DEVELOPMENT BANK OF SEYCHELLES

Annual Report 2016

DEVELOPMENT BANK OF SEYCHELLES

P.O BOX 217. Victoria. Mahe. Seychelles
Tel: 4294400 . Fax: 4224274
E-mail: devbank@dbs.sc . Web: www.dbs.sc

TABLE OF CONTENTS

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. 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. Mike Laval	Member
	Mrs. Ina Barbé	Member
	Mr. Roy Clarisse	Member
Remuneration Committee	Ms. Rosanda Alcindor	Chairperson
	Mr. Marc Naiken	Member
	Mrs. Ina Barbé	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	

CHAIRPERSON REPORT

As the Chairperson of the Board of Directors of the Development Bank of Seychelles (DBS), I am pleased to welcome you to our 3rd Annual General Meeting. Allow me to deliver my report for the financial year ending 31st December 2016. In this report, I share with you our achievements for the year, some of the challenges faced and our plans for the future.

In the year 2016, the global economy was in a state of uncertainty, taking into consideration major political developments which unfolded in Europe and United States of America. The decision of the British voters to exit the European Union and the unexpected results of the US election, led to widespread uncertainties in the global market. Nonetheless, Seychelles in general was not adversely affected. Despite the uncertainties, the Seychelles' economy grew by 4.5%, namely due to increase in tourism arrivals, stronger output in the fishing industry and expanding credit to the private sector.

The year 2016 was, however, a very challenging year for DBS. With limited liquidity; DBS did its utmost to deliver on its mandate, which is to support the socio-economic objectives of the Government. The pre-occupation of the Government for the year was the development of SME's in the country and DBS had a very important role in ensuring that the sector had easy access to affordable credit. 2016 saw DBS yet again taking a strong role in the SME scheme introduced by Government three years back. Statistics show that a total of 373 loans for a total value of SCR344.6 million were approved by all banks in 2016 under this scheme. Interestingly, albeit the financial difficulties it encountered, DBS, alone managed to approve 66% of the total loans approved by all banks combined. This attests the significant contribution to not only the scheme but for the SME development in the country.

On the loans side, DBS managed to maintain Non- Performing Loans to annual average of 4%. However it faced a major challenge in getting sufficient funds for on-lending. Although every effort was made by DBS to ensure that it caters for the growing demand for affordable medium to long term loan facilities, despite having a shortage of funds, to meet the unexpected demand for credit in 2016, DBS had to resort to short term and medium term quick borrowings at much higher interest rates. This undoubtedly had a negative effect on the financial performance of the Bank, despite having approved a total of 236 projects worth SCR288.8 million, exceeding the annual budget of SCR200 million by 44%, as much pressure was put on the Bank's financial resources. This contributed towards the disappointing financial results for the year. The Bank recorded a net profit of SCR 4.5 million compared to the budget of SCR 8 million and net profit of SCR14.5 million the previous year. However, the total asset of the Bank increased by 31% from SCR 698 million in 2015 to SCR914 million in 2016. DBS also saw improvements in its rating certified by the Association of African Development (AADFI) which started with a D+ in 2010, advancing to a B+ in 2016.

The second challenge faced by DBS in 2016 was the significant increase in the cost of funds which again affected negatively the profitability of the Bank. The Bank was unable to source cheap loans from international institutions and had no alternatives but to borrow at a higher interest rates from local financial institutions as explained earlier. Whilst, it contemplated on increasing the interest rate on loans in order to improve its liquidity position, it also considered the implication for Small and Medium Enterprises, as well as its key role in developing sectors that were a priority in the economy of the country. Though, DBS strives to be profitable, it is also conscious of its commitment to deliver on its mandate to support the socio-economic development of the country. Hence, the decision in maintaining interest rate it charges on loans at ten percent in 2016 was made.

DBS takes its responsibility as an employer seriously. Hence, the ongoing exercise which started in 2016 to review and create new policies in order to ensure maximum compliance and relevance. In 2016, DBS reviewed its staff loan policy and created the dress code policy. As a responsible employer, DBS also invested in its human capital. A series of in-house training was organised by the Bank for its employees in order to continuously improve the skills and knowledge of its workforce. DBS acknowledges that it is operating in an industry which faces tremendous competition, hence, the importance of keeping its staff abreast with the latest developments in the financial industry and the economy.

The Bank also takes its Social Corporates Responsibility (CSR) seriously. In 2016, DBS continued to contribute to the welfare of the community through donations to charitable causes and staff volunteering in charitable events.

To conclude, I would like to express firstly my gratitude towards the management and staff of DBS. A special mention goes to the former CEO, Mrs Annie Vidot who made substantial contribution to the progress made so far. In spite of the various challenges faced throughout the year, the staff remained committed and dedicated, working hard throughout the year. On behalf of the Board of Directors, I would like to convey our sincere appreciation to them. I would also like to thank the shareholders, especially those who have travelled from afar to be present at our 3rd Annual General Meeting. Your presence amongst us is testimony to your support, trust and confidence in DBS.

My acknowledgement also goes to my fellow board members. Thank you for your time and valuable inputs towards DBS's achievements as well as your continued support. 2016 was a tough year for DBS and I thank each and every one of you for your valuable input at the Board.

Finally, I would like to extend my gratitude to our esteemed clients, for their loyalty and being our good customers. DBS's objective has always been to remain a customer-focussed bank and will continue to be 'your partner in development'.

I will end by re-iterating DBS's commitment towards the socio-economic development of the country. We envisage that the year 2017 will also be a challenging one as some changes are expected at DBS. Nonetheless, I am confident that with the continued support of its partners and stakeholders, the new board and management of DBS will continue to play a major role in the socio-economic development of the country.

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.

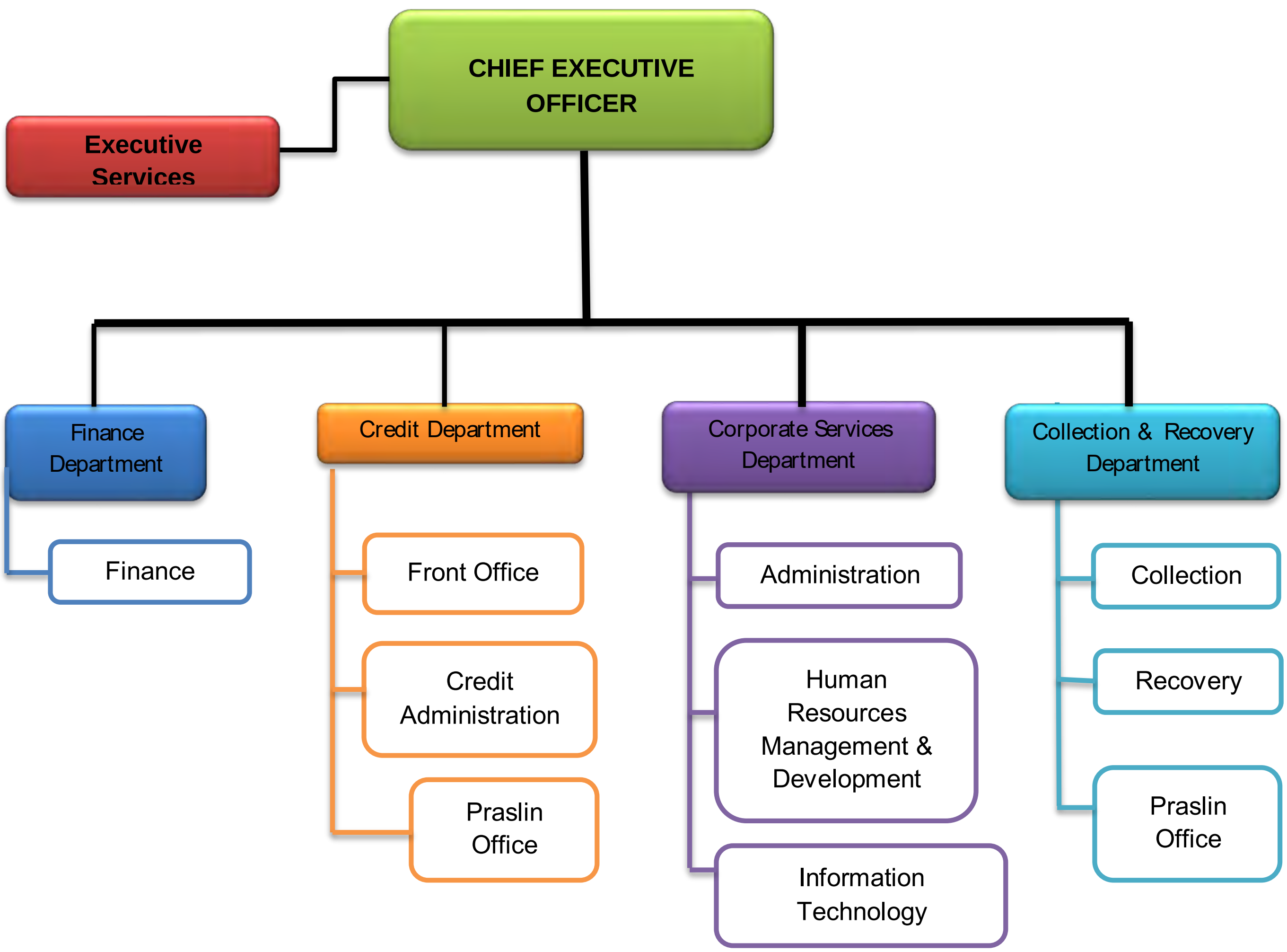
Teamwork

- 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 2016

LOAN APPROVALS

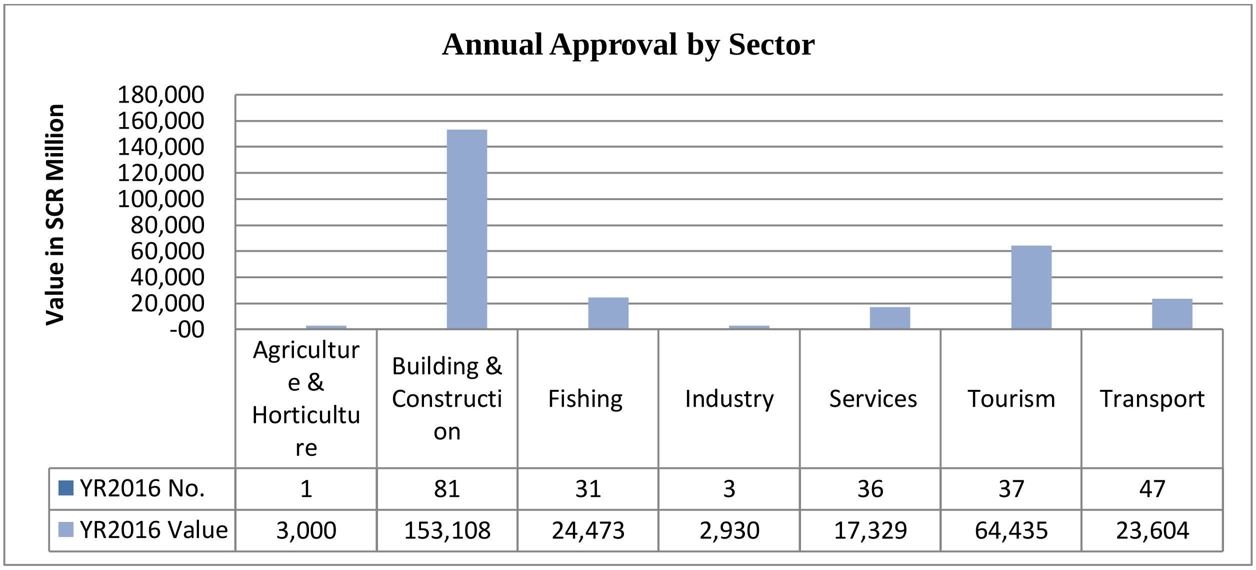
The Credit Department, which undertakes the core business activities of the Bank, recorded another extraordinary performance in 2016. It processed and approved a total of 236 projects worth SCR 288.8 million. However, this represented a decrease of 16% in terms of number of projects and 19% decrease in term of monetary value of loan approved in comparison to the previous year.

