DEVELOPMENT BANK OF SEYCHELLES

YOUR PARTNER IN DEVELOPMENT

Annual Report 2014

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CORPORATE INFORMATION

BOARD MEMBERS	Mrs. Lekha Nair Mr. Rupert Simeon Mrs. Annie Vidot Mrs. Ina Barbé Ms. Rosanda Alcindor Mr. Jerry Morin Mr. Mike Laval Mr. Marc Naiken Mr. Roy Clarisse	Chairperson Vice-Chairperson Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
BOARD COMMITTEES *Audit & Risk Committee*	Mr. Rupert Siméon Mr. Jerry Morin Mr. Mike Laval Mrs. Ina Barbé Mr. Roy Clarisse	Chairperson Vice-Chairperson Member Member Member
Remuneration Committee	Ms. Rosanda Alcindor Mr. Marc Naiken Mrs. Ina Barbe	Chairperson Member Member
MANAGEMENT	Mrs. Annie Vidot Ms. Jean Preira Ms. Rana Fernandes Mrs. Agnes Poris Mrs. Jeanine Leon Mr. Roy Charlette Ms Sharon Orphee Mr. Christopher Anthony Mr. Johny Bastienne	Chief Executive Officer (CEO) Finance Manager Loans Manager Recovery Manager Human Resources Manager Operations & Administration Manager Business Development Manager System Development Manager Senior Legal Officer
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CHAIRPERSON'S REPORT

It is with great enthusiasm that I welcome you to the Development Bank's Annual General Meeting, which is DBS's first ever AGM in the last 2 decades, if not the only first AGM, DBS has ever had with all its shareholders so far. It is thus a great honour and privilege to present the Annual Report of the Development Bank of Seychelles for the year 2014.

Globally, 2014 witnessed weaker than expected global business activity with significant signs of weakness in the financial sector with stagnation and slow growth for major economies. This sluggishness for most part of the year, was due to geopolitical tensions and declining oil prices.

Closer home in Seychelles, economic growth also decelerated in 2014 primarily due to a weakening in the contribution from tourism as well as an overall decline in manufacturing output notably the fish processing sector, due mostly to exchange rate fluctuations and a stronger rupee. However, a firm commitment from Government to support economic activity by promoting better business environment and entrepreneurship, through the launch of a new SME scheme for the banking sector, saw the take-off of many private sector small projects in tourism, transport and construction industries. This supported the pronounced pick up in the economy's growth in 2014, creating a strong demand for credit. The banking sector itself recorded a strong performance in 2014 with credit expansion and profitability of the sector remaining very high, together with remarkable asset growth due to expansion of consumer credit.

Against such a back drop, I am pleased to announce that the year 2014 has been a fruitful year for DBS too, with continued growth and profitability, having made significant strides in discharging its role as the only development finance bank in the country. Last year, DBS made a net profit of SCR 15.6 million, which is a profit growth of 84.4 % compared to 2013, with the operating profit for the last ten years having remained constant. The total asset of the Bank increased from SCR 517.4 million in 2013 to SCR 566 million in 2014, the highest so far, representing a growth rate of 9.4%. In 2014, a total of 223 loans worth SCR 262 million were given, exceeding the budget of SCR 125 million for the year by 110%. This was mainly because of DBS having embarked on the SME scheme, and having given out 164 loans amounting to SCR **132.7** million for this scheme alone. This represented over **60%** of the total loans under the scheme, both in numbers and value, given by all the banks, despite DBS having joined the scheme six months after the other banks.

As our 2014 results makes it clear, remarkable progress was also made by our bank in managing its debt collection, by implementing appropriate strategies to recuperate bad debts. This resulted in a phenomenal turn around in the NPL ratios. From a non-performing loan ratio of 36% at the end of 2013, DBS successfully reduced the ratio to 8% at the end of 2014. Here I pay tribute to the team of DBS under the direction of our CEO, who worked tirelessly for such excellent results.

All these achievements further contributed in the credit rating certified by the Association of African Development Finance (AADFI) which started with a D+ in 2010, advancing to a B rating in 2014.

Such remarkable progress and good results in 2014 was largely due to improvement in the efficiency and effectiveness of its operational functions. Whilst some of the enhancements ensued from structural reforms as recommended by consultants of the technical assistance program funded by one of the Bank's foreign shareholders, the European Investment Bank, others came through significant progress made in:

a. Strategic restructuring
b. Systems, controls and policies that were set by the Board and followed and implemented actively by management
c. Focused approach on security and credit risk
d. Improvement in allowances for credit impairment
e. Continued and concentrated efforts being placed on debt recovery
f. Marketing and good PR
g. Engagement, commitment and building relationship with all the clients

However, despite the good end of year financial results, the Bank was concerned about the decline in its main source of funds and increase in operational costs. Nevertheless the bank did not falter in its mandate to provide affordable finance to the business community with reasonable rates of interest.

While the Bank enjoyed numerous success stories in 2014, it was not without challenges. These challenges included lack of office space, which we are hoping to address in 2015, excessive demand for loans in risky sectors such as the transport sector, loss of revenue due to exposure to interest rate risk and foreign exchange risk to name a few. The Board, Management and staff of DBS embraced these challenges with much determination and hard work in order to ensure that the Bank continued to operate profitably.

The successful year would not have been achieved had it not been for the efforts and dedication of all our valued staff who performed extremely well. We firmly believe in the development of our employees through recurrent investment in training, which was amply provided through the technical assistance in 2014. We want to further strengthen the expertise and skills of our staff, with more specific and specialised training, secondments and placements in the coming years. The attraction, retention and continuous development of our human capital is central to our business strategy.

Before I end, I would like to take the opportunity to express firstly my appreciation to the management and staff of DBS. The staff who we consider as being the key resource, displayed high level of commitment and dedication to the pursuit of business growth and new initiatives and merits a special mention for carrying the DBS's mission forward. The participative and professional work culture especially, has been a source of strength for the Bank. I wish to thank them for the considerable effort they have put into their work and the strength they continue to display under the most challenging of conditions.

A big 'thank you' also to all our esteemed clients-for their loyalty and support and for the opportunity given to us at DBS to help them grow their businesses. We promise to be a customer-focused bank.

My acknowledgement goes to all our shareholders as well, especially those who travelled from afar and made a special effort to be here for this historic AGM. Thank you for your continued trust, support and confidence in DBS.

Finally I would like to extend my gratitude to the Board Directors of DBS. Our board is committed to sound governance practices and my colleagues on the board have supported me with their wise counsel and valuable guidance in a year that has required a very high level of involvement. Through three committees –Audit and Risk, Remuneration and Investment committees, my colleagues have been inspiring and I would like to gratefully acknowledge their invaluable contribution as Directors of DBS.

My two years at the bank have been a fascinating journey of discovery as I am not a banker. I have found out that prudent banking practice is essential and that supportive economic climate are fundamental but more importantly a robust and enabling financing environment is key for economic development in Seychelles. I firmly believe that DBS has a pivotal role to play in enhancing support in this area, especially for the SME sector, which is a vibrant and important sector today for the country's economy. This is what we have endeavoured in 2014, through the delivery of affordable and sustainable financing through strengthened synergies with reasonable returns for the bank.

In ending allow me to reiterate, the Board's commitment to ensure that DBS has the most effective and disciplined strategies and best practices, which will surely take our bank to even greater heights. We expect 2016 to be a better and more successful year for DBS and we at the board remain committed to great performance.

Thank you.

Lekha Nair

Chairperson of the Board

REVIEW OF THE BANK'S PERFORMANCE FOR 2014

LOANS APPROVALS

In 2014, DBS maintained its objective to continue to provide financial assistance to diverse sectors of the Seychelles economy including:-

- Agriculture & Horticulture
- Building & Construction
- Fishing
- Manufacturing
- Tourism
- Transport
- Renewable Energy
- Other Services

In comparison to the preceding years, 2014 can be considered as an eventful year after having put lending on hold for the two preceding years.

In order to regain its popularity, recapture its market share and re-launch its lending activities, the bank undertook an aggressive marketing campaign and a one week public exhibition was held in February 2014, which also coincided with the celebration of the 36th anniversary of the Bank. The exhibition show-cased the past performance of the Bank and the various sectors it financed as well as the pivotal role that DBS plays in the economy. The event was a success with positive turnout and all its objectives were met.

The Bank also reviewed its lending policies after having tightened lending terms during the period 2012 and 2013 with a view to contain the liquidity constraints brought about by increased demand for loan in the preceding years (2010 & 2011).

In 2014, lending was opened to all sectors including those whereby financing were temporarily put on hold in preceding years, such as transport, construction of houses and apartments for rental purposes and refinancing of existing projects. The revision in lending policies also made provision for more favourable lending conditions such as reduction of personal contribution from

25% to 10% of the total project cost. DBS further agreed to maintain interest at 10% until the adoption of the risk based pricing.

In the second quarter of 2014, DBS joined the SME Financing Incentive Scheme. This is a scheme introduced by Government at the beginning of the year with the aim of boosting access to finance for SMEs. DBS was therefore in a better position to offer a more lucrative financing package to small and medium size enterprises. This also gave rise to the popularity of DBS and increase in its lending portfolio.

For the year 2014, an annual budget of SCR 125 million was allocated to be distributed amongst the different economic sectors. Given the more flexible and favourable lending terms, the result surpassed expectation. As at end of the financial year, the Bank approved a total of 233 loans worth a total value of SCR262 Million which was 110% above budgetary targets.

Fig.1 & 2.below illustrates the lending activities from the period 2010 to 2014 both in terms of value and in terms of number of loans approved.

Figure 1: Loan Approval for the Period 2010 to 2014 in Terms of Value (SCR)

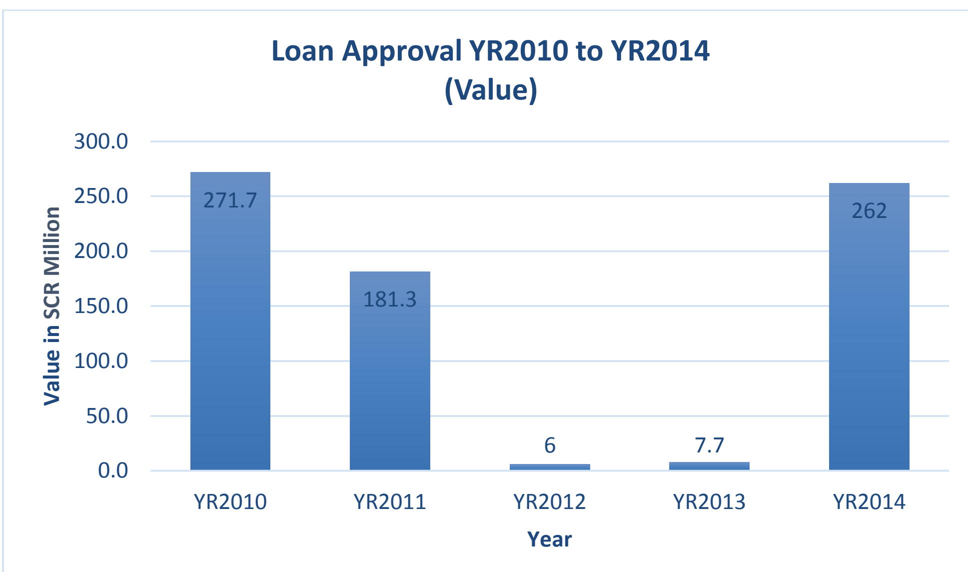
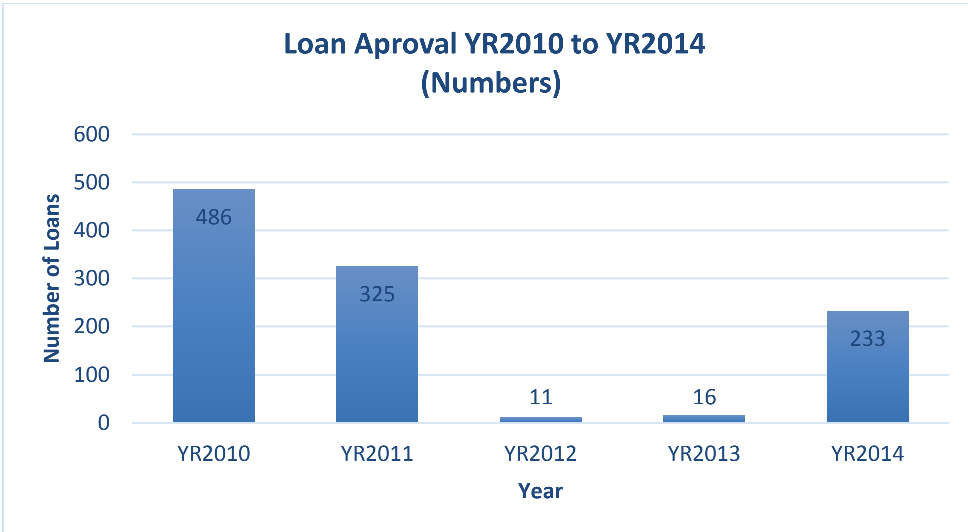


Figure 2: Loan Approval for the period 2010 to 2014 in Terms of Numbers



The graphs above illustrate that the trend for loan approval, both in number and value, tend to decline in the four years up to 2014. Loan approval was at its peak in 2010 and 2011. This, however, brought about certain financial and other constraints on the Bank which necessitated a temporary halt in lending activities in 2012 and 2013, hence the low level of loan approval for both years. Nonetheless, in the year which followed, the Bank applied the appropriate marketing strategies and managed to successfully get back on track. It recorded the second highest loan approval in terms of value for the period.

