SEYCHELLES INTERNATIONAL MERCANTILE

BANKING CORPORATION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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CORPORATE INFORMATION - DECEMBER 31, 2015

DIRECTORS	:	Steve Fanny Lise Bastienne Stephen Jardine Anil Dua (Up to September 30,2015) Charles Bastienne (Up to February 2, 2015) Ahmed Saeed
SECRETARY	:	Corporate Registrars (Pty) Ltd P.O Box 18, Victoria, Mahé, Seychelles
REGISTERED OFFICE	:	Victoria House, Victoria, Mahé, Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles

The Directors are pleased to submit their report together with the audited financial statements of **Seychelles International Mercantile Banking Corporation Limited** (hereafter called the "Bank") for the year ended December 31, 2015.

PRINCIPAL ACTIVITIES

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

RESULTS

	SR'000
Profit before tax	**291,304**
Tax expense	(103,436)
Profit for the year	**187,868**
Dividends	**(110,000)**
Retained earnings brought forward	**212,395**
Retained earnings carried forward	**290,263**

DIVIDENDS

The Directors proposed and paid the following:

	2015	2014
	SR'000	SR'000
Dividend for the reporting period ended December 31, 2015		
- Interim dividend of SR 600 per share proposed on August 10, 2015, and paid on August 25, 2015.	**60,000**	-
Dividend for the reporting period ended December 31, 2014		
- Interim dividend of SR 500 per share proposed on August 28, 2014, and paid on October 02, 2014.	**-**	50,000
- Final dividend of SR 500 per share proposed on March 23, 2015 and paid on May 04, 2015	**50,000**	-
Dividend for the reporting period ended December 31, 2013		
- Final dividend of SR 500 per share proposed on May 13, 2014 and paid on May 19, 2014	**-**	50,000
	110,000	100,000

PROPERTY AND EQUIPMENT

Additions to property and equipment totalled **SR 50.7m** for the year under review (2014: SR 2.32m) and comprised mainly office equipment and capital working-in-progress.

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

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Bank as at the date of this report are:

Steve Fanny
Lise Bastienne
Stephen Jardine
Ahmed Saeed

None of the Directors had any direct or indirect interest in the shares of the Bank.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for the overall management of the affairs of the Bank including its operations and the making of investment decisions.

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

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The auditors, Messrs, BDO Associates, being eligible offer themselves for re-appointment.

BOARD APPROVAL

Steve Fanny Director	**Lise Bastienne** Director	**Stephen Jardine** Director

Ahmad Saeed
Director

Dated: 14 APR 2016
Victoria, Seychelles

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P.O. Box 18
The Creole Spirit
Quincy Street, Mahé
Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **Seychelles International Mercantile Banking Corporation Limited**, as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **Seychelles International Mercantile Banking Corporation Limited** set out on pages 4 to 48 which comprise the Statement of Financial Position as at December 31, 2015, the Statement of profit or loss and other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Directors' Responsibility

As stated on page 21(a) of the Directors' Report, the Board of Directors are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider 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 the Directors 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.

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Opinion

In our opinion, the financial statements on pages 4 to 48 give a true and fair view of the financial position of the Bank as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1972.

Report on Other Legal Regulatory Requirements

Companies Act, 1972

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

We have obtained all information and explanations we have required.

Financial Institutions Act, 2004

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

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

Public Enterprise Monitoring Commission Act, 2013

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

We have obtained all the information necessary for the purpose of our audit and are satisfied with the information received.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 14 APR 2016
Victoria, Seychelles

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	Notes	2015	2014
		SR'000	SR'000
ASSETS			
Cash and cash equivalents	5	**2,047,895**	2,657,705
Loans and advances	6	**1,904,910**	1,674,867
Investment in financial assets	7	**1,206,716**	715,295
Investment in associate	8	**21,553**	26,336
Property and equipment	9	**91,709**	43,847
Intangible assets	10	**7,134**	9,682
Other assets	11	**21,257**	23,075
Deferred tax assets	12	**39,850**	43,860
Total assets		**5,341,024**	5,194,667
LIABILITIES AND EQUITY			
LIABILITIES			
Customers deposits	13	**4,749,490**	4,734,244
Retirement benefit obligations	14	**10,571**	4,904
Other liabilities	15	**35,593**	33,994
Current tax liabilities	16(i)	**55,974**	7,048
Total liabilities		**4,851,628**	4,780,190
EQUITY			
Share capital	17	**100,000**	100,000
Statutory reserve	18	**100,000**	100,000
Retained earnings	Page 6	**290,263**	212,395
Other (deficit)/reserves	19	**(867)**	2,082
TOTAL EQUITY		**489,396**	414,477
Total liabilities and equity		**5,341,024**	5,194,667
CONTINGENT LIABILITIES			
Guarantees, bills of collection, letters of credit, and other obligations on account of customers.	28	**151,760**	152,358
Loan commitments	28	**356,932**	528,356

These financial statements have been approved for issue by the Board of Directors on 14 APR 2016

Steve Fanny
Director

Lise Bastienne
Director

Stephen Jardine
Director

Ahmad Saeed
Director

The notes on pages 8 to 48 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2015

	Notes	2015	2014
		SR'000	SR'000
Interest income	20	**253,644**	154,558
Interest expense	21	**(38,657)**	(28,918)
Net interest income		**214,987**	125,640
Fees and commission income	22	**51,703**	47,227
Fees and commission expense		**(33,330)**	(26,584)
		18,373	20,643
Net interest, fee and commission income		**233,360**	146,283
Net trading income	23	**131,147**	105,446
Other operating income		**407**	473
Total operating income		**364,914**	252,202
Other operating expenses	24	**(62,732)**	(50,581)
Amortisation of upfront lease payments	11(a)	**(53)**	(53)
Depreciation of property and equipment	9	**(2,725)**	(3,044)
Amortisation of intangible assets	10	**(3,253)**	(3,945)
Total operating expenses		**(68,763)**	(57,623)
Operating profit before provision		**296,151**	194,579
Provision for credit impairment	6(b)	**(1,234)**	(3,276)
Operating profit after provision		**294,917**	191,303
Share of results of associate	8	**(3,613)**	469
Profit before tax		**291,304**	191,772
Tax expense	16(ii)	**(103,436)**	(60,414)
Profit for the year		**187,868**	131,358
Items that may be reclassified subsequently to profit or loss:			
Currency translation of associate	8 & 19	**(1,170)**	3,776
Items that will not be reclassified subsequently to profit or loss:			
Movement in retirement benefit obligations	14(b)(ii) & 19	**(1,779)**	139
		(2,949)	3,915
Total comprehensive income for the year		**184,919**	135,273

The notes on pages 8 to 48 form an integral part of these financial statements.

Auditors' report on pages 3 and 3(a).

