor vehicle financing. With increased demand in the Transport Sector and having reached the year's quota, the Bank had to take some serious measures in the last quarter of 2015 by putting lending on hold for financing of motor vehicles.

On the other hand, the Bank continued to place much emphasis on loan collection and recovery and no one could be more proud than me with the incredible results in non-performing loans (NPL) at the close of the year, where the NPL ratio stood at 2.7% compared to 8.1% at the beginning of the year, a very proud first for DBS.

On the financial part, 2015 was another positive year for DBS. The Bank's net interest income surpassed that of 2014 by 21%. The Bank achieved a final profit of SR 14.5 million which, although less than the previous year's performance by 9% due to impairment of assets of SR 2.5 million, the profits surpassed the year's set budget by SCR 2.5 million. The Board firmly believes in earning a sustainable profit that will ensure a strong position of DBS in the long run. The financial standing of the Bank also displayed encouraging improvements with total assets value growing by 23% at the end of 2015 compared to 2014. This helped immensely with the Bank's ability in obtaining lines of credit and funding, as there were some liquidity challenges towards the end of the year, but planned and timely steps to mobilize funds ensured that the core activities of DBS continued. With regards to the principal financial ratios of gearing, coverage ratio, liquidity and NPL, all were well within the norms.

The year 2015 was also a historic year for the Bank as it held its first AGM with all its shareholders, after 36 years, where we saw you all for the first time, and it is a real pleasure to see you all here once again for our second AGM. As it can be recalled, the Minister for Finance, Trade and Blue Economy also graced the occasion last year with his presence, and made some very encouraging remarks.

DBS is committed to adopting good corporate practices and governance in its day-to-day affairs and the Board of Directors puts emphasis on the Bank to be a compliant organization in all its action, as we believe that a compliant organization is less susceptible to various risks emanating from internal and external shocks. The three Board committees of Audit and Risk, Remuneration and Asset and Liability, have been very active throughout the year to ensure the corporate governance system of the Bank works well in terms of effective and efficient use of resources, transparency and accountability at all levels in doing business.

Many challenges remain at the forefront for the Bank, which together we should be able to find ways to turn them into opportunities. Access to cheap funding remains as the top priority. The advantage of inexpensive borrowings enable DBS not only to keep its cost of capital at the lower end but also to pass on any benefit to clients via lending at reasonable rates. DBS is dedicated to serve its mandate of providing finance for and assisting in the development of the Seychelles economy. As we continue to strengthen our business model and facilitate the delivery of enhanced banking services to our clients, we also need to offer a wider spectrum of products and services as required by our clients.

Another topmost urgency for the Bank is to address, in the very near future, the need for adequate and conducive working space for staff. The current DBS Building is already too small and despite many attempts to dress the 'old lady in a new outfit' over the years and escalating costs, the Board felt that a new extension to the current building will be of paramount importance and a necessity in the coming year, to which all staff will move into for the next phase of major renovations of the existing building. There is a need therefore to set aside some funds towards implementation of the project.

As a development bank founded 38 years ago, we know how important it is to continue to seek ways to modernise the bank with changing times, review its role, objectives and plans, and take a long term perspective in everything we do. It means that we never compromise on safeguarding and planning for a sound financial position and at the same time support the economy. It means nurturing all our customers in good times and bad. It means that we continuously strive to increase efficiency, so that we, by being profitable, can invest in even better services for our customers. It means looking after our staff and equipping them with the necessary tools, training and development.

The coming year will be an important one for all of us. We continue to have great confidence in the long-term success of DBS, as we have mapped the strategy which is sound and management is focused. The Board provides leadership and direction, approves major policy decisions and oversees management in its operations to attain goals and objectives of the Bank.

Dear partners, I would like to assure you that the Bank is well positioned to meet the challenges of the coming years and will continue to strive to innovate and capture greater market share to retain existing growth momentum.

I would like to take the opportunity to personally thank all of you as well as the authorities like the Ministry of Finance and Central Bank of Seychelles, who have and continue to work closely with the Bank and contribute towards the attainment of our objectives.

I wish to express words of appreciation also, to all my fellow Board Directors, for your time and valuable input towards DBS's achievements, as well as for your continued support. I am truly honored to be able to share your knowledge, expertise and camaraderie through the various challenges we faced together. Thank you for your generous time, guidance and thoughtful leadership in bringing much success for DBS.

My heartfelt thanks also go to the Management and Staff of DBS. They are all to be commended for their continued loyalty and diligent work throughout the year. A special mention goes to the Chief Executive Officer, Annie Vidot who has tirelessly and diligently delivered on her mandate to lead this successful team.

Allow me to also extend my gratitude to our esteemed clients too, who have remained loyal and supportive throughout the years. On behalf of the Bank, I thank you all for giving DBS the opportunity to be a partner in fostering your growth and development.

To conclude, it can be said that the year 2015 has been a fruitful year, one of mixed accomplishments: sustainability, growth and change. I look forward to your continued support in order to sustain the progress made so far. In 2016, with the new structure in place, accessibility to cheaper funds, a sound plan and a good financial foundation, DBS will swiftly proceed to give shape to its strategic objectives: excellent customer service, a stronger balance sheet and improvement in the financial results, thus playing a key pivotal role in the diversification and growth of Seychelles economy.

Lekha Nair

Chairperson of the Board

MOTTO

Your Partner In Development

VISION

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

MISSION

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

CORE VALUES

Competence

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

Integrity

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

Client Orientation

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

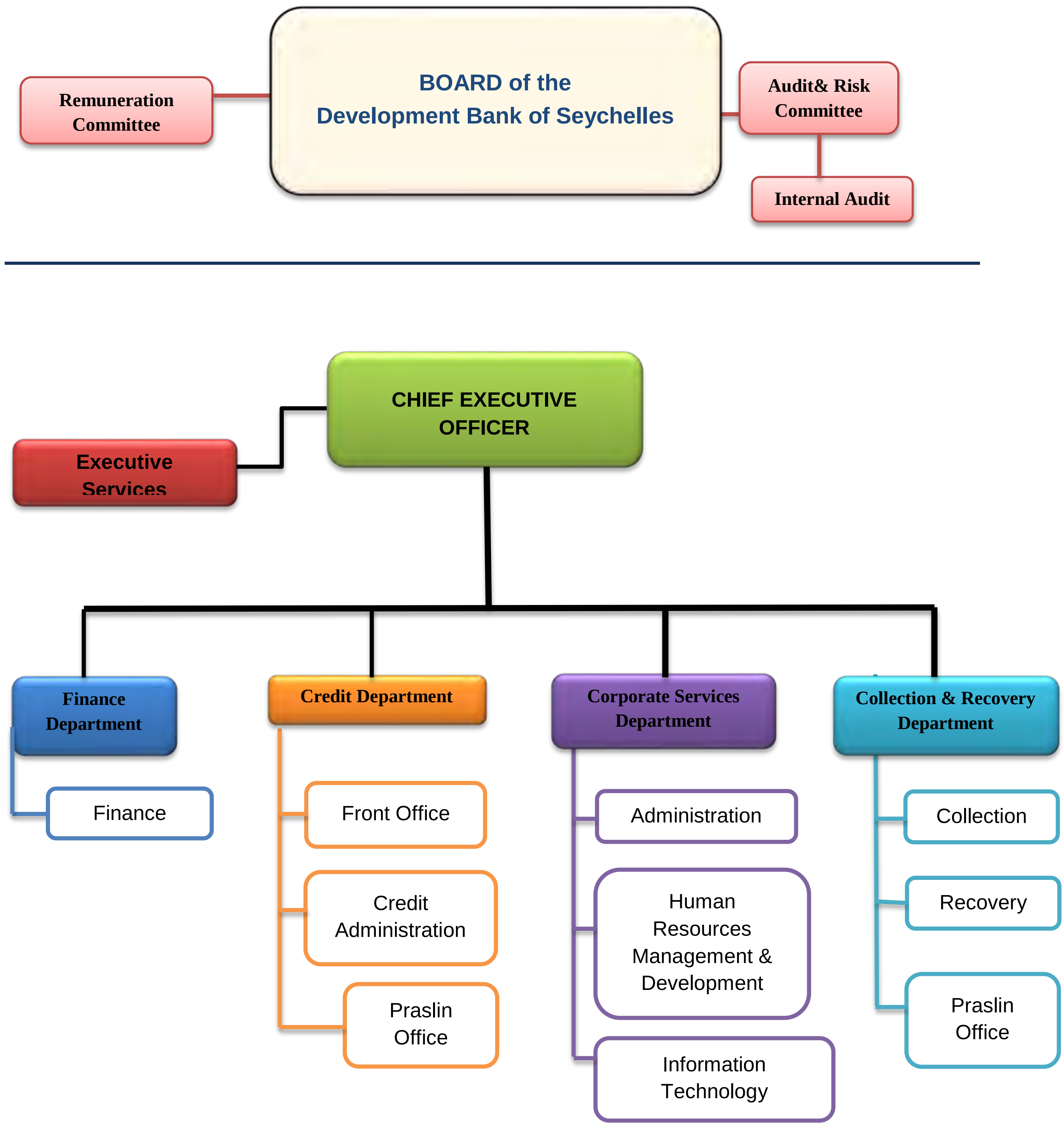
Teamwork

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

Confidentiality

- Strictest level of confidentiality in all its interactions with stakeholders

DBS ORGANISATIONAL CHART



REVIEW OF THE BANK'S PERFORMANCE FOR 2015

LOAN APPROVALS

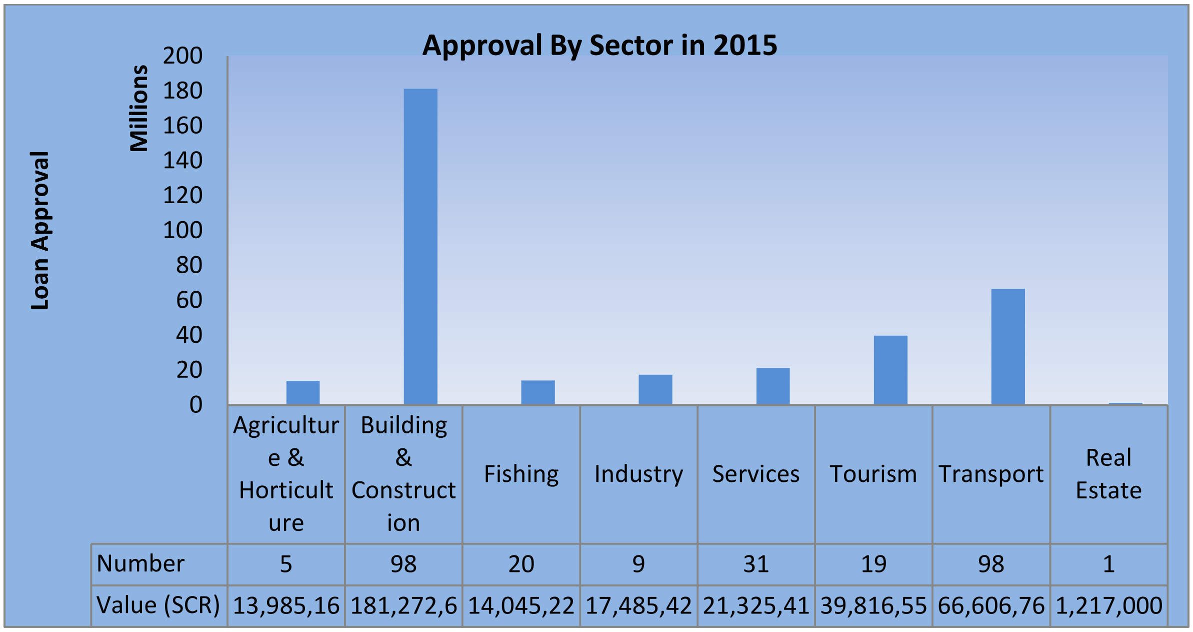
The Bank had a remarkable year in 2015 in terms of lending which is their core business activity. A total of 281 projects worth SCR 355,754,237 million were approved during the year. This represented an increase of 21% in term of the number of projects and 35% increase in term of monetary value of loans approved in comparison to the previous year.

In 2015, the Bank continued to fulfil its primary objective of providing access to affordable credit to the productive sectors namely; Agriculture and Horticulture, Building and Construction, Fisheries, Manufacturing, Tourism, Transport, and Other Services. As the Government continues with its effort to encourage entrepreneurship and SME development, DBS' resources were put under much pressure as the demand for lending continued to increase as a consequence of the intensity of economic development in the country.

Loan approval was primarily dominated by the Building and Construction sector (51%) as was the case in preceding year. This was followed by the Transport Sector (19%), Tourism Sector 11% and the other sectors accounted the remaining 19%.

The following graph shows the distribution of loan approval during the year 2015 by economic sectors.

Figure 1: Annual Approval by Sector



	Agriculture & Horticulture	Building & Construction	Fishing	Industry	Services	Tourism	Transport	Real Estate
Number	5	98	20	9	31	19	98	1
Value (SCR)	13,985,16	181,272,6	14,045,22	17,485,42	21,325,41	39,816,55	66,606,76	1,217,000

The following graphs (Figures 2 & 3) show the trend in loan approval for the last five years.

