SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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CORPORATE INFORMATION - DECEMBER 31, 2016

DIRECTORS	:	Steve Fanny Stephen Jardine Andrew Bainbridge (appointed June 02, 2016) Ahmed Saeed Lise Bastienne (resigned January 01, 2017)
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, 2016.

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	280,670
Tax expense	(85,882)
Profit for the year	194,788
Dividends	(225,000)
Release of deferred tax	(3,256)
Retained earnings brought forward	290,263
Retained earnings carried forward	256,795

DIVIDENDS

The Directors proposed and paid the following:

	2016	2015
	SR'000	SR'000
Dividend for the reporting period ended December 31, 2016		
Interim dividend of SR 1000 per share proposed on July 15, 2016 and paid on August 03, 2016	100,000	-
Interim dividend of SR 250 per share proposed on December 30, 2016 and paid on December 30, 2016	25,000	-
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
Final dividend of SR 1000 per share proposed on April 14, 2016 and paid on April 21, 2016	100,000	-
Dividend for the reporting period ended December 31, 2014		
Final dividend of SR 500 per share proposed on March 23, 2015 and paid on May 04, 2015	-	50,000
	225,000	110,000

PROPERTY AND EQUIPMENT

Additions to property and equipment totalled **SR 57.6m** for the year under review (2015: SR 50.7m) and comprised mainly office equipment, vehicles 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
Andrew Bainbridge
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

Andrew Bainbridge
Director

Stephen Jardine
Director

Ahmad Saeed
Director

Dated: 28 APR 2017
Victoria, Seychelles

BDO

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SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

Report on the audit of the Financial Statements

Opinion

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, 2016, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 48 give a true and fair view of the financial position of the Bank as at December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972.

Basis for Opinion

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

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

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

BDO Associates, a partnership registered in Seychelles, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Responsibilities of Directors and Those Charged with Governance for the Financial

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

BDO

SEYCHELLES INTERNATIONAL MERCANTILE BANKING CORPORATION LIMITED

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

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

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

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

Report on Other Legal Regulatory Requirements

Companies Act, 1972

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

We have obtained all information and explanations we have required.

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

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

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Financial Institutions Act, 2004 under section 36 (6).
- The explanations or information called for or given to us by management and employees of the Bank were satisfactory.
- The Bank did not carry out any fiduciary duties during the year under review.

BDO Associates

BDO ASSOCIATES

Chartered Accountants

Dated: 28 APR 2017

Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	Notes	2016	2015
		SR'000	SR'000
ASSETS			
Cash and cash equivalents	5	**2,435,311**	2,047,895
Loans and advances	6	**1,731,588**	1,904,910
Investment in financial assets	7	**1,314,813**	1,206,716
Investment in associate	8	**-**	21,553
Property and equipment	9	**146,323**	91,709
Intangible assets	10	**3,841**	7,134
Other assets	11	**24,821**	21,257
Deferred tax assets	12	**44,688**	39,850
Total assets		**5,701,385**	5,341,024
LIABILITIES AND EQUITY			
LIABILITIES			
Customers deposits	13	**5,125,537**	4,749,490
Retirement benefit obligations	14	**2,422**	10,571
Other liabilities	15	**77,040**	35,593
Current tax liabilities	16(i)	**37,469**	55,974
Total liabilities		**5,242,468**	4,851,628
EQUITY			
Share capital	17	**100,000**	100,000
Statutory reserve	18	**100,000**	100,000
Retained earnings	Page 6	**256,795**	290,263
Other deficit	19	**2,122**	(867)
TOTAL EQUITY		**458,917**	489,396
Total liabilities and equity		**5,701,385**	5,341,024
CONTINGENT LIABILITIES			
Guarantees, bills of collection, letters of credit, and other obligations on account of customers.	29	**109,002**	151,760
Loan commitments	29	**223,181**	356,932

These financial statements have been approved for issue by the Board of Directors on 28 APR 2017

Steve Fanny
Director

Andrew Bainbridge
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(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2016