In 2016, the Bank continued to fulfil its primary objective by providing access to affordable credit to the productive sectors namely; agriculture and horticulture, building and construction, fishing, manufacturing, tourism, transport, renewable energy 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. This led to the Bank exceeding its annual budget of SCR200 Million set for the year to be distributed amongst the different economic sectors by 44%.

The loan approval was primarily dominated by the building and construction sector (53%), followed by tourism sector (22%) and transport sector (8%).

Figure 1: Projects Financed By DBS

Figure 2: Annual Loan Approval by Sector



The following graphs (fig 3 & 4) show the trend in loan approval for the last five years.

Figure 3: Loan Approval for the period 2012 to 2016 in term of value (SCR Million)

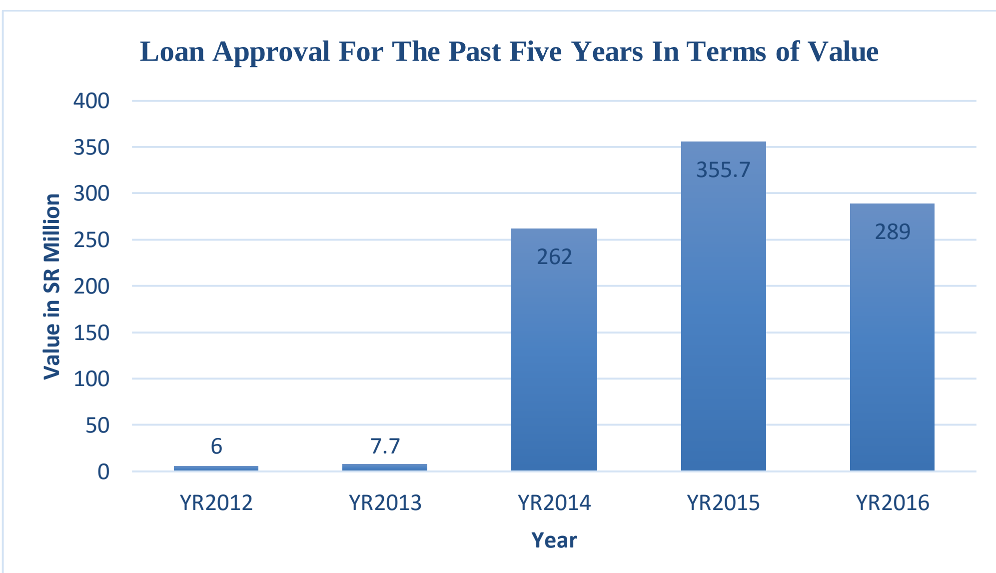
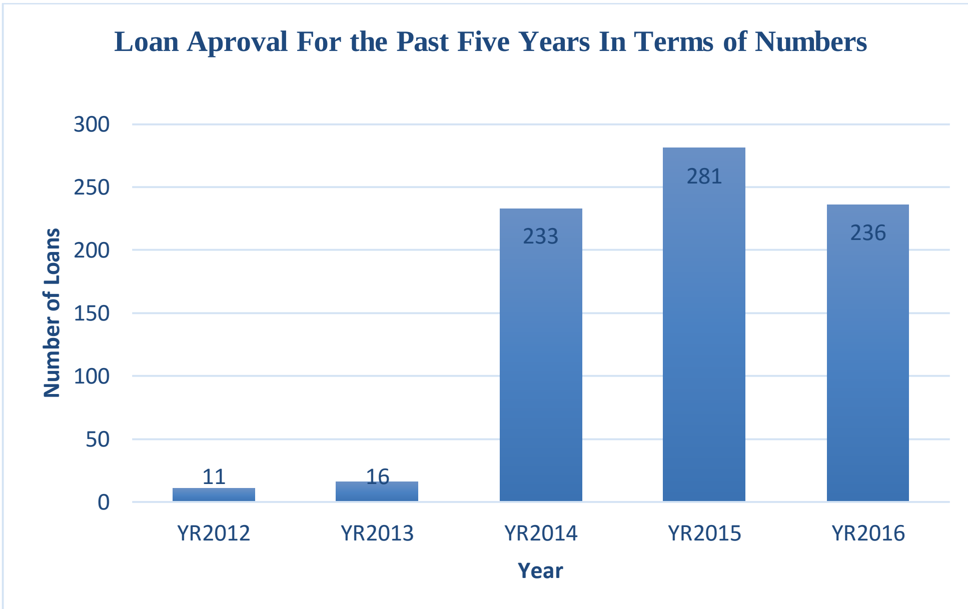


Figure 4: Loan approval for the period 2012 to 2016 in term of numbers



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.

Breakdown of Loan Approval by Sector

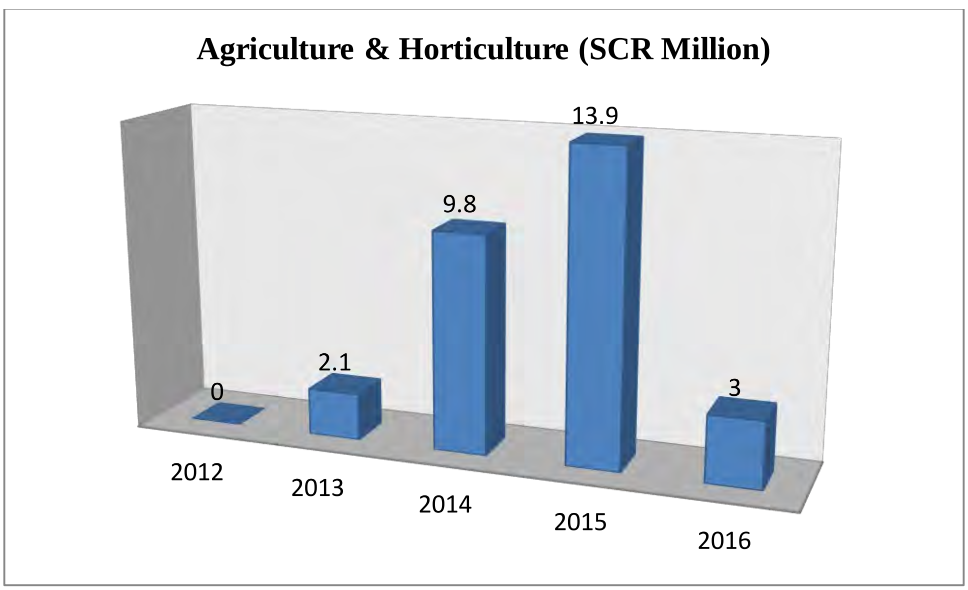
For the year 2016, an annual budget of SCR200 million was approved to be allocated to the different economic sectors. With the continuous increase in demand for financing, once again the budget was exceeded by 44%, thus recording a total of SCR 288.8 million worth of approved loans. As it was the case in the preceding year, building and construction sector dominated the loan approval for the year. Over half (53%) the total loans approval was for the construction and building projects and the difference was shared amongst other eligible sectors.

Agriculture & Horticulture

In 2016, operators in this sector continued to face major challenges such as fierce competition from cheaper imported substitute, scarcity of land allocated for agricultural activities, shortages and reliability of local labour force. In its effort to support Government's objective of safeguarding food security of the country, DBS continued to offer financial assistance to farmers/horticulturist to either develop, expand/upgrade existing farm infrastructures, purchase new farm, agricultural equipment and input. Only one loan worth SCR3 million was approved in 2016, compared to five loans worth SCR13.9 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. Under this scheme, a maximum loan of one million Seychelles rupees is available to registered farmers only. The normal DBS Scheme and the SME Scheme are available for promoters with bigger projects requiring funding exceeding the maximum loan amount offered under the ADF scheme.

Figure 5: Loan Approval in Agriculture & Horticulture for the period 2012 to 2016

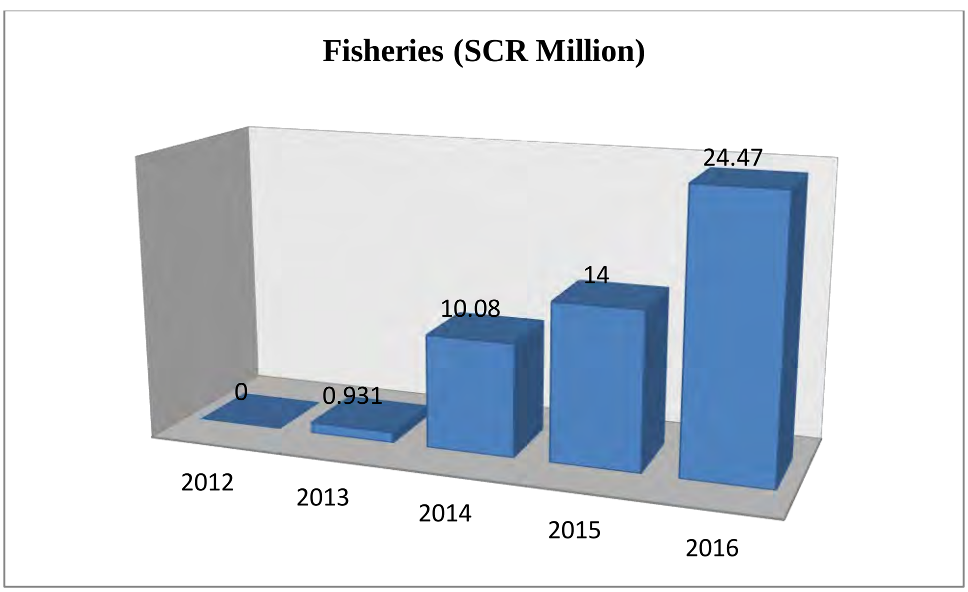


Fisheries

The Fisheries sector was not without its challenges in 2016, this included shortages in the supply of ice and adverse effect for the long line fishers as a result of the mercury problems in Sword Fish etc. that impaired sales and exportation of the species to overseas market. Nonetheless, DBS did its utmost to support the Government's effort in promoting the blue economy concept. The Bank did its utmost to financially assist operators in this sector. The Bank approved a total of 31 loans for the value of SCR 24.4 million representing an increase of 10 million over the previous year. 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).

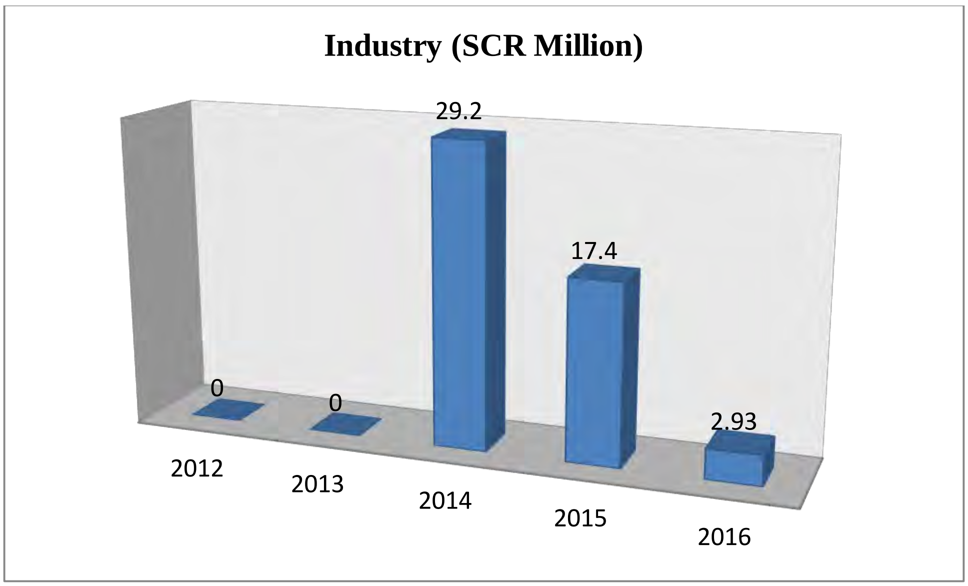
Figure 6: Loan Approval in Fisheries Sector for the period 2012-2016