At the start of the first quarter of 2014 approval was generally slow but gradually picked up towards the second quarter of the year when the Bank joined the SME Scheme. **Fig.3** illustrates the flow of approval on a monthly basis and **Fig.4** illustrates the volume of loans approval both in terms of number and value on a monthly basis.

Figure 3: Flow of Approval throughout the year 2014

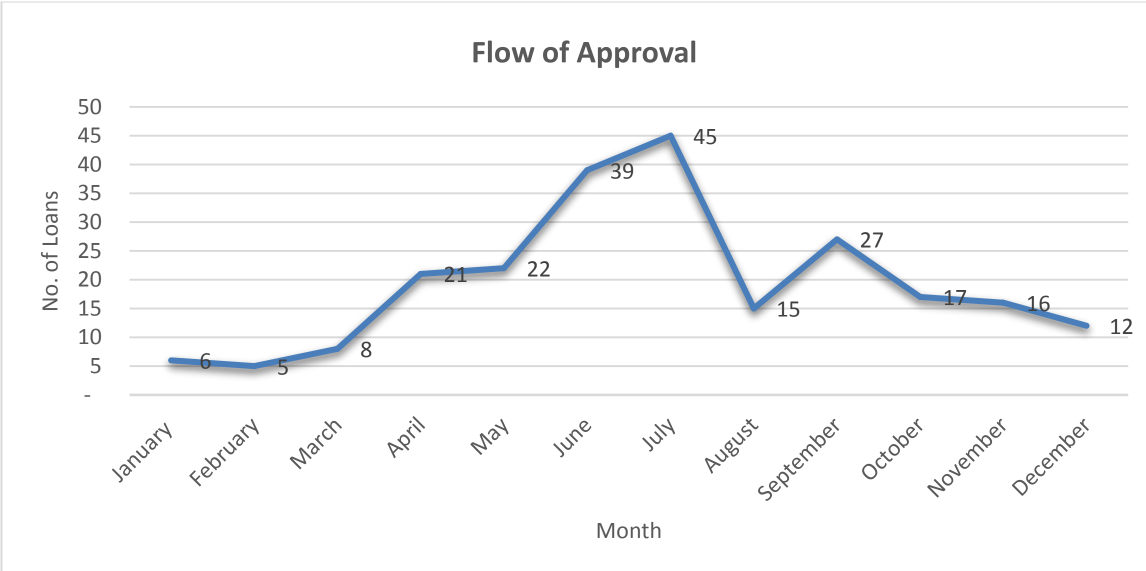
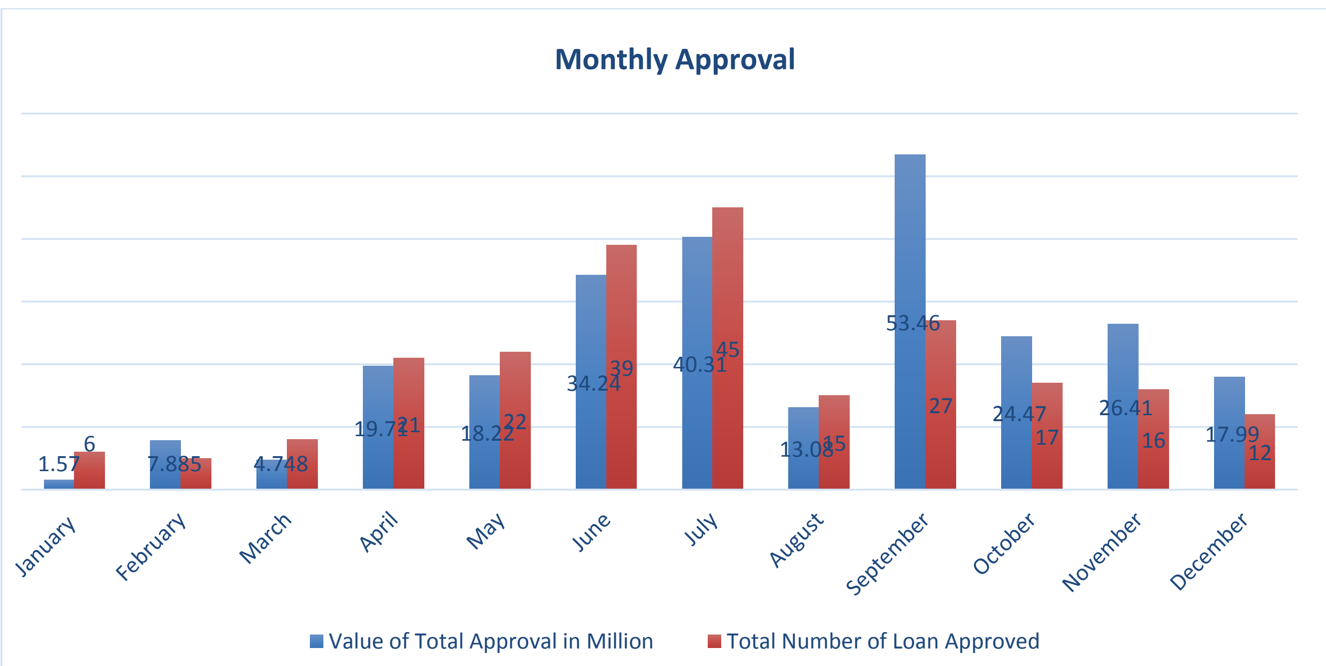


Figure 4: Monthly Approval in Terms of Value (SCR) and Number throughout the year 2014



The two graphs above illustrate a gradual increase loan approval from January 2014 to July 2014. Thereafter, a decline in the monthly loan approval was observed, with the exception of September 2014.

The volume of loan approval dropped drastically in August 2014. This was greatly influenced by the Government's decision to impose restriction on the importation of vehicle as it was having a negative impact on the country's foreign exchange reserve. Hence, the processing of all loan application for vehicle financing was put on hold.

It is to note that at that time, the main composition of the loan portfolio was vehicle financing and building and construction projects.

Break Down of Loan Approval by Sector

As previously stated total loan approved for the year was SCR262 Million. The Building and Construction sector dominated the total loan approved with 49%, followed by Transport with 16% and the service sector with only 3%.

The high rate of approval for the building and construction projects was attributed to the favourable & flexible lending conditions. The financing was mainly for construction and expansion of commercial buildings and construction of flats, apartments and houses for rental purposes.

Fig.5 shows the distribution of loan approvals by sector in terms of number and value for the year 2014. **Fig.6 gives** the breakdown in terms of the overall share for each sector based on the loan approval.

Figure 5: Loan Approvals by Sector in Numbers and in Value (SCR) in 2014

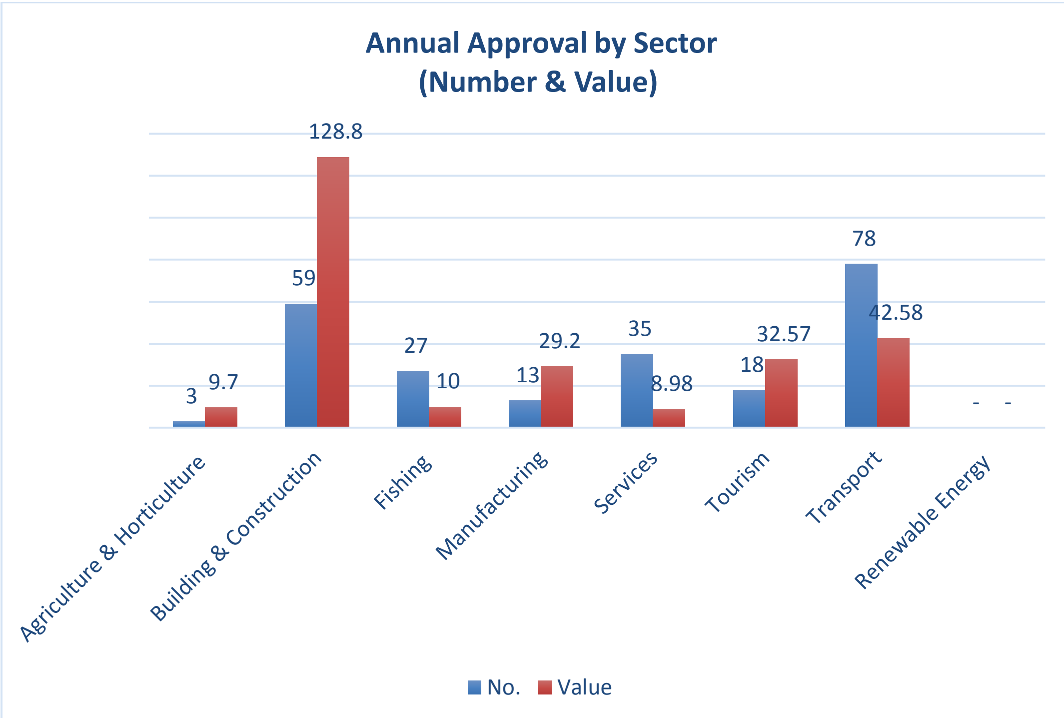
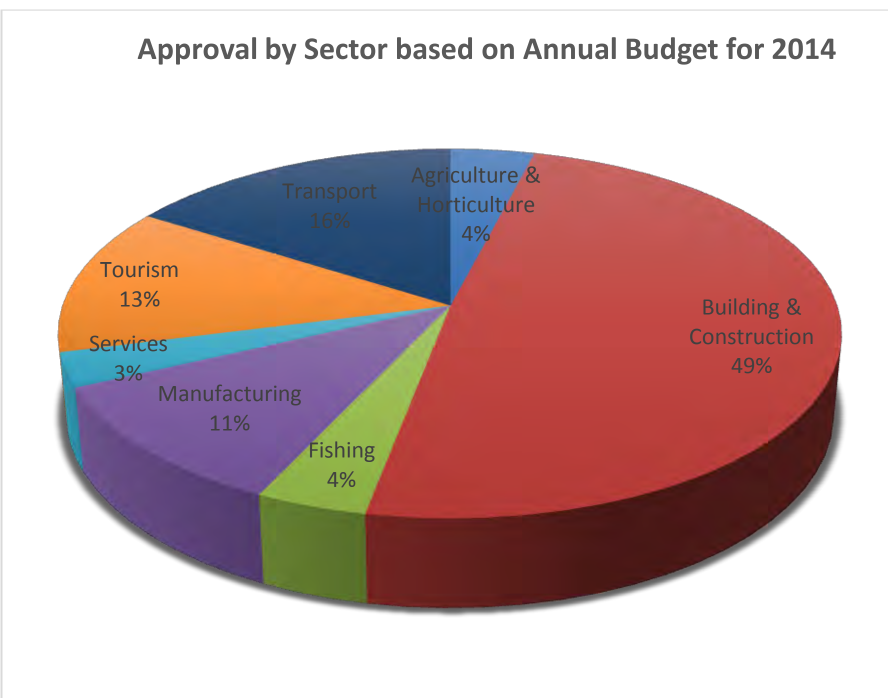


Figure 6: Approval by Sector based on Annual Budget for 2014



Agriculture & Horticulture

Under this sector, 3 loans for a total value of SCR9.8 Million were approved in comparison to only SCR2.1 Million approved in 2013. Loans under this sector were mainly for the development, expansion & upgrading of farm infrastructures, purchase of new farm and purchase of agricultural equipment and input.

In normal circumstances, promoters would opt for financing under the ADF (Agricultural Development Fund) which DBS manages on behalf of the Government of Seychelles. Under this scheme, loans are available to registered farmers only for maximum amount of SCR 750,000. Financing outside the ADF scheme is normally for bigger projects which require more funding exceeding the maximum loan amount offered under the scheme.

Fig.7 gives an overview of the trend in approval in the preceding years.