	Notes	2016	2015
		SR'000	SR'000
Interest income	20	**254,746**	253,644
Interest expense	21	**(37,302)**	(38,657)
Net interest income		**217,444**	214,987
Fees and commission income	22	**53,612**	51,703
Fees and commission expense		**(37,387)**	(33,330)
		16,225	18,373
Net interest, fee and commission income		**233,669**	233,360
Net trading income	23	**112,720**	131,147
Other operating income	24	**10,722**	407
Total operating income		**357,111**	364,914
Other operating expenses	25	**(65,300)**	(62,732)
Amortisation of intangible assets	10	**(3,293)**	(3,253)
Amortisation of upfront lease payments	11(a)	**(53)**	(53)
Depreciation of property and equipment	9	**(3,020)**	(2,725)
Total operating expenses		**(71,666)**	(68,763)
Operating profit before provision		**285,445**	296,151
Provision for credit impairment	6(b)	**(4,775)**	(1,234)
Operating profit after provision		**280,670**	294,917
Share of results of associate	8	**-**	(3,613)
Profit before tax		**280,670**	291,304
Tax expense	16(ii)	**(85,882)**	(103,436)
Profit for the year		**194,788**	187,868
Items that may be reclassified subsequently to statement of profit or loss:			
Currency translation of associate	8 & 19	**-**	(1,170)
Release of currency translation reserve to statement of profit or loss	19	**(6,403)**	-
Items that will not be reclassified subsequently to statement of profit or loss:			
Movement in retirement benefit obligations	14(b)(ii) & 19	**6,136**	(1,779)
		(267)	(2,949)
Total comprehensive income for the year		**194,521**	184,919

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

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2016

	Notes	Share capital	Statutory reserve	Retained earnings	Translation reserve	Actuarial (losses)/gain	Total
		SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at January 1, 2016							
As previously reported		**100,000**	**100,000**	**290,263**	**6,403**	**(7,270)**	**489,396**
Effect of adjustment in respect of deferred tax	19(a)	**-**	**-**	**(3,256)**	**-**	**3,256**	**-**
As re-stated		**100,000**	**100,000**	**287,007**	**6,403**	**(4,014)**	**489,396**
Total comprehensive income/(loss) for the year		**-**	**-**	**194,788**	**(6,403)**	**6,136**	**194,521**
Dividends	27	**-**	**-**	**(225,000)**	**-**	**-**	**(225,000)**
Balance at December 31, 2016		**100,000**	**100,000**	**256,795**	**-**	**2,122**	**458,917**
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	27	-	-	(110,000)	-	-	(110,000)
Balance at December 31, 2015		100,000	100,000	290,263	6,403	(7,270)	489,396

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

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2016

	Notes	2016	2015
		SR'000	SR'000
Cash generated from operations			
Profit before tax		280,670	291,304
Adjustments for:			
Reversal of provision for credit impairment	6(b)	-	(9,329)
Charge for provision for credit impairment	6(b)	4,775	1,234
Interest accrued on loans and advances	6	(17,632)	(13,334)
Interest accrued on investments in financial assets	7(b)	(335)	(73)
Interest released on investment in financial assets	7(b)	922	530
Profit on disposal of investment	8	-	3,613
Profit from disposal of associate	8(g)	(5,536)	-
Depreciation of property and equipment	9	3,021	2,725
Loss on asset written off	9	-	107
Amortisation of intangible assets	10	3,293	3,253
Amortisation of upfront lease payments	11(a)	53	53
Movement in retirement benefit obligations	14(a & d)	1,134	2,013
Effect of foreign exchange differences		7,512	(51,420)
		277,877	230,676
Changes in working capital:			
- Loans and advances		186,179	(208,614)
- Other assets		(3,617)	1,765
- Bank balances		(9,403)	261,912
- Customer deposits		376,047	15,246
- Other liabilities		41,447	1,599
		868,529	302,584
Movement in employer's contribution and direct benefits paid	14(a)(ii)	(3,147)	1,875
Tax paid	16(i)	(109,225)	(50,500)
Net cash generated from operating activities		756,157	253,959
Cash flows from investing activities			
Additions to investment in financial assets	7(b)	(8,391,953)	(5,734,194)
Maturity of investment in financial assets	7(b)	8,283,269	5,242,316
Disposal of investment in associate	8(f)	20,687	-
Purchase of property and equipment	9	(57,635)	(50,694)
Purchase of intangible assets	10	-	(705)
Net cash generated/(used in) from investing activities		(145,632)	(543,277)
Cash flows from financing activity			
Dividends paid and net cash used in financing activity	27	(225,000)	(110,000)
Net increase/(decrease) in cash and cash equivalents		385,525	(399,318)
Movement in cash and cash equivalents			
At January 1,		1,999,699	2,347,597
Increase/(Decrease)		385,525	(399,318)
Effect of foreign exchange differences		(7,512)	51,420
At December 31,	5(a)	2,377,712	1,999,699

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

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, as amended 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

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. *The standard is not expected to have any impact on the Bank's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. *The amendment has no impact on the Bank's financial statements.*