Industry

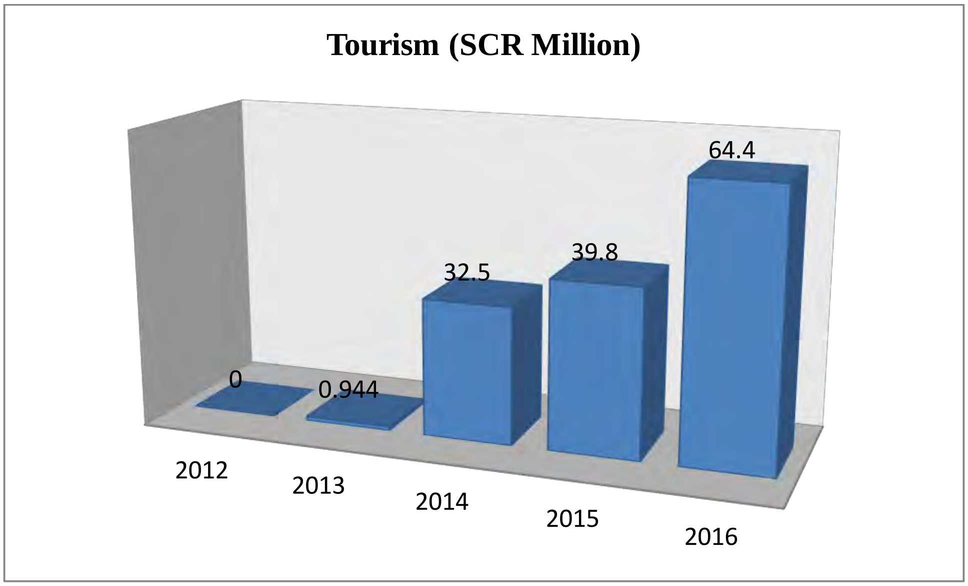
A total of 3 applicants benefitted with loans worth SCR 2.9 Million under this sector. Financing were mainly for Setting up of snack manufacturing and meat processing business. It is to be noted that the volume of loan approved for this sector declined by 83% when compared to that of last year.

Figure 7: Loan Approval for the Industrial Sector for the period 2011 to 2016



Tourism

Figure 8: Loan Approval for the Tourism Sector for the period 2012 to 2016



The excellent performance of the country's tourism industry in 2016, attracted investment in tourism related projects. In 2016, loan approval for tourism related projects increase by 38% from that of the previous year. A total of 37 loans worth SCR64.4 million were approved under this sector. Financing were mainly for construction of self-catering apartments and upgrade of existing tourism establishment.

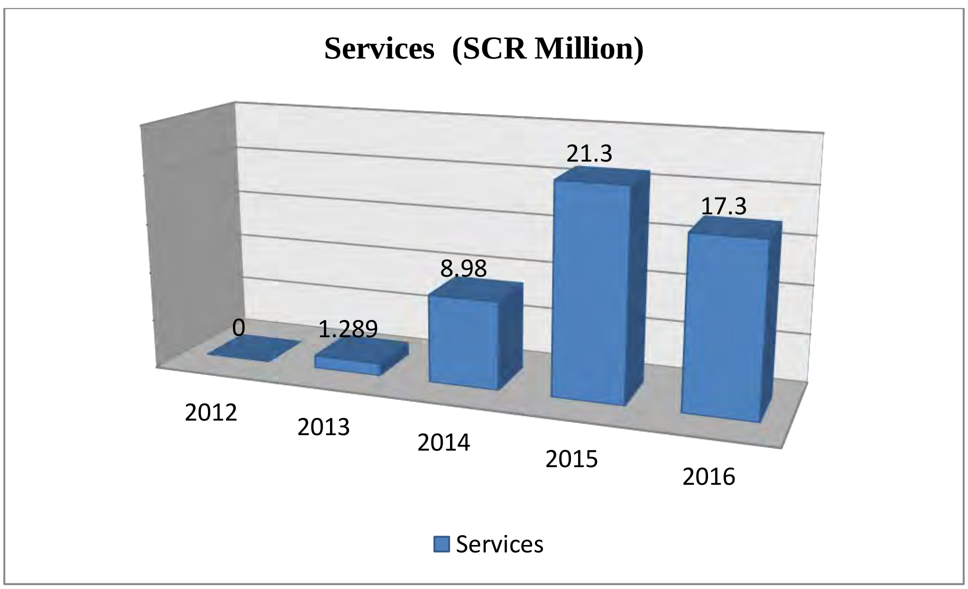
Services

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

A total of 36 loans worth SCR17.3 million were approved under this sector. When comparing statistics of 2016 with that of last year, there has been a decline of 19% in the demand for financing in this sector.

The graph below gives an overview of the trend in approval for the past 5 years. It is to be noted that the statistics for the year 2011 and 2012 include that of the building and construction projects and vehicle financing which were at that time categorized under the service sector.

Figure 9: Loan approval for the service sector for the period 2012 to 2016



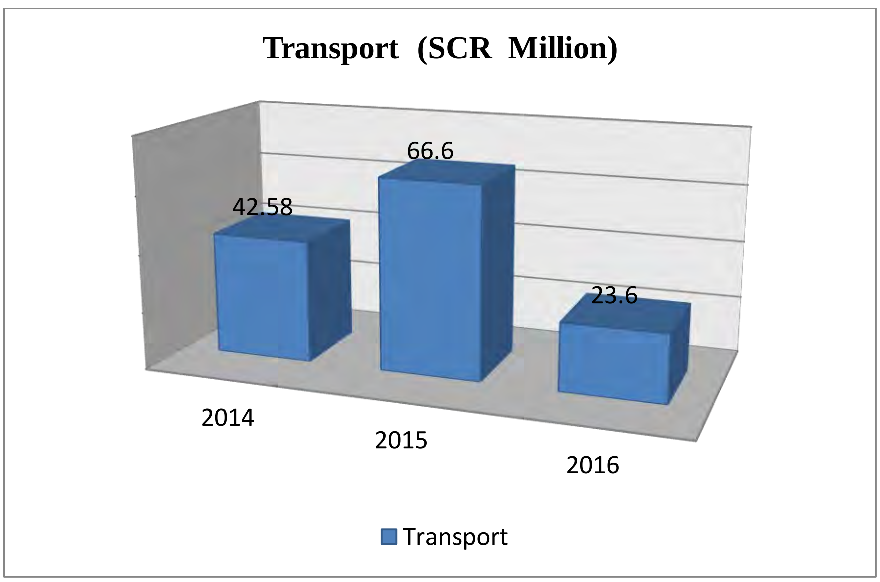
Transport

A total of 47 loans for the value of SCR 23.6 million were approved in 2016. This represents a drop of 65% of the total value of loans approved in the same sector in 2015. This was as the result of the revision in lending policy to which the loan amount was limited to SCR300, 000 per client and a complete embargo was imposed on financing of new car hiring business. The decision took into consideration, the huge exposure from preceding year, the riskiness and volatility of this sector.

Financing under this sector was mainly for replacement of vehicles in existing fleet or purchase of new vehicles for taxi businesses, pick-up truck, and omnibus.

It is to be noted that the transport sector ranked fourth in terms of the sectors with the highest loan approval for the year 2016.

Figure 10: Loans Approval in the Transport Sector from 2014 to 2016

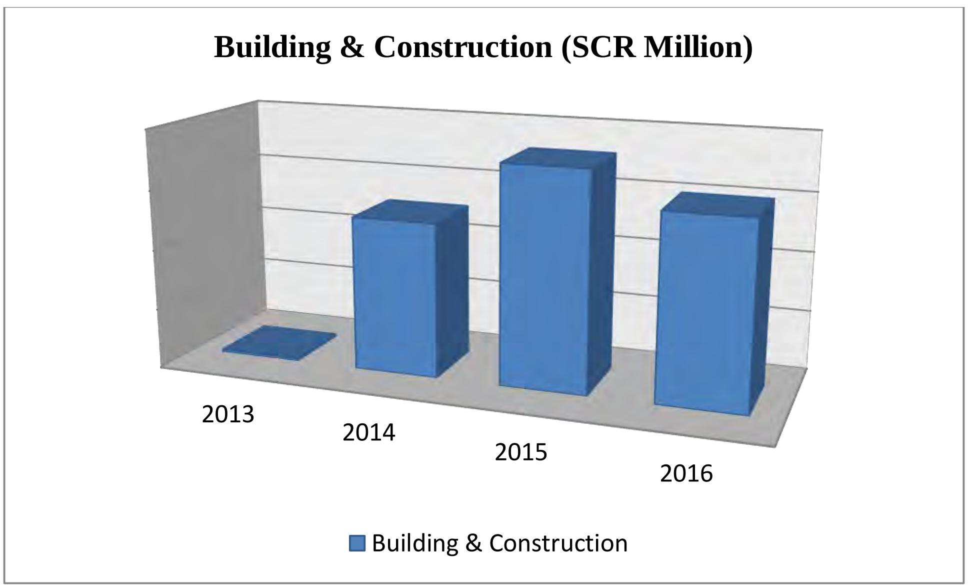


Building & Construction

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 2016, a total of 81 projects worth SCR 153.1 million were approved under this sector. This represents a decrease of 16% of value of loans approved in 2015 for the same sector. It is to be noted that loan approval in the construction and building sector continues to dominate the total loan approvals for all economic sectors.

Figure 11: Loan Approvals in the Building & Construction Sector from 2013 to 2016



The SME Scheme

The Bank continued to support the SME Financing Incentive Scheme, which was launched two years ago 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. It is to be noted that in 2016, DBS approved a substantial amount of loans compared to the other six banks participating in the Scheme. Fifty three percent of the total SME loans in term of number and 66.2% of SME loans approved in terms of monetary value were approved by DBS.

Of the 236 loans which DBS approved in 2016, a total of 198 loans for the value of SCR228.2 million were approved under the SME Scheme whereas the remaining 38 loans for SCR60 Million were considered as per the normal DBS criteria.

Figure 12: Comparison Of Loan Approval Under The Leading Schemes

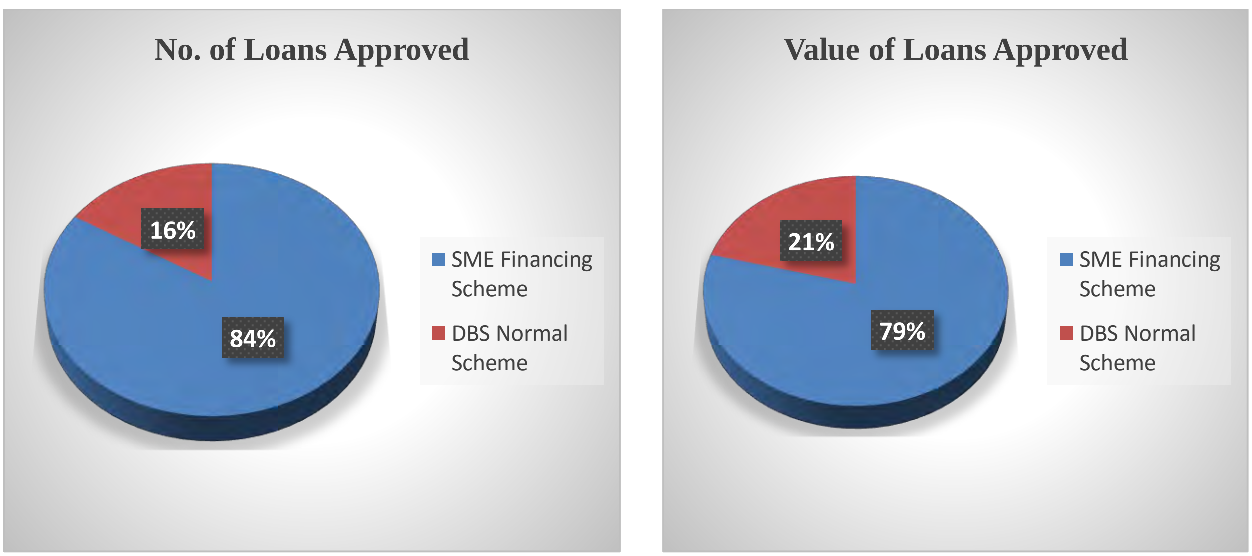
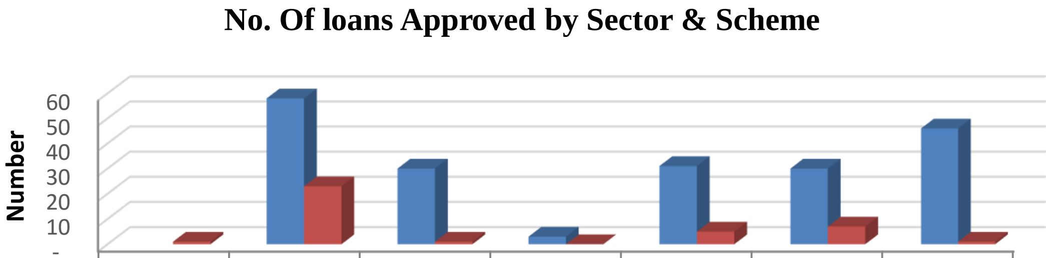