Figure 7: Loan Approval in Agriculture and Horticulture Sector for the period 2010 to 2014

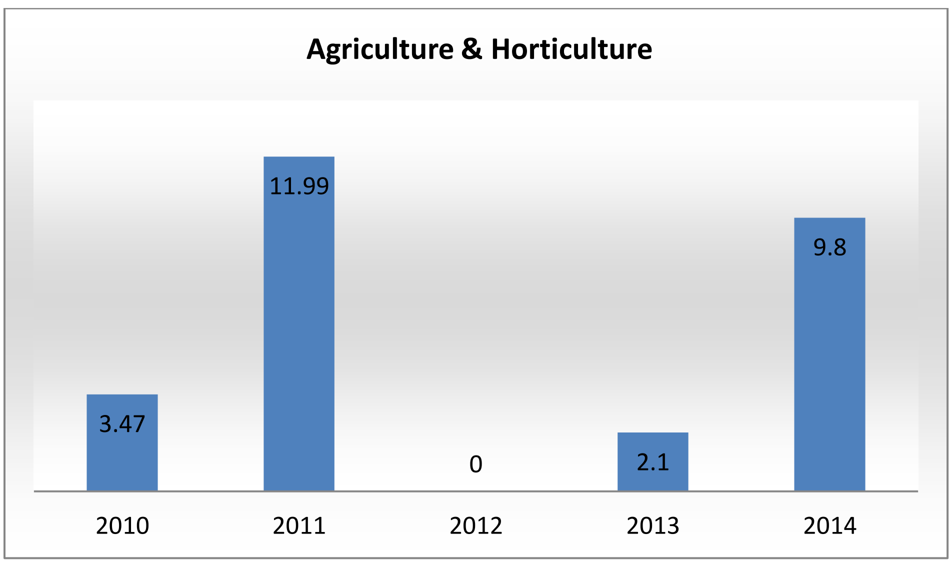


Figure 8: Agricultural Farm financed by DBS

Fisheries

The Bank approved 27 loans for a value of SCR10 million representing an increase of SCR9 million over 2013 and the highest for the preceding years. Loans under the Fisheries Sector are normally for the financing of artisanal & semi industrial fishing, the purchase or construction of boat, purchase of navigational equipment and reparation of fishing boat.

The above-mentioned loan approvals exclude those that were considered under the Fisheries Development Fund (FDF). This pertains to funds from the European Union (EU) for the financing of longline fishing activities and value addition. The Scheme is managed by DBS on behalf of the Seychelles Fishing Authority (SFA).

Fig.9 gives an overview of the trend in approval in the preceding years.

Figure 9: Loans Approval in Fisheries Sector for the Period 2010 to 2014

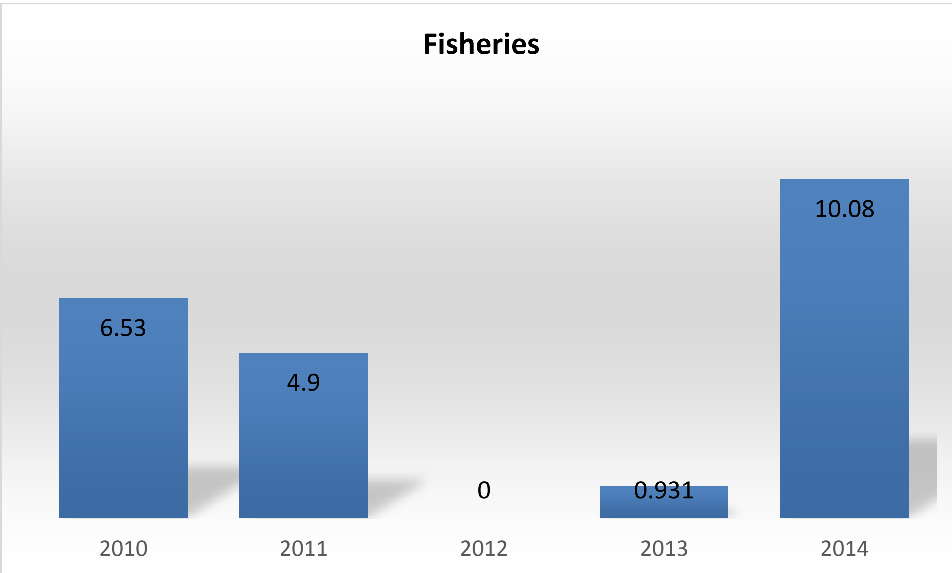


Figure 10: Fishing Vessels Financed by DBS

Industry

In 2014, a total of 13 loans were approved for a total value of SCR29.2 million. Financing were mainly for setting up of water bottling plant, meat processing, spice production, handicraft and printing businesses.

Fig.11 gives an overview of the trend in approval in the preceding years.

Figure 11: Loans Approval for the Industry Sector for the Period 2010 to 2014

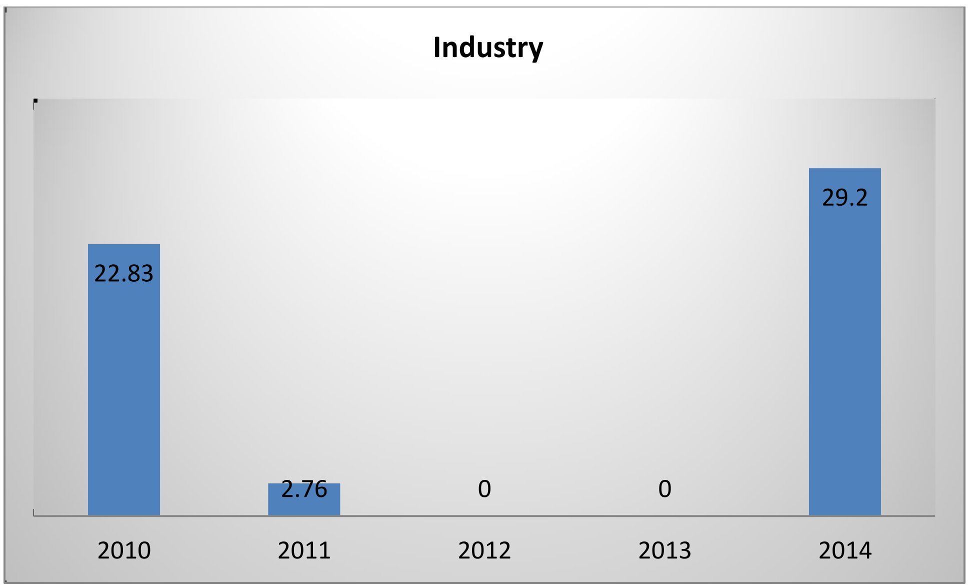


Figure 12: Finished products of manufacturing businesses financed by DBS

Tourism

A total of 18 loans for the value of SCR32.5 million were approved in 2014 under the Tourism Sector. Financing was mainly for small tourism establishments such as self-catering apartments and for other tourism related projects such as boat charter activities.

Fig.13 gives an overview of the trend in approval in the preceding years.

Figure 13: Loan Approval in Tourism Sector for the Period 2010 to 2014

Figure 14: Tourism establishments financed by DBS

Services

Approval under this sector was at its lowest in comparison to the preceding years. However, the statistics up to 2012 included those of building & construction projects and vehicle financing (Transport) which were previously categorized under the Service Sector. Since 2013, these have been reported separately under their own headings. In general, the Service Sector is very wide, encompassing such projects as: hairdressing, food & take-away outlets, retail and wholesale businesses, clearing services, child minding, pharmacy, motor vehicle garages, cleaning agencies, IT services, to name a few. In 2014, a total of 35 projects for the value of SCR8.9 million were approved under this sector.

Fig.15. gives an overview of the trend in approval in the preceding years.

Figure 15: Loan Approval for the Service Sector for the period 2010 to 2014

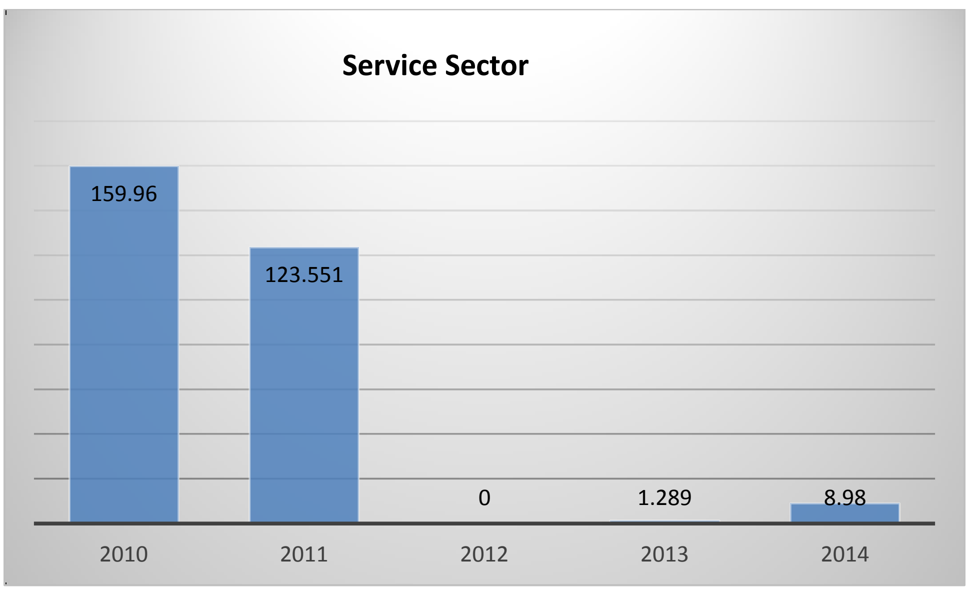


Figure 16: Service-oriented businesses financed by DBS

Transport

With the revision of the Bank's financing terms and the introduction of SME Scheme, the Bank observed a significant increase in loan applications for vehicle financing for either new or expanding businesses.

A total of 78 loans for the value of SCR42.5 million were approved in 2014. Financing under this sector were mainly for replacement or purchase of new vehicles for taxi business, pickup truck, omnibus hiring and car hiring businesses. As previously mentioned, given the restriction imposed to curtail importation of vehicles and hence reduce pressure on foreign exchange, lending in that area was stopped during the third quarter of 2014. Overall, the Transport Sector ranked second in regards to total loan approval for 2014.

Building & Construction

A total of 59 loans for the value of SCR128.8 million were approved for the building and construction sector and this was at a record high. Financing under this sector were mainly for construction of new commercial buildings, purchase of properties and buildings for commercial use, and construction of apartments and houses for rental purposes.

Figure 17: Building & Construction Projects Financed by DBS

The SME Scheme

As previously discussed, DBS joined the Scheme in April 2014. Statistics below portrays the performance of DBS in comparison to other financial institutions. As illustrated in **Table 1** below, DBS was the leading Bank with a total approval of 164 loans for a total value of approximately SCR133 million representing 60% of the total value of loan approval under the Scheme for the entire year.

Table 1: DBS Approval of Loans under the SME Scheme in Comparison to Commercial Banks

Banks	No. of Approved Loans	Total Value of Approved Loans
Development Bank	164	132,713,681.00
Other Banks	89	87,805,660.00
Total	**253**	**220,519,341.00**

Table 2 below further break down the approval per sectors approved under the SME Scheme. As can be observed, Building & Construction sector had the highest level of loan approval under the SME Scheme in 2014, followed by the Transport Sector.

Table 2: Loans per Sector in Number and Value Financed By DBS under the SME Scheme

Sectors	No. of Loans	Loan Value (SCR)
Agriculture	2	1,715,000.00
Real Estate/Construction	51	78,605,895.00
Services	47	9,538,179.00
Transportation	34	19,151,878.00
Fishing	22	8,369,900.00
Tourism	4	9,545,829.00
Manufacturing	4	5,787,000.00
Grand Total Approved Loans	**164**	**132,713,681.00**

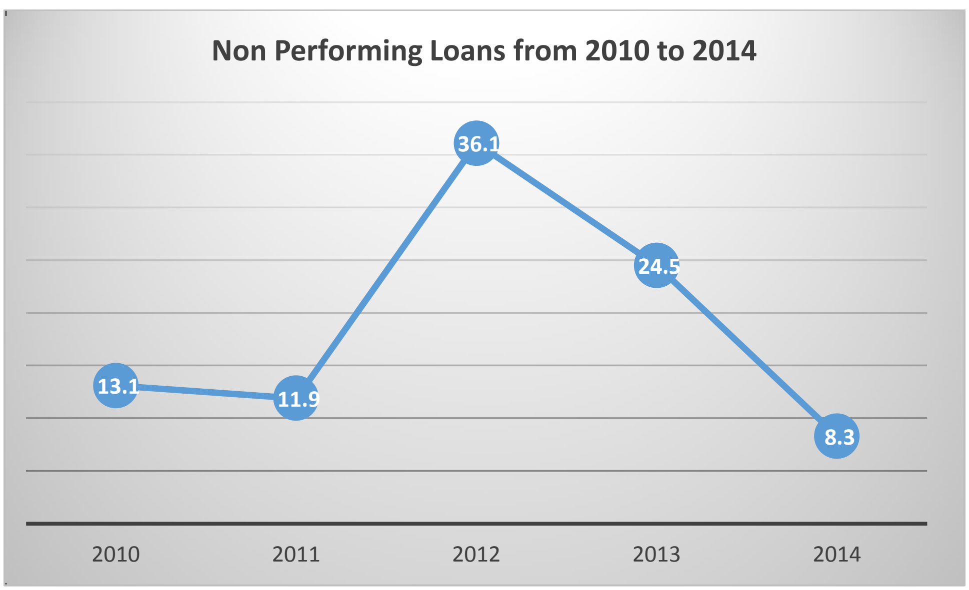
COLLECTION & RECOVERY

The Recovery and Collection Department of the Bank underwent structural reforms in order to improve efficiency. Separation of the Legal Unit from the department was one of the major reforms undertaken.