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. *The amendment has no impact on the Bank's financial statements.*

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. *The amendment has no impact on the Bank's financial statements.*

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. *The amendment has no impact on the Bank's financial statements.*

Annual Improvements to IFRSs 2012-2014 cycle

IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. *The amendment has no impact on the Bank's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Annual Improvements to IFRSs 2012-2014 cycle (Cont'd)

IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. *The amendment has no impact on the Bank's financial statements.*

IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. *The amendment has no impact on the Bank's financial statements.*

IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. *The amendment has no impact on the Bank's financial statements.*

IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. *The amendment has no impact on the Bank's financial statements.*

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. *The amendment has no impact on the Bank's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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 January 1, 2017 or later periods, but which the Bank has not early adopted.

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contract with Customers
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amendments to IAS 7 Statement of Cash Flows
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
Annual Improvements to IFRSs 2014-2016 Cycle
IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investment in associate (Cont'd)

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.

(c) Financial assets

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.

(i) 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.

Loans and receivable are subsequently carried at amortised cosut using the effective interest method.

All loans and advances are recognised when cash is advanced to borrowers. An allowance 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 Financial Institutions (Credit Classification and Provisioning) Regulations 2010, as amended in 2011 issued by the Central Bank of Seychelles.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial assets (Cont'd)

(ii) 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.

(iii) 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.

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.

(iv) 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)

(b) Financial assets (Cont'd)

(v) 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.

(vi) 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)

(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	Leasehold period
Furniture and fittings	5
Premises' fixed equipment	5
Motor vehicles	4

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.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

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 Institutions (Capital Adequacy) Regulations 2010 . The Bank's ratio was 20.98% as at December 31, 2016 (2015: 24.63%) which was above the minimum requirement of 12%. The Bank has adhere to the capital requirements of CBS for the year under review.

(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.

	Gross maximum exposure	
	2016	2015
	SR'000	SR'000
Cash and cash equivalents	**2,435,311**	2,047,895
Loans and advances to customers	**1,731,588**	1,904,910
Investment in financial assets	**1,314,813**	1,206,716
Other assets	**21,528**	18,080
	5,503,240	5,177,601
Contingent liabilities	**332,183**	508,692
Total credit risk exposure	**5,835,423**	5,686,293

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

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, 2016 was **SR 446.4m** (2015: SR 434.8m) 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	
	2016	2015
Industry	**SR'000**	SR'000
Agriculture	**1,435**	1,841
Construction, infrastructure and real estate	**693,082**	789,212
Financial and business services	**237,988**	173,418
Government	**193,578**	243,839
Manufacturing	**1,197**	827
Tourism	**225,153**	264,790
Personal	**284,698**	289,489
Traders	**94,457**	141,494
	1,731,588	1,904,910

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.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

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:

	2016		2015	
	Loans and advances	**Impairment provision**	Loans and advances	Impairment provision
	%	%	%	%
Pass	**86.32**	**10.76**	87.33	10.37
Special mention	**0.33**	**-**	0.32	-
Substandard	**1.27**	**-**	2.54	0.00
Doubtful	**3.90**	**-**	0.27	-
Loss	**8.18**	**89.24**	9.54	89.63
	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:

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 124.34m** (2015: SR 120.6m) as at December 31, 2016 (note 6(b)).

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Credit risk (Cont'd)

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.

(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.

Sensitivity analysis

At December 31, 2016 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 9,255** (2015: SR'000 4,391) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities balances.

	2016	2015
	SR'000	SR'000
Impact on results	**± 9,255**	± 4,391

3. FINANCIAL RISK MANAGEMENT (CONT'D)

Concentration of assets and liabilities by currency

At December 31, 2016

	SR	Euro	US Dollars	Others	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	415,427	345,054	1,622,662	52,168	2,435,311
Loans and advances	1,015,445	365,714	489,495	216	1,870,870
Investment in financial assets	1,288,857	-	25,956	-	1,314,813
Property and equipment	146,323	-	-	-	146,323
Intangible assets	3,841	-	-	-	3,841
Other assets	21,790	2,832	198	-	24,820
Deferred tax assets	44,688	-	-	-	44,688
	2,936,372	713,600	2,138,311	52,384	5,840,666
Less allowances for credit impairment					(139,282)
					5,701,384
Liabilities					
Customers deposit	2,430,670	708,559	1,937,090	49,218	5,125,537
Retirement benefit obligations	2,422	-	-	-	2,422
Other liabilities	52,709	1,460	21,316	1,555	77,040
Current tax liabilities	37,469	-	-	-	37,469
	2,523,270	710,019	1,958,406	50,773	5,242,468
Net on-balance sheet position	413,101	3,581	179,905	1,611	598,198
Less allowances for credit impairment					(139,282)
					458,916
Off balance sheet position	213,511	24,590	93,396	686	332,183