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2015

	Note	Share capital	Statutory reserve	Retained earnings	Translation reserve	Actuarial losses	Total
		SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at January 1, 2015		**100,000**	**100,000**	**212,395**	**7,573**	**(5,491)**	**414,477**
Total comprehensive income/(loss) for the year		**-**	**-**	**187,868**	**(1,170)**	**(1,779)**	**184,919**
Dividends	26	**-**	**-**	**(110,000)**	**-**	**-**	**(110,000)**
Balance at December 31, 2015		**100,000**	**100,000**	**290,263**	**6,403**	**(7,270)**	**489,396**
Balance at January 1, 2014							
- As previously reported		100,000	100,000	181,037	3,797	(5,630)	379,204
- Prior year adjustment		-	-	-	3,776	139	3,915
- As re-stated		100,000	100,000	181,037	7,573	(5,491)	383,119
Total comprehensive income for the year		-	-	131,358	-	-	131,358
Dividends	26	-	-	(100,000)	-	-	(100,000)
Balance at December 31, 2014		100,000	100,000	212,395	7,573	(5,491)	414,477

The notes on pages 8 to 48 form an integral part of these financial statements.

Auditors' report on pages 3 and 3(a).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2015

	Notes	2015	2014
		SR'000	SR'000
Cash generated from operations			
Profit before tax		**291,304**	191,772
Adjustments for:			
Reversal of provision for credit impairment	6(b)	**(9,329)**	18,466
Charge for provision for credit impairment	6(b)	**1,234**	3,276
Interest accrued on loans and advances	6	**(13,334)**	(15,085)
Interest accrued on investments in financial assets	7(b)	**(73)**	(1,379)
Interest released on investment in financial assets	7(b)	**530**	936
Share of results of associate	8	**3,613**	(469)
Depreciation of property and equipment	9	**2,725**	3,044
Loss on asset written off	9	**107**	46
Amortisation of intangible assets	10	**3,253**	3,945
Amortisation of upfront lease payments	11(a)	**53**	53
Movement in retirement benefit obligations	14(a)	**2,013**	1,510
Effect of foreign exchange differences		**(51,420)**	26,065
		230,676	232,180
Changes in working capital:			
- Loans and advances		**(208,614)**	(308,460)
- Other assets		**1,765**	(7,062)
- Bank balances		**261,912**	342,210
- Customer deposits		**15,246**	274,268
- Due from other bank		**-**	-
- Other liabilities		**1,599**	5,136
		302,584	538,273
Movement in employer's contribution and direct benefits paid	14(a)(ii)	**1,875**	(2,134)
Tax paid	16(i)	**(50,500)**	(67,772)
Net cash generated from operating activities		**253,959**	468,367
Cash flows from investing activities			
Additions to investment in financial assets	7(b)	**(5,734,194)**	(5,937,124)
Maturity of investment in financial assets	7(b)	**5,242,316**	6,083,410
Addition of investment in associate	8	**-**	-
Purchase of property and equipment	9	**(50,694)**	(2,319)
Purchase of intangible assets	10	**(705)**	(2,723)
Net cash generated/(used in) from investing activities		**(543,277)**	141,244
Cash flows from financing activity			
Dividends paid and net cash used in financing activity	25	**(110,000)**	(100,000)
Net increase/(decrease) in cash and cash equivalents		**(399,318)**	509,611
Movement in cash and cash equivalents			
At January 1,		**2,347,597**	1,864,051
Increase/(Decrease)		**(399,318)**	509,611
Effect of foreign exchange differences		**51,420**	(26,065)
At December 31,	5(a)	**1,999,699**	2,347,597

The notes on pages 8 to 48 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

1. GENERAL INFORMATION

Seychelles International Mercantile Banking Corporation Limited is a limited liability company incorporated and domiciled in Seychelles. The registered address of the Bank is at Victoria House, Mahé, Seychelles.

The main activity of the Bank is as stated on page 2.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of **Seychelles International Mercantile Banking Corporation Limited** have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Company's Act 1972, the Financial Institutions Act, 2004 and Regulations and Directives of the Central Bank of Seychelles. The financial statements of the Bank are prepared under the historical cost convention except that:

a) Held-to-maturity financial assets and relevant financial assets and financial liabilities are stated at their amortised costs as applicable; and
b) Relevant financial assets and financial liabilities are stated at their fair value.

Amendments to published Standards and Interpretations effective in the reporting period

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary.

Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. *The amendment has no impact on the Bank's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Annual Improvements 2010-2012 Cycle

IFRS 2, 'Share based payments' amendment is amended to clarify the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. *The amendment has no impact on the Bank's financial statements.*

IFRS 3, 'Business combinations' is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. *The amendment has no impact on the Bank's financial statements.*

IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. *The amendment has no impact on the Bank's financial statements.*

IFRS 13 (Amendment), 'Fair Value Measurement' 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. *The amendment has no impact on the Bank's financial statements.*

IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. *The amendment has no impact on the Bank's financial statements.*

IAS 24,'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. *The amendment has no impact on the Bank's financial statements.*

IAS 38, ' Intangible Assets' is amended to require an entity to take into account accumulated impairment losses when adjusting the amortisation on revaluation. *The amendment has no impact on the Bank's financial statements*

Annual Improvements 2011-2013 Cycle

IFRS 1, 'First-time Adoption of International Financial Reporting Standards' is amended to clarify 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. *The amendment has no impact on the Bank's financial statements, since the Bank is an existing IFRS preparer.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Annual Improvements 2011-2013 Cycle (Cont'd)

IFRS 3,'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11. *The amendment has no impact on the Bank's financial statements.*

IFRS 13,'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. *The amendment has no impact on the Bank's financial statements.*

IAS 40,'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. *The amendment has no impact on the Bank's financial statements.*

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2016 or later periods, but which the Bank has not early adopted

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from Contract with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Annual Improvements to IFRSs 2012-2014 Cycle
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Disclosure Initiative (Amendments to IAS 1)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)

Where relevant, the Bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(b) Investment in associate

An associate is an entity over which the Bank has significant influence but not control, or joint control, generally accompanying a shareholding between 20% to 50% voting rights.

Investments in associates are accounted for by the equity method except when classified as held-for-sale. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Bank's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Bank's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Bank's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Bank's share of the associate's profit or loss.

When the Bank's share of losses exceeds its interest in an associate, it discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

Unrealised profits and losses are eliminated to the extent of the Bank's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, appropriate adjustments are made to the financial statements of the associate to bring the accounting policies used in line with those adopted by the Bank. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution of gains and losses arising in investment in associates are recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial assets

(i) *Categories of financial assets*

The Bank classifies its financial assets in the following categories: loans and advances, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition and this classification depends on the purpose of the investment.

Loans and provisions for credit impairment

Loans originated from the Bank by providing money directly to the borrower are categorised as loans and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. A provision for credit impairment is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cashflows, including amounts recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loans.