This department currently has two units; the recovery unit and collection unit. They both have clear separation of duties. Improvement in staff efficiency and productivity was observed as a result of the restructuring of the department. This contributed significantly towards the successful implementation of the Bank's strategies to reduce NPL.

Non-performing loans over the past five year are as follows:

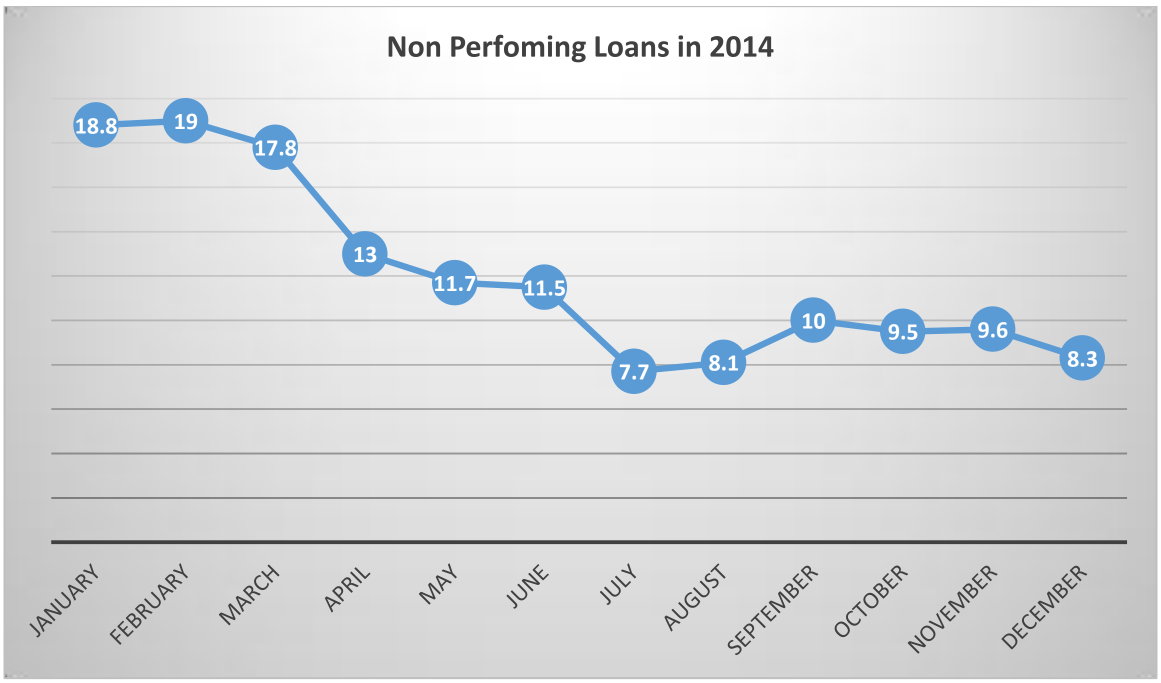
Figure 178: NPL for the Five Past Years



One of the major challenges which occupied much of the Bank's effort for the past five years is the management of the Non-Performing Loans (NPL) to a reasonable level. DBS managed to reduce NPL from 13.1% in 2010 to 11.9% in 2011. However, the recovery rate deteriorated in 2012 and 2013. This was largely due to sudden increase in demand for loans in the preceding years, which resulted in immense pressure on the Bank's resources; hence, affecting its ability to efficiently collect and recover bad debts. The Bank, therefore, undertook necessary measures and implemented necessary reforms in order to improve its collection process and strengthen after-care services. The successful implementation of recovery and collection strategies resulted in reducing the NPL to an acceptable level at 8.3% in December, 2014.

The graph below shows the gradual decease of the NPL throughout the year.

Figure 19: NPL Ratio throughout the Year 2014



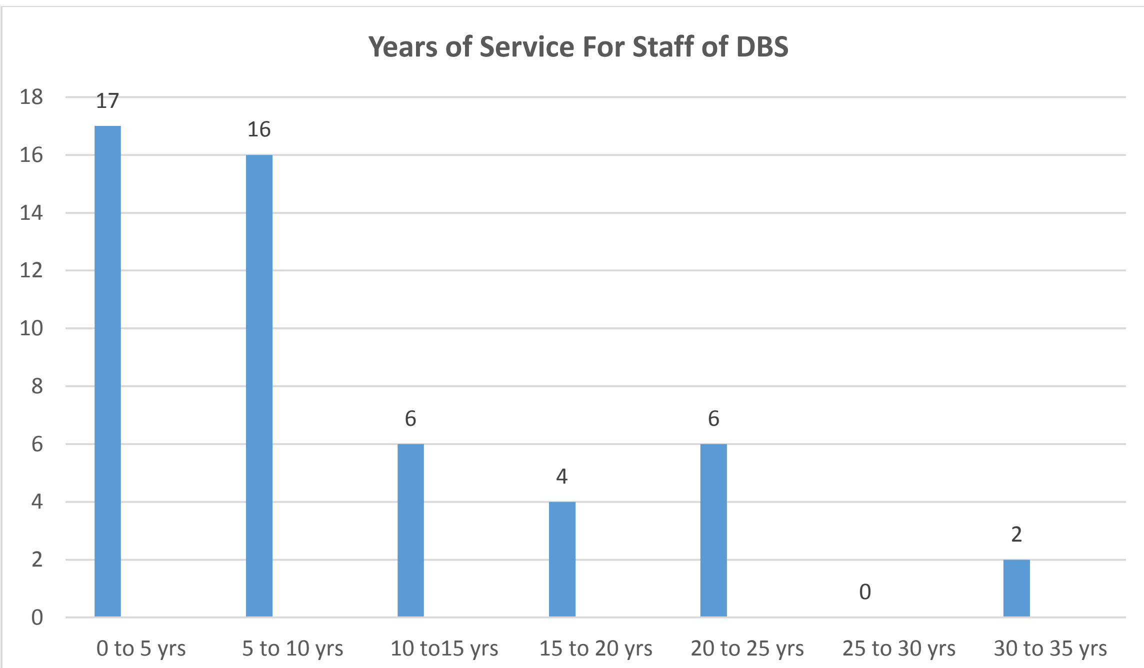
The year 2014 had been a very successful year for DBS in terms of debt recovery. The highest NPL recorded for that year was 19% in February and the lowest was 7.7%, recorded in July.

HUMAN RESOURCES

DBS workforce expanded from 45 employees as of December 2013 to 52 employees as of December 2014. A total of eleven new recruits joined DBS workforce in 2014 whilst a total of five employees terminated employment with the Bank. The staff turnover for the year 2014 was 11.11%.

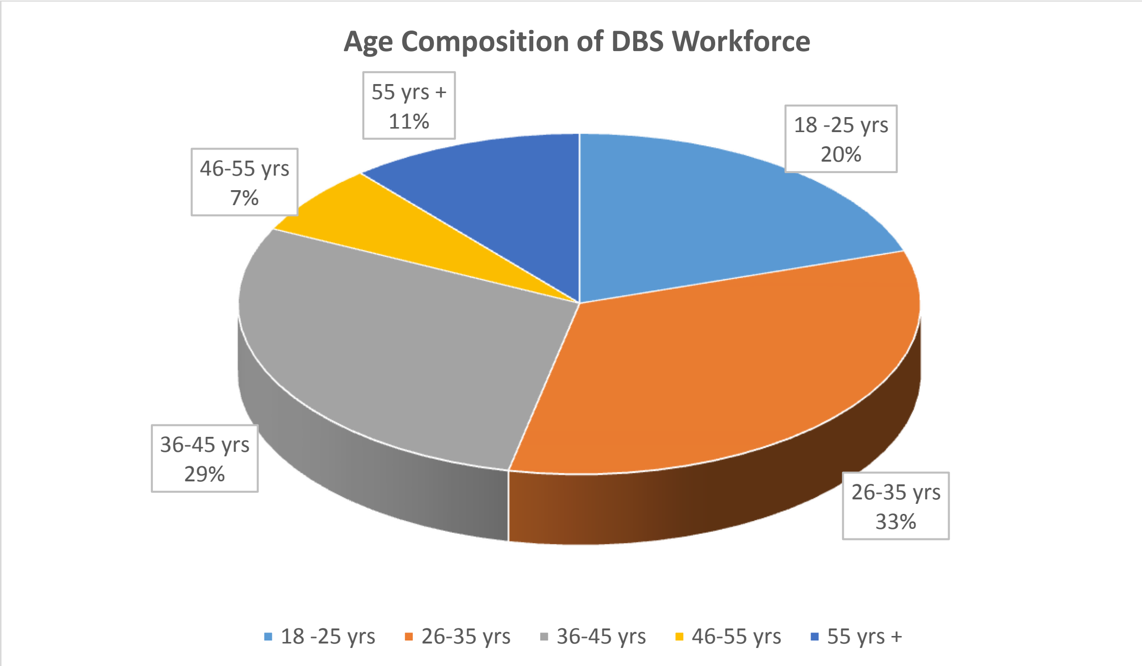
The graph below gives statistics on the years of service of the Bank's workforce.

Figure 20: Graph indicating years of service of the Bank's workforce



Over one third of DBS staff has been in employment with the organization for 10 years and above. The workforce is also characterized with a good mix of young and matured/experienced member of staff. Below is a graphical representation of the age composition of DBS' workforce.

Figure 181: Age Composition of DBS Workforce



During the year 2014, the Bank undertook a complete review its staff scheme of service. This exercise was undertaken by an independent Human Resource Consultant and it had the objectives of producing a clearly defined career structure to attract and retain qualified, experienced, competent and professional technical personnel. It also aimed at providing standards for recruitment, training and advancement within the career structure on the basis of qualifications, application of knowledge and skills; and merit and ability must be reflected in work performance and results.

This exercise furthermore included the restructuring of the organization structure with the aim of improving the bank's efficiency particularly in the Management structure. The exercise was completed at the end of 2014 for implementation in 2015.

In 2014, the Bank continued to implement its training plan with the aim of keeping staff abreast with changes and continuously improving on their performances. Almost all members of staff undertook either a short term or a long term training in 2014; forty-six members of staff undertook in –house training, four attended courses at local educational institutions, whilst five members of staff underwent training abroad. Three members of staff also undertook training courses online. DBS conducted a total of five in-house training. This included a series of training by local consultant to polish soft skills of its staff at all levels. Directors of the Board, Management and Senior Officers also benefitted through workshop on Governance and Internal Control as part of technical assistance sponsored by one of its shareholders, the European Investment Bank (EIB).

Figure 22: Technical expert conducting training to managers -February 2014

As a result of the Bank's effort to seek training opportunities/exposures for its staff, a Memorandum of Association with the Eastern and Southern African Trade and Development Bank known as the PTA Bank was signed in 2014. This was a bid to strengthen relationship between the two institutions, to promote mutual understanding, expand cooperation by establishing a reciprocal exchange program for staff which will be used as an avenue to enrich knowledge on banking from the two institutions.

DBS acknowledge the importance of team work in the workplace. It therefore encourages its staff to spend time together, in a social and team environment. DBS has a very active social club and sports club. Activities organized by these clubs have contributed towards improvement of employee-manager relationship, improving team spirit in the workface, boosting staff moral and facilitating integration of new staff in the workforce.

Figure 23: DBS Women Volleyball Team in Action at Intercompany Sport Day - July 2014

PUBLIC RELATIONS & MARKETING

In 2014, the Bank intensified its marketing efforts with a view to re-position itself after putting a halt of its lending activities for a year and low loan performance in the preceding year.

The main marketing event of the year was an Open Day which took place from 12th to 15th February, 2014, which also coincided with the Bank's celebration of its 36th anniversary. The main objectives of the Open Day were to provide the public with information on the Bank's products and services for new and existing business and showcased some of its recently financed projects from all sectors of the economy. In return, DBS aimed to increase its loan portfolio as it strived to remain competitive. It also attempted to secure better market share in all sectors and regained its dominance in key sectors such as tourism, fisheries and agriculture. The Open Day furthermore gave DBS the opportunity to improve its corporate image as it provides more visibility and allow the Bank to be seen as more approachable to the public.