Figure 2: Loan Approval for the period 2011 to 2014 in term of value (SCR)

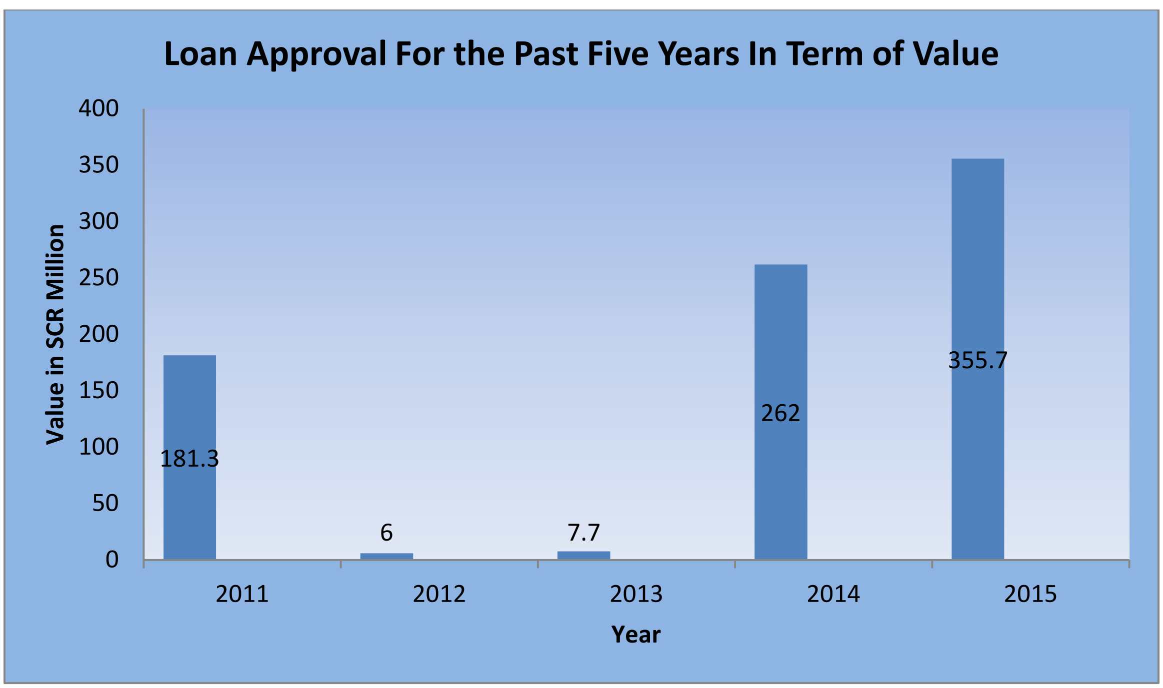
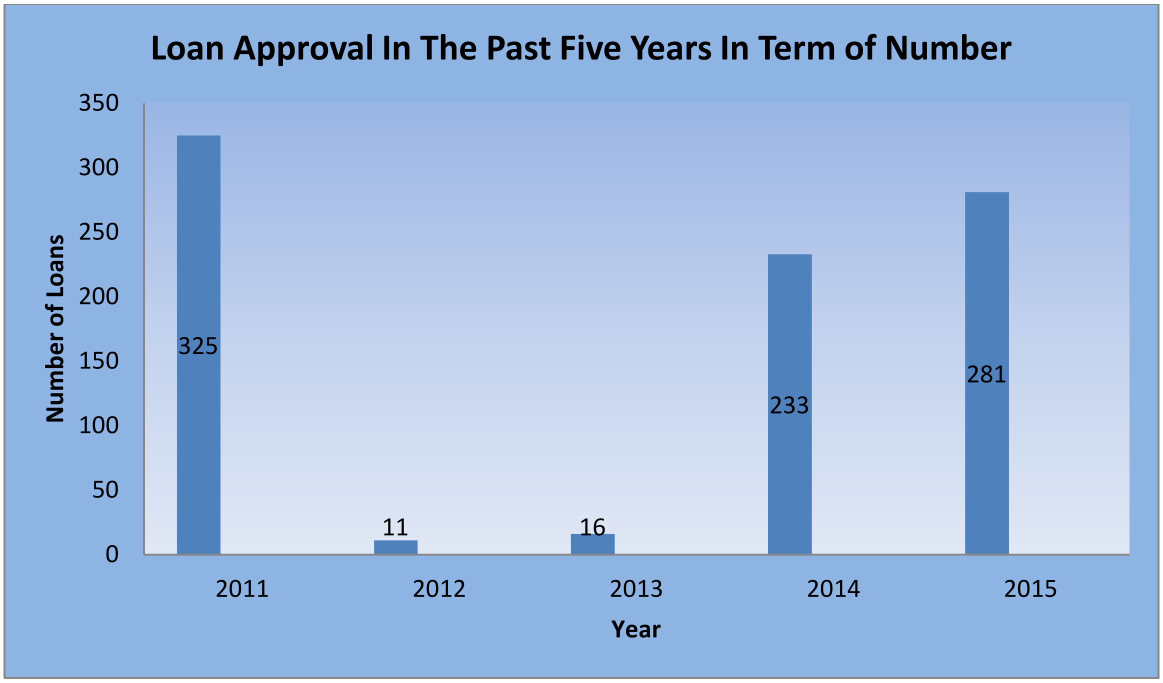


Figure 3: Loan Approval for the period 2011 to 2015 in terms of numbers



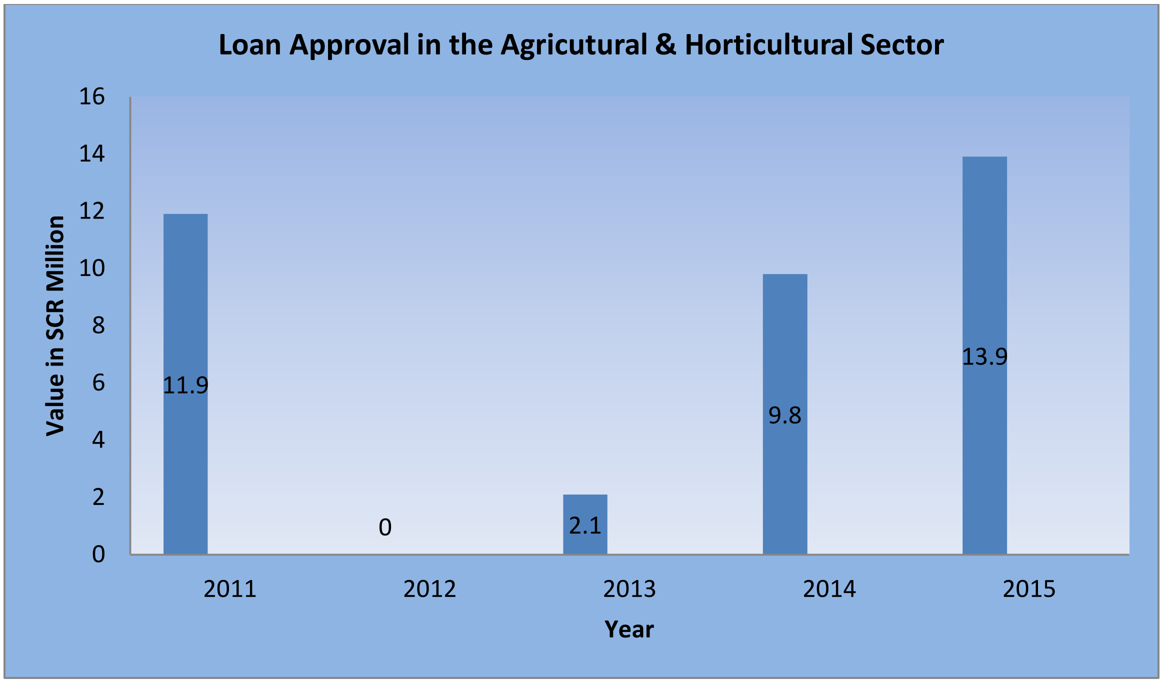
Note: In 2012 and 2013 lending was put on hold for the most part of each year; thus explaining the decrease in loan approval for the respective year.

Agriculture & Horticulture

In 2015, operators in this sector continued to face fierce competition from imported substitutes. In its effort to support Government's objective of safeguarding food security of the country, DBS continued to provide financial assistance to farmers/horticulturist to develop, expand or upgrade existing farm infrastructures, set up new farms, and purchase agricultural tools, equipment and input. Under the normal DBS Scheme and SME Scheme, a total of five loans worth SCR 13.9 Million were approved in 2015 compared to three loans worth SCR 9.8 Million approved in the previous year.

Promoters tend to opt for financing under the ADF (Agricultural Development Fund), which DBS manages on behalf of the Government of Seychelles. The ADF Scheme is available to registered farmers and agricultural input producers only and in 2015, a maximum loan of SCR750, 000 could be granted under the Scheme. The normal DBS Scheme and the SME Scheme are available as alternative funding to those who are not registered farmers or whose projects require funding exceeding the maximum loan amount offered under the ADF scheme.

Figure 4: Loan Approval in Agriculture & Horticulture for the period 2011 to 2015

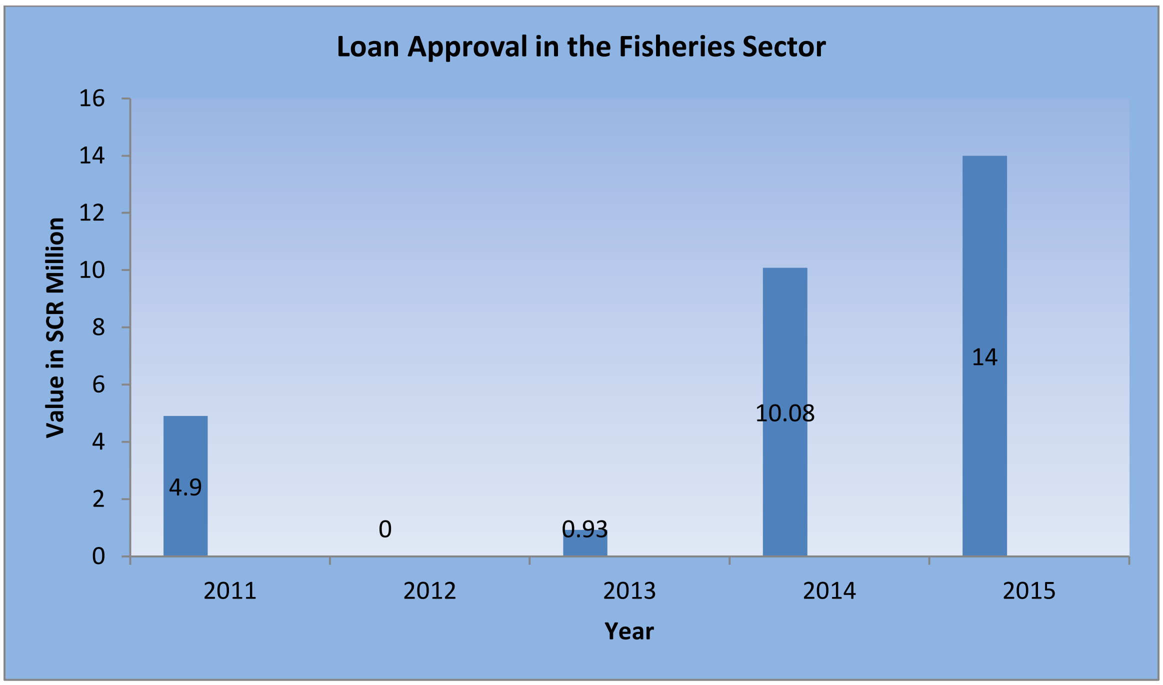


The Fisheries sector was not without its challenges in 2015, this included interruption in the supply of ice and adverse effect on output as a result of algae bloom. Nonetheless, DBS did its utmost to financially assist operators in this sector. The Bank approved 20 loans for the value of SCR 14 million representing an increase of 4 million over the previous year's performance.

Loans for the fisheries sector are normally for the financing of artisanal & semi artisanal industrial fishing, the purchase or construction of boat, purchase of navigational equipment and reparation of fishing boat.

It is to be noted that that the above-mentioned statistics pertaining to loan approval under the fisheries sector does not include loan approvals under the Fisheries Development Fund (FDF). The FDF is a fund from the European Union (EU) for the financing of long line fishing activities and value addition. This scheme is managed by DBS on behalf of the Seychelles Fishing Authority (SFA).

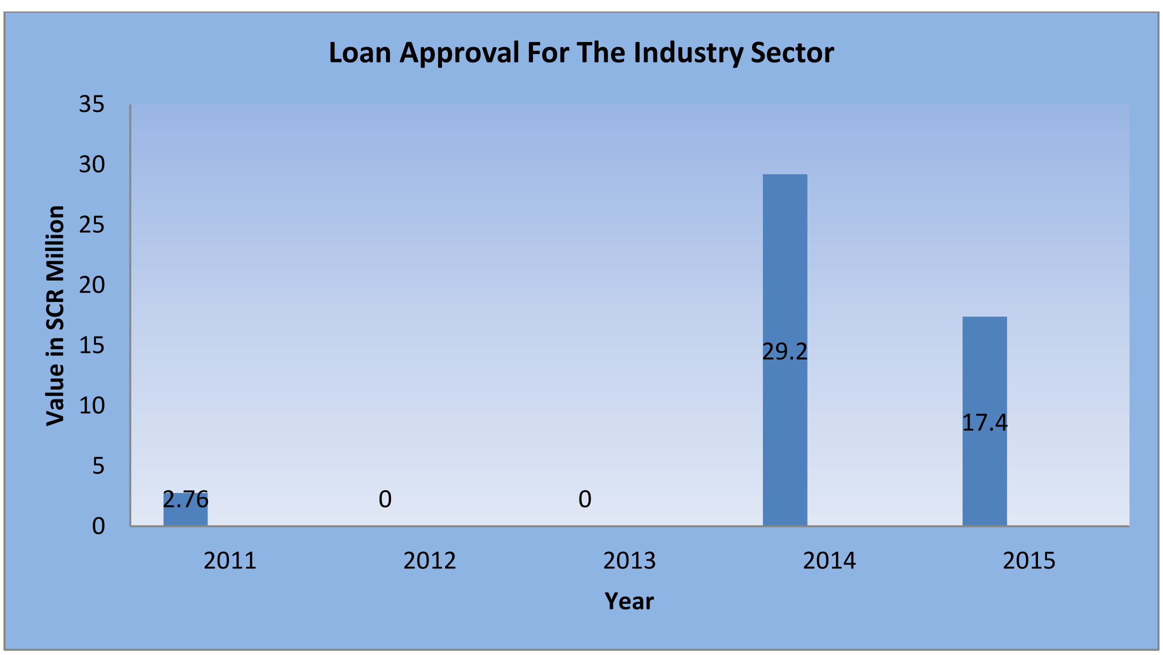
Figure 5: Loan Approval in Fisheries Sector for the period 2011-2015



A total of 9 applicants benefitted with loans worth SCR 17.4 million under this sector. Financing were mainly for setting up of bottling plant, snack manufacturing, and meat processing businesses.

Overall, the volume of loan approved for this sector declined by 40% when compared to that of previous year.

Figure 7: Loan Approval for the Industry Sector for the period 2011 to 2015



Tourism

In 2015, credit extended to the Tourism Sector increased by 22% compared to previous year. A total of 19 loans worth SCR 39.8 million were approved under this sector. Financing were mainly for construction of self-catering apartments and upgrading of existing tourism establishments.