The loan provision also covers losses where there is objective evidence that probable losses are present in the components of the loan portfolio at the end of the reporting period. When a loan is uncollectible, it is written off against the related provision for impairment, subsequent recoveries are credited to the provision for loss in the statement of profit or loss.

The Bank also follows the regulations on Credit Classification and Provisioning Regulations 2010, as amended in 2011 issued by the Central Bank of Seychelles.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial assets (Cont'd)

Available-for-sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months to the end of the reporting period.

(ii) Recognition and measurement

Purchases and sales of available-for-sale financial assets are recognised on trade-date (or settlement date), the date on which the Bank commits to purchase or sell the asset. They are initially measured at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at their fair values.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(iii) Derecognition

The Bank derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) **Financial assets (Cont'd)**

(iv) *Impairment of financial assets*

(a) *Financial assets classified as available-for-sale*

The Bank assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less impairment loss on the financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

If the fair value of a previously impaired debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in profit or loss.

(b) *Financial assets carried at amortised cost*

For loans and advances category, the amount of the impairment 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement on the borrower's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extend that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, balances with the Central Bank of Seychelles and amounts due from other banks. A further breakdown of cash and cash equivalents is given in note 5 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Deposits

Deposits are initially recognised on the day they are originated. Other financial liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legal enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and liability simultaneously.

(f) Property and equipment

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

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

Properties in the course of construction for production, or administrative purposed or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

	Years
Leasehold improvements	5
Furniture and fittings	5
Motor vehicles	4
Premises' fixed equipment	5

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

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

Gains and losses on disposals of equipment are determined by comparing the proceeds with their carrying amount and are included in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. They are amortised over a useful life of five years.

(h) Retirement benefit obligations

(i) *Length of service compensation*

The Bank provides for a payment of length-of-service compensation to permanent employees. Such compensations are paid upon retirement, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan.

(ii) *Defined benefit plans*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are accumulated in a separate reserve and will not be reclassified to the statement of profit or loss in the subsequent periods.

The Bank determines the net interest/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in the statement of profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Taxation

Current tax

Tax in the statement of profit or loss relates to current year's tax which is the expected amount of tax payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

Deferred tax

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

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

(j) Acceptances

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

(k) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using Seychelles Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Bank are presented in Seychelles Rupees, which is it's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Operating leases

Lease rentals paid under operating leases are included in the statement of profit or loss. Deposits paid on such leases are included in "Other Assets" under the statement of financial position and are amortised over the period of the lease.

(m) Interest income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price except in the respect of loans on fixed interest rates where the interest income is recognised on receipt basis.

Interest income includes coupons earned on fixed income investment and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans are classified doubtful of collection, such as when overdue by more than six months, or, when the borrower or securities issuer defaults, if earlier than six months. Such income is excluded from interest income until received.

(n) Fees and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised upon completion of the underlying transaction.

(o) Provisions

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

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's financial performance.

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

It is the Bank's policy to take deposits from customers at variable rates mostly by investing these funds in a wide range of assets.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but also to guarantees and other financial commitments.

(i) Capital adequacy

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Regulations (Capital Adequacy) 2010. The Bank's ratio was **24.63%** as at December 31, 2015 (2014: 14.61%) which was above the minimum requirement of 12%.

(ii) Credit risk

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

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

Maximum exposure to credit risk without taking account of any collateral and other enhancements.

The table below shows the maximum exposure to credit risk for components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

	Gross maximum expense	
	2015	2014
	SR'000	SR'000
Cash and cash equivalents	**2,047,895**	2,657,705
Loans and advances to Banks	**73,067**	32,434
Loans and advances to customers	**1,831,843**	1,642,433
Investment in financial assets	**1,206,716**	715,295
Other assets	**21,257**	23,075
	5,180,778	5,070,942
Contingent liabilities	**508,692**	680,714
Total credit risk exposure	**5,689,470**	5,751,656

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of maximum exposure to credit risk

Concentration of risk is managed by client/counterparty and by industry sector. The maximum credit exposure to any client or counterparty as at December 31, 2015 was **SR 434.8m** (2014: SR 1,335.8m) in respect of placements with a bank.

The following table shows the Bank's credit exposure in respect of its loans to external customers:

	Gross maximum exposure	
	2015	2014
Industry	**SR'000**	SR'000
Agriculture	**1,841**	2,888
Construction, infrastructure and real estate	**789,212**	263,522
Financial and business services	**173,418**	659,738
Government	**243,839**	286,907
Manufacturing	**827**	873
Tourism	**264,790**	280,275
Personal	**289,489**	116,945
Traders	**141,494**	63,719
	1,904,910	1,674,867

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Bank also requests for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and related companies.

Credit quality per class of financial assets

The table below shows the percentage of the Bank's financial assets relating to loans and advances that are passed due and have therefore been impaired using the rating categories as taken from the Central Bank Directive:

	2015		2014	
	Loans and advances	**Impairment provision**	Loans and advances	Impairment provision
	%	**%**	%	%
Pass	**87.33**	**10.37**	88.58	8.94
Special mention	**0.32**	**-**	0.22	-
Substandard	**2.54**	**-**	3.40	0.03
Doubtful	**0.27**	**-**	0.10	-
Loss	**9.54**	**89.63**	7.70	91.03
	100	**100**	100	100

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue and if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of contract. The Bank addresses impairment assessment in two areas:

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. the impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. As a result thereof, the Bank has made specific provision amounting to **SR 120.6m** (2014: SR 129.9m) as at December 31, 2015 (note 6(b)).

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information; historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by the credit management to ensure alignment with the Bank's overall policy.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

Maturities period of assets and liabilities are follows:

At December 31, 2015	Up to 3 months SR'000	3-12 months SR'000	1-5 years SR'000	Over 5 years SR'000	Non-maturity items SR'000	Total SR'000
Assets						
Cash and cash equivalents	2,013,725	34,170	-	-	-	2,047,895
Loans and advances	207,518	13,444	1,071,517	733,010	13,928	2,039,417
Investment in financial assets	686,440	486,023	7,797	-	26,456	1,206,716
Investment in associate	-	-	-	-	21,553	21,553
Property and equipment	-	-	-	-	91,709	91,709
Intangible assets	-	-	-	-	7,134	7,134
Other assets	-	-	-	-	21,257	21,257
Deferred tax assets	-	-	-	-	39,850	39,850
	2,907,683	533,637	1,079,314	733,010	221,887	5,475,531
Less allowances for credit impairment						(134,507)
						5,341,024
Liabilities						
Customers deposit	4,207,227	539,560	2,703	-	-	4,749,490
Retirement benefit obligations	-	-	-	-	35,593	35,593
Other liabilities	-	-	-	-	10,571	10,571
Current tax liabilities	-	-	-	-	55,974	55,974
	4,207,227	539,560	2,703	-	102,138	4,851,628
Maturity gap	(1,299,544)	(5,923)	1,076,611	733,010	119,749	623,903
Less allowances for credit impairment						(134,507)
						489,396