The event was a big success as the Bank managed to obtain extensive media coverage for that particular week. It is estimated that the Bank attracted three to four hundred visitors.

Figure 19: DBS Open Day -12th to 15 February 2014

CORPORATE SOCIAL RESPONSIBILITY

In 2014, the Bank remained committed in supporting the community through its corporate social responsibility engagements. These included sponsorships and donations to different areas of the society such as education, sports, health and environment to name a few. Special donations were made to the Seychelles Agriculture and Horticulture Training Centre (SAHTC) and the Seychelles Association of Women Entrepreneurs (SAWE).

SAWE benefitted through the sponsorship of one-day conference entitled ‘empowering women to face socio-economic challenges’. Apart from the financial contribution, the Bank also demonstrated its support by sharing its knowledge and expertise on the financing aspects of small and medium size businesses to the participants of the conference.

Figure 25: SAWE Conference -September 2014

SAHTC on the other hand, received sets of multimedia equipment which was needed by the Centre to effectively deliver its training program to students aiming for a career in the field of agriculture and horticulture.

Figure 26: Donation to SAHTC - August 2014

TECHNICAL ASSISTANCE

DBS received technical assistance (TA) from one of its shareholders, the European Investment Bank which was initiated in 2013 and was completed in 2014. The overall objective of the TA was to help DBS become an efficient, modern, transparent and accountable organisation by proposing and supporting the implementation of improved credit risk management, asset and liability management and governance structures, as well as the translation of DBS's new mandate into a market proposition and a sustainable business model. The programme which ran from February 2013 to March 2014 brought about a series of recommendations which the Bank started to implement in 2014. These included a review of the policy requirements of the Bank and working on an action plan to ensure that all necessary policies as well as procedures are in place and are properly documented. A Committee was also set up to start developing a business continuity plan (BCP) for the Bank. The BCP will ensure that the Bank has a relatively quick and painless return to 'business as usual' in the event of a major disruption, regardless of the cause of the underlying incident.

The TA consultants provided some further training in 2014 whereby the focus was mainly on corporate governance and ethics. Trainings were extended to both Management and Board of Directors. The topics covered during the trainings included governance for managers, segregation of duties, conflict of interest, fraud/corruption, ethical rules, fraud detection and prevention and anti-money laundering to name a few

In addition, the Bank developed and launched its first intranet named 'DBS Infonet' in 2014. This online system allow staff to have easy access to internal/external information including policies and procedures, training materials and other relevant documents which should help to enhance communications within the Bank as well as promote transparency and improve efficiency and productivity at work.

OPERATING AND FINANCIAL REVIEW

Breakdown of Income and Charges for the Last Three Years

The financial statements from 2012 - 2014 were prepared in accordance with the requirement of the DBS Decree 1977 and International Financial Reporting Standards (IFRS).

Table 3: Income & Charges from 2012 to 2014

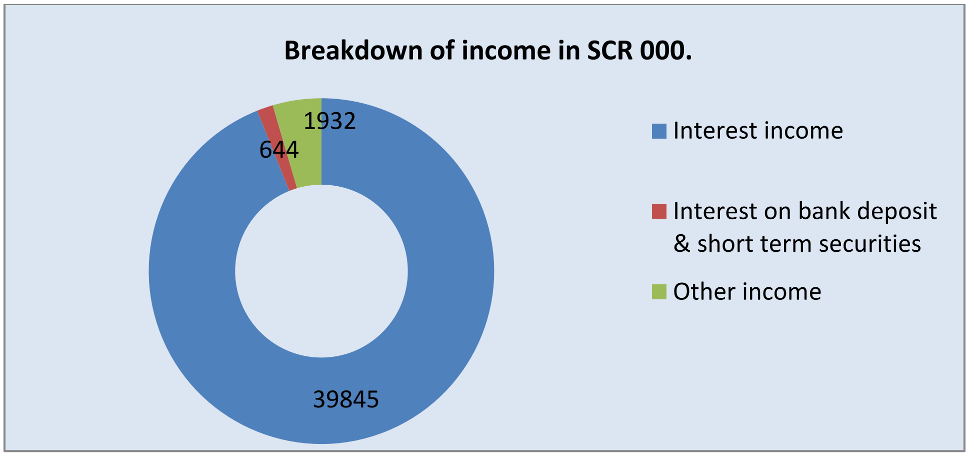
Position	2012	2013	2014
Operating income	49.55	46.92	42.42
Interest expenses	(13.23)	(12.55)	(13.28)
Operating expenses	(6.84)	(15.72)	(19.62)
Profit/(loss) on exchange	0.15	0.68	0.46
Profit before provisions	**29.63**	**19.33**	**9.98**
Provisions of credit impairment/depreciation/ amortization	(12.71)	(10.91)	5.63
Profit / (Loss) for the year	**16.92**	**8.42**	**15.61**

Profitability

Operating income in 2014 dropped by SCR 4.5 million which represents a decrease of 9.59% from the previous year's performance. Although the loan performance exceeded expectations in 2014, the volume of project financing and loan disbursements for the first half of the year was relatively low, coupled by the fact that the loan commitment brought forward from previous year had decreased significantly as a result of low loan approval in the preceding two years (2012 and 2013) consecutively. Even though business picked up in the second half of 2014, the Bank was not able to achieve the anticipated interest income.

The graph below shows the breakdown of operating income.

Figure 27: Breakdown of Income in SCR 000 for the year 2014



The major activity of DBS is financing development projects and therefore its main income is generated from interest on loans. For 2014 this represents 93.9% of the total operating income. The Bank charged a flat interest rate of10% on its normal loans throughout the year 2014.

Interest earned on Bank deposits and short term securities was negligible, representing only 1.5% of the total operating income. Overall, interest offered by the commercial banks in 2014 was relatively low; thus earnings on deposits held with other banks were equally low. The Bank also invested in short-term (91-day) treasury bills with a view to gain higher returns on deposits.

Other income comprises mainly of fees that DBS charges for its varied services. This includes management fees in respect of the funds that the Bank manages on behalf of the Government and other Agencies, application fees on loans, re-scheduling fees, capitalization fees etc. For 2014, the total amount collected as other income represented 4.6% of the total income.

Expenses

Interest payable in 2014 was more than in 2013 by 5.8%. During 2014, the Bank paid interest on three bonds issuance (two SCR 50 million and one SCR 25 million) at interest rate ranging from 4% to 7.5%. The Bank also paid interest on other debts: Euro 2.5 million loan with Nouvobanq

(4.96% p.a.); USD 1.5 million line of credit with BADEA (4% p.a.) and AFD re-structured loans (2.75% p.a.).

Operating expenses which included staff cost, administrative expenses and other costs increased by 24.8% in 2014 compared to 2013 figures. This was mainly due to the major increase in staff cost (as a result of the national salary adjustment for the public sector) and administrative expenses.

Provisions for credit impairment, depreciation and amortization showed a decrease of 152%. The provision for credit impairment was made in line with the Financial Institution Act guidelines which DBS has been subject to as from 2010. As for depreciation and amortization, these were provided for in accordance with the standing policy of DBS.

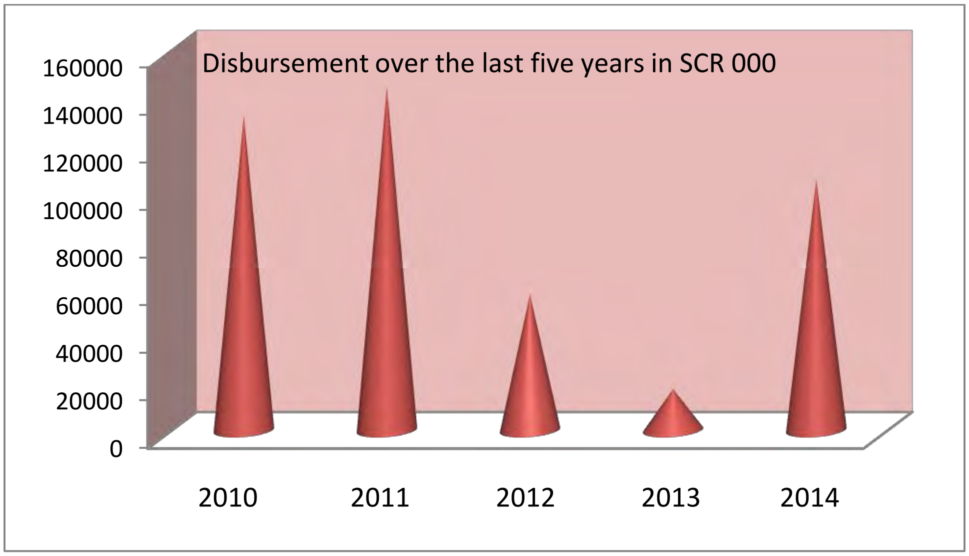
Profit

The final profit for the financial year 2014 was SCR 15.61 million which was SCR 7.19 million above the previous year's result.

Financial Position

During the year 2014 the Bank disbursed at total of SCR 105.40 million towards the productive sectors of the economy. This shows a five-fold increase over to the previous year's total disbursed amount. As mentioned earlier, the Bank joined the Government's SME Financing Scheme in May 2014 and also resumed vehicle financing in the same year. These actually helped boost up loan approval in 2014 and consequently accounted for the significant increase in disbursement. The loan commitments (loans approved but not yet disbursed) also increased considerably from SCR 31.67 million as at end of 2013 to SCR 153.78 million as at 31st December 2014. The graph below shows the level of disbursement for the last five years.

Figure 20: Disbursement over the last five years



Funding

DBS raised funds through borrowing in order to provide financing to the various economic sectors. The Bank normally looks for concessionary lines of credit and bonds issuance on the local market or from overseas credit providers to on-lend at affordable rate of interest. For 2014 the Bank was able to raise SCR 50 million through bonds issue. The bonds were issued at 4% for a 2-year period with interest payable on a quarterly basis and are being secured by Government Guarantee.

Net Worth Position

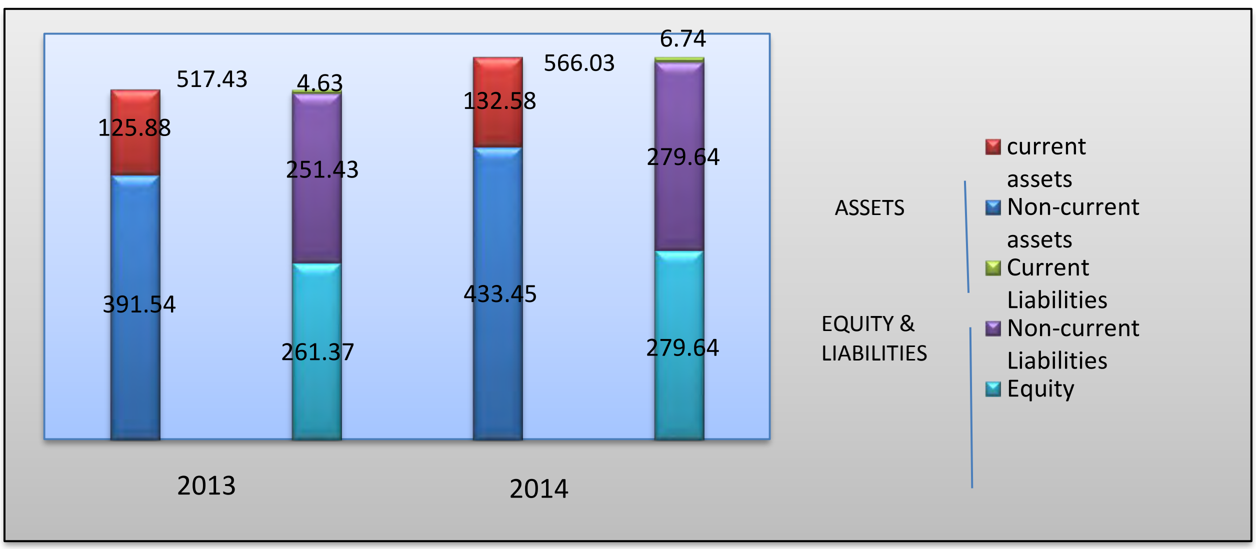
On the assets side, the total assets for 2014 were SCR 566.03 million which showed an increase of SCR 48.60 million representing 9.39% from the previous year's figure.

Current assets went up by SCR 6.70 million (5.3%). This was mainly due to the increase in cash as a result of new bonds issue.