Figure 13: Breakdown Of Statistics In Relation To Number of Approved Loans By Sector And Schemes



	AGRICULTURE	BUILDING & CONSTRUCTION	FISHING	INDUSTRY	SERVICES	TOURISM	VEHICLE
SME		58	30	3	31	30	46
DBS	1	23	1	-	5	7	1

Figure 14: Breakdown Of Statistics In Relation To Monetary Value Of Approved Loans By Sector & Schemes

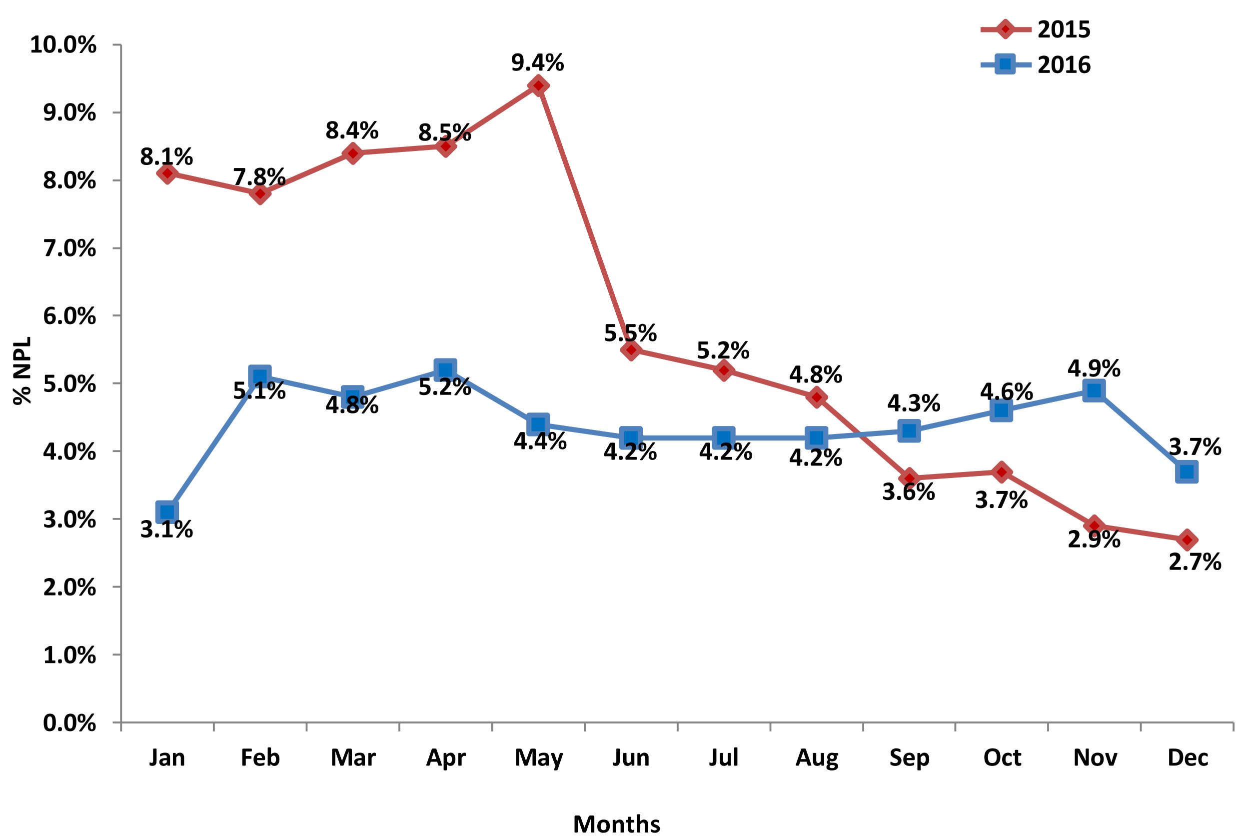
	AGRICULTURE	BUILDING & CONSTRUCTION	FISHING	INDUSTRY	SERVICES	TOURISM	VEHICLE
SME		116,068	21,697	2,930	14,017	51,303	22,193
DBS	3,000	37,040	2,776	-	3,312	13,132	1,411

COLLECTION & RECOVERY

The Development Bank of Seychelles acknowledges the importance of having an efficient and effective debt collection and recovery system in order to ensure that the Bank remains financially sustainable. The Bank's target for the year was, therefore, to maintain non-performing loans (NPL) at the lowest possible level.

The year 2016 was a successful year for the Bank in terms of debt collection and recovery. The Bank managed to achieve its target for non-performing loans. The graph below shows the trend in NPL in 2015 and 2016. During the year, 2016, NPL fluctuate at a steady pace at an average annual rate of 4%.

Figure 15: Graph Showing a Comparison in the Trend in NPL in 2015 and 2016



Aftercare Services

During the year 2016, the Bank continues with its efforts to reach out to its clients with the appropriate advisory services. A series of site visits were performed on Mahé, Praslin and La Digue. The site visits provided the Bank officers with the opportunity to interact with the clients in their working environment as well as viewed the assets financed in order to assess their state and value. Some of the site visits were performed together with the CEO, Head of Department and Recovery Manager.

Figure 16: DBS Staff undertaking after care visits to clients

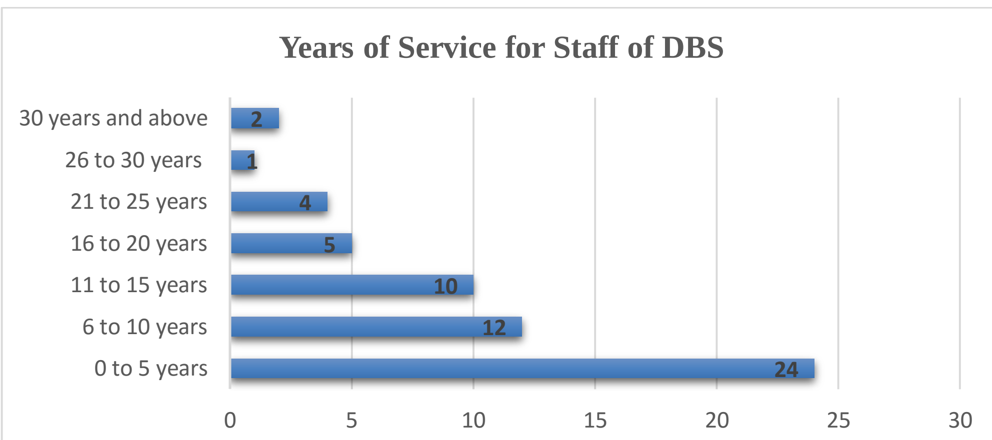
HUMAN RESOURCES

In 2016, DBS concentrated on streamlining its processes and work flow in order to ensure that the objectives of the Bank were effectively and efficiently met. Two HR policies were approved by Board of Directors. A new dress code policy was created, whilst the existing staff loan policy was reviewed.

During 2016, DBS workforce decrease from 57 employees (as at December 2015) to 56 employees (at the end of December 2016). The employee turnover rate rose from 2% to 4%.

DBS remains an employer which values its members of staff and does its utmost to retain its workforce. The bar graph below gives statistics on the years of service of the Bank's workforce.

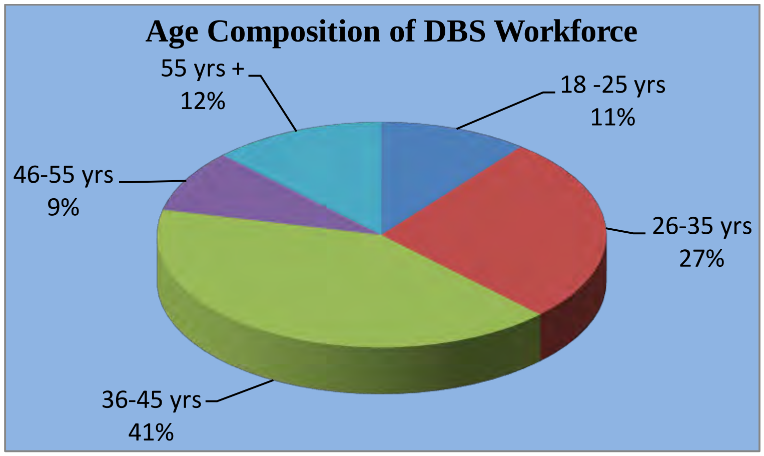
Figure 17: Graph indicating years of service of the Bank's workforce



More than one third of DBS workforce has been in employment with the organization for 10 years or more. There is a good distribution of young and experienced members of staff in DBS workforce.

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

Figure 18: Age Composition of DBS Workforce



Gender-wise, the Bank's workforce is dominated by the female in comparison to male counterparts. The female domination of DBS' workforce is reflected in positions of leadership within the organisation. At board level, there are four male and four female board members. The Chairperson is female and vice-chairman is male. The management team, on the other hand consisted of all female employees.

The graphs below give an indication of the gender balance in DBS

Figure 19: DBS Workforce by Gender

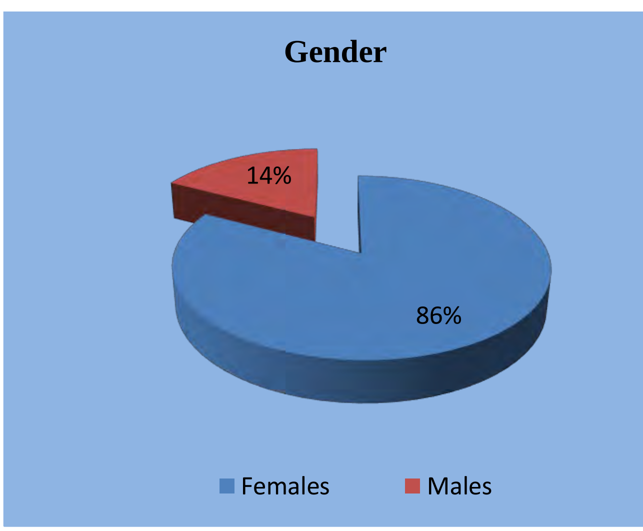
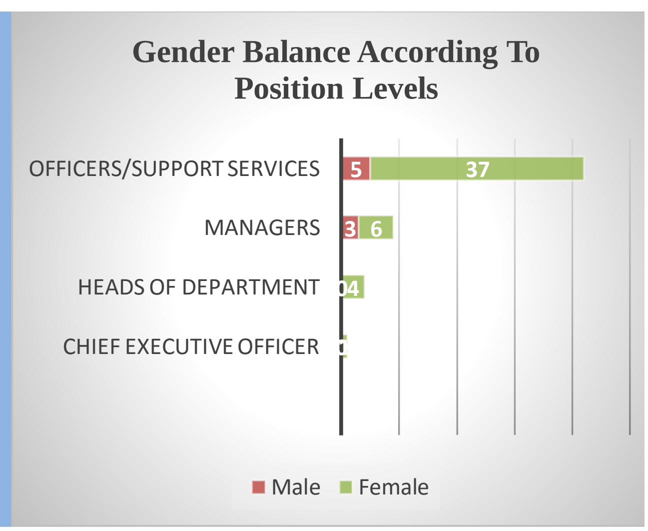


Figure 20: Number of Women in Leadership Position in DBS



Training

DBS acknowledges the importance of providing in-service training to its workforce as this is necessary in order to ensure that the organization remains competitive and sustainable. In order to expand the knowledge base and skills of its employees, DBS organized a series of training for the entire staff in 2016. Following the restructuring of the Bank in 2015, it was felt that there was a need to reinforce the cohesiveness across the various sections/units of the Bank. Therefore, a team building exercise was conducted for all members of staff in September, 2016. In its effort to comply with FIA's requirement, the Bank also conducted training in order to increase staff awareness on Anti- Money Laundering and Counter Financing of Terrorism. Other in-house trainings included introduction to the Windows 10 platform, fire & safety, and presentation by Seychelles Pension Fund.