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Liquidity risk (Cont'd)

Maturities period of assets and liabilities are follows:

At December 31, 2016	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	2,429,252	6,059	-	-	-	2,435,311
Loans and advances	162,717	159,606	723,237	656,598	168,712	1,870,870
Investment in financial assets	602,219	686,137	-	-	26,457	1,314,813
Property and equipment	-	-	-	-	146,323	146,323
Intangible assets	-	-	-	-	3,841	3,841
Other assets	-	-	-	-	24,821	24,821
Deferred tax assets	-	-	-	-	44,688	44,688
	3,194,188	851,802	723,237	656,598	414,843	5,840,667
Less allowances for credit impairment						(139,282)
						5,701,385
Liabilities						
Customers deposit	4,770,990	339,880	14,667	-	-	5,125,537
Retirement benefit obligations	-	-	-	-	2,422	2,422
Other liabilities	-	-	-	-	77,040	77,040
Current tax liabilities	-	-	-	-	37,469	37,469
	4,770,990	339,880	14,667	-	116,932	5,242,468
Maturity gap	(1,576,802)	511,922	708,570	656,598	297,911	598,198
Less allowances for credit impairment						(139,282)
						458,917

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Liquidity 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
Other liabilities	-	-	-	-	35,593	35,593
Retirement benefit obligations	-	-	-	-	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)

(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, 2016

	< 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	1,348,764	-	-	1,086,547	2,435,311
Loans and advances	491,035	345,478	1,034,357	-	1,870,870
Investment in financial assets	1,288,356	-	-	26,457	1,314,813
Investment in associate	-	-	-	-	-
Property and equipment	-	-	-	3,841	3,841
Intangible assets	-	-	-	146,323	146,323
Other assets	-	-	-	24,821	24,821
Deferred tax assets	-	-	-	44,688	44,688
	3,128,155	345,478	1,034,357	1,332,678	5,840,667
Less allowances for credit impairment					(139,282)
					5,701,385
Liabilities					
Customers deposit	1,245,581	14,667	-	3,865,289	5,125,537
Retirement benefit obligation	-	-	-	2,422	2,422
Other liabilities	-	-	-	77,040	77,040
Current tax liabilities	-	-	-	37,469	37,469
	1,245,581	14,667	-	3,982,220	5,242,468
Interest sensitivity gap	1,882,574	330,811	1,034,357	(2,649,542)	598,199
Less allowances for credit impairment					(139,282)
					458,917

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vi) Interest risk (Cont'd)

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
Other liabilities	-	-	-	35,593	35,593
Retirement benefit obligation	-	-	-	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

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:

	2016	2015
	SR'000	SR'000
Impact on results	**± 16,239**	± 10,749

(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:

	2016	2015
	SR'000	SR'000
Impact on statement of other comprehensive income	**± 1,323**	± 1,323

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

	2016	2015
	SR'000	SR'000
Cash in hand	65,415	71,463
Balances with Central Bank of Seychelles (CBS)	712,202	626,296
Balances with banks abroad (note 5(b))	1,606,154	1,336,110
Balances with local banks	51,540	14,026
	2,435,311	2,047,895

(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:

	2016	2015
	SR'000	SR'000
Cash in hand	65,415	71,463
Short-term deposit	1,600,095	1,301,940
Current account with Central Bank of Seychelles (CBS)	712,202	626,296
	2,377,712	1,999,699

(b) Maturity of deposits are as follows:

	2016	2015
	SR'000	SR'000
Less than 3 months	1,600,095	1,301,940
3- 12 months	6,059	34,170
	1,606,154	1,336,110

6. LOANS AND ADVANCES

	2016	2015
	SR'000	SR'000
Gross loans and advances (see note (a) below)	1,811,492	1,997,671
Interest accrued	59,378	41,746
	1,870,870	2,039,417
Less: Provision for credit impairment (see note (b) below)	(139,282)	(134,507)
	1,731,588	1,904,910

(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:

	2016	2015
	SR'000	SR'000
At January 1,	134,507	142,602
Amount reversed	-	(9,329)
Charged to statement of profit or loss (page 5)	4,775	1,234
At December 31,	139,282	134,507

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:

	Personal	
	2016	2015
	SR'000	SR'000
Ageing of past due but not impaired		
- Between 31 & 90 days	**32**	2,418
- Greater than 90 days	**-**	-
	32	2,418