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

Maturities period of assets and liabilities are follows:

At December 31, 2014	Up to 3 months SR'000	3-12 months SR'000	1-5 years SR'000	Over 5 years SR'000	Non-maturity items SR'000	Total SR'000
Assets						
Cash and cash equivalents	2,362,690	295,015	-	-	-	2,657,705
Loans and advances	195,820	34,864	362,295	1,224,490	-	1,817,469
Investment in financial assets	362,377	224,069	128,349	-	500	715,295
Investment in associate	-	-	-	-	26,336	26,336
Property and equipment	-	-	-	-	43,847	43,847
Intangible assets	-	-	-	-	9,682	9,682
Other assets	-	-	-	-	23,075	23,075
Deferred tax assets	-	-	-	-	43,860	43,860
	2,920,887	553,948	490,644	1,224,490	147,300	5,337,269
Less allowances for credit impairment						(142,602)
						5,194,667
Liabilities						
Customers deposit	4,271,702	389,713	72,829	-	-	4,734,244
Retirement benefit obligations	-	-	-	-	4,904	4,904
Other liabilities	-	-	-	-	33,994	33,994
Current tax liabilities	-	-	-	-	7,048	7,048
	4,271,702	389,713	72,829	-	45,946	4,780,190
Maturity gap	(1,350,815)	164,235	417,815	1,224,490	101,354	557,079
Less allowances for credit impairment						(142,602)
						414,477

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. The latter is exposed with respect to foreign currency arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

The Bank managed its foreign currency exposure during the year under review to remain within limits set by the Central Bank of Seychelles which requires that long and short position to capital is not more than 30% respectively as per the requirements of the Financial Institutions (Foreign Currency Exposure) Regulations, 2009.

Concentration of assets and liabilities by currency

At December 31, 2015

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	**346,810**	**209,424**	**1,440,589**	**51,072**	**2,047,895**
Loans and advances	**1,049,301**	**438,875**	**551,241**	**-**	**2,039,417**
Investment in financial assets	**1,180,760**	**-**	**25,956.00**	**-**	**1,206,716**
Investment in associate	**-**	**-**	**21,553**	**-**	**21,553**
Property and equipment	**91,709**	**-**	**-**	**-**	**91,709**
Intangible assets	**7,134**	**-**	**-**	**-**	**7,134**
Other assets	**16,961**	**3,442**	**854**	**-**	**21,257**
Deferred tax assets	**39,850**	**-**	**-**	**-**	**39,850**
	2,732,525	**651,741**	**2,040,193**	**51,072**	**5,475,531**
Less allowances for credit impairment					**(134,507)**
					5,341,024
Liabilities					
Customers deposit	**2,220,799**	**647,737**	**1,834,180**	**46,774**	**4,749,490**
Retirement benefit obligations	**23,318**	**1,474**	**9,878**	**1,644**	**36,314**
Other liabilities	**9,850**	**-**	**-**	**-**	**9,850**
Current tax liabilities	**55,974**	**-**	**-**	**-**	**55,974**
	2,309,941	**649,211**	**1,844,058**	**48,418**	**4,851,628**
Net on-balance sheet position	**422,584**	**2,530**	**196,135**	**2,654**	**623,903**
Less allowances for credit impairment					**(134,507)**
					489,396
Off balance sheet position	**353,237**	**46,583**	**108,873**	**-**	**508,692**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Currency risk (Cont'd)

At December 31, 2014

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	285,107	642,668	1,650,333	79,597	2,657,705
Loans and advances	1,171,800	143,921	501,748	-	1,817,469
Investment in financial assets	715,295	-	-	-	715,295
Investment in associate	-	-	26,336	-	26,336
Property and equipment	43,847	-	-	-	43,847
Intangible assets	9,682	-	-	-	9,682
Other assets	19,820	2,901	354	-	23,075
Deferred tax assets	43,860	-	-	-	43,860
	2,289,411	789,490	2,178,771	79,597	5,337,269
Less allowances for credit impairment					(142,602)
					5,194,667
Liabilities					
Customers deposit	1,917,436	774,360	1,967,050	75,398	4,734,244
Retirement benefit obligations	4,904	-	-	-	4,904
Other liabilities	18,980	1,764	11,317	1,933	33,994
Current tax liabilities	7,048	-	-	-	7,048
	1,948,368	776,124	1,978,367	77,331	4,780,190
Net on balance sheet position	341,043	13,366	200,404	2,266	557,079
Less allowances for credit impairment					(142,602)
					414,477
Off balance sheet positions	415,313	211,161	54,240	-	680,714

Sensitivity analysis

At December 31, 2015 if the Seychelles Rupee had weakened/strengthened by 5% against foreign currencies (mainly US dollar and Euro) with all other variables held constant, profit for the year would have been SR'000 4,391 (2014: SR'000 4,314) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities balances.

	2015	2014
	SR'000	SR'000
Impact on results	**± 4,391**	± 4,314

(iv) Liquidity risk

The Bank is exposed to daily calls on its available cash resources from deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls. The Bank maintains cash resources to meet all of these needs based on experience.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Liquidity risk (Cont'd)

The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing that should be in place to cover withdrawals at unexpected levels of demand.

On the other hand, the Bank also complies with The Central Bank of Seychelles' requirement for all commercial banks to maintain 20% of total liabilities in liquid assets under the Financial Institutions (Liquidity Risk Management) Regulations, 2009 as ammended in 2012.

(v) 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. It is the Bank's policy to apply variable interest rates to lending and deposit taking.

Interest sensitivity of assets and liabilities - repricing analysis

At December 31, 2015

	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	1,111,633	-	-	936,262	2,047,895
Loans and advances	220,961	606,258	1,212,198	-	2,039,417
Investment in financial assets	1,172,463	7,797	-	26,456	1,206,716
Investment in associate	-	-	-	21,553	21,553
Property and equipment	-	-	-	91,709	91,709
Intangible assets	-	-	-	7,134	7,134
Other assets	-	-	-	21,257	21,257
Deferred tax assets	-	-	-	39,850	39,850
	2,505,057	614,055	1,212,198	1,144,221	5,475,531
Less allowances for credit impairment					(134,507)
					5,341,024
Liabilities					
Customers deposit	1,443,176	2,703	-	3,303,611	4,749,490
Retirement benefit obligation	-	-	-	35,593	35,593
Other liabilities	-	-	-	10,571	10,571
Current tax liabilities	-	-	-	55,974	55,974
	1,443,176	2,703	-	3,405,749	4,851,628
Interest sensitivity gap	1,061,881	611,352	1,212,198	(2,151,116)	623,903
Less allowances for credit impairment					(134,507)
					489,396