All members of staff undertook in–house training, fourteen attended courses at local educational institutions, whilst five members of staff underwent training abroad. Five members of staff graduated from local educational institutions.

Figure 21: DBS Staff participating in team building activity

Staff Welfare

DBS tries its utmost to promote a pleasant working environment for all its employees. As such, activities outside of working hours are encouraged through its social clubs. It is recognized that these activities have contributed towards the good rapport between work colleagues. In 2016, in addition to the traditional Christmas party and May Day activity, a hike, night picnic and happy hours were organized.

Figure 22: Creole Night and Hike organized by DBS

PUBLIC RELATIONS & MARKETING

Public Relations & Marketing

In 2016, the Bank marketing objective was to obtain visibility and promote its existing services/products. Two exhibitions were organized during the year. The first exhibition, which was part of its activities to commemorate its 38th anniversary, was held over one-week at the Bank's premises in February, 2016. The aim of the exhibition was to showcase the Bank's achievements over the past 38 years and to present the various financing services that it offers to the business community in Seychelles. The exhibition targeted the general public, students, existing and potential clients. The exhibition was of particular interest to post-secondary students who took the opportunity to learn more about the Bank and its products/services.

The second exhibition was held from 21st to 23rd July, 2016 at the 23rd Afrexim Bank Annual General Meeting. The event was organized jointly by the Ministry of Finance, Trade and Economic Planning and the Central Bank of Seychelles. The aim of the exhibition was to promote the Bank's products and services amongst the business community and participants of attending the meeting.

Figure 23: Exhibitions organized by DBS in 2016

CORPORATE SOCIAL RESPONSIBILITY

DBS takes its corporate social responsibility towards the community seriously and continues to support activities which are socially acceptable, ethically driven and beneficial to the community. The Bank provided various sponsorships and donation throughout 2016 in different areas including; education, sports, health and environment.

The Bank staff also contributed towards their community by participating in a tree planting activity to celebrate 'World Forest Day' in March 2016. Sixteen members of staff volunteered to plant 200 endemic plants in the Sans Soucis vicinity.

Figure 24: DBS staff participating in a tree planting activity to commemorate World Forest Day

OPERATING & FINANCIAL REVIEW

Breakdown of income and charges for the last five years

The financial statements from 2012 - 2016 were prepared in accordance with the requirement of the DBS Decree 1977 and International Financial Reporting Standards (IFRS).

Table 1: Income & Charges from 2012 to 2016

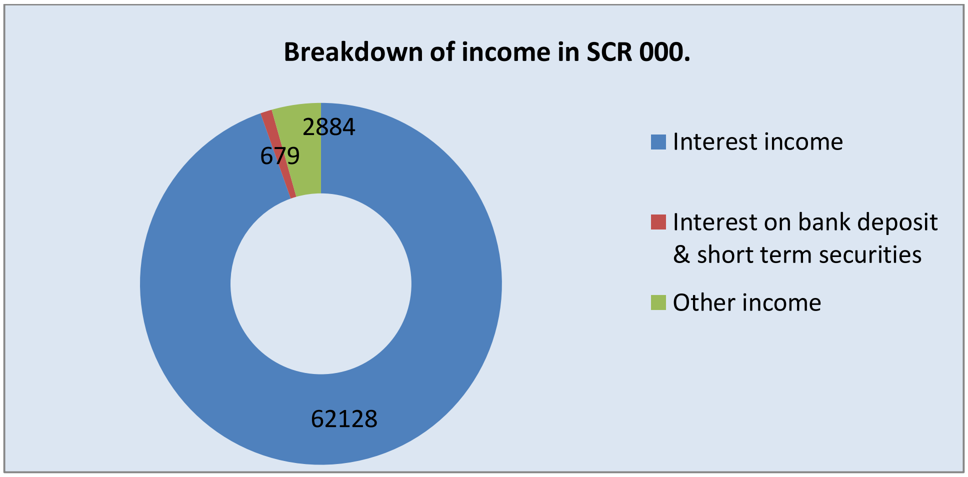
Position	2012	2013	2014	2015	2016
Operating income	49.55	46.92	42.42	49.37	65.69
Interest expenses	(13.23)	(12.55)	(13.28)	(14.09)	(28.90)
Operating expenses	(13.98)	(15.72)	(19.62)	(25.47)	(26.63)
Profit/(loss) on exchange	0.15	0.68	0.46	(0.20)	(1.53)
Allowance for credit impairment	(3.71)	(8.25)	8.23	7.05	(2.91)
Depreciation of property and equipment / amortization of intangible assets	(1.86)	(2.66)	(2.60)	(2.15)	(1.22)
Profit / (Loss) for the year	**16.92**	**8.42**	**15.61**	**14.50**	**4.50**

Profitability

Operating income in 2016 increased by SCR 16.32 million which represents an increase of 33% from the previous year's performance. This was mainly attributed to a high volume of project financing during 2016, 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 SCR'000 for the year 2016



The main activity of DBS is financing development projects and therefore its main income is generated from interest on loans. For 2016, this represents 95% of the total operating income. The Bank was charging interest rate at 10% throughout the year.

Interest on Bank deposit and short term securities was very minimal at 1% of the total operating income. This is mainly attributed to the very low interest the Bank received on its deposits with the Commercial Banks. During the year, the Bank invested in a 91 days treasury bill of SCR 10 million.

Other income is mainly fees that DBS charges for its services. This includes management fees for the funds that the Bank manages on behalf of Government and other Agencies, application fees, re-scheduling fees, capitalization fees etc. The other income represented 4% of the total income for 2016.

Expenses

Interest payable was more than in 2015 by 105%. During 2016, the Bank paid interest on three new bonds issuance (SCR 50 million each) and interest rate ranges from 6% to 7.5% and three existing bonds which matured in 2016 for an amount of SCR 125 million (two SCR 50 million and a SCR 25 million). Interest rate ranges from 4% to 7.5%. The Bank also paid interest on the

Euro 2.5 million loan with Nouvobanq (4.96%), BADEA (4%), AFD re-structured loan (2.75%), Barclays (7.75%), Nouvobanq (5.02%) and EIB (1.91%).

Six loans were withdrawn in 2016 and they are as follows: Nouvobanq SCR 50 million at 8%, EIB SCR 22.34 million at 1.73%, Al Salam Bank of Bahrain USD 2.5 million at 6.8%, Al Salam Bank of Seychelles SCR 65 million at 6.9% and two loans from MCB SCR 25 million at 7.75% and Euro 1.668 million at 5.5%.

Operating expenses which included staff cost, administrative expenses and other costs increased by 4.6% compared to 2015 figures.

Provisions for credit impairment net of bad debts recovered showed significant increase compared to 2015. The Bank has more loans in its portfolio and hence more provision. The provision for credit impairment is in line with the Financial Institution Act guidelines which DBS has been subject to as from 2010. The depreciation and amortization is as per DBS current policy and showed a decrease of 43.3%.

Profit

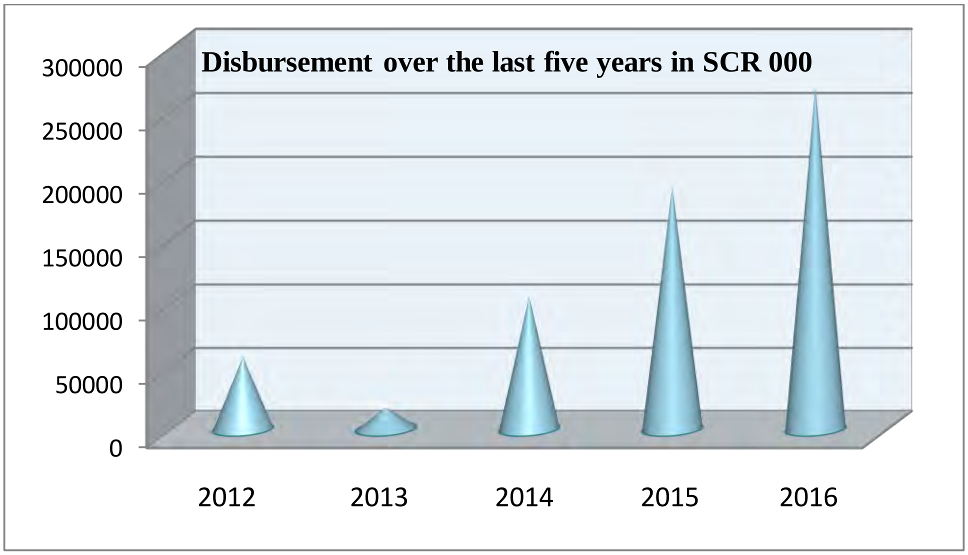
The final profit for the financial year 2016 was SCR 4.5 million which was SCR 10 million less than the previous year.

Financial Position

During the year 2016, the Bank disbursed a total of SCR271 million towards the productive sectors of the economy. This represents 41% increase compared to the previous years and was also the highest amount disbursed in a year since the inception of the Bank. As explained in previous text, the Bank approved a high volume of loan during 2016 and the reason for high demand of disbursement. The loans commitment at the end of 2016 was SCR 307 million which was a reduced amount compared 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 raised funds through borrowing in order to provide financing to the productive sectors of the economy. The Bank normally looks for concessionary lines of credit and bonds issuance on the local market or from overseas credit provider to on-lend at affordable rate of interest. For 2016, the Bank was able to raise Euro 1.668 million and SCR 25 million from Nouvobanq at 5.5% and 7.75% respectively. Both loans were disbursed in 2016. The Bank also negotiated a loan of SCR 65 million from Al Salam Bank of Seychelles at 6.9% which was fully disbursed during the last quarter of 2016. The Bank managed to withdraw the 2nd tranche of the EIB loan which was approved in 2012 equivalent to SCR 22.34 million, USD 2.5 million from Al Salam Bank of Bahrain which was approved in 2015 and the Nouvobanq loan of SCR 50 million which was approved in 2015 in the 1st quarter of 2016.

Net Worth Position

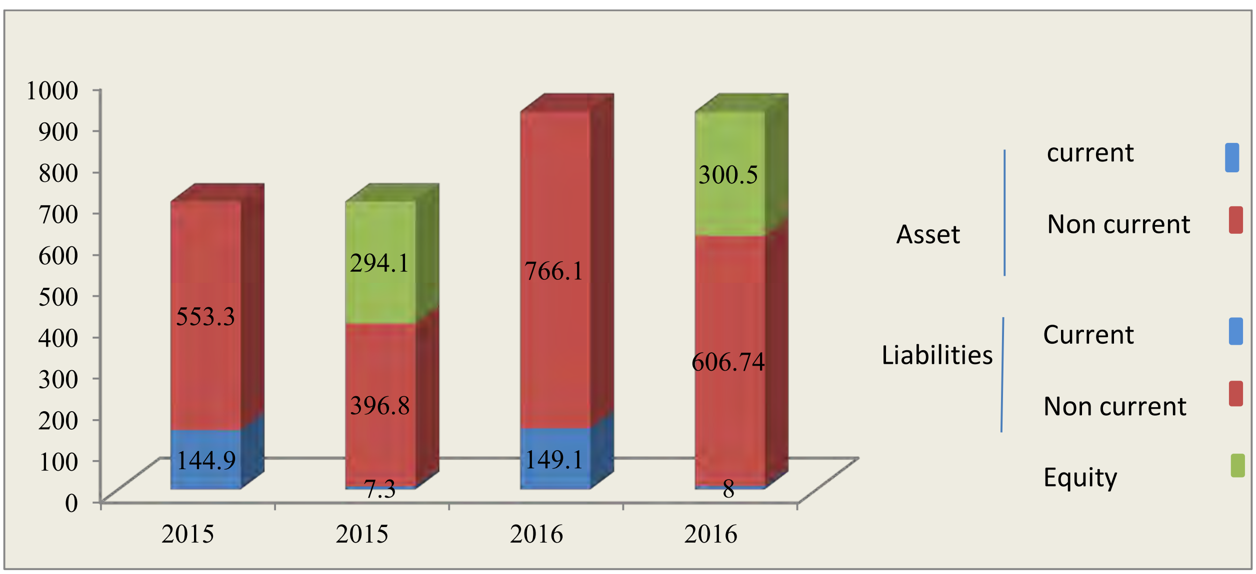
On assets side, the total assets for 2016 were SCR 915.2 million which showed an increase of SCR 217 million representing 31% from the previous year's figure.