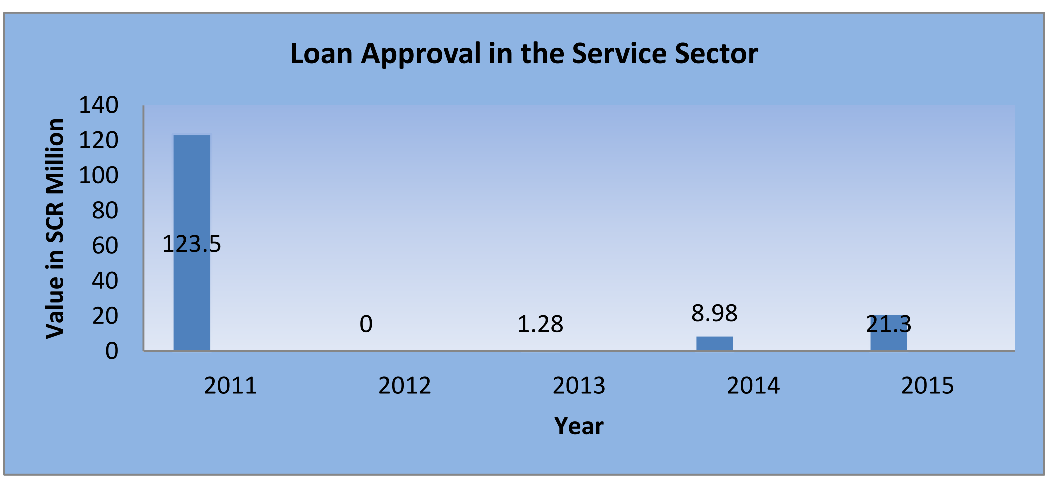
Figure 8: Loan Approval for the Tourism Sector for the period 2011 to 2015

Services

The Service Sector is very wide, comprising of business activities falling outside the purview of the other sectors. It encompasses business activities such as hairdressing salons, food and take away outlets, retail and wholesale businesses, clearing services, child minding, pharmacy, motor vehicle garages, cleaning agencies, IT services to name a few.

A total of 31 loans worth SCR21.3 million were approved under this sector. When comparing statistics of 2015 with that of 2014, it can be observed that DBS investment in this sector has more than doubled. The graph below gives an overview of the trend in approval for the past 5 years.

Figure 9: Loan approval for the service sector for the period 2011 to 2015



Transport

The Bank observed a significant increase in the loan applications for vehicle financing for either new or expanding businesses. A total of 98 loans for the value of SCR 66.6 million were approved in 2015. This represents an increase of 56.7% of the total value of loans approved under this sector in 2014. Financing under this sector was mainly for replacement of vehicles in existing businesses and purchase of new vehicles such as taxi businesses, pick-up truck, omnibus and car hiring businesses.

In particular, the Bank observed a surge in loan demand in 2015 for setting up of new taxi, car hire and omnibus ventures across the country. The Bank is conscious of the riskiness and volatility of the Transport sector. Hence, a decision was taken to put a halt on lending in the fourth quarter of the year, given also that as it had reached its lending quota for this sector.

It is to be noted that the Transport Sector ranked second in terms of the sectors with the highest loan approval for the year 2015.

Building & Construction

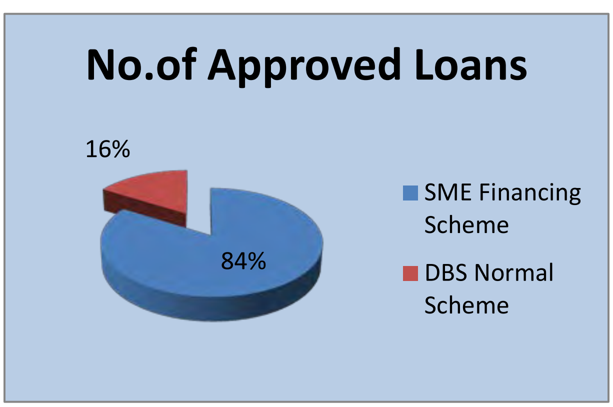
Financing under this sector is normally for construction of new commercial building, purchase of properties and buildings for commercial use and construction of apartments/ houses for rental purposes.

In 2015, a total of 98 projects worth SCR 181.2 million were approved under this sector. This represents an increase of 40.6% of value of loans approved in 2014 for the same sector. In general, loan approval under the Construction and Building sector continued to dominate the total loan approvals in 2015 in comparison to the other economic sectors.

The SME Scheme

The Bank continued to support the SME Financing Incentive Scheme, which was launched in 2014 by the Government with the aim of boosting access to finance for Small and Medium Enterprises. DBS is proud of its contribution towards the success of this scheme. Of the 281 loans approved during the year 2015, a total of 236 for a value of SCR 253.5 million were under the SME Scheme whereas the remaining 45 loans for SCR 102.2 million were considered as per the normal DBS criteria.

Figure 10: Comparison of Loan Approval under the Leading Schemes



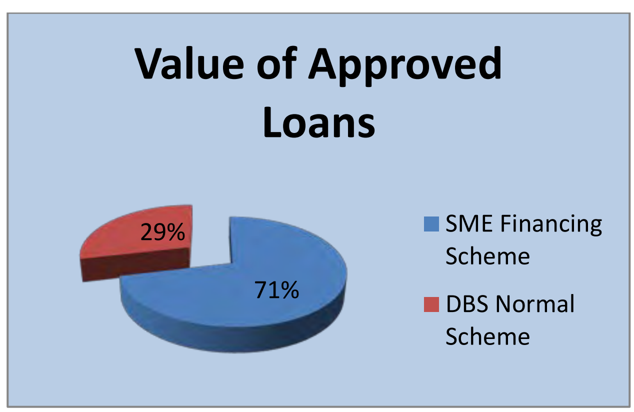
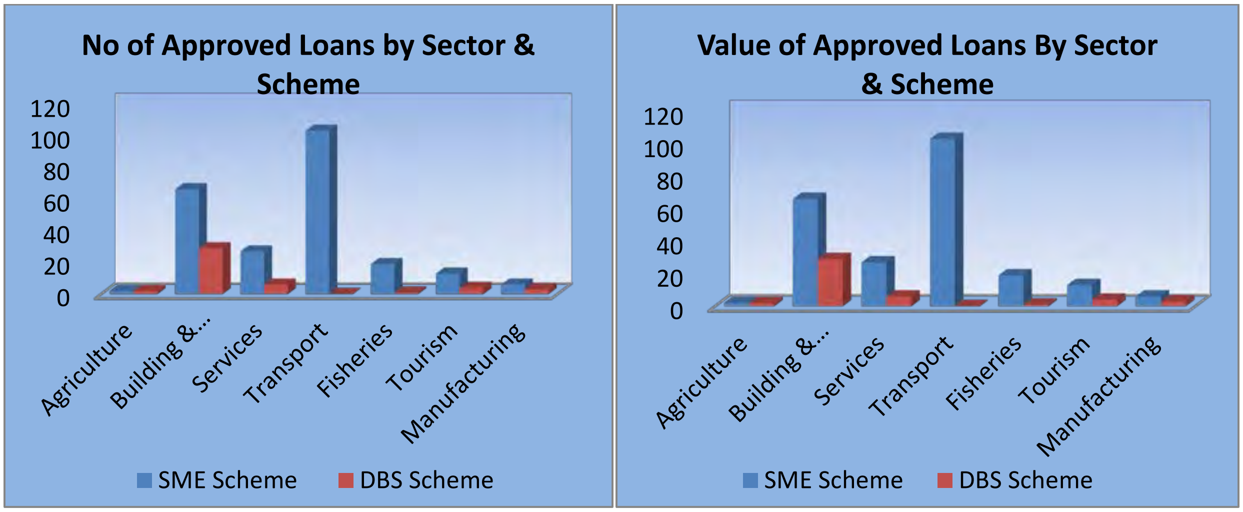
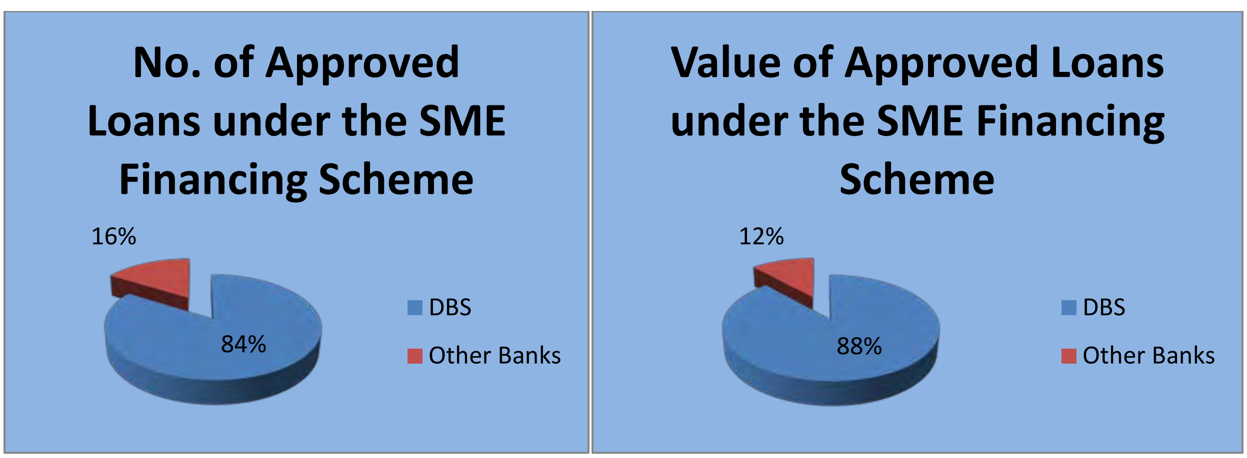


Figure 11: Statistics in Relation to Number & Value of Approved Loans by Sector & Scheme



The SME Financing Incentive Scheme is a scheme that is also available at all commercial banks in the country. Of the total loans approved under the Scheme in 2015, 88% were from DBS. This attests the significant contribution of DBS towards not only the Scheme but also for SME development in Seychelles.

Figure 12: Bank Comparison of Loan Approval under the SME Scheme for the year 2015

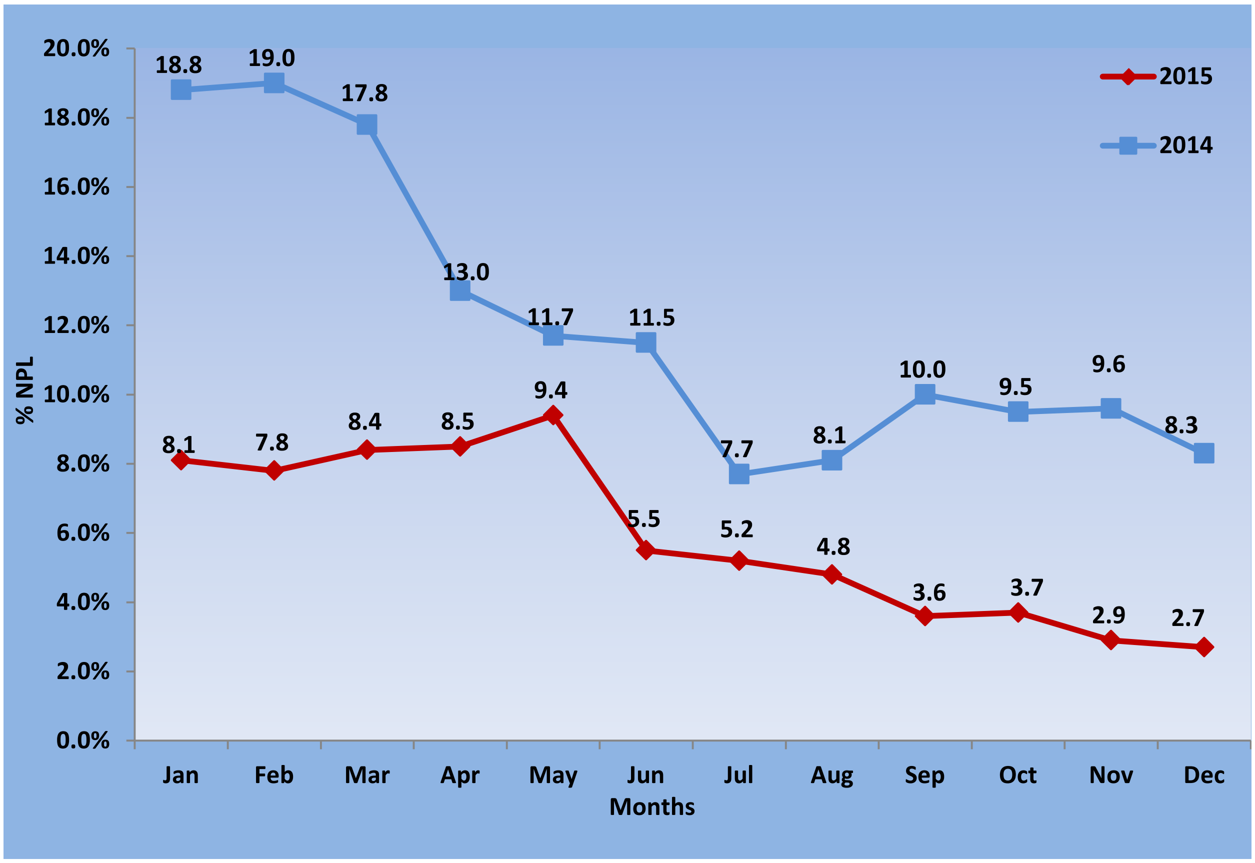


COLLECTION & RECOVERY

In order for DBS to remain financially sustainable, it is imperative that it has an efficient and effective debt collection and recovery system to sustain its activities. The Bank's target for the year was to maintain non-performing loans to an acceptable level in order to meet international banking norm and best practices for development finance institutions.

In general, the year 2015 can be considered to be a great year for the Bank in terms of its remarkable success in debt collection and recovery. The year ended with a good note, with a major reduction in the non-performing loan ratio from 8.3 % at the end of 2014 to 2.7% at the close of 2015.

Figure 14: Graph Showing a Comparison of the Trend in NPL in 2014 and 2015



Aftercare Services

During the year 2015, the Bank intensified its efforts to reach out to its clients with the appropriate advisory services. Coupled with the determination to further reduce the level of non-performing loans, a series of site visits were performed on a regional basis.