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vi) **Interest risk (Cont'd)**

At December 31, 2014

	< 1 year	1 - 3 years	> 3 years	Non-interest bearing	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	1,971,519	-	-	686,186	2,657,705
Loans and advances	230,684	362,295	1,224,490	-	1,817,469
Investment in financial assets	586,446	128,349	-	500	715,295
Investment in associate	-	-	-	26,336	26,336
Property and equipment	-	-	-	9,682	9,682
Intangible assets	-	-	-	43,847	43,847
Other assets	-	-	-	23,075	23,075
Deferred tax assets	-	-		43,860	43,860
	2,788,649	490,644	1,224,490	833,486	5,337,269
Less allowances for credit impairment					(142,602)
					5,194,667
Liabilities					
Customers deposit	3,784,314	72,829	-	877,101	4,734,244
Retirement benefit obligations	-	-	-	4,904	4,904
Other liabilities	-	-	-	33,994	33,994
Current tax liabilities	-	-	-	7,048	7,048
	3,784,314	72,829	-	923,047	4,780,190
Interest sensitivity gap	(995,665)	417,815	1,224,490	(89,561)	557,079
Less allowances for credit impairment					-142,602
					414,477

Sensitivity analysis

If interest rates had been 5 points higher/lower and all other variables were held constant as at year-end, the Bank’s results would have been increased/decreased as follows:

	2015	2014
	SR'000	SR'000
Impact on results	**± 10,749**	± 6,282

(vii) **Price Risk**

The Bank is exposed to price risk because of the investments held and classified as available-for-sale financial assets. If the fair value had increased/decreased by 5%, the impact in the Bank's equity would have been as follows:

	2015	2014
	SR'000	SR'000
Impact on statement of other comprehensive income	**± 1,323**	± 25

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(viii) **Fair values**

In respect of the on-balance sheet financial assets and liabilities of the Bank consisting of fixed assets, investments and current taxation except for loans and advances, the estimated fair values as at the date of the reporting period approximate their carrying amounts as shown in the statement of financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The 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 statement of profit or 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 best estimates available. However, the actual amount of impairment may differ from amount provided resulting in higher or lower charges to the statement of profit or loss income.

The Bank follows the guidelines of the Central Bank of Seychelles for provision for credit impairment. The Directors have estimated that these provisions do not materially differ from those required as per International Financial Reporting Standards (IFRS).

(b) *Held-to-maturity investments*

The Bank follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

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

(c) Available-for-sale financial assets

The Bank follows the guidance of IAS 39 on determining when an investment is other than temporarily impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates amongst other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

(d) *Impairment of other assets*

At each financial reporting year end, the Bank's management reviews and assesses the carrying amounts of other assets and where relevant, write them down to their recoverable amounts based on best estimates.

(e) *Property and equipment*

Useful lives and residual values
Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Bank and the relevant industry in which it operates in order to best determine the useful lives and residual values of property and equipment.

(f) *Pension benefits*

The present value of the pension obligations depends 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 (Income) for pension include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The value of the pension obligations is based on the report submitted by an independent actuarial firm om an annual basis.

(g) *Functional Currency*

The choice of the functional currency of the Company has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The functional currency has been assumed by the Directors to be the Seychelles Rupee.

(h) Limitation of sensitivity analysis

The sensitivity analysis demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2015	2014
	SR'000	SR'000
Cash in hand	71,463	54,473
Balances with Central Bank of Seychelles (CBS)	626,296	494,853
Balances with banks abroad (note 5(b))	1,156,131	1,658,542
Balances with local banks	194,005	449,837
	2,047,895	2,657,705

(a) For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following as at the end of the reporting period:

	2015	2014
	SR'000	SR'000
Cash in hand	71,463	54,473
Short-term deposit	1,301,940	1,800,419
Current account with Central Bank of Seychelles (CBS)	626,296	492,705
	1,999,699	2,347,597

(b) Maturity of deposits are as follows:

	2015	2014
	SR'000	SR'000
Less than 3 months	1,121,961	1,372,725
3- 12 months	34,170	285,817
	1,156,131	1,658,542

6. LOANS AND ADVANCES

	2015	2014
	SR'000	SR'000
Gross loans and advances (see note (a) below)	1,997,671	1,789,057
Interest accrued	41,746	28,412
	2,039,417	1,817,469
Less : Provision for credit impairment (see note (b) below)	(134,507)	(142,602)
	1,904,910	1,674,867

(a) The maturity terms and currency profile of loans and advances are detailed under notes 3(ii) & (iii).

(b) Movement in provision for credit impairment is given below:

	2015	2014
	SR'000	SR'000
At January 1,	142,602	120,860
Amount reversed	(9,329)	18,466
Charged to statement of profit or loss (page 5)	1,234	3,276
At December 31,	134,507	142,602

6. LOANS AND ADVANCES (CONT'D)

(c) Loans and advances to customers past due but not impaired

Loans and advances to customers less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Business		Personal	
	2015	2014	**2015**	2014
	SR'000	SR'000	**SR'000**	SR'000
Ageing of past due but not impaired				
- Less than 30 days	**-**	-	**4,083**	-
- Between 31 & 90 days	**-**	52,742	**2,418**	4,010
- Greater than 90 days	**-**	-	**-**	-
	-	52,742	**6,501**	4,010

(d) Credit concentration of risk by industry sectors

	2015	2014
	SR'000	SR'000
Civil engineering	**460,252**	263,522
Commerce	**89,543**	63,719
Tourism	**264,790**	280,275
Agriculture	**1,841**	2,888
Fishing	**30,433**	29,989
Manufacturing	**827**	873
Transport	**43,543**	14,143
Government	**243,839**	286,907
Others	**769,842**	732,551
	1,904,910	1,674,867

7. INVESTMENT IN FINANCIAL ASSETS

	2015	2014
	SR'000	SR'000
Available-for-sale financial asset		
- Unquoted investment (see note (a) below)	**500**	500
- Investment in share- Afrexim	**25,956**	-
	26,456	500
Held-to-maturity financial assets		
- Treasury bills	**872,638**	430,916
- Treasury bonds	**100,460**	100,460
- DBS bond	**20,092**	20,092
- Government bonds	**7,797**	7,797
- Deposit auction arrangements (DAA)	**179,273**	155,530
	1,180,260	714,795
Total	**1,206,716**	715,295

7. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

(a) Available-for-sale financial asset

(i) The Available-for-sale financial asset has been kept at cost since its fair value cannot be reliably estimated. There is no market for this investment and the Bank intends to hold it for the long-term.

(ii) The available-for-sale financial asset held by the Bank are classified level 3 of the fair value hierarchy.

(iii) Fair value estimation

The Bank uses the following hierarchy in determining and disclosing the fair value of its available-for-sale financial assets by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(iv) The fair value of held-to-maturity financial assets approximate their amortised cost.