Current assets went up by SCR 4.2 million (3%).

The Bank managed to sell one of the properties which was classified as Non-current assets held for sale and the other property has been re-classified as Property and equipment. The DBS property in Victoria was revalued in December 2016 and there was a gain on revaluation for SCR 1.8 million. There were new acquisition of furniture, vehicle and equipment for a value of R 0.7 million. The total outstanding loans net of credit impairment increased by SCR 216 million (40.7%) compared to previous year.

Group Asset and financial structure in million

Figure 27: Group Assets & Financial Structure in Million



The current liabilities increased by SCR 0.7 million (9.6%).

The increased in long term borrowing was SCR 184.12 million (71%). The Bank received the funds as explained earlier under the title funding. With regards to the current lines of credit, the Bank managed to pay all its commitments on time. The Bank issued 3 new bonds for a total sum of SCR 150 million and three of the existing bonds for a value of SCR 125 million were matured.

The funds under management which are basically funds that the Bank managed on behalf of the Government and other agencies remained more or less the same.

There were no increase in share capital and contingencies reserve. However, the revaluation reserve increased by SCR 1.8 million as a result of revaluation of the building which was done in December 2016. The retained profit balance increased by the profit figure.

AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DEVELOPMENT BANK OF SEYCHELLES

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Development Bank of Seychelles ('Bank') set out on pages 10 to 41 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Development Bank of Seychelles Decree, 1977, the Financial Institution Act 2004 (Application of the Act) and the regulations and directive of the Central Bank of Seychelles.

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
- They exhibit a true and fair view of the Bank's affairs.
- We have obtained all the information and explanations we have required and have been deemed as satisfactory.
- To the best of our knowledge and belief, no violations of the Financial Institutions Act 2004 have occurred during the year ended 31 December 2016 that might have had a material adverse effect on the business of the Bank or on its financial position.
- To best of our knowledge and belief fiduciary duties have been administered in accordance with the law.
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DEVELOPMENT BANK OF SEYCHELLES (CONTINUED)

Report on the Financial Statements (Continued)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code to performing the audit of the Bank. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Development Bank of Seychelles Decree 1977. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Development Bank of Seychelles Decree 1977, the Financial Institution 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on the Financial Statements (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

ERNST & YOUNG
Mahe, Seychelles

Date: 20 APR 2017

FINANCIAL STATEMENTS

	Note	31 December 2016	31 December 2015
		SCR	SCR
ASSETS			
Cash and cash equivalent	5	133,053,441	126,834,388
Loans and advances	6	747,522,308	531,465,439
Held-to-maturity financial assets	7	9,915,604	14,774,934
Other assets	8	6,133,780	3,303,027
Non-current assets classified as held for sale	9	-	7,000,000
Property and equipment	10	18,590,824	14,759,006
Intangible assets	11	12,470	21,413
Total assets		915,228,426	698,158,207
LIABILITIES AND EQUITY			
LIABILITIES			
Funds under management	14	12,458,053	12,439,441
Other liabilities	15	2,314,424	3,417,262
Borrowings	12	443,023,379	258,899,126
DBS bonds	13	151,260,274	125,412,671
Compensation benefit obligations	16	5,704,990	3,846,482
		614,761,120	404,014,982
EQUITY			
Share capital	17	39,200,000	39,200,000
Contingent reserve	18	41,385,321	41,385,321
Revaluation reserve		17,179,596	15,360,948
Retained earnings		202,702,390	198,196,957
		300,467,306	294,143,225
Total liabilities and equity		915,228,426	698,158,207

BOARD APPROVAL

These financial statements have been approved for issue by the Board of Directors on 20th April 2017

Lekha Nair
Chairman

Daniel Gappy
Director

Rupert Simeon
Deputy Chairman

Ina Barbe
Director

Rosanda Alcindor
Director

Marc Naiken
Director

Roy Clarisse
Director

M. Laval

Mike Laval
Director

The notes on pages 10 to 41 form an integral part of these financial statements.
Auditor's Report on pages 3 and 5

	Note	2016	2015
		SCR	SCR
Interest income	20	62,807,229	46,883,232
Interest expense	21	(28,898,199)	(14,090,007)
Net interest income		33,909,030	32,793,225
Allowance for credit impairment	6	(2,909,126)	7,046,230
Net interest income after allowance for credit impairment and bad debts		30,999,904	39,839,455
Other income	22	2,883,523	2,483,473
Net foreign exchange loss		(1,527,518)	(202,108)
Net interest and other income		32,355,909	42,120,819
Employee benefit expenses	23	(18,788,213)	(16,323,558)
Depreciation of property and equipment	10	(1,206,798)	(1,189,374)
Amortisation of intangible assets	11	(13,943)	(963,550)
Other operating expenses	24	(7,841,523)	(9,144,980)
Profit from continuing operations		4,505,433	14,499,357
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of land and building	10	1,818,648	-
Total comprehensive income for the year		6,324,081	14,499,357

The notes on pages 10 to 41 form an integral part of these financial statements.
Auditor's Report on pages 3 and 5

	Notes	Share capital	Contingent reserve	Asset revaluation surplus	Retained earnings	Total
		SCR	SCR	SCR	SCR	SCR
Balance at January 1, 2015		39,200,000	41,385,321	15,360,948	183,697,600	279,643,869
Profit for the year		-	-	-	14,499,357	14,499,357
Other comprehensive income		-	-	-	-	-
Balance at December 31, 2015		39,200,000	41,385,321	15,360,948	198,196,957	294,143,225
Balance at January 1, 2016		39,200,000	41,385,321	15,360,948	198,196,957	294,143,225
Profit for the year		-	-	-	4,505,432	4,505,432
Other comprehensive income	10	-	-	1,818,648	-	1,818,648
Balance at December 31, 2016		39,200,000	41,385,321	17,179,596	202,702,390	300,467,305

The notes on pages 10 to 41 form an integral part of these financial statements.
Auditor's Report on pages 3 and 5

	Note	2016	2015
Operating activities		SCR	SCR
Net profit		4,505,433	14,499,357
Adjustments for:			
Depreciation of property and equipment	10	1,206,798	1,189,374
Amortisation of intangible	11	13,943	963,550
Loss on disposal of equipment and property	10, 24	1,258,751	5,728
Allowance for credit impairment	6	4,409,832	(4,209,319)
Impairment of non-current assets classified as held for sale	9	-	2,500,000
Changes in compensation benefit obligations	16	2,814,233	1,756,627
Net interest on financial instruments		2,784,187	79,506
Net foreign exchange difference		1,527,518	202,108
Working capital adjustments:			
Increase in loans and advances	6	(220,466,702)	(119,708,645)
Increase in other assets (*)	8	(2,745,253)	(402,768)
Increase in funds under management	14	18,612	2,870,648
(Decrease) in other liabilities	15	(1,102,837)	(106,597)
		(205,775,487)	(100,360,432)
Compensation paid	16	(955,726)	(1,130,663)
Net cash flow from operating activities		(206,731,213)	(101,491,094)
Investing activities			
Purchase of intangible assets	11	(5,000)	(17,429)
Purchase of equipment	10	(728,718)	(519,075)
Proceeds from sale of property	9	3,250,000	-
Purchase of treasury bills	7	(9,872,000)	(34,286,760)
Proceeds from redemption of treasury bills	7	14,576,760	29,525,000
Net cash flow from/(used in) investing activities		7,221,042	(5,298,264)
Financing activities			
Proceeds from borrowings	12	219,002,862	132,125,338
Repayment of borrowings	12	(37,218,708)	(13,655,329)
Proceeds from bonds issued	13	150,000,000	-
Bonds redeemed	13	(125,000,000)	-
Net cash flow from/(used in) financing activities		206,784,154	118,470,010
Net increase/ (decrease) in cash and cash equivalents		7,273,984	11,680,652
Movement in cash and cash equivalents			
At January 1,		126,834,388	116,575,656
Net increase in cash and cash equivalent		7,273,984	11,680,652
Net foreign exchange difference		(1,054,931)	(1,421,920)
At December 31,	5	133,053,441	126,834,388
Operational cash flows from interest			
Interest paid		25,036,921	12,691,401
Interest received		53,820,544	42,039,462

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

The Bank contracted loans in line with the Public Debt Management Act, and signed a contract with the Ministry of Finance, Trade and Investment stating that the net foreign exchange losses arising on the loan facilities will be reimbursed by the latter. Total net foreign exchange incurred during 2016 was SCR 85,500 (SCR 2015: 3,158,437).

The notes on pages 10 to 41 form an integral part of these financial statements.
Auditor's Report on pages 3 and 5

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 Standards, New Interpretations and Amendments to Standards adopted in the current period

On 1 January 2016, the Bank adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*	1 January 2016
IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
IAS 16 and IAS 41 *Agriculture: Bearer Plants*	
IAS 27: *Equity Method in Separate Financial Statements*	1 January 2016
IAS 1 *Disclosure Initiative*	1 January 2016
IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Annual Improvements Cycle - 2012-2014	
IFRS 5 *Non-current Assets held for sale and discontinued operations – Changes in methods of disposal*	1 January 2016
IFRS 7 *Financial Instruments: Disclosures – Servicing Contracts*	1 January 2016
IFRS 7 *Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements*	1 January 2016
IAS 19 *Employee benefits – Discount rate: regional market issue*	1 January 2016
IAS 34 *Interim financial reporting – Disclosures of information "elsewhere in the interim financial report"*	1 January 2016

All the amendments and annual improvements did not have an impact on the entity.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

New or revised standards	Effective for accounting period beginning on or after
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture*	Effective date deferred indefinitely
IAS 7 *Disclosure Initiative – Amendments to IAS 7*	1 January 2017
IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12*	1 January 2017
IFRS 2 *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IFRS 12 *Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12*	1 January 2017
IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRS 1 *First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*	1 January 2018
-IAS 28 *Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice*	1 January 2018

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Bank except for IFRS 9 as listed below:

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

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

Classification and measurement of financial liabilities

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.

Financial asset currently classified as held-to-maturity and measured at amortised cost appear to meet the conditions for classification at amortised cost under IFRS 9. Accordingly the Bank does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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 *Revenue from Contracts with Customers* and lease receivables under IAS 17 *Leases* or IFRS 16 *Leases*.

Entities are generally required to recognize 12-months ECL on initial recognition (or when the commitment or guarantee was entered into) and therefore as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognize lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognized.

Adoption of the standard is expected to have a financial impact and impairment charges will tend to be more volatile. The impairments will also be recognised earlier and the provision for impairment is expected to be higher as the bank will be moving from incurred losses to expected credit losses.

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) 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(d) Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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.

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.

(e) 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.

(f) 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)

(f) 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.

(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.

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 profit or loss in the year the asset is derecognised.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(h) Intangible assets

Intangible assets comprise of software and licences 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 intangible assets are amortised using the straight line method over their estimated useful lives of 3 years. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. 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)

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(l) Recognition of income and expenses (Continued)

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 and 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.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(o) Leasing (Continued)

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. Its overall risk management program 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 2016 and 31 December 2015.