(d) Credit concentration of risk by industry sectors

	2016	2015
	SR'000	SR'000
Civil engineering	**693,082**	460,252
Commerce	**94,457**	89,543
Tourism	**225,153**	264,790
Agriculture	**1,435**	1,841
Fishing	**26,475**	30,433
Manufacturing	**1,197**	827
Transport	**47,561**	43,543
Government	**193,578**	243,839
Others	**448,650**	769,842
	1,731,588	1,904,910

7. INVESTMENT IN FINANCIAL ASSETS

	2016	2015
	SR'000	SR'000
Available-for-sale financial asset		
- Unquoted investment (note 7(a))	**500**	500
- Investment in share- Afrexim	**25,956**	25,956
	26,456	26,456
Held-to-maturity financial assets		
- Treasury bills	**1,215,522**	872,638
- Treasury bonds	**-**	100,460
- DBS bond	**-**	20,092
- Government bonds	**7,797**	7,797
- Deposit auction arrangements (DAA)	**65,038**	179,273
	1,288,357	1,180,260
Total	**1,314,813**	1,206,716

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:

	2016					2015
	Available-for-sale	Treasury bills	Bonds	DAA	Total	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
At January 1,	26,456	872,638	128,349	179,273	1,206,716	715,295
Additions during the year	-	2,068,267	-	6,323,686	8,391,953	5,734,194
Matured during the year	-	(1,725,383)	(120,000)	(6,437,886)	(8,283,269)	(5,242,316)
Interest released	-	-	(849)	(73)	(922)	(1,379)
Interest accrued	-	-	297	38	335	922
At December 31,	26,456	1,215,522	7,797	65,038	1,314,813	1,206,716

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

		2016	2015
		SR'000	SR'000
(a)	At January 1,	**21,553**	26,336
	Share of results (note 16(iii))	**-**	(3,613)
	Foreign currency translation (note 19)	**-**	(1,170)
	Disposal of investment (note 8(f))	**(21,553)**	-
	At December 31,	**-**	21,553

(b) The Bank owned 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 and is now known as Al-Salam Bank.

(c) The associate had a December 31st year-end and is unquoted.

(d) The associate was accounted using the equity method.

(e) The summarised financial information of the associate in 2015 is given below:

	2015
	SR'000
Assets	655,549
Liabilities	612,443
Revenue	11,209
Total comprehensive income for the year	(7,224)

(f) The Board decided to dispose of its associated company on August 10, 2015 and requested management to actively search for a buyer. The agreement with a potential buyer was however only reached in April 2016 when the significant influence held by the Bank was passed on to the Aquirer. The investment was sold for a consideration of USD 1,575,000 (SR 20,686,916) to Seychelles Pension Fund.

(g) The sale transaction resulted in the recognition of a loss in the statement of profit or loss, calculated as follows:

	2016
	SR'000
Proceeds of disposal	**20,686**
Less carrying amount of investment at date of disposal (note 8(a))	**(21,553)**
Add: Transfer from foreign currency exchange reserve (note 19)	**6,403**
	5,536

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, 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 January 1, 2016	**5,167**	**17,157**	**2,739**	**85,351**	**110,414**
Additions	**46**	**3,059**	**955**	**53,575**	**57,635**
Disposal	**-**	**-**	**(640)**	**-**	**(640)**
Write offs	**-**	**(518)**	**-**	**-**	**(518)**
At December 31, 2016	**5,213**	**19,698**	**3,054**	**138,926**	**166,891**
ACCUMULATED DEPRECIATION					
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 January 1, 2016	**4,732**	**11,841**	**2,132**	**-**	**18,705**
Charge for the year	**210**	**2,334**	**477**	**-**	**3,021**
Disposal adjustments	**-**	**-**	**(640)**	**-**	**(640)**
Write off adjustments	**-**	**(518)**	**-**	**-**	**(518)**
At December 31, 2016	**4,942**	**13,657**	**1,969**	**-**	**20,568**
NET BOOK VALUE					
At December 31, 2016	**271**	**6,041**	**1085**	**138,926**	**146,323**
At December 31, 2015	435	5,316	607	85,351	91,709

10. INTANGIBLE ASSETS

	Computer software	
	2016	2015
	SR'000	**SR'000**
COST		
At January 1,	**26,723**	26,018
Additions	**-**	705
At December 31,	**26,723**	26,723
AMORTISATION		
At January 1	**19,589**	16,336
Charge for the year	**3,293**	3,253
Disposal adjustments	**-**	-
At December 31,	**22,882**	19,589
NET BOOK VALUE		
At December 31,	**3,841**	7,134