(b) The movements on the financial assets during the year were as follows:

	2015					2014
	sale	**Treasury bills**	**Bonds**	**DAA**	Total	Total
	SR'000	**SR'000**	**SR'000**	**SR'000**	SR'000	SR'000
At January 1,	**500**	**430,916**	**128,349**	**155,530**	**715,295**	861,138
Additions during the year	**25,956**	**1,620,868**	**-**	**4,087,370**	**5,734,194**	5,937,124
Matured during the year	**-**	**(1,179,145)**	**-**	**(4,063,171)**	**(5,242,316)**	(6,083,410)
Interest released	**-**		**(849)**	**(530)**	**(1,379)**	(936)
Interest accrued	**-**		**849**	**73**	**922**	1,379
At December 31,	**26,456**	**872,639**	**128,349**	**179,272**	**1,206,716**	715,295

7. **INVESTMENT IN FINANCIAL ASSETS (CONT'D)**

(i) Maturity terms and currency profile of held-to maturity financial assets are detailed under notes 3(ii) & (iii).

8. **INVESTMENT IN ASSOCIATE**

	2015	2014
	SR'000	SR'000
At January 1,	**26,336**	22,091
Share of results (note16(iii))	**(3,613)**	469
Foreign currency translation	**(1,170)**	3,776
At December 31,	**21,553**	26,336

(a) The Bank owns 50% stake in BMI Offshore Bank Limited based on a contractual arrangement between it and the other investor. The associate is a bank operating in Seychelles.

(b) The associate has a December 31st year-end and is unquoted.

(c) The associate has been accounted using the equity method.

(d) The summarised financial information of the associate is given below:

	2015	2014
	SR'000	SR'000
Assets	**655,549**	1,147
Liabilities	**612,443**	(1,094)
Revenue	**11,209**	23,472
Total comprehensive income for the year	**(7,224)**	937

(e) With effect from November 11, 2014 and to date, the day to day management of BMI bank (the "Bank") was taken over by the Central Bank of Seychelles pursuant to paragraph 3(1) of Schedule 3 of the Financial Institutions Act 2004. The main reason of the take-over was the bank's loss and inability to re-establish its correspondent banking relationship which is critical for its banking activities.

The Directors are of the opinion that the investment should not be impaired since the associate bank is undergoing restructuration and the Bank should continue to account the investment in BMI Offshore bank Limited using the equity method.

9. PROPERTY AND EQUIPMENT

	Improvement to leasehold land	Furniture, fittings & equipment	Motor Vehicles	Capital work-in-progress	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
COST					
At January 1, 2014	5,167	16,375	2,294	36,526	60,362
Additions	-	1,434	885	-	2,319
Disposals	-	(1,395)	(449)	-	(1,844)
At January 1, 2015	**5,167**	**16,414**	**2,730**	**36,526**	**60,837**
Additions	**-**	**1,860**	**9**	**48,825**	**50,694**
Write offs	**-**	**(1,117)**	**-**	**-**	**(1,117)**
At December 31, 2015	**5,167**	**17,157**	**2,739**	**85,351**	**110,414**
ACCUMULATED DEPRECIATION					
At January 1, 2014	4,351	9,733	1,660	-	15,744
Charge for the year	193	2,314	537	-	3,044
Disposal adjustments	-	(1,350)	(448)	-	(1,798)
At January 1, 2015	**4,544**	**10,697**	**1,749**	**-**	**16,990**
Charge for the year	**188**	**2,154**	**383**	**-**	**2,725**
Write off adjustments		**(1,010)**	**-**	**-**	**(1,010)**
At December 31, 2015	**4,732**	**11,841**	**2,132**	**-**	**18,705**
NET BOOK VALUE					
At December 31, 2015	**435**	**5,316**	**607**	**85,351**	**91,709**
At December 31, 2014	623	5,717	981	36,526	43,847

10. INTANGIBLE ASSETS

	Computer software	
	2015	2014
	SR'000	**SR'000**
COST		
At January 1,	**26,018**	24,986
Additions	**705**	2,723
Disposal	**-**	(1,691)
At December 31,	**26,723**	26,018
AMORTISATION		
At January 1	**16,336**	14,082
Charge for the year	**3,253**	3,945
Disposal adjustments	**-**	(1,691)
At December 31,	**19,589**	16,336
NET BOOK VALUE		
At December 31,	**7,134**	9,682

11. OTHER ASSETS

	2015	2014
	SR'000	SR'000
Upfront lease payments (see note (a) below)	4,773	4,826
Prepayments	3,177	3,200
Refundable deposits	142	149
Stock of stationeries	1,246	1,804
Other receivables (see note (b) below)	11,919	13,096
	21,257	23,075

(a) Upfront lease payments

	2015	2014
	SR'000	SR'000
COST		
At January 1, & December 31,	5,250	5,250
AMORTISATION		
At January 1,	424	371
Charge for the year (page 5)	53	53
At December 31,	477	424
NET BOOK VALUE		
At December 31,	4,773	4,826

(b) The carrying amount of 'other receivables ' approximate its fair value and the Directors are of the opinion that no impairment is required at December 31,2015 (2014: Nil)

(c) Maturity terms and currency profile of other assets are detailed under notes 3(ii) & (iii).

12. DEFERRED TAX ASSETS

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

The following net amounts are shown in the statement of financial position:

	2015	2014
	SR'000	SR'000
Deferred tax liability	(4,537)	(3,199)
Deferred tax asset	44,387	47,059
Net deferred tax asset	39,850	43,860

12. DEFERRED TAX ASSETS (CONT'D)

(b) The movement on the deferred tax account is as follows :

	2015	2014
	SR'000	SR'000
At January 1,	**43,860**	38,650
(Charge)/credit to statement of profit or loss (note 16(ii))	**(4,010)**	5,210
At December 31,	**39,850**	43,860

(c) The movement in the deferred tax assets and liabilities during the year is as follows:

(i) **Deferred tax liabilities**

	Accelerated tax depreciation	Retirement benefit obligations	Total
	SR'000	SR'000	SR'000
At January 1, 2014	(2,195)	(1,870)	(4,065)
Credit for the year	614	252	866
At December 31, 2014	(1,581)	(1,618)	(3,199)
Charge/(Credit) for the year	532	(1,870)	(1,338)
At December 31, 2015	**(1,049)**	**(3,488)**	**(4,537)**

(ii) **Deferred tax assets**

	Provision for credit losses
	SR'000
At January 1, 2014	42,715
Charge for the year	4,344
At December 31, 2014	47,059
Charge for the year	-2,672
At December 31, 2015	**44,387**

13. CUSTOMER DEPOSITS

	2015	2014
	SR'000	SR'000
Current accounts	**3,823,363**	3,179,102
Term deposits	**926,127**	1,555,142
	4,749,490	4,734,244

(a) All time deposits mature within one year.