The Bank's officers had the opportunity to meet the clients in their working environment as well as viewed the assets financed with a view to determine their state and value. The visits further enable the officers to detect early warning signs; hence in a better position to advise clients appropriately. To demonstrate the Bank's commitment to the clients and in its endeavour to provide the highest level of service delivery, some of the site visits were performed together with the CEO, Head of Department and Recovery Manager.

Figure 15: DBS Staff undertaking after care visits to clients

HUMAN RESOURCES

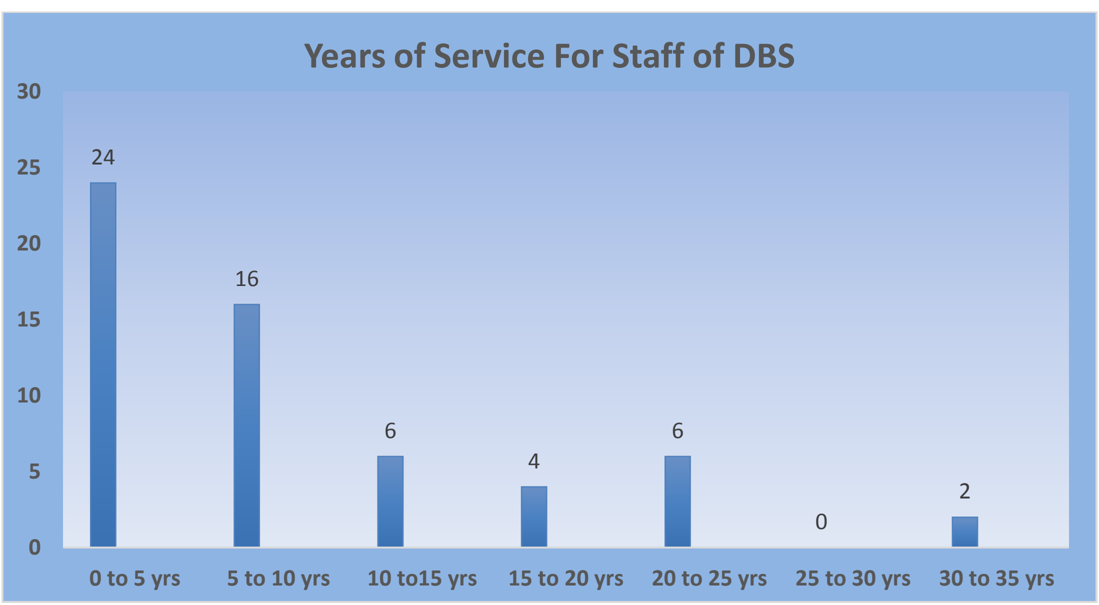
In 2015, DBS implemented its new Scheme of Service which had the objectives of producing a clearly defined career structure to attract and retain qualified, experienced, competent and professional technical personnel. It also provides for standards for recruitment, training and advancement within the career structure on the basis of qualifications, application of knowledge and skills; and merit and ability is to be reflected in work performance and results.

There was also the restructuring of the organization structure. The aim was to improve the Bank's efficiency particularly in the management structure. The Management team was downsized from 9 members to 5 members comprising of the CEO and Heads of the core departments.

During 2015, DBS workforce also expanded from 52 employees (as at December 20140 to 58 employees at the end of December 2015. A total of seven new recruits joined DBS workforce in 2015 whilst one member of staff terminated employment with the Bank. The staff turnover for the year 2015 was 2% compared to 11.11% of the previous year.

The bar graph below gives statistics on the years of service of the Bank's workforce.

Figure 16: Graph indicating years of service of the Bank's workforce



One third of DBS staff has been in employment with the organization for 10 years and above. The workforce is characterized with a good mix of young and matured/experienced member of staff. Gender-wise, the Bank's workforce is dominated by the female in comparison to male counterparts.

Below is a graphical representation of the age composition of DBS' workforce and the breakdown by gender.

Figure 17: Age Composition of DBS Workforce

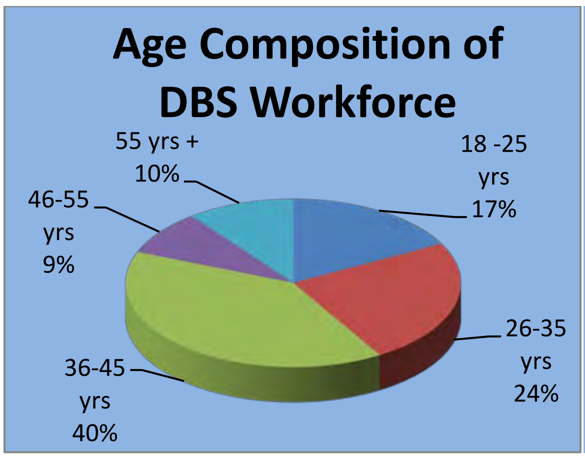
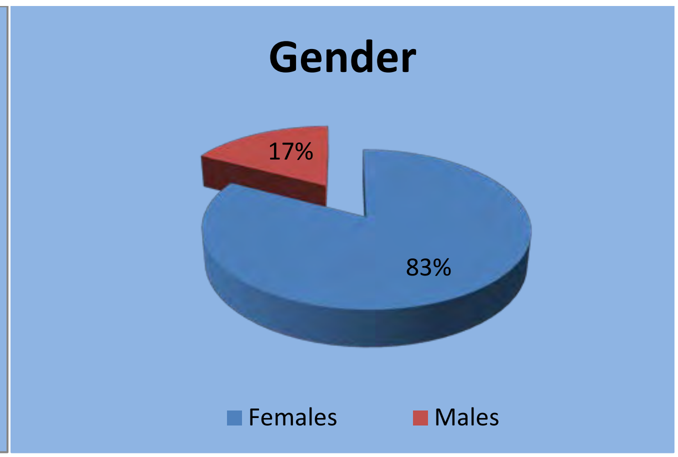


Figure 18: DBS Workforce by Gender



Training

As part of its training plan which has the aim of keeping staff abreast with changes and continuously improving on their performances, DBS organized a series of training for its entire staff in 2015. All members of staff undertook in–house training, eleven attended courses at local educational institutions, whilst seven members of staff underwent training abroad. Three members of staff also undertook training courses online. DBS further organized two in-house training which was facilitated by the Public Ethic Commission (PEC). The first one covered the topic of 'Work Ethics' and was attended by all members of staff whilst the second one entitled Ethical Leadership was designed for the management team including section managers.

Figure 19: CEO of Public Ethic Commission conducting training on Work Ethics to DBS Staff

Staff Welfare

DBS put much emphasis on team work in the workplace. It therefore encourages its staff to spend a good deal of time together, especially in team environment. DBS has a very active social club and sports club. The Bank encourages staff to socialize together as it contributes to improvement of DBS performance by improving employee-manager relationship, improving team spirit in the workface, boosting staff moral and facilitating integration of new staff in the workforce. In 2015, a series of activities were organized in order to bring staff together. These included: DBS Talent Show, creole night, happy hours and sport activities to name a few.

Figure 20: DBS Team taking part in the Eco healing Marathon

PUBLIC RELATIONS & MARKETING

Public Relations & Marketing

In 2015, the marketing objectives of the Bank were aimed at creating greater visibility of the Bank and promoting its existing services/products. Hence, its first SME Workshop entitled ‘Bettering Our Services to The Business Community’ took place at the beginning of March, 2015. The workshop which was attended by several key partners, government officials, and potential and existing clients of DBS, was aimed at collecting maximum information so as to enable the Bank to reach out to a wider business community in Seychelles and in so doing improve its service delivery. The workshop came at an opportune time as it coincided with the period when the Bank was developing its 5 year Strategic Plan. The workshop was beneficial to this exercise as it allowed DBS to identify all the impediments hindering its progress, create opportunities for local cooperation and integration, with a view to make the most appropriate strategy/ policy recommendations beneficial to its clients.

The workshop involved a series of presentations which was followed by group deliberations covering key economic sectors such as; Agriculture & Horticulture, Fisheries & Blue Economy, Tourism, Manufacturing & Craft, Building & Construction, Services, Renewable Energy & Business Innovation.

Figure 21: Workshop Organized by DBS in order to reach out to Local Communities

DBS also participated in the SME Trade and Business Forum organized by The Seychelles Investment Board in partnership with the Ministry of Finance, Trade and the Blue Economy and the Ministry responsible for Investment, Entrepreneurship Development and Business Innovation. Three forums took place in 2015 which covered the three main islands of Seychelles: Mahe, Praslin and La Digue. The aim of the forum was to bring awareness amongst the local communities of the different credit schemes and business supports available to micro, small and medium-sized enterprises. The Forums saw the participation of financial institutions like DBS, commercial banks (represented by the Seychelles Bankers Association), and Small Business Finance Agency (SBFA) as well as key local authorities and partners.

Throughout the year, DBS also collaborated with the local media in order to ensure that the general public is kept well informed of the services and products that the Bank had to offer. This included the participation of DBS in TV debates, radio interviews, newspaper and TV adverts.

CORPORATE SOCIAL RESPONSIBILITY

The Development Bank of Seychelles never failed to support the community through its various Corporate Social Responsibility activities and 2015 was no exception. The Bank provided various sponsorships and donations in different areas including; Education, Sports, Health and Environment, to name a few. The Bank proved its commitment towards the communities by including its Corporate Social Responsibility activities in its calendar of events to celebrate its anniversary.

In line with its mandate of supporting the socio-economic objective of the country, DBS proudly sponsored the logistic of a three-day workshop on business start-up organized by the Women in Action and Solidarity Organization (WASO) in August 2015. A group of twelve young women acquired the basic skills needed to start their own business ventures. Together with other organizations such as Seychelles Licensing Authority and Barclays Bank, the Bank also facilitated the workshop through presentations on its different credit schemes and loan application procedures.

Figure 22: DBS supports Training for Women Entrepreneurs

The Bank made several other gestures of goodwill throughout the year including: donation of laptops to two teenagers who could not attend school regularly due to their medical conditions; presentation of stationaries to the school of the impaired; contributions to other schools in support to child development programmes; and donations to sports clubs.

Figure 23: DBS donates to School of Impaired and Bel Eau Primary School

OPERATING & FINANCIAL REVIEW

The financial statements from 2012 - 2015 were prepared in accordance with the requirement of the DBS Decree 1977 and International Financial Reporting Standards (IFRS).

Breakdown of income and charges for the last four years

A summary of the comprehensive statement income and expenditure of the Bank for the last four years are as per Figure 24 below. Whilst there has been a decline in operating income in 2013 and 2014 in comparison to 2012, the results for 2015 shows growth in the area. Operating expenses increased by 30% in 2015 compared to 2014 basically because of increase in remuneration as a result of new salary scheme that was implemented at the beginning of the year as well as in some other administrative costs such as rental of office space to cater for the growing staff workforce.

Figure 24: Income & Charges from 2012 to 2015

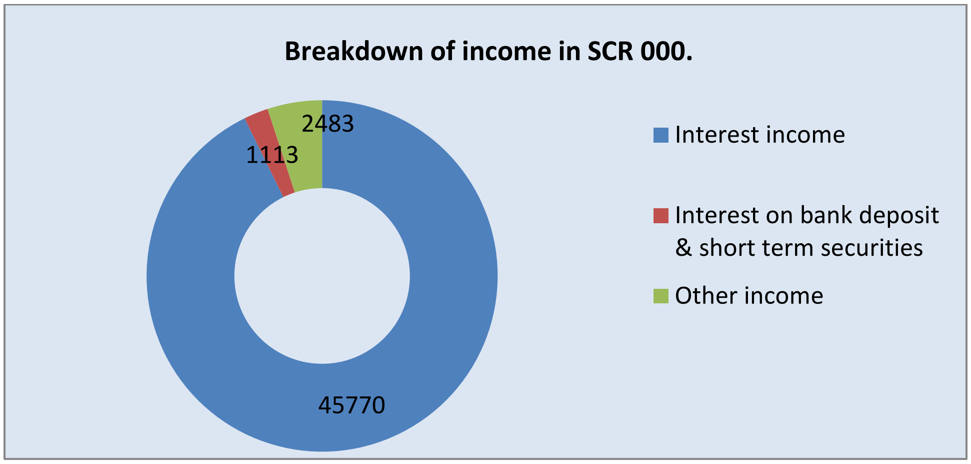
Position	2012	2013	2014	2015
Operating income	49.55	46.92	42.42	49.37
Interest expenses	(13.23)	(12.55)	(13.28)	(14.09)
Operating expenses	(13.98)	(15.72)	(19.62)	(25.47)
Profit/(loss) on exchange	0.15	0.68	0.46	(0.20)
Allowance for credit impairment	(3.71)	(8.25)	8.23	7.05
Depreciation of property and equipment / amortization of intangible assets	(1.86)	(2.66)	(2.60)	(2.15)
Profit / (Loss) for the year	**16.92**	**8.42**	**15.61**	**14.50**

Profitability

Operating income in 2015 increased by SCR 6.95 million which represents an increase of 16% from the previous year's performance. This was mainly attributed to a high volume of project financing during 2015 which resulted in an increase in loan disbursement hence an increase in total loan outstanding.

The graph below shows the breakdown of operating income.

Figure 25: Breakdown of Income in SCR000 for the year 2015



The principal activity of DBS is financing development projects; therefore the Bank's main income is generated from interest on loans. For 2015, this represented 92.7% of the total operating income. The Bank was charging interest rate at 10% throughout the year on all its credit facilities.

Interests on Bank deposit and short term securities were very minimal at 2.3% of the total operating income. This is mainly attributed to the low interest that the Bank earned on its deposits with the commercial banks. During the year 2015 the Bank also invested in short term treasury bills from time to time with a view to benefit from higher return and hence maximize on its available cash.

In terms of "Other Income, this comprises mainly of fees and charges that DBS applies in return for its services and transactions provided. It includes management fees for the funds that the Bank manages on behalf of Government and other Agencies, application fees, and other transaction charges. Other income represented 5.0% of the total income for 2015.

Expenses

In 2015, interest payable exceeded the amount that was due in 2014 by 6.1%. The Bank honoured all its obligations on time during 2015, including matured bonds amounting to SCR 125 million and repayment of lines of credits with local and overseas creditors.

Operating expenses which included staff cost, administrative expenses and other costs increased by 30% compared to related expenses in 2014. This was mainly due to impairment of asset held for sale which amount to SCR 2.5 million and increase in number of staff and administrative expenses.