11. OTHER ASSETS

	2016	2015
	SR'000	SR'000
Upfront lease payments (see note (a) below)	4,720	4,773
Prepayments	3,292	3,177
Refundable deposits	201	142
Stock of stationeries	538	1,246
Other receivables (see note (b) below)	16,070	11,919
	24,821	21,257

(a) Upfront lease payments

	2016	2015
	SR'000	SR'000
COST		
At January 1, & December 31,	5,250	5,250
AMORTISATION		
At January 1,	477	424
Charge for the year (page 5)	53	53
At December 31,	530	477
NET BOOK VALUE		
At December 31,	4,720	4,773

(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, 2016 (2015: 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:

	2016	2015
	SR'000	SR'000
Deferred tax liability	(1,274)	(4,537)
Deferred tax asset	45,962	44,387
Net deferred tax asset	44,688	39,850

12. DEFERRED TAX ASSETS (CONT'D)

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

	2016	2015
	SR'000	SR'000
At January 1,	39,850	43,860
Credit/(Charge) to statement of profit or loss (note 16(ii))	4,838	(4,010)
At December 31,	**44,688**	39,850

(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, 2015	(1,581)	(1,618)	(3,199)
Credit/(Charge) for the year	532	(1,870)	(1,338)
At December 31, 2015	(1,049)	(3,488)	(4,537)
Credit for the year	574	2,689	3,263
At December 31, 2016	**(475)**	**(799)**	**(1,274)**

(ii) **Deferred tax assets**

	Provision for credit losses
	SR'000
At January 1, 2015	47,059
Charge for the year	(2,672)
At December 31, 2015	44,387
Credit for the year	1,575
At December 31, 2016	**45,962**

13. CUSTOMER DEPOSITS

	2016	2015
	SR'000	SR'000
Current accounts	4,474,304	3,823,363
Term deposits	651,233	926,127
	5,125,537	4,749,490

(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 **0.25%** to 7% (2015: 0.4% to 11%).

14. RETIREMENT BENEFIT OBLIGATIONS

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

	2016	2015
	SR'000	SR'000
Defined pension benefits (notes (c)(ii) & (iii))	(7,028)	721
Other post retirement benefits (note (d))	9,450	9,850
	2,422	10,571

(a) Amounts charged to statement profit or loss:

	2016	2015
	SR'000	SR'000
Defined pension benefits (notes (c)(ii) & (iii) & 26)	1,534	1,190
Other post retirement benefits (note (d))	(400)	823
	1,134	2,013

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

	2016	2015
	SR'000	SR'000
Movement in retirement benefit obligations (note (c)(vi))	6,136	(1,779)

(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, 2016 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

	2016	2015
	SR'000	SR'000
At January 1,	721	(4,123)
Charge to statement of profit or loss	1,534	1,190
(Release)/Charge to statement of other comprehensive income (notes 14(vi) & 19)	(6,136)	1,779
Less: Employer contributions (note14 (v))	(3,147)	1,875
At December 31,	(7,028)	721

14. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2016	2015
	SR'000	SR'000
Defined benefit obligation (see note (iv) below)	36,163	33,724
Fair value of plan assets (see note (v) below)	(43,191)	(33,003)
Asset in the statement of financial position	(7,028)	721

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

	2016	2015
	SR'000	SR'000
At January 1,	33,724	29,227
Current service cost	1,596	1,430
Interest cost	2,499	2,167
Actuarial gain/(loss) (note 14(vi))	(837)	2,486
Benefits paid (note 14(v))	(819)	(693)
Gain due to change in financial assumption (note 14(vi))	-	(893)
At December 31,	36,163	33,724

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

	2016	2015
	SR'000	SR'000
At January 1,	33,003	33,350
Expected return on plan assets	2,561	2,407
Employer contributions (note 14(ii))	3,147	(1,875)
Benefits paid (note 14(iv))	(819)	(693)
Actuarial gain/(loss)	5,299	(186)
At December 31,	43,191	33,003

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

	2016	2015
	%	%
Equities	15	2
Bonds	-	3
Deposits	85	95
	100	100

14. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2016	2015
	SR'000	SR'000
Return on plan assets below interest income	(5,299)	186
Liability experience (gain)/loss (note 14(iv))	(837)	2,486
Liability gain due to change in financial assumptions (note 14(v))	-	(893)
	(6,136)	1,779

(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:

	2016	2015
	%	%
Discount rate	7.5	7.5
Future salary growth rate	3.5	3.5

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

	2016	2015
	SR'000	SR'000
Increase in discount rate	3,758	3,529
Decrease in discount rate	4,648	4,381

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 2.6 million** in contributions to its post-employment benefit plans for the year ending December 31, 2017.