(b) Maturity terms and currency profile of customer deposits are detailed under notes 3(ii) & (iii).

(c) The range of interest on customer deposits varied on different currencies from **0.4%** to **11%** (2014: 0.5% to 9%).

14. **RETIREMENT BENEFIT OBLIGATIONS**

Amounts recognised in the statement of financial position as at December 31,

	2015	2014
	SR'000	SR'000
Defined pension benefits (notes (c)(ii) & (iii))	**721**	(4,123)
Other post retirement benefits (note (b))	**9,850**	9,027
	10,571	4,904

(a) **Amounts charged to statement profit or loss:**

	2015	2014
	SR'000	SR'000
Defined pension benefits (notes (c)(ii) & (iii))	**1,190**	1,113
Other post retirement benefits (note (b))	**823**	397
	2,013	1,510

(b) **Amount charged to statement of other comprehensive income:**

	2015	2014
	SR'000	SR'000
Movement in retirement benefit obligations (note (c)(vi))	**(1,779)**	139

(c) **Defined pension benefits**

(i) The Bank contributes towards a defined pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years of retirement.

The assets of the plan are administered by SIMBC Fiduciary Pension Fund.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at December 31, 2015 by Aon Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

(ii) Reconciliation of net defined benefit (asset)/liability

	2015	2014
	SR'000	SR'000
At January 1,	**(4,123)**	(2,963)
Charge to statement of profit or loss	**1,190**	1,113
Charge to statement of other comprehensive income (notes (vi) & 19)	**1,779**	(139)
Less: Employer contributions	**1,875**	(2,134)
At December 31,	**721**	(4,123)

14. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(iii) The amounts recognised in the statement of financial position are as follows:

	2015	2014
	SR'000	SR'000
Defined benefit obligation (see note (iv) below)	33,724	29,227
Fair value of plan assets (see note (v) below)	(33,003)	(33,350)
Asset in the statement of financial position	721	(4,123)

(iv) The movement in the defined benefit obligations over the year is as follows:

	2015	2014
	SR'000	SR'000
At January 1,	29,227	27,702
Current service cost	1,430	1,414
Interest cost	2,167	2,067
Actuarial loss	2,486	(1,663)
Benefits paid	(693)	(293)
Gain due to change in financial assumption	(893)	-
At December 31,	33,724	29,227

(v) The movement in fair the fair value of plan assets of the year is as follows:

	2015	2014
	SR'000	SR'000
At January 1,	33,350	30,665
Expected return on plan assets	2,407	2,368
Employer contributions	(1,875)	2,134
Benefits paid	(693)	(293)
Actuarial loss	(186)	(1,524)
At December 31,	33,003	33,350

The major categories of plan assets as a percentage of their fair value of total plan assets are as follows:

	2015	2014
	%	%
Equities	2	2
Bonds	3	3
Deposits	95	95
	100	100

14. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vi) The amounts recognised in other comprehensive income are as follows:

	2015	2014
	SR'000	SR'000
Return on plan assets below interest income	186	1,524
Liability experience (gain)/loss	2,486	(1,663)
Liability gain due to change in financial assumptions	(893)	-
	1,779	(139)

(vii) The overall expected rate of return on planned assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligations is to be settled.

(viii) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	2015	2014
	%	%
Discount rate	7.5	7.5
Future salary growth rate	3.5	4.0

(ix) Sensitivity analysis on defined benefit obligations to a 1% change in each of the weighted principal assumptions in isolation is as follows:

	2015	2014
Increase in discount rate	3,529	3,319
Decrease in discount rate	4,381	4,142

The above sensitivities have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the Projected Unit Credit Method.

(ix) The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(x) The defined benefit pension plan exposes the Bank to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

(xi) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xii) The Bank expects to pay **SR 2.4 million** in contributions to its post-employment benefit plans for the year ending December 31, 2016.

(xiii) The weighted average duration of the defined benefit obligation is 12 years at the end of the reporting period.

14. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(d) Other post retirement benefits

Other post retirement benefits comprise mainly of length-of-service compensation payable under the Seychelles Employment Act, as amended.

Movement in length-of-service compensation is as follows:

	2015	2014
	SR'000	SR'000
At January 1,	**9,027**	8,630
Total expense charged to statement of profit or loss	**823**	397
At December 31,	**9,850**	9,027

15. OTHER LIABILITIES

	2015	2014
	SR'000	SR'000
Foreign drafts and local cheques payable	**16,650**	16,801
Other payables	**18,410**	16,695
Accruals	**533**	498
	35,593	33,994

(a) Maturity terms and currency profile of other liabilities are detailed under notes 3(ii) & (iii).

16. CURRENT TAX LIABILITIES

(i) Statement of financial position

	2015	2014
	SR'000	SR'000
At January 1,	**7,048**	9,196
Charge for the year (notes (ii) & (iii) below)	**99,426**	65,624
Payments during the year	**(50,500)**	(67,772)
At December 31,	**55,974**	7,048

(ii) Statement of profit or loss

	2015	2014
	SR'000	SR'000
Current tax on adjusted profit for the year at applicable tax rates (see notes (iii) & (iv))	**99,426**	65,624
Deferred taxes (note 12(b))	**4,010**	(5,210)
	103,436	60,414

16. CURRENT TAX LIABILITIES (CONT'D)

(iii) Tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2015	2014
	SR'000	SR'000
Profit before tax	**291,304**	191,772
Less: Share of results of associate (note 8)	**3,613**	(469)
	294,917	191,303
Tax calculated at applicable tax rates (see note (iv))	**97,242**	63,130
Income not subject to tax	**(192)**	(141)
Expenses not deductible for tax purposes	**2,097**	1,835
Excess of depreciation over capital allowance	**497**	(719)
Overprovision from prior year	**(217)**	
Provision for tax contingency	**-**	1,519
	99,426	65,624

(iv) Applicable tax rates

Taxable income threshold	2015 & 2014 Tax rates - %
≤ SR 1,000,000	25%
> SR 1,000,000	33%

17. SHARE CAPITAL

	2015 & 2014
Authorised, issued and fully paid-up	**SR'000**
- 100,000 ordinary shares of SR 1,000 each	**100,000**

18. STATUTORY RESERVE

	2015 & 2014
	SR'000
At December 31,	**100,000**

The statutory reserve is maintained in accordance with section 24(1) of the Financial Institutions Act 2004 which states that every financial institution shall maintain a reserve fund and shall, out of the profits of each year, before any dividend is declared or any profits are transferred to the head office or elsewhere, transfer to that reserve fund a sum equivalent to not less than 20% of those profits until the amount of the reserve fund is equal to the paid-up or assigned capital as the case may be.