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 2016, in line with the Financial Institutions (Capital Adequacy) Regulations, 2010, the Bank has calculated capital adequacy, which is as follows:

	2016	2015
	SCR '000	SCR '000
Capital Base (a) (i)	248,753	241,961
Risk weighted assets (b)	957,076	764,837
Capital adequacy (a/b)*100	26%	32%
Minimum Requirement	12%	12%

(i) Capital Base	2016	2015
	SCR '000	SCR '000
Tier 1 Capital		
Share capital	39,200	39,200
Retained earning	198,197	183,698
Total Tier 1 Capital	237,397	222,898
Tier 2 Capital		
Year-to-date net profit after tax	4,505	14,499
General Provision - see Note 6 (b)	6,851	4,564
Total Tier 2 Capital	11,356	19,063
	248,753	241,961

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 2016.

(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 2016	Gross maximum exposure 2015
	SCR	SCR
Cash and cash equivalents	133,053,441	126,834,388
Loans and advances to customers	747,522,308	531,465,439
Held-to-maturity financial assets	9,915,604	14,774,934
Other assets	5,014,849	1,952,826
Total credit risk exposure	895,506,202	675,027,587

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 2016	Gross maximum exposure 2015
	SCR	SCR
Undrawn commitments to lend	290,433,225	320,041,152

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.

	2016					
	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	685,071,028	25,962,573	5,293,908	1,301,128	4,761,962	722,390,599
Impaired	-	21,972,917	7,538,075	3,015,300	5,973,926	38,500,218
	685,071,028	47,935,490	12,831,983	4,316,428	10,735,888	760,890,817
Total Non-Performing *						27,884,299
Total Non-Performing Ratio *						4%

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

	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	485,783,433
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	540,563,935
Total Non-Performing *						14,108,244
Total Non-Performing Ratio *						3%

* 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	Value of collateral and credit enhancements held: Total	Mortgage	Vehicle	Boat and Engine	Equipment
	SCR	SCR	SCR	SCR	SCR	SCR
2016	**760,890,817**	**862,758,958**	758,690,116	77,880,648	22,546,092	3,642,102
2015	540,563,936	1,508,497,786	1,220,073,611	230,015,667	49,337,262	9,071,245

As it is the bank's practise for all loans to require security cover of at least a ratio 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:

			Past due but not impaired			
	Total	Neither past due nor impaired	< 90 days	90 - 365 days	> 365 days	Past due and impaired
At December 31, 2016	SCR	SCR	SCR	SCR	SCR	
Cash and cash equivalents	133,053,441	133,053,441	-	-	-	-
Loans and advances	760,890,817	685,071,028	25,962,573	6,595,036	4,761,962	38,500,218
Held-to-maturity financial assets	9,915,604	9,915,604	-	-	-	-
Other assets	5,014,849	5,002,092	12,758	-	-	-
	908,874,712	833,042,165	25,975,331	6,595,036	4,761,962	38,500,218

Age analysis of financial assets past due but not impaired:

			Past due but not			
	Total	Neither past due or impaired	< 90 days	90 - 365 days	> 365 days	Past due and impaired
At December 31, 2015	SCR	SCR	SCR	SCR	SCR	
Cash and cash equivalents	126,834,388	126,834,388	-	-	-	-
Loans and advances	540,563,936	456,701,179	24,018,476	2,279,556	2,784,222	54,780,503
Held-to-maturity financial assets	14,774,934	14,774,934	-	-	-	-
Other assets	1,952,826	1,944,989	2,284		5,553	-
	684,126,084	600,255,490	24,020,760	2,279,556	2,789,775	54,780,503

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 BB- from Fitch.

(c) Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of 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 from Nouvobanq, Mauritius Commercial Bank and Al Salam Bank Bahrain 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	GBP	Total
	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2016					
Assets					
Cash and cash equivalents	110,890	14,218	7,945	-	133,053
Loans and advances	747,522	-	-	-	747,522
Held-to-maturity financial assets	9,916	-	-	-	9,916
Other assets	6,020	69	22	23	6,134
	874,348	14,287	7,967	23	896,625
Liabilities					
Borrowings	316,668	76,704	49,652	-	443,023
DBS bonds	151,260	-	-	-	151,260
Funds under management	12,458	-	-	-	12,458
Other liabilities	2,314	-	-	-	2,314
	482,700	76,704	49,652	-	609,056
Net assets/ (liabilities)	391,648	(62,417)	(41,685)	23	287,569

	SCR	Euro	US Dollars	GBP	Total
	SCR'000	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

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
2016	+5%	(3,124)	(2,085)
	-5%	3,124	2,085
2015	+5%	(3,488)	(270)
	-5%	3,488	270

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 2016.

	Change in basis points	Effect on profit before tax
		2016
Interest bearing net financial assets	+10	54,048
	'-10	(54,048)

	Change in basis points	Effect on profit before tax
		2015
Interest bearing net financial assets	+10	39,179
	-10	(39,179)

(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 2016 based on contractual undiscounted repayment obligations.

	2016						
	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	1,162,000	5,792,819	5,423,232	63,170,915	214,884,259		290,433,225
Borrowings	6,876,194	9,521,680	20,510,176	36,961,604	301,787,499	164,855,717	540,512,870
DBS bonds	-	2,520,548	2,438,356	5,041,096	169,583,220	-	179,583,220
Funds under management	12,494,011	-	-	-	-	-	12,494,011
Other liabilities	-	1,524,605	-	-	-	-	1,524,605
Total financial liabilities	20,532,206	19,359,652	28,371,764	105,173,616	686,254,977	164,855,717	1,024,547,932

	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	310,261,369
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	775,521,210

During the year 2016, the Bank has calculated its liquidity ratio as follows:

	2016	2015
	SCR	SCR
Liquid assets (a)	142,969,045	141,609,322
Banks total liabilities (b)	614,761,120	404,014,982
Liquidity ratio (a/b)*100	23%	35%

	2016	2015
Liquid assets (a)	SCR	SCR
Cash and cash equivalent	133,053,441	126,834,388
Held-to-maturity financial assets	9,915,604	14,774,934
	142,969,045	141,609,322

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	
	2016	2015	2016	2015
Liabilities	SCR'000	SCR'000	SCR'000	SCR'000
Borrowings	443,023	258,899	437,333	257,392
DBS bonds	151,260	125,413	147,073	123,899
	594,284	384,312	584,406	381,291

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 2016 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 2016:

				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	06/12/2016	17,525	-	-	17,525

Fair value measurement hierarchy for liabilities as at 31 December 2016:

Liabilities for which fair value are disclosed:					
Borrowings	31/12/2016	437,333	-	-	437,333
DBS bonds	31/12/2016	147,073	-	147,073	-

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

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 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					
Land and building	21/11/2014	14,500	-	-	14,500
Non-recurring measurement					
Non-current assets classified as held for sale	31/12/2015	7,000	-	-	7,000
value					
Liabilities for which fair value are disclosed:					
Borrowings	31/12/2015	257,392	-	-	257,392
DBS bonds	31/12/2015	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

	2016	2015
	SCR	SCR
Balances with local banks	132,883,779	126,730,972
Cash on hand	169,661	103,415
	133,053,441	126,834,388

6. LOANS AND ADVANCES

	2016	2015
	SCR	SCR
Loans and advances to customers	740,645,260	522,827,070
Staff Loans	20,245,557	17,736,866
	760,890,817	540,563,936
Less: Allowances for credit impairment (see note (b) below)	(10,137,885)	(7,405,064)
Interest in Suspense	(3,230,624)	(1,693,433)
	747,522,308	531,465,439

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

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

	2016		
	Specific	General	Total
	SCR	SCR	SCR
At January 1,	2,840,936	4,564,128	7,405,064
Direct write off	(73,987)	-	(73,987)
Charged/ (released) to profit and loss (i)	520,225	2,286,583	2,806,808
At December 31,	3,287,174	6,850,711	10,137,885

	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

Specific and general provisions are modelled 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:

	2016	2015
	SCR	SCR
At January 1,	1,693,433	2,138,823
Direct write off to Loans and Advances	(65,833)	(783,822)
Charged to profit and loss (Interest Income)	1,603,024	338,432
	3,230,624	1,693,433

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 doubtful.

Bad Debts (written off)/ recovered:

	2016	2015
	SCR	SCR
Bad Debts Recovered	1,992,623	3,748,415
Loans Written Off to profit and loss	(2,094,941)	(466,115)
Total Bad Debts (written off)/ recovered (ii)	(102,318)	3,282,301
Total allowance for credit impairment credited / (charged) to profit and loss:		
(i) Allowance for credit impairment credited to profit and loss	(2,806,808)	3,763,929
(ii) Bad Debts (written off)/ recovered	(102,318)	3,282,301
	(2,909,126)	7,046,230

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

	Number of loans	2016		2015	
		SCR	%	SCR	%
Small Medium Enterprises loan scheme	479	369,079,334	48.51%	184,366,527	34.11%
Services	177	114,101,257	15.00%	133,838,171	24.76%
Tourism	57	104,725,772	13.76%	93,643,378	17.32%
Building and construction	44	70,012,224	9.20%	37,651,864	6.97%
Agriculture	17	22,767,743	2.99%	18,183,033	3.36%
Manufacturing	8	21,401,975	2.81%	14,796,903	2.74%
Staff (*)	124	20,245,557	2.66%	17,736,866	3.28%
Transport	23	13,280,603	1.75%	14,580,766	2.70%
Agriculture and horticulture	3	8,275,986	1.09%	527,842	0.10%
Process manufacturing industry	12	5,131,968	0.67%	5,993,676	1.11%
Fisheries	25	4,683,677	0.62%	6,156,335	1.14%
Trade	12	3,152,775	0.41%	2,785,479	0.52%
Community, social and personal	1	2,552,421	0.34%	2,021,779	0.37%
Former staff	7	1,415,612	0.19%	1,780,828	0.33%
Professional, Scientific and Technical Services	1	63,913	0.01%	121,482	0.02%
Food securities	-	-	0.00%	6,379,007	1.18%
	990	760,890,817	100.00%	540,563,936	100.00%
Less: Allowances for credit impairment (see note (b) above)		(10,137,885)	(1.33)%	(7,405,064)	(1.37)%
Interest in Suspense		(3,230,624)	(0.42)%	(1,693,433)	(0.31)%
		747,522,308	98.24%	531,465,439	98.32%

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.

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

Treasury bills	2016	2015
	SCR	SCR
Balance at January 1,	14,774,934	9,943,077
Additions	9,872,000	34,286,760
Interest	118,670	545,097
Maturity	(14,576,760)	(29,525,000)
Interest received	(273,240)	(475,000)
Balance at December 31,	9,915,604	14,774,934

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

	2016	2015
	SCR	SCR
- Less than 1 year	9,915,604	14,774,934

(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

	2016	2015
	SCR	SCR
Recovery on Financial Guarantee Contract (a)	1,062,943	977,443
Prepayments	1,047,742	298,761
Other receivables (b)	4,023,095	2,026,823
	6,133,780	3,303,027

(a) The Bank contracted loans with Nouvobanq S.I.M.B.C, Mauritius Commercial Bank 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. Refer to Note to 12 for notes on borrowings.

(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

	2016	2015
	SCR	SCR
Land and building held for sale	7,000,000	9,500,000
Land and building sold during the year	(4,475,000)	-
Impairment	-	(2,500,000)
Transfer to property and equipment	(2,525,000)	-
	-	7,000,000

In 2014 the Bank acquired two properties, 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.

During the year, the Bank sold one of the properties for a sum of SCR 3.25m. Despite the Banks effort to locate a buyer for the remaining property, they have not been able to do so. Based on management assessment, it is unlikely that the Bank will sell the property in the next 12 months. Management has reclassified the asset to property and equipment. Refer to Note 10.