(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:

	2016	2015
	SR'000	SR'000
At January 1,	9,850	9,027
(Credit)/Charge to statement of profit or loss (note 14(a))	(400)	823
At December 31,	9,450	9,850

15. OTHER LIABILITIES

	2016	2015
	SR'000	SR'000
Foreign drafts and local cheques payable	16,739	16,650
Other payables	59,918	18,410
Accruals	383	533
	77,040	35,593

(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

	2016	2015
	SR'000	SR'000
At January 1,	55,974	7,048
Charge for the year (notes (ii) & (iii) below)	90,720	99,426
Payments during the year	(109,225)	(50,500)
At December 31,	37,469	55,974

(ii) Statement of profit or loss

	2016	2015
	SR'000	SR'000
Current tax on adjusted profit for the year at applicable tax rates (see notes (iii) & (iv))	90,720	99,426
Deferred taxes (note 12(b))	(4,838)	4,010
	85,882	103,436

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:

	2016	2015
	SR'000	SR'000
Profit before tax	280,670	291,304
Less: Share of results of associate (note 8)	-	3,613
	280,670	294,917
Tax calculated at applicable tax rates (note 16(iv))	92,621	97,242
Income not subject to tax	(2,306)	(192)
Expenses not deductible for tax purposes	2,406	2,097
Excess of depreciation over capital allowance	689	497
Overprovision from prior year	(2,689)	(217)
	90,720	99,426

(iv) Applicable tax rates

Taxable income threshold	2016 & 2015 Tax rates - %
≤ SR 1,000,000	25%
> SR 1,000,000	33%

17. SHARE CAPITAL

	2016 & 2015
	SR'000
Authorised, issued and fully paid-up	
- 100,000 ordinary shares of SR 1,000 each	100,000

18. STATUTORY RESERVE

	2016 & 2015
	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, 2015	(5,491)	7,573	2,082
Other comprehensive income (note 14 (a)(ii))	(1,779)	(1,170)	(2,949)
At December 31, 2016, as previously reported	(7,270)	6,403	(867)
Effect of adjustment in respect of deferred tax (note 19(a))	**3,256**	**-**	**3,256**
As re-stated	**(4,014)**	**6,403**	**2,389**
Other comprehensive income (note 14 (a)(ii))	**6,136**	**-**	**6,136**
Release to statement of profit or loss (note 8(g))	**-**	**(6,403)**	**(6,403)**
At December 31, 2016	**2,122**	**-**	**2,122**

(a) Deferred tax adjustment relates to amount previously booked on retirement benefit obligations through other comprehensive income (OCI) now reversed. It is impracticable to determine the period-specific effects of the adjustment on comparative information. The Bank has in compliance with IAS 8 " Accounting Policies, Changes in Accounting Estimates and Errors"accordingly restated the opening balances of Actuarial losses reserve within OCI and equity for the current period.

20. INTEREST INCOME

	2016	2015
	SR'000	SR'000
Investments in financial assets	80,148	72,626
Loans and advances	154,140	163,658
Cash and short term funds	20,458	17,360
	254,746	253,644

21. INTEREST EXPENSE

	2016	2015
	SR'000	SR'000
Customer deposits	37,300	38,610
Deposits and borrowing from other banks	2	47
	37,302	38,657

22. FEE INCOME AND COMMISSIONS

	2016	2015
	SR'000	SR'000
Fees and commissions arising on:		
- Commission	42,992	41,315
- Portfolio and other management fees	4,725	4,176
- Other fees received	5,895	6,212
	53,612	51,703

23. NET TRADING INCOME

	2016	2015
	SR'000	SR'000
Net foreign exchange gains	105,642	125,021
Recovery of charges	7,078	6,126
	112,720	131,147

24. Other operating income

	2016	2015
	SR'000	SR'000
Cashier's surplus	71	67
Mischallenous income	804	339
Dividend received from Afrexim	865	-
Decrease in general provision	2,678	-
Release upon sale of associate (note (19))	6,304	-
	10,722	406

25. OTHER OPERATING EXPENSES

	2016	2015
	SR'000	SR'000
Employee benefit expenses (note 26)	33,625	30,229
Auditor's remuneration	303	303
Administrative expenses	16,650	12,700
Computer costs	2,612	2,648
Rental expenses	7,927	7,705
Maintenance and other related costs	4,184	9,147
	65,300	62,732