Provisions for credit impairment net of bad debts recovered showed a decrease of 14%. The provision for credit impairment is in line with the Financial Institution Act guidelines which DBS has been subjected to as from 2010. Depreciation and amortization are calculated in line with the prevailing policy of the Bank and showed an overall decrease of 17%.

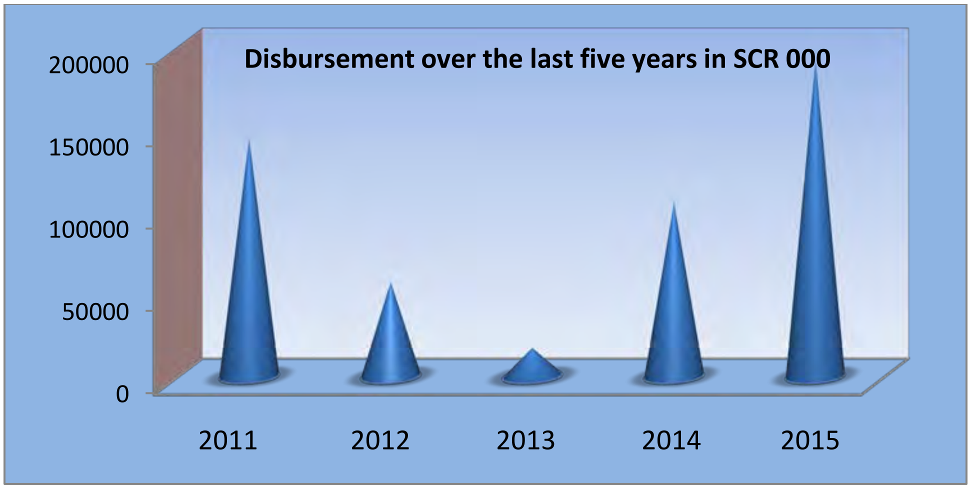
Profit

The final profit for the financial year 2015 was SCR 14.5 million which was SCR 1.1 million less than the previous year. This is after consideration of operating expenses including impairment of assets as explained earlier.

Financial Position

During the year 2015 the Bank disbursed at total of SCR 191.6 million towards the productive sectors of the economy. This represents 82% increase compared to the previous years and was also the highest amount disbursed in a year since the inception of the Bank. As explained earlier, the Bank approved a high volume of loan during 2015; thus the reason for the high level of disbursement. The loans commitments also increased from SCR 153.8 million in 2014 to SCR 323.6 million in 2015. The graph below shows the level of disbursement for the last five years.

Figure 26: Disbursement over the last five years



Funding

DBS generally raises its funds through borrowings in order to provide financing to the productive sectors of the economy. The Bank normally source out concessionary lines of credit from overseas or local market. In recent years, the main sources of fund have been bond issuance and loans from local banks whilst lines of credit from overseas credit providers have been on the decline.

In 2015, the Bank was able to raise Euro 3.66 million and SCR 125 million from local commercial banks (Nouvobanq and Barclays Bank) and successfully negotiated a credit facility of USD 2.5 million with a Al Salam Bank of Bahrain (through its local affiliation). Furthermore, DBS managed to withdraw the equivalent of SCR 7.1 million from the existing line of credit of Euro 5 million from the European Investment Bank (EIB).

Net Worth Position

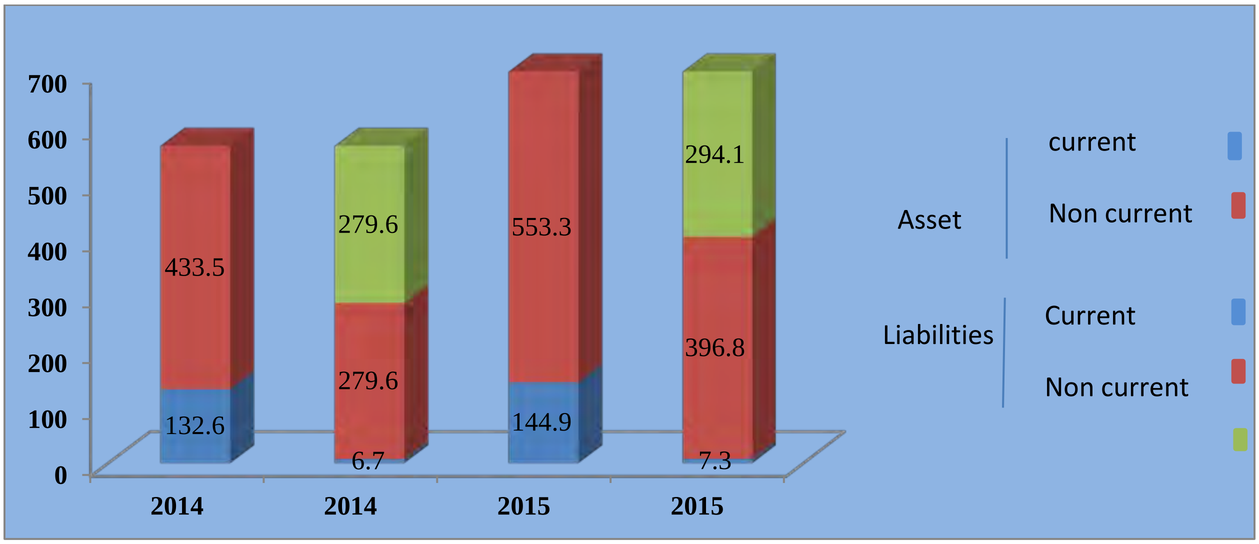
On the assets side, the total assets for 2015 were SCR 698.2 million which showed an increase of SCR 132.2 million representing 23% from the previous year’s figure.

Current assets rose by SCR 12.3 million (9%) in 2015. This was mainly due to the increase in cash as a result of new credit facilities received during the year.

Non-current assets held for sale decreased by SCR 2.5 million due to impairment. Property, equipment and intangible assets showed an overall decrease of 10% (SCR 1.62 million) compared to the previous year. There was no investment in long-term bonds in 2015. On the other hand, new acquisition of furniture and equipment amounted to a value of SCR 0.5 million.

Total outstanding loans (net of credit impairment) increased by SCR 123.9 million (30.4%) compared to previous year.

Figure 26: Group Assets and Financial Structure in Million



On the liabilities side, current liabilities increased by SCR 0.6 million (9%) as at end of 2015 whereas long-term borrowings rose by SCR 114.2 million (79%) as a result of new funds that were raised during the year 2015.

Funds under management are basically funds that the Bank manages on behalf of the Government and other agencies. This increased by SCR 2.9 million (30%) which is attributed mainly to new fund received in 2015 in respect of the Photovoltaic Rebate Scheme that the Bank has been administering since 2014.

The Bank gained no increase in its share capital, revaluation reserve and contingencies reserve in 2015. The increase in the retained profit balance aligns with the net profit generated for the year.

AUDITOR’S REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DEVELOPMENT BANK OF SEYCHELLES

Report on the Financial Statements

We have audited the financial statements of Development Bank of Seychelles ('Bank') on pages 5 to 44 which comprise the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Development Bank of Seychelles Decree, 1977, the Financial Institutions Act, 2004 (Application of the Act) 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 5 to 44 present fairly, in all material the financial position of the Bank as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Development Bank of Seychelles Decree, 1977, the Financial Institutions Act, 2004 (Application of the Act) and the regulations and directives of the Central Bank of Seychelles.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DEVELOPMENT BANK OF SEYCHELLES (CONTINUED)

Report on the Financial Statements (Continued)

Other matter

This report has been prepared solely for the Bank's members, as a body, in accordance with the Development Bank of Seychelles Decree, 1977. Our audit work has been undertaken so that we might state to the Banks's members those matters we are required to state to them in an auditors' 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 and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Financial Institutions Act 2004

The Financial Institutions Act 2004 requires that in carrying out our audit, we consider and report to you on the following matters:

- In our opinion, the financial statements are complete and fair and properly drawn up; and
- We have obtained all the information and explanations we have required.
- To the best of our knowledge and belief, no violations of the Financial Institutions Act 2004 have occurred during the year ended 31 December 2015 that might have had a material adverse effect on the business of the Bank or on its financial position.
- 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.
- In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG
Mahe, Seychelles

Date: 28 April 2016

FINANCIAL STATEMENTS

DEVELOPMENT BANK OF SEYCHELLES

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	Note	31 December 2015	31 December 2014
		SCR	SCR
ASSETS			
Cash and cash equivalent	5	126,834,388	116,575,656
Loans and advances	6	531,465,439	407,547,475
Held-to-maturity financial assets	7	14,774,934	9,943,077
Other assets	8	3,303,027	6,058,696
Non-current assets classified as held for sale	9	7,000,000	9,500,000
Property and equipment	10	14,759,006	15,435,032
Intangible assets	11	21,413	967,533
Total assets		698,158,207	566,027,469
LIABILITIES AND EQUITY			
LIABILITIES			
Funds under management	14	12,439,441	9,568,793
Other liabilities	15	3,417,262	3,523,859
Borrowings	12	258,899,126	144,657,758
DBS bonds	13	125,412,671	125,412,671
Compensation benefit obligations	16	3,846,482	3,220,519
		404,014,982	286,383,600
EQUITY			
Share capital	17	39,200,000	39,200,000
Contingent reserve	18	41,385,321	41,385,321
Revaluation reserve		15,360,948	15,360,948
Retained earnings		198,196,957	183,697,600
		294,143,225	279,643,869
Total liabilities and equity		698,158,207	566,027,469

DEVELOPMENT BANK OF SEYCHELLES

STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED

	Note	2015	2014
		SCR	SCR
Interest income	20	46,883,232	40,488,707
Interest expense	21	(14,090,007)	(13,284,593)
Net interest income		32,793,225	27,204,114
Allowance for credit impairment	6	7,046,230	8,228,065
Net interest income after allowance for credit impairment and bad debts		39,839,455	35,432,179
Other income	22	2,483,473	1,932,095
Net foreign exchange (loss)/ gain		(202,108)	457,417
Net interest and other income		42,120,819	37,821,690
Employee benefit expenses	23	(16,323,558)	(12,484,849)
Depreciation of property and equipment	10	(1,189,374)	(1,178,160)
Amortisation of intangible assets	11	(963,550)	(1,416,623)
Other operating expenses	24	(9,144,980)	(7,130,745)
Profit from continuing operations		14,499,357	15,611,313
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of land and building	10	-	2,659,232
Total comprehensive income for the year		14,499,357	18,270,544

DEVELOPMENT BANK OF SEYCHELLES
STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
Operating activities		SCR	SCR
Net profit		14,499,357	15,611,313
Adjustments for:			
Depreciation of property and equipment	10	1,189,374	1,178,160
Amortisation of intangible	11	963,550	1,416,623
Loss on disposal of equipment	24	5,728	1,894
Allowance for credit impairment	6	(4,209,319)	(7,558,670)
Impairment of non-current assets classified as held for sale	9	2,500,000	300,000
Changes in compensation benefit obligations	16	1,756,627	1,424,357
Interest accrued		79,506	(128,077)
Net foreign exchange difference		202,108	(457,417)
Working capital adjustments:			
Increase in loans and advances	6	(119,708,645)	(33,832,875)
Increase in other assets (*)	8	(402,768)	(812,913)
Increase in funds under management	14	2,870,648	6,912,227
(Decrease)/ Increase in other liabilities	15	(106,597)	998,106
		(100,360,431)	(14,947,272)
Compensation paid	16	(1,130,663)	(114,359)
Net cash flow from operating activities		(101,491,094)	(15,061,631)
Investing activities			
Purchase of intangible assets	11	(17,429)	-
Purchase of equipment	10	(519,075)	(752,037)
Purchase of treasury bills	7	(34,286,760)	(27,670,200)
Proceeds from redemption of treasury bills	7	29,525,000	17,855,200
Net cash flow from/(used in) investing activities		(5,298,264)	(10,567,037)
Financing activities			
Proceeds from borrowings	12	132,125,338	3,337,873
Repayment of borrowings	12	(13,655,329)	(11,205,559)
Proceeds from bonds issued	13	-	50,000,000
Maturity of DBS bonds	13	-	(25,000,000)
Net cash flow from/(used in) financing activities		118,470,010	17,132,314
Net increase/ (decrease) in cash and cash equivalents		11,680,652	(8,496,354)
Movement in cash and cash equivalents			
At January 1,		116,575,656	121,634,770
Net increase / (decrease) in cash and cash equivalent		11,680,652	(8,496,354)
Net foreign exchange difference		(1,421,920)	3,437,240
At December 31,	5	126,834,388	116,575,656
Operational cash flows from interest			
Interest paid		12,691,401	12,608,411
Interest received		42,039,462	42,391,166

(*) ***Significant non-cash transactions***

The Bank contracted a loan of EUR 2.5m with Nouvobanq in line with the Public Debt Management Act, and signed a contract with the Ministry of Finance, Trade and Investment stating that the foreign exchange gains and losses arising on the loan facilities will be reimbursed by the latter. Total net foreign exchange incurred during 2015 was SCR 3,158,437 (SCR 2014: 997,595).

The notes on pages 9 to 44 form an integral part of these financial statements.

Auditor's Report on pages 3 and 4

1. GENERAL INFORMATION

The Development Bank of Seychelles was established in 1977 under the Development Bank of Seychelles Decree as a corporate body. The registered address of the Bank is at Independence Avenue, Victoria, Mahe Seychelles.

These financial statements were authorised for issue in accordance with a resolution of the board of directors dated ....

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis unless otherwise indicated in the accounting policies. The financial statements are presented in Seychelles rupees (SCR).

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), The Development Bank of Seychelles Decree, 1977 and The Financial Institutions Act, 2004 (Application of the Act) as amended and the Regulations and Directives of the Central Bank of Seychelles.

2.2 New and amended standards and interpretations

The accounting policies are consistent with those of the previous financial year except, for the following amendments made to IFRS effective as of 1 January 2014.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment did not affect the Bank as the Bank does not participate in any defined benefit plan.