Non-current assets (fixed assets and intangible assets) showed an increase of 66.2% (SCR 10.32 million) compared to the previous year. There was no investment in long term bonds in 2014. On the other hand, tangible assets of the Bank increased significantly with new acquisition of properties, vehicle, furniture and equipment for a total value of SCR 10.55 million. Of this sum, SCR 9.8 million relates to two properties which the Bank acquired through the adjudication of an overdue debt of a client. In line with relevant provisions of the Financial Institution Act, these properties must be disposed of and the Bank is doing its utmost to do so without undue delay.

Other non-current assets of DBS comprise of total outstanding loans which, net of credit impairment, increased by a sum of SCR 31.59 million (8.40%) as at 2014 compared to prior year.

Figure 29: Group Asset and Financial Structure in Million



Overall, the current liabilities in 2014 increased by SCR 2.11 million when compared to the 2013 figures.

On the other hand, long-term borrowing decreased by a mere SCR 3.88 million due to payments of existing debts including matured bonds of SCR 25 million. The overall decrease in borrowings was despite a fresh bonds issue of SCR 50 million and withdrawal of the last portion of fund (a sum of SCR 3.24 million) from the BADEA line of credit. Overall, the Bank managed to raise new funds in 2014 to continue to cater for its growing loan portfolio and also honoured all commitments as scheduled with its credit providers (Nouvobanq, BADEA and AFD) as well as with its bondholders.

The funds under management, which were basically monies that the Bank administered on behalf of the Government and other agencies, increased by SCR 6.91 million as at end of 2014 in comparison with the closing balance for 2013. This was mainly because DBS took management of a new Fund namely Photovoltaic Rebate Scheme in 2014.

On the long-term capital side, there were no movement in the Bank’s share capital and contingencies reserve. Conversely, the revaluation reserve increased as a result of a revaluation of the main property in Victoria whereas the retained profit balance increased correspondingly to the profit figure for the year.

AUDITOR’S REPORT

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DEVELOPMENT BANK OF SEYCHELLES

Report on the Financial Statements

We have audited the financial statements of Development Bank of Seychelles ('Bank') on pages 5 to 30 which comprise the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Development Bank of Seychelles Decree, 1977, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 5 to 30 give a true and fair view of the financial position of the Bank as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Development Bank of Seychelles Decree, 1977.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DEVELOPMENT BANK OF SEYCHELLES (CONTINUED)

Report on the Financial Statements (Continued)

Other matter

This report has been prepared solely for the Bank's members, as a body, in accordance with the Development Bank of Seychelles Decree, 1977. Our audit work has been undertaken so that we might state to the Banks's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

The financial statements of the Bank for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on them on 24 April 2014.

Report on Other Legal and Regulatory Requirements

Financial Institutions Act 2004

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

- In our opinion, the financial statements are complete and fair and properly drawn up; and
- We have obtained all the information and explanations we have required.
- To the best of our knowledge and belief, no violations of the Financial Institutions Act 2004 have occurred during the year ended 31 December 2014 that might have had a material adverse effect on the business of the Bank or on its financial position.
- We have no relationship with or interests in the Bank other than in our capacity as auditors and dealings in the ordinary course of business.
- In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG

Date: 29/04/2015

FINANCIAL STATEMENTS

DEVELOPMENT BANK OF SEYCHELLES

STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2014

	Note	2014 SCR	2013 SCR
Interest income	20	40,488,707	45,509,210
Interest expense	21	(13,284,593)	(12,545,380)
Net interest income		27,204,114	32,963,830
Allowance for credit impairment	6	8,228,065	(8,251,695)
Net interest income after allowance for credit impairment and bad debts		35,432,179	24,712,135
Other income	22	1,932,095	1,406,050
Net foreign exchange gain		457,417	681,607
Net interest and other income		37,821,691	26,799,792
Employee benefit expenses	23	(12,484,849)	(10,063,654)
Depreciation of property and equipment	10	(1,178,160)	(1,248,782)
Amortisation of intangible assets	11	(1,416,623)	(1,409,197)
Other operating expenses	24	(7,130,745)	(5,658,358)
Profit from continuing operations		15,611,313	8,419,801
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of land and building	10	2,659,232	-
Total comprehensive income for the year		18,270,544	8,419,801

The notes on pages 10 to 30 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4

DEVELOPMENT BANK OF SEYCHELLES

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

	Note	31 December 2014	31 December 2013
		SCR	SCR
ASSETS			
Cash and cash equivalent	5	116,575,656	121,634,770
Loans and advances	6	407,547,475	375,955,930
Investment in financial assets	7	9,943,077	-
Other assets	8	6,058,696	4,248,188
Assets classified as held for sale	9	9,500,000	-
Property and equipment	10	15,435,032	13,203,818
Intangible assets	11	967,533	2,384,157
Total assets		566,027,469	517,426,863
LIABILITIES AND EQUITY			
LIABILITIES			
Funds under management	14	9,568,793	2,656,566
Other liabilities	15	3,523,859	2,713,890
Borrowings	12	144,657,758	148,540,026
DBS bonds	13	125,412,671	100,232,534
Compensation benefit obligations	16	3,220,519	1,910,522
		286,383,600	256,053,538
EQUITY			
Share capital	17	39,200,000	39,200,000
Contingent reserve	18	41,385,321	41,385,321
Revaluation reserve		15,360,948	12,701,717
Retained earnings		183,697,600	168,086,287
		279,643,869	261,373,325
Total liabilities and equity		566,027,469	517,426,863

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		SCR	SCR
Operating activities			
Net profit		15,611,313	8,419,801
Adjustments for:			
Depreciation of property and equipment	10	1,178,160	1,248,782
Amortisation of intangible	11	1,416,623	1,409,197
Loss on disposal of equipment	10	1,894	51
Allowance for credit impairment	6	(7,558,670)	4,648,342
Impairment of assets held for sale	9, 23	300,000	-
Changes in compensation benefit obligations	16	1,424,357	551,471
Interest accrued on held-to-maturity investments		(128,077)	-
Net foreign exchange difference		(457,417)	(681,607)
Working capital adjustments:			
(Increase)/Decrease in loans and advances (*)	6	(33,832,875)	56,309,300
(Increase)/Decrease in other assets (**)	8	(812,913)	2,549,875
Increase in funds under management	14	6,912,227	1,786,432
Increase in other liabilities	15	998,106	64,426
		(14,947,272)	76,306,069
Compensation paid	16	(114,359)	(866,581)
Net cash flow from operating activities		(15,061,631)	75,439,488
Investing activities			
Purchase of intangible assets	11	-	(141,175)
Purchase of equipment	9	(752,037)	(337,816)
Purchase of treasury bills	7	(27,670,200)	(1,978,800)
Proceeds from redemption of treasury bills	12	17,855,200	1,978,800
Proceeds from maturity of bonds	7	-	1,235,000
Proceeds from disposal of equipment	10	-	8,527
Net cash flow from/(used in) investing activities		(10,567,037)	764,536
Financing activities			
Proceeds from borrowings	12	3,337,873	47,818,876
Repayment of borrowings	12	(11,205,559)	(4,185,038)
Proceeds from bonds issued	13	50,000,000	-
Maturity of DBS bonds	13	(25,000,000)	(50,000,000)
Net cash flow from/(used in) financing activities		17,132,314	(6,366,163)
Net decrease in cash and cash equivalents		(8,496,354)	69,837,861
Movement in cash and cash equivalents			
At January 1,		121,634,770	51,186,623
Net (decrease) / increase in cash and cash equivalent		(8,496,354)	69,837,861
Net foreign exchange difference		3,437,240	610,285
At December 31,	5	116,575,656	121,634,770
Operational cash flows from interest			
Interest paid		12,608,411	12,057,336
Interest received		39,263,300	46,026,288

Significant non-cash transactions

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

The Bank contracted a loan of EUR 2.5m with Nouvobanq in line with the Public Debt Management Act, and signed a contract with the Ministry of Finance, Trade and Investment stating that the foreign exchange losses arsing on the loan facilities will be reimbursed by the latter. The amount receivable at December 31, 2014 was SCR 997,595 (SCR 2013:

The notes on pages 10 to 30 form an integral part of these financial statements.
Auditor's Report on pages 3 and 4

1. GENERAL INFORMATION

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

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

Statement of Compliance

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

2.2 New and amended standards and interpretations

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

IFRS 10, IFRS 12 and IAS 27 Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Bank, since the Bank is not an investment entity.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 The amendments to IAS 32 Financial Instruments: Presentation clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous.
The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. These amendments have no impact on the Bank, since the Bank has no offsetting arrangements.
The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment has no impact on the Bank.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendment to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank since the Bank does not have derivatives.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Bank because it is not subject to any levies where the timing or recognition would be affected by this change.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36
The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. These amendments have no impact on the Bank, as the Bank has not impaired any asset based on fair value less cost of disposal.

2.3 Standards issued but not yet effective

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

2.3 Standards issued but not yet effective (continued)

IAS 1 Presentation of Financial Statements

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

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

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

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.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

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

Changes in methods of disposal

• Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

• The amendment must be applied prospectively.

This amendment will have no effect on adoption.

IFRS 7 Financial Instruments: Disclosures

• The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

• The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

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

• The amendment must be applied retrospectively.

IAS 19 Employee Benefits

Discount rate: regional market issue

• The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

• The amendment must be applied prospectively.

2.3 **Standards issued but not yet effective (continued)**

IAS 34 **Interim Financial**

Disclosure of information 'elsewhere in the interim financial report'

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

IFRS 2 Share-based Payment

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

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

IFRS 3 Business Combinations

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

This amendment will have no effect on adoption.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

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

FRS 13 Fair Value Measurement

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Bank.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment will have no effect on adoption.

IFRS 3 Business Combinations

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

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

This amendment will have no effect on adoption.

IFRS 13 Fair Value Measurement

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

2.3 Standards issued but not yet effective (continued)

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. This amendment will have no effect on adoption.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. This amendment will have no effect on adoption.

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

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

IAS 16 and IAS 41 Agriculture: Bearer Plants

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

IAS 27: Equity Method in Separate Financial Statements

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

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, that 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 .

2.4 Summary of significant accounting policies (Continued)

(a) Foreign currency translation (continued)

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.

(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 measure at amortised cost using the effective interest rate method.

(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.

2.4 Summary of significant accounting policies (Continued)

(c) Derecognition of financial assets and financial liabilities (continued)

(i) Financial assets

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

(ii) *Financial liabilities*

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

(d) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

(e) Impairment of financial assets

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

(i) *Financial assets carried at amortised cost*

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

2.4 Summary of significant accounting policies (Continued)

(e) Impairment of financial assets (continued)

(i) *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.

(f) Offsetting financial instruments

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

(g) Property and Equipment

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

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

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

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

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

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

Buildings	10 - 25 years
Equipment	3 - 6 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.

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

2.4 Summary of significant accounting policies (Continued)

(h) Intangible assets

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

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

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

(i) 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 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)

(j) Taxation

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

(k) Recognition of income and expenses

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

Interest income and expense

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

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

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

Other income

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

(l) 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.

(m) Cash and cash equivalents

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

2.4 Summary of significant accounting policies (Continued)

(n) Leasing

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

Bank as a lessee

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

(o) Going Concern

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

3. FINANCIAL RISK MANAGEMENT

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

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

(a) Capital adequacy

Capital includes share capital, statutory reserve and retained earnings.

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

No changes were made in the objectives, policies, or process during the years end 31 December 2014 and 31 December 2013.

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.

During the year 2014, in line with the guidelines issued by the Central Bank of Seychelles, the Bank has calculated capital adequacy, which is as follows:

	2014	2013
	SCR '000	SCR '000
Capital Base (a)	244,517	216,656
Risk weighted assets (b)	557,857	445,844
Capital adequacy (a/b)*100	44%	49%
Minimum Requirement	12%	12%

The Bank ascertains that it has met the guidelines of the Central Bank of Seychelles in terms of capital adequacy ratio during the year 2014.

(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.

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	Gross maximum exposure 2014	Gross maximum exposure 2013
	SCR	SCR
Cash and cash equivalents	116,575,656	121,634,770
Loans and advances to customers	407,547,475	375,955,930
Held-to-maturity financial assets	9,943,077	-
Other assets	5,209,394	3,428,936
Total credit risk exposure	539,275,602	501,019,636

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' 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.