19. **OTHER (DEFICIT)/RESERVES**

	Actuarial losses	Foreign currency exchange	Total
	SR'000	SR'000	SR'000
At January 1, 2014	(5,630)	3,797	(1,833)
Other comprehensive income (note 14 (a)(ii))	139	3,776	3,915
At December 31, 2014	(5,491)	7,573	2,082
Other comprehensive income (note 14 (a)(ii))	**(1,779)**	**(1,170)**	**(2,949)**
At December 31, 2015	**(7,270)**	**6,403**	**(867)**

20. **INTEREST INCOME**

	2015	2014
	SR'000	SR'000
Investments in financial assets	**72,626**	19,320
Loans and advances	**163,658**	118,140
Cash and short term funds	**17,360**	17,099
	253,644	154,558

21. **INTEREST EXPENSE**

	2015	2014
	SR'000	SR'000
Customer deposits	**38,610**	**28,871**
Deposits and borrowing from other banks	**47**	**47**
	38,657	**28,918**

22. **FEE INCOME AND COMMISSIONS**

	2015	2014
	SR'000	SR'000
Fees and commissions arising on:		
- Commission	**41,315**	38,609
- Portfolio and other management fees	**4,176**	2,679
- Other fees received	**6,212**	5,939
	51,703	47,227

23. **NET TRADING INCOME**

	2015	2014
	SR'000	SR'000
Net foreign exchange gains	**125,021**	99,590
Recovery of charges	**6,126**	5,856
	131,147	105,446

24. **OTHER OPERATING EXPENSES**

	2015	2014
	SR'000	SR'000
Employee benefit expenses (note 25)	30,229	28,177
Auditor's remuneration	303	305
Administrative expenses	12,700	10,050
Computer costs	2,648	2,588
Rental expenses	7,705	5,357
Maintenance and other related costs	9,147	4,104
	62,732	50,581

25. **EMPLOYEE BENEFIT EXPENSES**

	2015	2014
	SR'000	SR'000
Wages and salaries	22,794	20,624
Directors' emoluments (see note (a) below)	2,729	2,345
Movement in retirement benefit obligations (note 14(a))	2,013	1,510
Other staff costs	2,693	3,698
	30,229	28,177

(a) **Directors' emoluments**

	2015			2014
	Directors' fees	Other emoluments	Total	Total
	SR'000	SR'000	SR'000	SR'000
Ahmed Saeed	-	2,392	2,392	1,938
Anil Dua (Up to September 30,2015)	42	145	187	194
Steve Fanny	62	-	62	69
Lise Bastienne	42	-	42	48
Charles Bastienne (Up to February 2, 2015	4	-	4	48
Stephen Jardine	42	-	42	48
	192	2,537	2,729	2,345

26. DIVIDENDS

The Directors proposed and paid the following:

	2015	2014
	SR'000	SR'000
Dividend for the reporting period ended December 31, 2015		
- Interim dividend of SR 600 per share proposed on August 10, 2015, and paid on August 25, 2015.	**60,000**	-
Dividend for the reporting period ended December 31, 2014		
- Interim dividend of SR 500 per share proposed on August 28, 2014, and paid on October 02, 2014.	**-**	50,000
- Final dividend of SR 500 per share proposed on March 23, 2015 and paid on May 04, 2015	**50,000**	
Dividend for the reporting period ended December 31, 2013		
- Final dividend of SR 500 per share proposed on May 13, 2014 and paid on May 19, 2014	**-**	50,000
	110,000	100,000

27. COMMITMENTS

(a) Capital commitments

Capital commitments approved and contracted for were as follows:

	2015	2014
	SR'000	SR'000
Property and equipment	**101,613**	122,990

(a) Operating lease commitments - where the Bank is the lessee

The Bank leases land under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	SR'000	SR'000
Within 1 year	**1,608**	1,144
After one year but not more than 5 years	**5,531**	5,061
	7,139	6,205

28 CONTIGENT LIABILITIES

	2015	2014
	SR'000	SR'000
(a) Instruments		
Guarantees/Acceptances	151,760	152,358
(b) Commitments		
Loans and other facilities approved and not yet disbursed	356,932	528,356

29. RELATED PARTY TRANSACTIONS

	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	SR'000	SR'000	SR'000	SR'000
December 31, 2015				
- Government of Seychelles	25,462	-	231,930	21
- State owned or controlled enterprises	18,461	9,355	339,163	852,894
- Minority shareholder of the Bank	-	1	-	207
- Directors	63	22	559	668
- Associate	-	1,570	-	210,901
December 31, 2014				
- Government of Seychelles	20,584	-	286,907	2,655
- State owned or controlled enterprises	15,760	7,569	193,057	615,373
- Minority shareholder of the Bank	-	1	-	172
- Directors	115	21	1,138	661
- Associate	-	4,510	-	645,097

(a) Transactions with related parties are made at normal market prices.

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There have been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2015, the Bank had not recorded any impairment of receivables since the fair value of the eligible security fully covers the carrying amount relating to amounts owed by related parties (2014: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

(c) Key management personnel

(i) Salaries and related costs

	2015	2014
	SR'000	SR'000
Salaries and other benefits	2,392	1,938
Pension costs	276	226
	2,668	2,164

29. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) Amounts receivable/(payable)

	2015	2014
	SR'000	SR'000
Loans and advances	373	505
Due from customers	(117)	(207)
	256	298

(iii) Transactions during the year

	2015	2014
	SR'000	SR'000
Net repayment of loans and advances	(132)	126
Net payments from/(to) customers	90	(1,876)

30. EVENTS AFTER THE REPORTING PERIOD

(a) The Directors of the Bank recommended a final dividend of SR 1,000 per share amounting to SR 100m on April 14, 2016 for the reporting period ended December 31, 2015. The approval of this dividend is subject to ratification by the shareholders of the Bank at its next Annual General Meeting.

(b) The Board decided to dispose of its associated company since August 10, 2015 and requested management to actively search for a buyer. The agreement with a potential buyer was however only reached after the end of reporting period and upon completion date which is expected to be April 2016, the significant influence held by the Bank will pass to the Aquirer.

32. FIVE YEAR FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**291,304**	191,772	140,714	147,102	140,776
Tax expense	**(103,436)**	(60,414)	(43,543)	(48,607)	(45,966)
Profit for the year	**187,868**	131,358	97,171	98,495	94,810
Retained earnings brought forward	**212,395**	181,037	183,866	185,371	136,561
	400,263	312,395	281,037	283,866	231,371
Dividends	**(110,000)**	(100,000)	(100,000)	(100,000)	(50,000)
Retained earnings carried forward	**290,263**	212,395	181,037	183,866	181,371
EQUITY					
Share capital	**100,000**	100,000	100,000	100,000	100,000
Statutory reserve	**100,000**	100,000	100,000	100,000	100,000
Retained earnings	**290,263**	212,395	181,037	183,866	181,371
Other (deficit)/reserves	**(867)**	2,082	(1,833)	(5,458)	(5,406)
	489,396	414,477	379,204	378,408	375,965