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, 2015	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**
Additions	11,458	183,014	197,526	336,720	728,718
Disposals	(5,750)	(468,292)	(86,411)	-	(560,452)
Transfer	-	(19,168)	19,168	-	-
Reclassification (a)	2,525,000	-	-	-	2,525,000
Revaluation adjustment	387,626	-	-	-	387,626
At December 31, 2016	**17,525,000**	**3,151,147**	**1,415,582**	**1,496,037**	**23,587,766**
DEPRECIATION AND IMPAIRMENT					
At January 1, 2015	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**
Charge for the year	757,681	209,934	147,183	92,000	1,206,798
Disposal adjustment	(1,447)	(451,203)	(74,052)	-	(526,702)
Transfer	-	(3,194)	3,194	-	-
Eliminated on revaluation	(1,431,021)	-	-	-	(1,431,021)
At December 31, 2016	**73,611**	**2,736,195**	**1,158,154**	**1,028,983**	**4,996,942**
NET CARRYING AMOUNT					
At December 31, 2016	**17,451,390**	**414,952**	**257,428**	**467,054**	**18,590,824**
At December 31, 2015	13,858,268	474,935	203,470	222,334	14,759,006

(a) The property has been reclassified from non-current assets held for sale. Refer to Note 9.

(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 December 6, 2016. The revaluation resulted in a gain of SCR 1,818,648.

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 2018.

(c) The total cost relating to fully depreciated assets still in use amounts to SCR 4,092,039 as at December 31, 2016 (2015: SCR 4,243,805).

(d) Cash outflow for the purchase of equipment assets was SCR 728,718 (2015: SCR 519,075).

(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
2016	**SCR 130 - SCR 22,000**
2015	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:

	2016	2015
	SCR	SCR
Cost	**6,269,469**	6,263,761
Accumulated depreciation and impairment	**(5,318,300)**	(5,244,828)
Net carrying amount	**951,169**	1,018,932

11. INTANGIBLE ASSETS

	SCR
(a) **COST**	
At January 1, 2015	4,574,079
Additions	17,429
At December 31, 2015	**4,591,508**
Additions	5,000
At December 31, 2016	**4,596,508**
AMORTISATION	
At January 1, 2015	3,606,545
Amortisation	963,550
At December 31, 2015	**4,570,095**
Amortisation	13,943
At December 31, 2016	**4,584,038**
NET CARRYING VALUE	
At December 31, 2016	**12,470**
At December 31, 2015	21,413

(b) Intangible assets comprise of software and licenses.

(c) The total cost relating to fully depreciated assets still in use amounts to SCR 4,574,078 as at December 31, 2016 (2015: SCR 4,432,904).

(d) Cash outflow for the purchase of intangible assets was SCR 5,000 for the current year (2015: SCR 17,429).

12. BORROWINGS

(a)

	Interest rate	Maturity	2016	2015
	%		SCR	SCR
Nouvobanq S.I.M.B.C	4.75% + 3 months Euribor	2018	12,069,971	19,589,341
Nouvobanq S.I.M.B.C	5% + 3 months Euribor	2020	41,939,174	52,007,544
BADEA bank loan	4%	2023	15,441,670	16,994,187
Seychelles Government (ADF Bilateral)	2.75%	2027	86,360,605	89,745,216
Seychelles Government (EIB) (*)	1.93%	2023	7,160,014	7,125,338
Barclays Bank Seychelles	Barclays Bank Prime Lending Rate - 4.75%	2023	64,062,500	73,437,500
Nouvobanq S.I.M.B.C	S.I.M.B.C's Prime Lending rate of 10% less 2%	2023	46,052,506	-
Seychelles Government (EIB) (*)	1.73%	2024	22,469,544	-
Al Salam Bank Bahrain	6.80%	2021	34,210,226	-
Mauritius Commercial Bank Seychelles	Euro Libor 3 months + margin 5.5%	2024	22,694,641	-
Mauritius Commercial Bank Seychelles	MCB base rate 10.5% minus margin of 2.75%	2024	24,466,194	-
Al Salam Bank Seychelles	6.90%	2024	66,096,333	-
Total borrowings			443,023,379	258,899,126

(*) These are borrowing facilities which the Goverment of Seychelles has received from European Investment Bank and then on-lend to the Bank.

The loans are secured by the Government of Seychelles.

(b) Reconciliation of borrowings:

	2016	2015
	SCR	SCR
Balance at January 1,	258,899,126	144,657,758
Proceeds from borrowings	219,002,862	132,125,338
Interest charges	19,690,372	5,966,008
Repayment of interest	(17,908,360)	(5,816,401)
Repayment of principal	(37,218,708)	(13,655,329)
Foreign exchange differences	558,088	(4,378,249)
Balance at December 31,	443,023,379	258,899,126

13. DBS BONDS

	2016	2015
	SCR	SCR
At January 1,	125,412,671	125,412,671
Redeemed during the year	(125,000,000)	-
Issued during the year	150,000,000	-
Interest expense	7,976,163	6,875,000
Interest payments	(7,128,561)	(6,875,000)
At December 31,	151,260,274	125,412,671

(a) Interest rates on the above bonds ranges between 6% and 7.5% (2015: 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

	2016	2015
	SCR	SCR
Credit Guarantee Scheme (a)	870,134	870,134
EU Fisheries, ADF and CCA funds (b)	229,542	768,173
Photovoltaic project (c)	11,358,377	10,801,134
	12,458,053	12,439,441

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

(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

	2016	2015
	SCR	SCR
Trade payables (a)	738,217	1,493,883
Other payables and accruals (b)	1,576,207	1,923,378
	2,314,424	3,417,262

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

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

16. COMPENSATION BENEFIT OBLIGATIONS

	2016	2015
	SCR	SCR
Compensation -end of contract (i)	2,042,900	1,506,649
Gratuity (ii)	220,917	118,389
Compensation -retirement (iii)	2,611,423	2,221,445
Long service award scheme (iv)	829,750	-
	5,704,990	3,846,482

(i) COMPENSATION - END OF CONTRACT

	2016	2015
	SCR	SCR
At January 1,	1,506,649	1,147,003
Charged to profit or loss	1,407,126	1,062,213
Benefits paid	(870,875)	(702,567)
At December 31,	2,042,900	1,506,649

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

	2016	2015
	SCR	SCR
At January 1,	118,389	155,111
Charged to profit or loss	172,528	58,113
Benefits paid	(70,000)	(94,835)
At December 31,	220,917	118,389

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:

	2016	2015
	SCR	SCR
Current service cost	363,718	193,451
Interest cost	145,445	142,239
Actuarial loss	(104,335)	300,610
	404,829	636,300

16. COMPENSATION BENEFIT OBLIGATIONS (CONTINUED)

(iii) COMPENSATION - RETIREMENT (CONTINUED)

(b) Reconciliation of present value of obligation

	2016	2015
	SCR	SCR
At January 01,	2,221,445	1,918,405
Current service cost	363,718	193,451
Interest cost	145,445	142,239
Benefits paid	(14,850)	(333,260)
Actuarial loss	(104,335)	300,610
At December 31,	2,611,423	2,221,445

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

	2016	2015
Discount rate	6.87%	6.14%
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:

	2016	2015
	SCR	SCR
Discount rate - increase by1%	(435,759)	(378,864)
Discount rate - decrease by 1%	360,204	484,294
Future salary - increases by 1%	554,704	481,277
Future salary - decreases by 1%	(442,621)	(383,359)
Retirement age - increases by 5 years	(188,762)	(42,291)
Retirement age - decreases by 5 years	108,295	43,115

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.

(iv) LONG SERVICE AWARD SCHEME

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

	2016	2015
	SCR	SCR
At January 1,	-	-
Charged to profit or loss	994,750	-
Benefits paid	(165,000)	-
At December 31,	829,750	-

17. SHARE CAPITAL

	2016	2015
	SCR	SCR
Authorised shares		
At January 1, and December 31,	40,000,000	40,000,000

17. SHARE CAPITAL (CONTINUED)

	2016	2015
	SCR	SCR
Issued and fully paid shares		
At January 1, and December 31,	39,200,000	39,200,000

18. CONTINGENT RESERVE

	2016	2015
	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, 2016 (2015: Nil).

20. INTEREST INCOME

	2016	2015
	SCR	SCR
Cash and short term funds	560,540	568,384
Interest on held to maturity investment securities	118,670	545,097
Loans and advances	63,731,043	46,108,183
Interest in suspense	(1,603,024)	(338,432)
	62,807,229	46,883,232

21. INTEREST EXPENSE

	2016	2015
	SCR	SCR
Interest on borrowings and loan arrangement fees	20,922,036	7,215,007
Interest on DBS bonds	7,976,163	6,875,000
	28,898,199	14,090,007

22. OTHER INCOME

	2016	2015
	SCR	SCR
Management fees	1,040,586	707,232
Fees from loans and advances	629,842	815,248
Application fees	1,113,095	824,992
Rental income (a)	100,000	136,000
	2,883,523	2,483,473

22. OTHER INCOME (CONTINUED)

(a) Lease arrangements

Operating lease commitments - Bank as a lessor

The Bank entered into operating leases on certain premises. The leases are for a period of six months. The agreements terminated during current year.

	2016	2015
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

	2016	2015
	SCR	SCR
Salaries and wages	14,002,752	12,915,187
Pension costs (i)	240,486	217,258
Compensation benefit obligations	2,979,233	1,756,627
Directors fees and committee allowances	425,250	499,860
Other staff costs (ii)	1,140,491	934,626
	18,788,213	16,323,558

(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.

(ii) Other staff costs consist of staff training, staff welfare and uniforms.

24. OTHER OPERATING EXPENSES

	2016	2015
	SCR	SCR
Utilities costs	535,203	583,745
Communication costs	566,956	602,386
Maintenance costs	750,544	1,042,380
Legal and professional fees	606,000	518,027
Donations	250,541	296,501
Bank charges	446,011	57,702
Auditors' remuneration	143,750	143,750
Insurance expenses	110,496	108,008
Travelling expenses	568,534	513,829
Rental expenses	845,280	759,492
Office expenses	554,523	474,678
Promotion and advertising costs	592,722	268,451
Membership fees	241,267	237,711
Loss on disposal of equipment and property	1,258,751	4,168
Impairment of non-current assets classified as held for sale (note 9)	-	2,500,000
Other administrative expenses	370,947	1,034,152
	7,841,523	9,144,980

(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:

	2016	2015
Lease commitments	SCR	SCR
Within one year	704,063	761,860
After one year but not more than 5 years	-	37,003
More than 5 years	-	-
	704,063	798,863

25. CAPITAL COMMITMENTS

Loans and advances approved but not yet disbursed or partially disbursed as at December 31, 2016 totalled to SCR 290,433,225 (2015: 320,041,152).

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, there were the following transactions between the Bank and its related parties:

(a) Borrowings

	Relationship	2016	2015
Government of Seychelles		SCR	SCR
Balance at January 01,		96,870,554	92,686,260
Proceeds received	Shareholder	22,340,362	7,125,338
Interests		3,208,142	2,819,830
Repayment		(6,428,895)	(5,760,874)
Balance at December 31,		115,990,163	96,870,554
Nouvobanq - S.I.M.B.C			
Balance at January 01,		71,596,885	31,796,869
Proceeds received	Government related (*)	50,000,000	50,000,000
Interests		6,258,915	1,334,443
Repayment		(27,338,402)	(8,375,990)
Exchange differences		(455,747)	(3,158,437)
Balance at December 31,		100,061,651	71,596,885

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

(b) Interest subsidy

		2016	2015
Government of Seychelles		SCR	SCR
Interest subsidy on SME loan scheme	Shareholder	11,605,817	4,446,772

Interest subsidy is the difference between interest paid by the client and the lending rate of the Bank. The subsidy is payable on a quaterly basis.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Salaries and other benefits

	Relationship	2016	2015
		SCR	SCR
Key management salaries	Key management	2,684,823	1,885,993
Directors remuneration	Directors	425,250	499,860
End of contract settlement	Key management	337,434	473,496
End of contract provision	Key management	683,937	558,685
Long service award scheme settlement	Key management	45,000	-
Long service award scheme provision	Key management	87,750	-

(d) Outstanding balances

Recovery on Financial Guarantee Contract	Shareholder	1,062,943	977,443
Borrowings	Shareholder	(115,990,163)	(96,870,554)
Borrowings	Government related	(100,061,651)	(71,596,885)
Loans and advances	Key management	3,169,264	3,555,927

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.

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 2016.