26. EMPLOYEE BENEFIT EXPENSES

	2016	2015
	SR'000	SR'000
Wages and salaries	24,547	22,794
Directors' emoluments (note 26(a) below)	2,593	2,729
Movement in retirement benefit obligations (note 14(a))	1,534	1,190
Movement in other retirement benefit obligation (note 14(a))	(400)	823
Other staff costs	5,351	2,693
	33,625	30,229

(a) Directors' emoluments

	2016			2015
	Directors' fees	Other emoluments	Total	Total
	SR'000	SR'000	SR'000	SR'000
Ahmed Saeed	-	2,384	2,384	2,392
Anil Dua (Up to Sept 30, 2015)	-	-	-	187
Andrew Bainbridge (from Jun 2, 2016)	24	39	63	-
Steve Fanny	62	-	62	62
Lise Bastienne	42	-	42	42
Charles Bastienne (Up to Feb 2, 2015)	-	-	-	4
Stephen Jardine	42	-	42	42
	170	2,423	2,593	2,729

27. DIVIDENDS

The Directors proposed and paid the following:

	2016	2015
	SR'000	SR'000
Dividend for the reporting period ended December 31, 2016		
Interim dividend of SR 1000 per share proposed on July 15, 2016 and paid on August 03, 2016	100,000	-
Interim dividend of SR 250 per share proposed on December 30, 2016 and paid on December 30, 2016	25,000	-
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
Final dividend of SR 1000 per share proposed on April 14, 2016 and paid on April 21, 2016	100,000	-
Dividend for the reporting period ended December 31, 2014		
23, 2015 and paid on May 04, 2015	-	50,000
	225,000	110,000

28. COMMITMENTS

(a) Capital commitments

Capital commitments approved and contracted for were as follows:

	2016	2015
	SR'000	SR'000
Property and equipment	48,038	101,613

(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,

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

	2016	2015
	SR'000	SR'000
Within 1 year	1,283	1,608
After one year but not more than 5 years	7,097	5,531
	8,380	7,139

29 CONTIGENT LIABILITIES

	2016	2015
	SR'000	SR'000
(a) Instruments		
Guarantees/Acceptances	**109,002**	151,760
(b) Commitments		
Loans and other facilities approved and not yet disbursed	**223,181**	356,932

30. 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, 2016				
- Government of Seychelles	**16,035**	-	**193,578**	**81**
- State owned or controlled enterprises	**25,428**	**3,812**	**456,641**	**828,889**
- Minority shareholder of the Bank	-	**24**	-	**4,883**
- Directors	**331**	**27**	**5,268**	**3,585**
- Associate	-	-	-	-
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

(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, 2016, 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 (2015: 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) Directors emoluments has been disclosed under note 25(a)

30. RELATED PARTY TRANSACTIONS (CONT'D)

(d) Key management personnel

(i) Salaries and related costs

	2016	2015
	SR'000	SR'000
Salaries and other benefits	2,384	2,392
Pension costs	276	276
	2,660	2,668

(ii) Amounts receivable/(payable)

	2016	2015
	SR'000	SR'000
Loans and advances	236	373
Due from customers	98	(117)
	334	256

(iii) Transactions during the year

	2016	2015
	SR'000	SR'000
Net repayment of loans and advances	(137)	(132)
Net payments from/(to) customers	215	90

31. EVENTS AFTER THE REPORTING PERIOD

The Directors of the Bank recommended a final dividend of SR 500 per share amounting to SR 50m on April 28, 2017 for the reporting period ended December 31, 2016. The approval of this dividend is subject to ratification by the shareholders of the Bank at its next Annual General Meeting.

32. FIVE YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**280,670**	291,304	191,772	140,714	147,102
Tax expense	**(85,882)**	(103,436)	(60,414)	(43,543)	(48,607)
Profit for the year	**194,788**	187,868	97,171	97,171	98,495
Retained earnings brought forward	**290,263**	212,395	181,037	183,866	185,371
	485,051	400,263	312,395	281,037	283,866
Dividends	**(225,000)**	(110,000)	(100,000)	(100,000)	(100,000)
Release of deferred tax	**(3,256)**	-	-	-	-
Retained earnings carried forward	**256,795**	290,263	212,395	181,037	183,866
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	**256,795**	290,263	212,395	181,037	183,866
Other (deficit)/reserves	**2,122**	(867)	2,082	(1,833)	(5,458)
	458,917	489,396	414,477	379,204	378,408