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Bank
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment did not have any effect on the financial statements of the Bank.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

This amendment did not have any effect on the financial statements of the Bank.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 New and amended standards and interpretations (Continued)

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

This amendment did not have any effect on the financial statements of the Bank.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any effect on the financial statements of the Bank.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment did not have any effect on the financial statements of the Bank.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

This amendment did not have any effect on the financial statements of the Bank.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

This amendment did not have any effect on the financial statements of the Bank.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). This amendment did not have any effect on the financial statements of the Bank.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 New and amended standards and interpretations (Continued)

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

This amendment did not have any effect on the financial statements of the Bank.

2.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Banks's financial statements are listed below. This listing is of standards and interpretations issued, which will be applicable at a future date. The Bank intends to adopt those standards when they become effective. At present, the Bank cannot assess the impact of these amendments when adoption takes place.

IAS 7 Statement of Cash Flows

The improvements to disclosures announced today require companies to provide information about changes in their financing liabilities. The amendments will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). The improvements are part of the Board's Disclosure Initiative—a portfolio of projects aimed at improving the effectiveness of disclosures in financial reports. The IAS 7 amendments become mandatory for annual periods beginning on or after 1 January 2017.

The impact of the amendments is being assessed by the Bank.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

Classification and measurement of financial assets

The standard states that all financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 *Financial Instruments: Recognition and Measurement* classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 *Leases*.

The impact of the amendments is being assessed by the Bank.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are effective for annual periods beginning on or after 1 January 2016.

These amendments will not have any impact on the Bank's financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016.

These amendments will not have any impact on the Bank's financial statements.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control. The amendments are effective for annual periods beginning on or after 1 January 2016.

These amendments will not have any impact on the Bank's financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

IFRS 14 Regulatory Deferral Accounts (Continued)

separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IAS 1 Presentation of Financial Statements

The International Accounting Standards Board has issued amendments to IAS 1 as part of the disclosure initiative which aims to improve the presentation and disclosure requirements. The amendments to IAS 1 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

The amendments clarify existing requirements in IAS 1 and are not expected to have a material impact on the Bank's financial statements. IAS 1 is effective for annual periods beginning on or after 1 January 2016.

IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are not expected to have any impact on the Bank given that the Bank has not used a revenue-based method to depreciation its non-current assets.

IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are not expected to have any impact on the Bank as the Bank does not have any bearer plant.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are not expected to have any impact on the Bank as the Bank does not prepare any consolidated financial statements.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

This amendment will have no effect on adoption.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

This amendment will have no effect on adoption.

Applicability of the offsetting disclosures to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

The changes are effective for annual reporting periods beginning on or after 1 January 2016.

This amendment will have no effect on adoption.

IAS 19 Employee Benefits

Discount rate: regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016.

This amendment will have no effect on adoption.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

IAS 34 Interim Financial

Disclosure of information 'elsewhere in the interim financial report'

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The changes are effective retrospectively for annual reporting periods beginning on or after 1 January 2016.

This amendment will have no effect on adoption.

IFRS 16 Leases

The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features:
- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The new standard's transition provisions permit certain reliefs.

The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The impact of the new standard is being assessed by the Bank.

2.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below:

(a) Foreign currency translation

The financial statements are presented in Seychelles Rupee (SCR), which is the Bank's functional currency, which is the currency of the primary economic environment in which the entity operates.

Transactions and balances

Foreign currency transactions are initially recorded in the functional currency rate prevailing at 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 profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(b) Financial instruments - initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All the financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue

(iii) Held-to-maturity financial assets

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial recognition, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

(iv) *Loans and advances to customers*

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

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

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

(v) Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as interest expense in profit or loss.

(vi) Bonds

DBS bonds, which are issued for the purpose of raising capital are measured at amortised cost using the effective interest rate method.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(c) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- The Bank has transferred substantially all the risks and rewards of the asset, or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(d) Determination of 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 principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(d) Determination of fair value (Continued)

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

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

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

(e) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks and loans and advances to customers, as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(e) Impairment of financial assets (Continued)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collaterised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(f) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Property and Equipment

Land and buildings are carried at fair value at the revaluation date, less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognise in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The revaluation surplus is transferred, in full, upon disposal of the asset.

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

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

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

Buildings	10-25 years
Equipment	3-7 years
Furniture and fittings	3 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. When the carrying amount of the asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(g) Property and Equipment (Continued)

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

(h) Intangible assets

Intangible assets comprise of softwares which have a finite economic life.

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit or loss.

(i) Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

(j) Compensation benefit obligations

The Bank contributes to a defined contribution plan as well as has several other long term benefit schemes.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The other long term benefit schemes include those benefits that do not meet the definition of short-term employee benefits, post-employment benefits and termination benefits. The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising of actuarial gains and losses, is recognised in profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate to the net defined liability or asset.

The Bank recognises the following changes in the net benefit obligation under 'employment benefit expenses 'in the profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income
- Remeasurements of the net defined benefit liability (asset)

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(k) Taxation

The Bank is exempted from the provision of Business Tax Act, 2009.

(l) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as loans and receivables, held to maturity, interest income or expense is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate 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.

Other income

Other income relates to general fees pertaining to loan application, re-scheduling of loans, early loan repayments, reminders of late payments. This income is recognised upon completion of the underlying transaction.

(m) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A present obligation is not recognised because it not probable that an outflow of resources will be required to settle the obligation. The Bank does not recognise the contingent liability but discloses its existence in the financial statements.

(n) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows, comprises of cash on hand, current accounts with Central Bank and other banks on demand or with an original maturity of three months or less measured at amortised cost.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(o) Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Bank as a lessor

The Bank has entered into property leasing. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases.

(p) Going Concern

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

3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. It's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Bank financial performance. The Bank's risk management objective is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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

(a) Capital adequacy

Capital includes share capital, statutory reserve and retained earnings.

The primary objectives of the Bank's capital management policy is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong capital base and healthy capital ratios in order to support its business and to maximise shareholder value. The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

No changes were made in the objectives, policies, or process during the years end 31 December 2015 and 31 December 2014.

Regulatory capital consists of Tier I capital, which comprises share capital, retained earnings and statutory reserve. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Seychelles. The other component of regulatory capital is Tier II capital, which includes net profit after tax and general provisions.

The Bank seeks to maintain a prudent balance between the different components of its capital, particularly the relative mix of Tier I and Tier II capital.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Capital adequacy (continued)

During the year 2015, in line with the Financial Institutions (Capital Adequacy) Regulations, 2010, the Bank has calculated capital adequacy, which is as follows:

	2015 SCR '000	2014 SCR '000
Capital Base (a) (i)	241,961	226,246
Risk weighted assets (b)	764,837	564,857
Capital adequacy (a/b)*100	32%	40%
Minimum Requirement	12%	12%

(i) Capital Base	2015 SCR '000	2014 SCR '000
Tier 1 Capital		
Share capital	39,200	39,200
Retained earning	183,698	168,086
Total Tier 1 Capital	222,898	207,286
Tier 2 Capital		
Year-to-date net profit after tax	14,499	15,611
General Provision - see Note 6 (b)	4,564	3,349
Total Tier 2 Capital	19,063	18,960
	241,961	226,246

The Bank ascertains that it has met the requirements of Financial Institutions (Capital Adequacy) Regulations 2010, in terms of capital adequacy ratio during the year 2015.

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower.

The Bank has established a credit quality review process to provide identification of the creditworthiness of counterparties. There is regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment and of collateral and guarantees.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position .

	Gross maximum exposure 2015 SCR	Gross maximum exposure 2014 SCR
Cash and cash equivalents	126,834,388	116,575,656
Loans and advances to customers	531,465,439	407,547,475
Held-to-maturity financial assets	14,774,934	9,943,076.92
Other assets	1,952,826	5,209,394
Total credit risk exposure	675,027,587	539,275,602

Commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank. The table below shows the Bank's maximum credit risk exposure for commitments. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. The maximum risk exposure is greater than the amount recognised as a liability in the statement of financial position.

	Gross maximum exposure 2015 SCR	Gross maximum exposure 2014 SCR
Undrawn commitments to lend	320,041,152	151,413,247

Previously the undrawn loan commitments were omitted from the credit disclosure above. The undrawn loan commitments have been included in the current period and comparatives have been adjusted accordingly.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Collateral and other credit enhancements

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

Credit quality per class of financial assets

The table below shows an ageing analysis of credit quality by class of asset for all financial assets exposed to credit risk. Credit risk for loans and advances is managed by the Recovery Officers within the Collection and Recovery Department supported by a Recovery Committee subject to DBS's established policy, procedures and control relating to credit risk management. Credit quality of a producer is assessed based on a credit rating scorecard, collateral values and ability of underlying projects to service the debt. Loans and advances in arrears are regularly monitored and evaluated for restructuring when warranted. The credit classification of loans and advances is in accordance with the Financial Institution (Credit Classification and Provisioning) Regulations 2010, amended in 2011. In accordance with IAS 39 the Bank performs on-going assessment throughout the reporting period as to whether there is any objective evidence that loans and advances are impaired.

	2015					
	Performing		Non Performing			Total
	<30 days	30 - 89 days	90 - 179 days	180 - 364 days	>364 days	
	SCR	SCR	SCR	SCR	SCR	SCR
Loans and advances (gross):						
Not impaired	456,701,179	24,018,476	1,945,751	333,805	2,784,222	485,783,432
Impaired	-	45,736,036	2,543,328	1,057,260	5,443,879	54,780,503
	456,701,179	69,754,512	4,489,079	1,391,065	8,228,101	540,563,936
Total Non-Performing *						14,108,244
Total Non-Performing Ratio *						3%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

	2014					
	Performing		Non Performing			Total
	<30 days	30 - 89 days	90 - 179 days	180 - 364 days	>364 days	
	SCR	SCR	SCR	SCR	SCR	SCR
Loans and advances (gross):						
Not impaired	324,617,369	12,705,861	1,326,077	3,035,283	6,470,457	348,155,047
Impaired	-	47,343,565	2,704,089	17,639,031	5,454,251	73,140,935
	324,617,369	60,049,426	4,030,166	20,674,314	11,924,708	421,295,982
Total Non-Performing *						36,629,188
Total Non-Performing Ratio *						9%

* For purposes of the financial statements, the non-performing loans ratio is based on loans in arrears greater than 89 days.

Maximum exposure to credit risk

Type of collateral or credit enhancement

Loans and advances (gross)	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held				
		Total	Mortgage	Vehicle	Boat and Engine	Equipment
	SCR	SCR	SCR	SCR	SCR	SCR
2015	540,563,936	1,508,497,786	1,220,073,611	230,015,667	49,337,262	9,071,245
2014	421,295,982	1,311,655,842	1,072,744,876	200,897,131	31,653,012	6,360,823

As it is the bank's practise for all loans to require security cover of at least a ration between 1:1 and 1:1.25, all loans are fully collateralized.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Age analysis of financial assets past due but not impaired (excluding loans and advances):

	Total	Neither past due nor impaired	Past due but not impaired < 90 days	Past due but not impaired 90 - 365 days	Past due but not impaired > 365 days
At December 31, 2015	SCR	SCR	SCR	SCR	SCR
Cash and cash equivalents	126,834,388	126,834,388	-	-	-
Held-to-maturity financial assets	14,774,934	14,774,934	-	-	-
Other assets	1,952,826	1,944,989	2,284		5,553
	143,562,148	143,554,311	2,284	-	5,553

Age analysis of financial assets past due but not impaired (excluding loans and advances):

	Total	Neither past due or impaired	Past due but not impaired < 90 days	Past due but not impaired 90 - 365 days	Past due but not impaired > 365 days
At December 31, 2014	SCR	SCR	SCR	SCR	SCR
Cash and cash equivalents	116,575,656	116,575,656	-	-	-
Held-to-maturity financial assets	9,943,077	9,943,077	-	-	-
Other assets	5,209,394	980,616	3,004	43,208	4,182,566
	131,728,127	127,499,349	3,004	43,208	4,182,566

The Banks manages its credit risk pertaining to these instrument by assessing the respective credit worthiness of the various institutions and agencies. In addition the Bank analyses various information within the public domain related to these establishments.

Other assets

The main component of the respective category of assets relates to the guarantee from the Government of Seychelles which currently has a credit rating of B+ from Fitch.

(c) **Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed with respect to foreign currency arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

The Bank's exposure to fluctuations on the translation of borrowings in Euro from Nouvobanq is limited by the financial guarantee agreements signed with the Government of Seychelles.

3. FINANCIAL RISK MANAGEMENT (CONITINUED)

(c) Currency Risk (Continued)

(i) Concentration of assets and liabilities by currency

	SCR	Euro	US Dollars	Total
	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2015				
Assets				
Cash and cash equivalents	113,401	2,072	11,361	126,834
Loans and advances	531,465	-	-	531,465
Held-to-maturity financial assets	14,775	-	-	14,775
Other assets	3,303	-	-	3,303
	662,945	2,072	11,361	676,378
Liabilities				
Borrowings	170,308	71,824	16,768	258,899
DBS bonds	125,413	-	-	125,413
Funds under management	12,439	-	-	12,439
Other liabilities	3,417	-	-	3,417
	311,577	71,824	16,768	400,169
Net assets/ (liabilities)	351,367	(69,752)	(5,406)	276,209

	SCR	Euro	US Dollars	Total
	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2014				
Assets				
Cash and cash equivalents	97,806	2,273	16,496	116,576
Loans and advances	407,547	-	-	407,547
Other assets	6,059	-	-	6,059
	511,413	2,273	16,496	530,182
Liabilities				
Borrowings	92,686	31,797	20,175	144,658
DBS bonds	125,413	-	-	125,413
Funds under management	9,569	-	-	9,569
Other liabilities	3,524	-	-	3,524
	231,192	31,797	20,175	283,163
Net assets/ (liabilities)	280,221	(29,524)	(3,678)	247,019

The following table demonstrates the sensitivity of the Bank's profit before tax and equity, to a realistically possible change in the USD and EUR foreign currency exchange rates, being the main currencies used by the Bank, with all other variables held constant.

	Increase/ Decrease in foreign currency exchange rate	Euro Effect on Profit before tax	US Dollar Effect on Profit before tax
		SCR'000	SCR'000
2015	+5%	(3,488)	(270)
	-5%	3,488	270
[illegible]	[illegible]	[illegible]	[illegible]

3. **FINANCIAL RISK MANAGEMENT (Continued)**

(d) **Interest risk**

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's interest bearing net financial assets. The sensitivity of the profit or loss and equity is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2015.