2014	Performing		Non Performing			
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
	< 30 days	30 -89 days	90 - 179 days	180 - 364 days	>364 days	
	Neither past due nor impaired	Past due but not impaired				
	SCR	SCR	SCR	SCR	SCR	SCR
Loans and advances (gross)	324,617,369	60,049,426	4,030,166	20,674,314	11,924,708	421,295,982
Total Non-Performing						36,629,188
Total Non-Performing Ratio						9%

2013	Performing		Non Performing			
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
	< 30 days	30 -89 days	90 - 179 days	180 - 364 days	>364 days	
	Neither past due nor impaired	Past due but not impaired				
	SCR	SCR	SCR	SCR	SCR	SCR
Loans and advances (gross)	250,261,777	75,256,990	18,999,691	19,615,018	40,275,254	404,408,730
Total Non-Performing						78,889,963
Total Non-Performing Ratio						20%

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Maximum exposure to credit risk

Type of collateral or credit enhancement

At December 31, 2014	Mortgage	Vehicle	Boat and Engine	Equipment
	SCR	SCR	SCR	SCR
Loans and advances (gross)	1,072,744,876	200,897,131	31,653,012	6,360,823

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

	Neither past due nor impaired	Past due but not impaired		
		< 90 days	90 - 365 days	> 365 days
At December 31, 2014	SCR	SCR	SCR	SCR
Cash and cash equivalents	116,575,656	-	-	-
assets	9,943,077	-	-	-
Other assets	980,616	3,004	43,208	4,182,566
	127,499,349	3,004	43,208	4,182,566

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

	Neither past due or impaired	Past due but not impaired		
		< 90 days	90 - 365 days	> 365 days
At December 31, 2013	SCR	SCR	SCR	SCR
Cash and cash equivalents	121,634,770	-	-	-
assets	-	-	-	-
Other assets	241,221	11,875	15,212	3,160,628
	121,875,991	11,875	15,212	3,160,628

Financial instrument and cash deposit

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 a guarantee from Government of Seychelles which currently has a credit rating of B+ from Fitch.

(c) Currency Risk

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

(i) Concentration of assets and liabilities by currency

	Euro	US Dollars	Others	Total
	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2014				
Assets				
Cash and cash equivalents	2,273	16,496	-	18,769
Loans and advances	-	-	-	-
Held-to-maturity financial assets	-	-	-	-
Other assets	-	-	-	-
	2,273	16,496	-	18,769
Liabilities				
Borrowings	31,797	20,175		51,971
DBS bonds	-	-	-	-
Funds under management	-	-	-	-
Other liabilities	-	-	-	-
	31,797	20,175	-	51,971
Net assets/ (liabilities)	(29,524)	(3,678)	-	(33,202)

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Currency risk (continued)

(i) Concentration of assets and liabilities by currency (continued)

	Euro	US Dollars	Others	Total
	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2013				
Assets				
Cash and cash equivalents	2,057	50,601	-	52,658
Loans and advances	-	-	-	-
Other assets	-	-	-	-
	2,057	50,601	-	52,658
Liabilities				
Borrowings	36,228	17,071	-	53,299
DBS bonds	-	-	-	-
Funds under management	-	-	-	-
Other liabilities	-	-	-	-
	36,228	17,071	-	53,299
Net assets/ (liabilities)	(34,171)	33,530	-	(641)

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. The change will not impact equity.

	Increase/ Decrease in foreign currency exchange rate	Euro Effect on	US Dollar Effect on
		Profit before tax	Profit before tax
		SCR'000	SCR'000
2014	+5%	(1,470)	177
	-5%	1,470	(177)
2013	+5%	(1,815)	1,796
	-5%	1,815	(1,796)

(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.

Interest sensitivity of assets and liabilities - repricing analysis

	2014			
	< 1 year	1 - 3 years	> 3 years	Total
	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2014				
Financial assets				
Cash and cash equivalents	116,576	-	-	116,576
Loans and advances (principal)	411,123	-	-	411,123
Total	527,699	-	-	527,699
Financial liabilities				
Borrowings	31,797	-	112,861	144,658
DBS bonds	-	125,413	-	125,413
Total	31,797	125,413	112,861	270,070
Total interest sensitivity gap	495,902	(125,413)	(112,861)	257,629

3. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest risk (continued)

	2013			
	< 1 year	1 - 3 years	> 3 years	Total
	SCR'000	SCR'000	SCR'000	SCR'000
At December 31, 2013				
Financial assets				
Cash and cash equivalents	121,635	-	-	121,635
Loans and advances (principal)	391,690	-	-	391,690
Total	513,324	-	-	513,324
Financial liabilities				
Borrowings	38,517	-	110,024	148,540
DBS bonds	-	100,233	-	100,233
Total	38,517	100,233	110,024	248,773
Total interest sensitivity gap	474,808	(100,233)	(110,024)	264,552

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 2014. The change will not impact equity.

	Change in basis points	Effect on net profit
		2014
		SCR
Interest bearing net financial assets	+10	283,391
	-10	(283,391)
		2013
		SCR
Interest bearing net financial assets	+10	291,007
	-10	(291,007)

(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 table below summarises the maturity profile of the Bank's financial assets and liabilities at 31 December 2014 based on contractual undiscounted repayment obligations. The Bank ascertains that it is compliant with the liquidity requirements as per the guidelines of the Financial Institutions (Liquidity Risk Management) Regulations 2009 as amended 2012.

	2014				
	Up to 1 month	6 to 12 months	1 to 5 years	>5 years	Total
	SCR	SCR	SCR	SCR	SCR
Financial Liabilities					
Borrowings	804,798	8,828,093	70,723,353	80,976,804	161,333,048
DBS bonds	-	3,452,397	129,361,986	-	132,814,383
Funds under management	9,568,793	-	-	-	9,568,793
Other liabilities	-	-	-	-	-
Total financial liabilities	10,373,591	12,280,490	200,085,340	80,976,804	303,716,224

	2013				
	Up to 1 month	6 to 12 months	1 to 5 years	>5 years	Total
	SCR	SCR	SCR	SCR	SCR
Financial Liabilities					
Borrowings	780,916	8,722,179	75,197,989	90,071,210	174,772,295
DBS bonds	-	27,740,372	83,634,246	-	111,374,618
Funds under management	2,656,566	-	-	-	2,656,566
Other liabilities	-	-	-	-	-
Total financial liabilities	3,437,482	36,462,551	158,832,236	90,071,210	288,803,479

3. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (continued)

During the year 2014, in line with the guidelines issued by the Central Bank of Seychelles, the Bank has calculated its liquidity ratio, which is as follows:

	2014	2013
	SCR	SCR
Liquid assets (a)	126,518,733	121,634,770
Banks total liabilities (b)	286,383,600	256,053,538
Liquidity ratio (a/b)*100	44%	48%
Minimum Requirement	20%	20%

The Bank ascertains that it has met the guidelines of the Central Bank of Seychelles in terms of it liquidity ratio during the year 2014.

(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	
	2014	2013	2014	2013
	SCR'000	SCR'000	SCR'000	SCR'000
Assets				
Loans and advances	407,647	375,956	407,547	375,956
Held-to-Maturity financial assets	9,943	-	9,943	-
	417,491	375,956	417,491	375,956
Liabilities				
Borrowings	144,658	148,540	143,757	148,931
DBS bonds	125,413	100,233	123,899	101,246
	270,070	248,773	267,656	250,177

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
The following methods and assumptions were used to estimate the fair values:

- The fair values of loans and advances approximates their carrying amount.
- The fair values of held-to-maturity financial assets is based on the a discounted cash flow based on a current market rate for similar assets.
- 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 2014 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 2014:		Fair value measurement using		
		Quoted prices in active market	Significant observable input	Significant unobservable input
	Total	(Level 1)	(Level 2)	(Level 3)
	SCR '000	SCR '000	SCR '000	SCR '000
Assets measured at fair value:				
Land and building	14,500	-	-	14,500
Assets for which fair value are disclosed:				
Loans and advances	407,547	-	-	407,547
Held-to-Maturity financial assets	9,943	-	-	9,943
Fair value measurement hierarchy for liabilities as at 31 December 2014:				
Liabilities for which fair value are disclosed:				
Borrowings	143,757	-	-	143,757
DBS bonds	123,899	-	123,899	

3. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair values

Fair value measurement hierarchy for assets as at 31 December 2013:		Fair value measurement using		
	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:				
Land and building	14,000			14,000
Assets for which fair value are disclosed:				
Loans and advances	375,956	-	-	375,956
Fair value measurement hierarchy for liabilities as at 31 December 2013:				
Liabilities for which fair value are disclosed:				
Borrowings	148,931	-	-	148,931
DBS bonds	101,246	-	101,246	-

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 guidelines provided by the Central Bank of Seychelles. However, the actual amount of impairment may differ from amount provided resulting in higher or lower charges to the profit and loss.

(b) *Revaluation of property*

The Bank measures land and buildings at revalued amounts with changes in fair value being recognised in OCI. The Bank engaged an independent valuation specialist to assess fair value as at 31 December 2014. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

(c) *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.

(d) *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.

5. CASH AND BALANCES HELD WITH OTHER BANKS

	2014	2013
	SCR	SCR
Balances with local banks	116,301,032	121,588,667
Cash on hand	274,625	46,103
	116,575,656	121,634,770

6. LOANS AND ADVANCES

	2014	2013
	SCR	SCR
Loans and advances to customers	409,651,232	394,507,182
Staff Loans	11,644,750	9,901,548
	421,295,982	404,408,730
Less: Allowances for credit impairment (see note (b) below)	(13,748,507)	(28,452,800)
	407,547,475	375,955,930

(a) Remaining terms of maturity of gross loans and advances are as follows:

	2014	2013
	SCR	SCR
- Less than 1 year	9,213,320	7,950,018
- Between 1 and 3 years	65,582,306	107,308,344
- Above 3 years	346,500,355	289,150,368
	421,295,982	404,408,730

(b) Impairment allowances for loans and advances to customers

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

	2014	2013
	SCR	SCR
At January 1,	28,452,800	37,230,636
Direct write off	(7,145,623)	(13,426,178)
Charged to profit and loss	(7,558,670)	4,648,342
	13,748,507	28,452,800

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

	2014	2014	2013
	%	SCR	SCR
Services	39.38%	165,926,357	227,048,799
Tourism	23.86%	100,503,653	112,478,900
Small Medium Enterprises loan scheme	13.00%	54,769,611	-
Industry	4.71%	19,853,322	21,695,338
Agriculture	4.14%	17,425,965	16,213,363
Transport	3.69%	15,530,379	
Staff	2.76%	11,644,750	9,901,548
Building and construction	1.97%	8,317,536	-
Fisheries	1.95%	8,220,109	9,244,107
Manufacturing	1.93%	8,128,033	-
Food securities	1.66%	6,991,246	7,826,675
Former staff	0.46%	1,923,025	-
Trade	0.45%	1,894,101	
Professional, Scientific/Technical Services	0.04%	167,895	-
	100.00%	421,295,982	404,408,730
Less: Allowances for credit impairment (see note (b) above)	-2.8%	(11,609,684)	(24,047,500)
Interest in Suspense	-0.5%	(2,138,823)	(4,405,300)
	96.74%	407,547,475	375,955,930

DBS offers variable interest rate loans and periodically evaluates their lending pool to adjust rates globally based on changing market conditions. Interest rates on loans in the DBS Scheme range from 7.50% to 12%. Staff loans range from 3.75% to 10%. The SME scheme began in April 2014 offering 10.00% and is subsidized by the Government of Seychelles; producers are charged 5% on the first million and 7% on the remaining.

7. HELD-TO-MATURITY FINANCIAL ASSETS

(i) Treasury bills

	2014	2013
	SCR	SCR
Balance at January 1,	-	-
Additions	27,670,200	1,978,800
Interest	272,877	21,200
Maturity	(17,855,200)	(1,978,800)
Interest received	(144,800)	(21,200)
Balance at December 31,	9,943,077	-

(ii) Bonds

	2014	2013
	SCR	SCR
Balance at January 1,	-	1,235,000
Additions	-	-
Interest	-	(1,235,000)
Maturity	-	74,980
Interest received	-	(74,980)
Balance at December 31,	-	-

7. HELD-TO-MATURITY FINANCIAL ASSETS (CONTINUED)

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

	2014	2013
	SCR	SCR
- Less than 1 year	9,943,077	-

(b) Held-to-maturity financial assets are denominated in Seychelles Rupees.
(c) The fair value disclosures are provided in Note 3 (f).

8. OTHER ASSETS

	2014	2013
	SCR	SCR
Recovery on Financial Guarantee Contract (a)	4,135,880	3,138,287
Prepayments	346,919	251,442
Other receivables (b)	1,575,897	858,459
	6,058,696	4,248,188

(a) The Bank contracted a loan of EUR 2.5m with Nouvobanq in line with the Public Debt Management Act, and signed a contract with the Ministry of Finance, Trade and Investment stating that the foreign exchange losses arsing on the loan facilities will be reimbursed by the latter.

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

9. ASSETS CLASSIFIED AS HELD FOR SALE

	2014	2013
	SCR	SCR
Land and building held for sale	9,800,000	-
Impairment	(300,000)	-
	9,500,000	-

The Bank acquired two properties of the value of SCR 9.8m, put up as collateral against a loan, as a result of the borrower's failure to comply with the repayment obligations under the loan agreement. A search is underway for s buyer. The land and buildings were revalued by Blackburn Consulting (Pty) Ltd, an independent professionally qualified chartered surveyor at their market values. As a result of the revaluation, management has recognised an impairment charge of SCR 300,000 in the current year. The impairment charge is recorded within administrative expenses in the statement of profit or loss.