	Change in basis points	Effect on profit before tax
		2015
		SCR'000
Interest bearing net financial assets	+10	295,730
	'-10	(295,730)

	Change in basis points	Effect on profit before tax
		2014
		SCR'000
Interest bearing net financial assets	+10	283,391
	-10	(283,391)

(e) **Liquidity risk**

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management monitors future cash flows and liquidity on a daily basis. The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. Net liquid assets consist of cash, short-term bank deposits and liquid debt securities, less borrowings due to mature within the next month.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity risk (Continued)

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2015 based on contractual undiscounted repayment obligations.

	2015						
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	>5 years	Total
	SCR	SCR	SCR	SCR	SCR	SCR	SCR
Financial Liabilities							
Undrawn commitments to lend	707,000	17,874,571	46,816,254	72,076,949	182,566,377	-	320,041,152
Borrowings	2,910,817	4,604,118	12,913,080	21,694,313	153,988,957	114,150,084	630,302,521
DBS bonds	-	51,804,795	1,228,767	76,328,425	-	-	129,361,986
Funds under management	12,439,441	-	-	-	-	-	12,439,441
Other liabilities	-	3,417,262	-	-	-	-	3,417,262
Total financial liabilities	16,057,258	77,700,745	60,958,102	170,099,687	336,555,334	114,150,084	1,095,562,362

	2014						
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	>5 years	Total
	SCR	SCR	SCR	SCR	SCR	SCR	SCR
Financial Liabilities							
Undrawn commitments to lend	1,901,715	4,706,676	3,009,069	23,769,594	118,026,194	-	151,413,247
Borrowings	804,798	1,609,596	6,194,078	8,828,093	70,723,353	80,976,804	169,136,722
DBS bonds	-	1,706,164	1,716,438	3,452,397	129,361,986	-	136,236,986
Funds under management	9,568,793	-	-	-	-	-	9,568,793
Other liabilities	-	3,523,859	-	-	-	-	3,523,859
Total financial liabilities	12,275,305	11,546,294	10,919,585	36,050,084	318,111,534	80,976,804	469,879,606

Previously the undrawn loan commitments were omitted from the liquidity disclosure above. The undrawn loan commitments have been included in the current period and comparatives have been adjusted accordingly.

During the year 2015, the Bank has calculated its liquidity ratio as follows:

	2015	2014
	SCR	SCR
Liquid assets (a)	**141,609,322**	126,518,733
Banks total liabilities (b)	**404,014,982**	286,383,600
Liquidity ratio (a/b)*100	**35%**	44%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Bank's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Liabilities	SCR'000	SCR'000	SCR'000	SCR'000
Borrowings	258,899	144,658	257,392	143,757
DBS bonds	125,413	125,413	123,899	123,899
	384,312	270,070	381,291	267,656

The management assessed that cash and short-term deposits, held-to maturity financial assets, other assets and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

As loans and advances hold variable interest rates, the fair value of these floating rate instruments are approximated to equal their carrying amount.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the Bank's interest-bearing borrowings are determined by using the discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The non-performance risk as at 31 December 2015 was assessed to be insignificant.
- The fair value of the bonds is based on the a discounted cash flow based on a current market rate for similar assets.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 December 2015:

				Fair value measurement using		
		Date of valuation	Total	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
			SCR '000	SCR '000	SCR '000	SCR '000
	Assets measured at fair value:					
	Recurring measurement					
(i)	Land and building	21/11/2014	14,500	-	-	14,500
	Non-recurring measurement					
(ii)	Non-current assets classified as held for sale	31/12/2015	7,000	-	-	7,000

Fair value measurement hierarchy for liabilities as at 31 December 2015:

	Date of valuation	Total	Level 1	Level 2	Level 3
Liabilities for which fair value are disclosed:					
Borrowings	31/12/2015	257,392	-	-	257,392
DBS bonds	31/12/2015	123,899	-	123,899	-

(i) Additional fair value information in respect of land and buildings is disclosed in Note 10.

(ii) Non-current assets classified as held for sale

Previously the fair value of non-current assets classified as held for sale were omitted from the fair value disclosure above. The fair value of non-current assets classified as held for sale has been included in the current period and comparatives have been adjusted accordingly.

Significant unobservable valuation input:

	Price per square meter	No of properties
2015	SCR 130 - SCR 2,040	2
2014	SCR 260 - SCR 2,050	2

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values (Continued)

(ii) Non-current assets classified as held for sale

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

Fair value measurement hierarchy for assets as at 31 December 2014:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
		SCR '000	SCR '000	SCR '000	SCR '000
Assets measured at fair value:					
Recurring measurement					
Land and building	21/11/2014	14,500	-	-	14,500
Non-recurring measurement					
Non-current assets classified as held for sale	21/11/2014	9,500	-	-	9,500

Fair value measurement hierarchy for liabilities as at 31 December 2014:

Liabilities for which fair value are disclosed:					
Borrowings	31/12/2014	143,757	-	-	143,757
DBS bonds	31/12/2014	123,899	-	123,899	-

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.

Critical accounting estimates and assumptions

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

(a) *Impairment of loans and advances*

The Bank reviews its loans and advances portfolio on a regular basis to assess whether any allowance for credit impairment losses for loans and advances should be recognised in the profit and loss. In particular, judgement is made about the amount and timing of future cash flows when determining the level of allowance required. The allowance for credit impairment losses is based on the *Financial Institutions (Credit Classifications and Provisioning) Regulations 2010, amended 2011* issued provided by the Central Bank of Seychelles. However, actual bad debt written off may differ from the amount provided as an allowance for credit impairment which will result in a higher or lower charge to profit and loss. Refer to Note 6 (b) for reconciliation of the allowance for impairment losses and advances.

(b) *Going concern*

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) *Long term employee benefits*

The present value of the long term employee benefits depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for compensation include discount rate, future salary growth and retirement age. Any changes in these assumptions will impact the carrying amount of compensation obligations. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the compensation obligations. In determining the appropriate discount rate, the Bank considers the interest rates of government treasury bills that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related compensation liability. Refer to Note 16 for disclosures on employee benefits.

5. CASH AND BALANCES HELD WITH OTHER BANKS

	2015	2014
	SCR	SCR
Balances with local banks	126,730,972	116,301,032
Cash on hand	103,415	274,625
	126,834,388	116,575,656

6. LOANS AND ADVANCES

	2015	2014
	SCR	SCR
Loans and advances to customers	522,827,070	409,651,232
Staff Loans	17,736,866	11,644,750
	540,563,936	421,295,982
Less: Allowances for credit impairment (see note (b) below)	(7,405,064)	(11,609,684)
Interest in Suspense	(1,693,433)	(2,138,823)
	531,465,439	407,547,475

(b) **Impairment allowances for loans and advances to customers**

A reconciliation of the allowance for impairment losses and advances is as follows:

	2015		
	Specific	General	Total
	SCR	SCR	SCR
At January 1,	8,260,923	3,348,761	11,609,684
Direct write off	(440,691)	-	(440,691)
Charged/ (released) to profit and loss (i)	(4,979,296)	1,215,367	(3,763,929)
At December 31,	2,840,936	4,564,128	7,405,064

	2014		
	Specific	General	Total
	SCR	SCR	SCR
At January 1,	23,097,423	950,077	24,047,500
Direct write off	(7,145,623)	-	(7,145,623)
Charged/ (released) to profit and loss (i)	(7,690,877)	2,398,684	(5,292,193)
At December 31,	8,260,923	3,348,761	11,609,684

Specific and general provisions are modeled on an incurred, but not reported basis using a percentages method. A general provision is applied to loans in arrears less than 30 days and a specific provision is applied to loans in arrears greater than 30 days.

A reconciliation of Interest in Suspense is as follows:

	2015	2014
	SCR	SCR
At January 1,	2,138,823	4,405,300
Direct write off to Loans and Advances	(783,822)	(2,216,602)
Charged to profit and loss (Interest Income)	338,432	(49,875)
	1,693,433	2,138,823

6. LOANS AND ADVANCES (CONTINUED)

(b) Impairment allowances for loans and advances to customers (continued)

All interest on non-performing credit previously accrued into income but uncollected is reversed and credited into interest in suspense account as recovery is doubful.

Bad Debts (written off/ recovered):

	2015	2014
	SCR	SCR
Bad Debts Recovered	3,748,415	3,660,895
Loans Written Off to profit and loss	(466,115)	(725,023)
Total Bad Debts (written off/ recovered) (ii))	3,282,301	2,935,872
Total Allowance for credit impairment credited to profit and loss:		
(i) Allowance for credit impairment credited to profit and loss	3,763,929	5,292,193
(ii) Bad Debts (written off/ recovered)	3,282,301	2,935,872
	7,046,230	8,228,065

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

	2015		2014	
	SCR	%	SCR	%
Services	133,838,171	24.76%	165,926,357	39.38%
Tourism	93,643,378	17.32%	100,503,653	23.86%
Small Medium Enterprises loan scheme	184,366,527	34.11%	54,769,611	13.00%
Industry	5,993,676	1.11%	19,853,322	4.71%
Agriculture	18,183,033	3.36%	17,425,965	4.14%
Agriculture and horticulture	527,842	0.10%	-	0.00%
Transport	14,580,766	2.70%	15,530,379	3.69%
Staff	17,736,866	3.28%	11,644,750	2.76%
Building and construction	37,651,864	6.97%	8,317,536	1.97%
Fisheries	6,156,335	1.14%	8,220,109	1.95%
Manufacturing	14,796,903	2.74%	8,128,033	1.93%
Food securities	6,379,007	1.18%	6,991,246	1.66%
Former staff	1,780,828	0.33%	1,923,025	0.46%
Trade	2,785,479	0.52%	1,894,101	0.45%
Community, social and personal	2,021,779	0.37%	-	-
Professional, Scientific and Technical Services	121,482	0.02%	167,895	0.04%
	540,563,936	100.00%	421,295,982	100.00%
Less: Allowances for credit impairment (see note (b) above)	(7,405,064)	(1.37)%	(11,609,684)	(2.76)%
Interest in Suspense	(1,693,433)	(0.31)%	(2,138,823)	(0.51)%
	531,465,439	98.32%	407,547,475	96.74%

DBS offers variable interest rate loans and periodically evaluates their lending pool to adjust rates globally based on changing market conditions. Interest rates on loans in the DBS Scheme range from 7.50% to 11.25%. Staff loans range from 3.75% to 10%. The SME scheme offers 10.00% to 11.25% and is subsidized by the Government of Seychelles; borrowers are charged 5% on the first million and 7% on the remaining.

7. HELD-TO-MATURITY FINANCIAL ASSETS

(i) Treasury bills

	2015	2014
	SCR	SCR
Balance at January 1,	9,943,077	-
Additions	34,286,760	27,670,200
Interest	545,097	272,877
Maturity	(29,525,000)	(17,855,200)
Interest received	(475,000)	(144,800)
Balance at December 31,	14,774,934	9,943,077

(a) Remaining terms of maturity of held-to-maturity financial assets are as follows:

	2015	2014
	SCR	SCR
- Less than 1 year	14,774,934	9,943,077

(b) Held-to-maturity financial assets are denominated in Seychelles Rupees.

(c) The fair value disclosures are provided in Note 3 (f).

8. OTHER ASSETS

	2015	2014
	SCR	SCR
Recovery on Financial Guarantee Contract (a)	977,443	4,135,880
Prepayments	298,761	346,919
Other receivables (b)	2,026,823	1,575,897
	3,303,027	6,058,696

(a) The Bank contracted loans with Nouvobanq in line with the Public Debt Management Act, and signed contracts with the Ministry of Finance, Trade and Investment, stating that upon maturity of the loans net foreign losses arising on the loan facilities will be reimbursed by the latter.

(b) Other receivables mainly comprise of management fees charged for management of the Photovoltaic Fund, Agricultural Development Fund, EU Fisheries Development Fund, subsidise Small and Medium Enterprise interest due from Seychelles Government, and balances receivable from staff in respect of telephone charges settled by the Bank on their behalf.

9. NON- CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2015	2014
	SCR	SCR
Land and building held for sale	9,500,000	9,800,000
Impairment	(2,500,000)	(300,000)
	7,000,000	9,500,000

The Bank acquired two properties of the value of SCR 9.8m, put up as collateral against a loan, as a result of the borrower's failure to comply with the repayment obligations under the loan agreement.

The Bank intends to sell the properties in the next 6 months. Management has committed to a plan to sell, a search is underway for buyer. An impairment loss has been recognised as at 31 December 2015 as the directors of the Bank expect that the fair value (estimated based on recent market prices) less cost to sell is lower than the carrying amount.

Fair value measurement disclosures are provided in Note 3 (f).

10. PROPERTY AND EQUIPMENT

(a)

	Land and Building	Equipment	Furniture and Fittings	Motor Vehicles	Total
	SCR	SCR	SCR	SCR	SCR
COST					
At January 1, 2014	18,858,812	3,139,258	1,049,083	791,317	23,838,471
Additions	-	243,981	140,056	368,000	752,037
Disposals	-	(52,550)	(6,286)	-	(58,836)
Revaluation adjustment	(4,358,812)	-	-	-	(4,358,812)
At December 31, 2014	**14,500,000**	**3,330,689**	**1,182,853**	**1,159,317**	**20,172,860**
Additions	115,466	263,619	139,990	-	519,075
Disposals	(8,800)	(138,716)	(37,545)	-	(185,061)
At December 31, 2015	**14,606,666**	**3,455,592**	**1,285,299**	**1,159,317**	**20,506,874**
DEPRECIATION AND IMPAIRMENT					
At January 1, 2014	6,367,625	2,774,151	860,497	632,379	10,634,652
Charge for the year	660,680	204,365	118,448	194,667	1,178,160
Disposal adjustment	-	(52,550)	(4,392)	-	(56,942)
Eliminated on revaluation	(7,018,043)	-	-	-	(7,018,043)
At December 31, 2014	**10,262**	**2,925,966**	**974,553**	**827,046**	**4,737,827**
Charge for the year	742,892	193,407	143,137	109,938	1,189,374
Disposal adjustment	(4,756)	(138,716)	(35,861)	-	(179,333)
At December 31, 2015	**748,398**	**2,980,658**	**1,081,829**	**936,983**	**5,747,868**
NET CARRYING AMOUNT					
At December 31, 2015	**13,858,268**	**474,935**	**203,470**	**222,334**	**14,759,006**
At December 31, 2014	14,489,738	404,723	208,300	332,271	15,435,032

(b) The Bank's land and buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation was performed by Blackburn Consulting (Pty) Ltd, an independent professionally qualified chartered surveyor on November 22, 2014. The revaluation resulted in a gain of SCR 2,659,232.

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

The next revaluation is expected to be performed in 2016. The Bank is of the opinion that the carrying amounts of land and building approximate their fair values at the end of the reporting period.

(c) The total cost relating to fully depreciated assets still in use amounts to SCR 4,243,805 as at December 31, 2015 (2014: SCR 2,918,801).

(d) Cash outflow for the purchase of equipment assets was SCR 519,075 (2014: SCR 752,037).

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

(f) Fair value measurement disclosures for revalued land and buildings are provided in Note 3 (f).

10. PROPERTY AND EQUIPMENT (CONTINUED)

(g) **Significant unobservable valuation input:**

	Price per square metre
2015	**SCR 20,000 - SCR 21,000**
2014	SCR 20,000 - SCR 21,000

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2015	2014
	SCR	SCR
Cost	6,263,761	6,157,094
Accumulated depreciation and impairment	(5,244,828)	(5,181,734)
Net carrying amount	**1,018,932**	975,360

11. INTANGIBLE ASSETS

	SCR
(a) **COST**	
At January 1, 2014	4,574,079
Additions	-
At December 31, 2014	**4,574,079**
Additions	17,429
Disposals	-
At December 31, 2015	**4,591,508**
AMORTISATION	
At January 1, 2014	2,189,922
Amortisation	1,416,623
At December 31, 2014	**3,606,545**
Amortisation	963,550
At December 31, 2015	**4,570,095**
NET CARRYING VALUE	
At December 31, 2015	**21,413**
At December 31, 2014	967,533

(b) Intangible assets comprise of computer software and licenses.

(c) The total cost relating to fully depreciated assets still in use amounts to SCR 4,432,904 as at December 31, 2015 (2014: SCR 322,535).

(d) Cash outflow for the purchase of intangible assets was SCR 17,429 for the current year (2014: SCR Nil).

12. BORROWINGS

(a)

		Interest rate	Maturity	2015	2014
		%		SCR	SCR
(i)	Nouvobanq S.I.M.B.C bank loan	4.75% + 3 months Euribor	2018	19,589,341	31,796,869
(ii)	Nouvobanq S.I.M.B.C bank loan	5% + 3 months Euribor	2020	52,007,544	-
(iii)	BADEA bank loan	4%	2023	16,994,187	20,174,629
(iv)	Seychelles Government (ADF Bilateral) loan	2.75%	2027	89,745,216	92,686,260
(v)	Seychelles Government (EIB Bilateral) loan	1.93%	2023	7,125,338	-
(vi)	Barclays Bank Seychelles	Barclays Bank Prime Lending Rate - 4.75%	2023	73,437,500	-
	Total borrowings			258,899,126	144,657,758

(i) *Nouvobanq S.I.M.B.C bank loan*

This loan is secured by a Government Gazetted Guarantee for EUR 2.5m

(ii) *Nouvobanq S.I.M.B.C bank loan*

This loan is secured by a Government Gazetted Guarantee for SCR 100m.

(ii) *BADEA bank loan*

This loan is secured by the Government of Seychelles.

(iii) *Seychelles Government (ADF Bilateral) Loan*

This loan is secured by the Government of Seychelles.

(iv) *Seychelles Government (EIB Bilateral) Loan*

This loan is secured by the Government of Seychelles.

(v) *Barclays Bank Seychelles*

This loan is secured by the Government of Seychelles.

(b) Reconciliation of borrowings:

	2015	2014
	SCR	SCR
Balance at January 1,	144,657,758	148,540,026
Proceeds from borrowings	132,125,338	3,337,873
Interest charges	5,966,008	5,438,356
Repayment of interest	(5,816,401)	(5,430,354)
Repayment of principal	(13,655,329)	(11,205,559)
Foreign exchange differences	(4,378,249)	3,977,416
Balance at December 31,	258,899,126	144,657,758

13. DBS BONDS

	2015	2014
	SCR	SCR
At January 1,	125,412,671	100,232,534
Redeemed during the year	-	(25,000,000)
Issued during the year	-	50,000,000
Interest expense	6,875,000	7,846,237
Interest payments	(6,875,000)	(7,666,100)
At December 31,	125,412,671	125,412,671

(a) Interest rates on the above bonds ranges between 4% and 7.5% (2014: 4% and 7.5%).

(b) The bonds are guaranteed by the Government of Seychelles.

(c) The currency profile and maturity termed of the bonds are detailed in Note 3.

14. FUNDS UNDER MANAGEMENT

	2015	2014
	SCR	SCR
Credit Guarantee Scheme (a)	870,134	870,134
EU Fisheries, ADF and CCA funds (b)	768,173	1,840,258
Photovoltaic project (c)	10,801,134	6,858,401
	12,439,441	9,568,793

(a) This fund was created from a donation made by Frederick Ebert Stiftung (a private foundation in the West of Germany). The objective of the fund is to support small entrepreneurs and young graduates from the Polytechnique on ventures not exceeding SCR 150,000. Loans are no longer being approved from this fund and no additional payments are being made therein since 2008. The fund is repayable on demand.

(b) This pertain to funds received on behalf of EU Fisheries Development Fund and Agricultural Development Fund loan schemes, which have not yet been transferred to these respective loan schemes. The Bank has been given the mandate of administering these funds on behalf of the Government. The funds are repayable on demand.

(c) This relates to balance held on behalf of the government with regards to the Photovoltaic project. The Government introduced the project in 2014 with the aim of intensifying efforts to reduce the country's dependency on fossil fuel by encouraging the use of renewable energy. The Bank is managing this fund on behalf of the Government. The funds are repayable on demand.

15. OTHER LIABILITIES

	2015	2014
	SCR	SCR
Trade payables (a)	1,493,883	1,502,330
Other payables and accruals (b)	1,923,378	2,021,529
	3,417,262	3,523,859

(a) Trade payables consist mainly of rentention amounts due upon completion of construction contracts, to which the Bank has a current obligation for services rendered and invoiced by the construction companies.

(b) Other payables consist mainly of sundry creditors and personal contribution deposited by the producers toward the financing of total project costs.

16. COMPENSATION BENEFIT OBLIGATIONS

	2015	2014
	SCR	SCR
Compensation -end of contract (i)	1,506,649	1,147,003
Gratuity (ii)	118,389	155,111
Compensation -retirement (iii)	2,221,445	1,918,405
	3,846,482	3,220,519

(i) COMPENSATION - END OF CONTRACT

	2015	2014
	SCR	SCR
At January 1,	1,147,003	441,901
Charged to statement of comprehensive income	1,062,213	805,052
Benefits paid	(702,567)	(99,950)
At December 31,	1,506,649	1,147,003

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

(ii) GRATUITY

	2015	2014
	SCR	SCR
At January 1,	155,111	113,889
Charged to statement of comprehensive income	58,113	50,556
Benefits paid	(94,835)	(9,333)
At December 31,	118,389	155,111

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

(iii) COMPENSATION - RETIREMENT

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

(a) Amount recognised to profit or loss:

	2015	2014
	SCR	SCR
Current service cost	193,451	174,702
Interest cost	142,239	82,455
Actuarial loss	300,610	311,593
	636,300	568,750

16. COMPENSATION BENEFIT OBLIGATIONS (CONTINUED)

(iii) COMPENSATION - RETIREMENT (CONTINUED)

(b) Reconciliation of present value of obligation

	2015	2014
	SCR	SCR
At January 01,	1,918,405	1,354,732
Current service cost	193,451	174,702
Interest cost	142,239	82,455
Benefits paid	(333,260)	(5,076)
Actuarial loss	300,610	311,593
At December 31,	2,221,445	1,918,405

(c) The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	6.14%	5.60%
Future salary increases	6.00%	6.00%
Retirement age	63	63

Effect of changes in the assumptions above on the compensation liability with all other things being equal:

	2015	2014
	SCR	SCR
Discount rate - increase by1%	(378,864)	(363,833)
Discount rate - decrease by 1%	484,294	470,528
Future salary - increases by 1%	481,277	463,542
Future salary - decreases by 1%	(383,359)	(365,660)
Retirement age - increases by 5 years	(42,291)	36,610
Retirement age - decreases by 5 years	43,115	(35,924)

The figure of 6% used to calculate future salary increases in no way commits the Bank to such increase in salary and has been used for calculation purposes only.

17. SHARE CAPITAL

	2015	2014
	SCR	SCR
Authorised shares		
At January 1, and December 31,	40,000,000	40,000,000

17. SHARE CAPITAL (CONTINUED)

	2015	2014
	SCR	SCR
Issued and fully paid shares		
At January 1, and December 31,	39,200,000	39,200,000

18. CONTINGENT RESERVE

	2015	2014
	SCR	SCR
At January 1, and December 31,	41,385,321	41,385,321

The contingent reserve is maintained in accordance with the provisions of Chapter 63 Development Bank of Seychelles Decree 1 February 1978. Section 33, Application of Monies, requires that the bank set aside in a reserve fund up to the Share Capital, that is, SCR 39.2 million.

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2015 (2014:Nil).

20. INTEREST INCOME

	2015	2014
	SCR	SCR
Cash and short term funds	568,384	371,100
Interest on held to maturity investment securities	545,097	272,877
Loans and advances	46,108,183	39,794,855
Interest in suspense	(338,432)	49,875
	46,883,232	40,488,707

21. INTEREST EXPENSE

	2015	2014
	SCR	SCR
Interest on borrowings and loan arrangement fees	7,215,007	5,438,356
Interest on DBS bonds	6,875,000	7,846,237
	14,090,007	13,284,593

22. OTHER INCOME

	2015	2014
	SCR	SCR
Management fees	707,232	806,000
Fees from loans and advances	815,248	276,861
Application fees	824,992	849,235
Rental income (a)	136,000	-
	2,483,473	1,932,095

22. OTHER INCOME (CONTINUED)

(a) Lease arrangements

Operating lease commitments - Bank as a lessor

The Bank has entered into operating leases on certain premises. The leases are for a period of six months.

	2015	2014
Lease commitments	SCR	SCR
Within one year	12,000	-
After one year but not more than 5 years	-	-
More than 5 years	-	-
	12,000	-

23. EMPLOYEE BENEFIT EXPENSES

	2015	2014
	SCR	SCR
Salaries and wages	12,915,187	9,770,051
Pension costs (i)	217,258	170,175
Compensation benefit obligations	1,756,627	1,424,357
Directors fees and committee allowances	499,860	351,835
Other staff costs	934,626	768,432
	16,323,558	12,484,849

(i) The Bank contributes to a statutory defined contribution scheme. Contributions are determined by local statute and are currently limited to 2% of gross salary per employee per month. The Bank' s contributions to the scheme is charged to the profit and loss in the year in which they relate to.

24. OTHER OPERATING EXPENSES

	2015	2014
	SCR	SCR
Utilities costs	583,745	708,141
Communication costs	602,386	719,950
Maintenance costs	1,042,380	1,385,001
Legal and professional fees	518,027	502,785
Donations	296,501	272,208
Bank charges	57,702	192,458
Auditors' remuneration	143,750	324,833
Insurance expenses	108,008	97,782
Travelling expenses	513,829	406,451
Rental expenses	759,492	433,606
Office expenses	474,678	494,764
Promotion and advertising costs	268,451	387,866
Membership fees	237,711	282,850
Loss on disposal of equipment	4,168	1,894
Impairment of non-current assets classified as held for sale (note 9)	2,500,000	300,000
Other administrative expenses	1,034,152	620,156
	9,144,980	7,130,745

(a) Lease arrangements

Operating lease commitments - Bank as lessee

The Bank has entered into rental lease agreements for the premises. The leases are for a minimum period of one year, with an option of renewal in the contract. There are no restrictions placed upon the lessee by entering into the lease.

24. OTHER OPERATING EXPENSES (CONTINUED)

(a) Lease arrangements (Continued)

Operating lease commitments - Bank as lessee (Continued)

Future minimum lease payments under cancellable operating leases as at 31 December are, as follows:

	2015	2014
Lease commitments	SCR	SCR
Within one year	761,860	329,787
After one year but not more than 5 years	37,003	630,267
More than 5 years	-	-
	798,863	960,054

25. CAPITAL COMMITMENTS

Loans and advances approved but not yet disbursed or partially disbursed as at December 31, 2015 totalled 320,041,152 (2014: 161,581,824).

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, there were the following transactions between the Bank and its related parties:

(a) Borrowings

	Relationship	2015	2014
Government of Seychelles		SCR	SCR
Balance at January 01,		92,686,260	95,241,593
Proceeds received		7,125,338	-
Interests	Shareholder	2,819,830	2,931,203
Repayment		(5,760,874)	(5,486,536)
Balance at December 31,		96,870,554	92,686,260
Nouvobanq - S.I.M.B.C			
Balance at January 01,		31,796,869	38,516,524
Proceeds received		50,000,000	-
Interests	Government related (*)	1,334,443	1,721,722
Repayment		(8,375,990)	(9,438,969)
Exchange differences		(3,158,437)	997,593
Balance at December 31,		71,596,885	31,796,869

(*) The Government of Seychelles holds shares in both the Development Bank of Seychelles and Nouvobanq.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Salaries and other benefits

	Relationship	2015	2014
		SCR	SCR
Key management salaries	Key management	1,885,993	2,597,430
Directors remuneration	Directors	499,860	299,455
End of contract settlements	Key management	473,496	-
End of contract provision	Key management	558,685	546,418

(d) Outstanding balances

	Relationship	2015	2014
Recovery on Financial Guarantee Contract	Shareholder	(977,443)	(4,135,880)
Borrowings	Shareholder	96,870,554	92,686,260
Borrowings	Government related	71,596,885	31,796,869
Loans and advances	Key management	3,555,927	1,885,908

In 2015, due to organization restructuring, the Bank created new positions to head their departments. The head of departments are considered as key management personnel. The current year amounts reflect the key management personnel who were appointed to these positions.

27. EVENTS AFTER THE REPORTING PERIOD

There is no event subsequent to the date of statement of financial position which may have a material effect on the financial statement as at 31 December 2015.

DEVELOPMENT BANK OF SEYCHELLES

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