10. PROPERTY AND EQUIPMENT

(a)

	Land and Building	Equipment	Furniture and Fittings	Motor Vehicles	Total
	SCR	SCR	SCR	SCR	SCR
COST					
At January 1, 2013	18,858,812	3,005,804	873,638	791,317	23,529,571
Additions	-	133,454	204,362	-	337,817
Disposals	-	-	(28,917)	-	(28,917)
At December 31, 2013	18,858,812	3,139,258	1,049,083	791,317	23,838,471
Additions	-	243,981	140,056	368,000	752,037
Disposals	-	(52,550)	(6,286)	-	(58,836)
Revaluation adjustment	(4,358,812)	-	-	-	(4,358,812)
At December 31, 2014	14,500,000	3,330,689	1,182,853	1,159,317	20,172,860
DEPRECIATION AND IMPAIRMENT					
At January 1, 2013	5,697,198	2,460,007	757,625	491,379	9,406,209
Charge for the year	670,427	314,144	123,211	141,000	1,248,782
Disposal Adjustment	-	-	(20,339)	-	(20,339)
At December 31, 2013	6,367,625	2,774,151	860,497	632,379	10,634,652
Eliminated on revaluation	(7,018,043)	-	-	-	(7,018,043)
Charge for the year	660,680	204,365	118,448	194,667	1,178,160
Disposal Adjustment	-	(52,550)	(4,392)	-	(56,942)
At December 31, 2014	10,262	2,925,966	974,553	827,046	4,737,827
NET CARRYING AMOUNT					
At December 31, 2014	14,489,738	404,723	208,300	332,271	15,435,032
At December 31, 2013	12,491,187	365,107	188,586	158,938	13,203,818

(b) The Bank's land and buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation was performed by Blackburn Consulting (Pty) Ltd, an independent professionally qualified chartered surveyor on November 22, 2014. The revaluation resulted in a gain of SCR 2,659,232.
In determining the fair value of the property the quantity surveyor considered the current market price, not only for the properties being valued, but also for comparable properties in the same vicinity. Factors included the geographical features of the terrain and also essential services available in the vicinity. Finally, the market value was also determined in accrodance with the demand and supply.

(c) The total cost relating to fully depreciated assets still in use amounts to SCR 2,918,801 as at December 31, 2014 (2013: SCR 2,972,525).

(d) Cash outflow for the purchase of equipment assets was SCR 752,037 (2013: SCR 337,816).

(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).

(g) Significant unobservable valuation input:

	Price per square metre
2014	SCR 20,000 - SCR 21,000
2013	SCR 19,000 - SCR 21,000

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

10. PROPERTY AND EQUIPMENT (continued)

(h) Reconciliation of fair value:

	SCR
Land	3,900,000
Building	10,600,000
As at 31 December 2014	14,500,000

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

	2014
	SCR
Cost	6,157,094
Accumulated depreciation and impairment	(5,181,734)
Net carrying amount	975,360

11. INTANGIBLE ASSETS

	SCR
COST	
At January 1, 2013	4,432,904
Additions	141,175
At December 31, 2013	4,574,079
Additions	-
Disposals	-
At December 31, 2014	4,574,079
AMORTISATION	
At January 1, 2013	780,725
Amortisation	1,409,197
Accumulated depreciation and impairment	2,189,922
Amortisation	1,416,623
At December 31, 2014	3,606,545
NET CARRYING VALUE	
At December 31, 2014	967,533
At December 31, 2013	2,384,157

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

(c) The total cost relating to fully depreciated assets still in use amounts to SCR 322,535 as at December 31, 2014 (2013: SCR 32,535).

(d) Cash outflow for the purchase of intangible assets was SCR Nil for the current year (2013: SCR 141,175).

12. BORROWINGS

(a)

	Interest rate	Maturity	2014	2013
	%		SCR	SCR
(i) Nouvobanq S.I.M.B.C bank loan	4.75% + 3 months Euribor	2018	31,796,869	38,516,524
(ii) BADEA bank loan	4%	2023	20,174,629	14,781,909
(iii) Seychelles Government (ADF Bilateral) Loan	2.75%	2027	92,686,260	95,241,593
Total borrowings			144,657,758	148,540,026

(i) *Nouvobanq S.I.M.B.C bank loan*
This loan is secured by a Government Gazetted Guarantee for EUR 2.5m

(ii) *BADEA bank loan*
This loan is secured by the Government of Seychelles.

(iii) *Seychelles Government (ADF Bilateral) Loan*
This loan is secured by the Government of Seychelles.

Reconciliation of borrowings:

	2014	2013
	SCR	SCR
Balance at January 1,	148,540,026	101,963,592
Proceeds from borrowings	3,337,873	47,818,876
Interest charges	5,438,356	4,440,548
Repayment of interest	(5,430,354)	(4,128,555)
Repayment of principal	(11,205,559)	(4,185,038)
Exchange differences	3,977,416	2,630,604
Balance at December 31,	144,657,758	148,540,026

13. DBS BONDS

	2014	2013
	SCR	SCR
At January 1,	100,232,534	150,000,000
Redeemed during the year	(25,000,000)	(50,000,000)
Issued during the year	50,000,000	-
Interest expense	7,846,237	8,104,832
Interest payments	(7,666,100)	(7,872,297)
At December 31,	125,412,671	100,232,534

13. DBS BONDS (continued)

(a) Interest rates on the above bonds ranges between 4% and 7.5% (2013: 5.5% 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

	2014	2013
	SCR	SCR
Credit Guarantee Scheme (a)	870,134	870,134
Amount payable to Manage funds (b)	1,840,258	1,786,432
Photovoltaic project (c)	6,858,401	-
	9,568,793	2,656,566

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

(b) This pertain to funds received on behalf of EU Fisheries Development Fund, Concessionary Credit Agency 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.

(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.

15. OTHER LIABILITIES

	2014	2013
	SCR	SCR
Retention of loans and advances (a)	1,502,330	1,987,050
Other payables and accruals (b)	2,021,529	726,840
	3,523,859	2,713,890

(a) Retention of loans and advances represent the undisbursed loan balance held for future disbursements as and when required for project specification.

(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

	2014	2013
	SCR	SCR
Compensation -end of contract (i)	1,147,003	441,901
Gratuity (ii)	155,111	113,889
Compensation -retirement (iii)	1,918,405	1,354,732
	3,220,519	1,910,522

(i) COMPENSATION - END OF CONTRACT

	2014	2013
	SCR	SCR
At January 1,	441,901	680,048
Charged to statement of profit or loss	805,052	280,729
Benefits paid	(99,950)	(518,876)
At December 31,	1,147,003	441,901

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

	2014	2013
	SCR	SCR
At January 1,	113,889	158,500
Charged to statement of comprehensive income	50,556	23,778
Benefits paid	(9,333)	(68,389)
At December 31,	155,111	113,889

This represents the Bank's obligation to pay compensation to employees, as per the Public Service Orders, for every five years of continued service.

(iii) COMPENSATION - RETIREMENT

Compensation benefit obligation is a statutory obligation which all financial institutions incorporated in Seychelles under the Employment Act 2000 shall pay to employee upon resignation or termination of the employee provided that same has completed five years of continuous service. There are deemed to be no associated risks as the benefit is payable upon an employee leaving or retiring from the Bank having completed at least five years service and the liability is calculated using the formula provided in the Seychelles Employment Act 2000.

16. COMPENSATION BENEFIT OBLIGATIONS (cotinued)

(iii) COMPENSATION - RETIREMENT (continued)

(a) Amount recognised to profit or loss:

	2014	2013
	SCR	SCR
Current service cost	174,702	-
Interest cost	82,455	-
Actuarial (gain)/ loss	311,593	
Compensation charged for the year	-	246,964
	568,750	246,964

(b) Reconciliation of present value of obligation

	2014	2013
	SCR	SCR
At January 01,	1,354,732	1,367,084
Current service cost	174,702	-
Interest cost	82,455	-
Benefits paid	(5,076)	(279,316)
Compensation charged for the year	-	246,964
Actuarial (gain)/ loss	311,593	-
At December 31,	1,918,405	1,354,732

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

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

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

	2014
	SCR
Discount rate - increase by1%	(363,833)
Discount rate - decrease by 1%	470,528
Future salary - increases by 1%	463,542
Future salary - decreases by 1%	(365,660)
Retirement age - increases by 5 years	36,610
Retirement age - decreases by 5 years	(35,924)

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

17. SHARE CAPITAL

	2014	2013
	SCR	SCR
Authorised shares		
At January 1, and December 31,	40,000,000	40,000,000

	2014	2013
	SCR	SCR
Issued and fully paid shares		
At January 1, and December 31,	39,200,000	39,200,000

18. CONTINGENT RESERVE

	2014	2013
	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, i.e., SCR. 39.2 million.

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2014 (2013:Nil).

20. INTEREST INCOME

	2014	2013
	SCR	SCR
Cash and short term funds	371,100	244,586
Interest on held to maturity investment securities	272,877	96,180
Loans and advances	39,844,730	45,168,444
	40,488,707	45,509,210

21. INTEREST EXPENSE

	2014	2013
	SCR	SCR
Borrowings	5,438,356	4,440,548
DBS bonds	7,846,237	8,104,832
	13,284,593	12,545,380

22. OTHER INCOME

	2014	2013
	SCR	SCR
Management fees	806,000	877,617
Fees from loans and advances	276,861	381,987
Application fees	849,235	146,446
	1,932,095	1,406,050

23. EMPLOYEE BENEFIT EXPENSES

	2014	2013
	SCR	SCR
Salaries and wages	9,770,051	8,217,589
Pension costs (i)	170,175	102,035
Compensation benefit obligations	1,424,357	551,471
Directors fees and committee allowances	351,835	286,645
Other staff costs	768,432	905,914
	12,484,849	10,063,654

23. EMPLOYEE BENEFIT EXPENSES (continued)

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

24. OTHER OPERATING EXPENSES

	2014	2013
	SCR	SCR
Utilities costs	708,141	627,253
Communication costs	719,950	548,484
Maintenance costs	1,385,001	720,043
Legal and professional fees	502,785	372,220
Donations	272,208	270,561
Bank charges	192,458	36,007
Auditors' remuneration	324,833	336,731
Insurance expenses	97,782	97,076
Travelling expenses	406,451	531,154
Rental expenses	433,606	135,708
Office expenses	494,764	458,667
Promotion and advertising costs	387,866	251,025
Membership fees	282,850	92,869
Loan commitment and appraisal fees	-	547,160
Loss on disposal of equipment	1,894	51
Impairment of assets classified as held for sale (note 9)	300,000	-
Other administrative expenses	620,156	633,349
	7,130,745	5,658,358

(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.

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

	2014	2013
Lease commitments	SCR	SCR
Within one year	329,787	98,702
After one year but not more than 5 years	630,267	960,054
More than 5 years	-	-
	960,054	1,058,757

25. CAPITAL COMMITMENTS

There were no capital commitments either contracted for or approved by the Bank but not yet contracted for as at December 31, 2014 (2013: Nil).

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, there were the following transactions with between the Bank and its related parties:

(a) Borrowings

	Relationship	2014	2013
Government of Seychelles		SCR	SCR
Balance at January 01,	Shareholder	95,241,593	96,427,653
Interests		2,931,203	2,988,503
Repayment		(5,486,536)	(4,174,563)
Balance at December 31,		92,686,260	95,241,593

	Relationship	2014	2013
Nouvobanq - S.I.M.B.C		SCR	SCR
Balance at January 01,		38,516,524	-
	Government related		
Proceeds received		-	38,950,250
Interests		1,721,722	966,186
Repayment		(9,438,969)	(3,752,686)
Exchange differences		997,593	2,352,774
Balance at December 31,		31,796,869	38,516,524

(b) Loans and advances

	Relationship	2014	2013
		SCR	SCR
Loans and advances outstanding	Key management	1,885,908	4,438,021

(c) Salaries and other benefits

	Relationship	2014	2013
		SCR	SCR
Key management salaries and other benefits	Key management	2,597,430	2,364,382
Directors remuneration and other short term benefits	Directors	299,455	286,645
Long term benefits	Key management	1,147,003	441,901

(d) Outstanding balances

		2014	2013
		SCR	SCR
Recovery on Financial Guarantee Contract	Shareholder	4,135,880	3,138,287
Borrowings	Shareholder	92,686,260	95,241,593
Borrowings	Government related	31,796,869	38,516,524
Loans and advances	Key management	1,885,908	4,438,021

27. RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended in the statement of financial position and related notes to the financial statements.

28. 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 2014.

NOTES

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