



Gibraltar Audit Office

Report of the Principal Auditor on the Accounts of the Gibraltar Savings Bank for the financial year ended 31 March 2017



REPORT OF THE PRINCIPAL AUDITOR ON THE ACCOUNTS OF
THE GIBRALTAR SAVINGS BANK
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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Gibraltar Audit Office

THE CERTIFICATE OF THE PRINCIPAL AUDITOR TO THE MINISTER WITH RESPONSIBILITY FOR PUBLIC FINANCE

I certify that I have audited the financial statements of the Gibraltar Savings Bank for the financial year ended 31 March 2017 in accordance with the provisions of Section 12 of the Gibraltar Savings Bank Act. These statements comprise the Income and Expenditure Account, the Deposits and Withdrawals Account, the Investment Adjustment Account, the Reserve Account, the Balance Sheet, the Statement of Investments and the related notes. These financial statements have been prepared using the cash receipts and disbursements basis of accounting, as modified by the accounting policies set out within them.

Respective responsibilities of the Director of the Gibraltar Savings Bank and the Principal Auditor

The Director of the Gibraltar Savings Bank is responsible for the preparation of the financial statements and for being satisfied that they are properly presented. The policy is to prepare the financial statements on the cash receipts and disbursements basis, as modified by the accounting policies set out within them. On the cash basis, revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

My responsibility is to audit, certify and report on the financial statements in accordance with the provisions of Section 12 of the Gibraltar Savings Bank Act. I have conducted my audit of the financial statements in accordance with generally accepted government auditing standards.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gibraltar Savings Bank's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Report of the Director of the Gibraltar Savings Bank to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Gibraltar Savings Bank Act and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by the Gibraltar Savings Bank Act and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Opinion on financial statements

In my opinion, the financial statements properly present the revenue collected and expenses paid, the deposits and withdrawals, the investment adjustment and the reserve for the financial year ended 31 March 2017 and the assets and liabilities as at the end of that period.

Opinion on other matters

In my opinion, the information given in the Report of the Director of the Gibraltar Savings Bank is consistent with the financial statements.

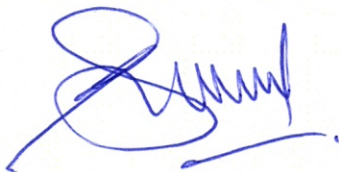
Matters for which I report by exception

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- I have not received all of the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of the audit; or
- proper books of account have not been kept by the Gibraltar Savings Bank, so far as appears from the examination of those books; or
- the Gibraltar Savings Bank has not discharged its financial duties and obligations in accordance with the provisions of the Gibraltar Savings Bank Act; or
- the financial statements are not in agreement with the accounting records.

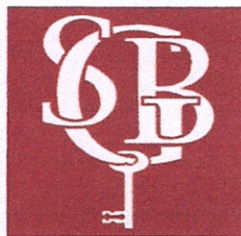
Report

I have no observations to make on these financial statements.



A R Sacramento
Principal Auditor
Gibraltar Audit Office

31 August 2017



GIBRALTAR SAVINGS BANK
Annual Accounts

For The Financial Year Ended

31 March 2017

Treasury Department

Gibraltar Savings Bank

Director's Report on the Accounts for the Year Ended 31 March 2017

The Gibraltar Savings Bank is accounted for through a Government Special Fund – the Savings Bank Fund.

Net income from operations during the year ended 31 March 2017 was £6.21 million, compared with a net income of £6.76 million during the previous year. There was a net capital gain on the fund's investments of £0.07 million.

Crown Agents investment management charges totalled around £0.34 million (0.2% of the fund assets managed in UK).

The net increase in reserves during the year was £6.28 million. The end of year reserves stood at £32.11 million.

At the year-end, the deposits of the bank, excluding £3.41 million of accrued interest, stood at £1,323.63 million. The previous year-end figure totalled £987.10 million. Deposits as at 31 March 2017 were made up as follows:

	<u>Deposits</u>	<u>Previous</u>
	<u>£'m</u>	<u>Year</u>
<u>Non-Government Deposits</u>		<u>£'m</u>
5-Year Fixed Term Monthly Income Debentures	653.3	543.7
Ordinary Deposits	84.7	85.1
Senior Citizens' Debentures	63.2	35.5
Special Issue of Pensioners' Monthly Income Debentures 01/09/17	53.7	56.9
Guaranteed Superannuation Fund Bond	46.0	35.6
3-Year Fixed Term Monthly Income Debentures	33.3	38.7
Monthly Income Debentures	32.0	27.9
Pensioners' Monthly Income Debentures	15.3	10.0
On-Call Investment Accounts	9.0	4.7
Gibraltar Provident Trust Bonds	8.7	8.4
10-Year Accumulator Bonds	5.5	5.5
10-Year Pensioner Accumulator Bonds	5.1	5.4
Children's Bond	3.1	1.9
Special Issue of Monthly Income Debentures	2.6	2.8
Other Debentures (Special Issues)	0.1	0.1
Special Issue of Fixed Term Monthly Income Debentures 28/02/17	0.0	47.3
	<u>1,015.6</u>	<u>909.5</u>
<u>Government Deposits</u>		
On-Call Investment Accounts	308.0	77.6
	<u>1,323.6</u>	<u>987.1</u>

The level of overall non-Government Deposits stood at £1,015.6 million. The increase of £106.1 million over the previous year is mainly the result of the issue of Gibraltar Savings Bank debentures.

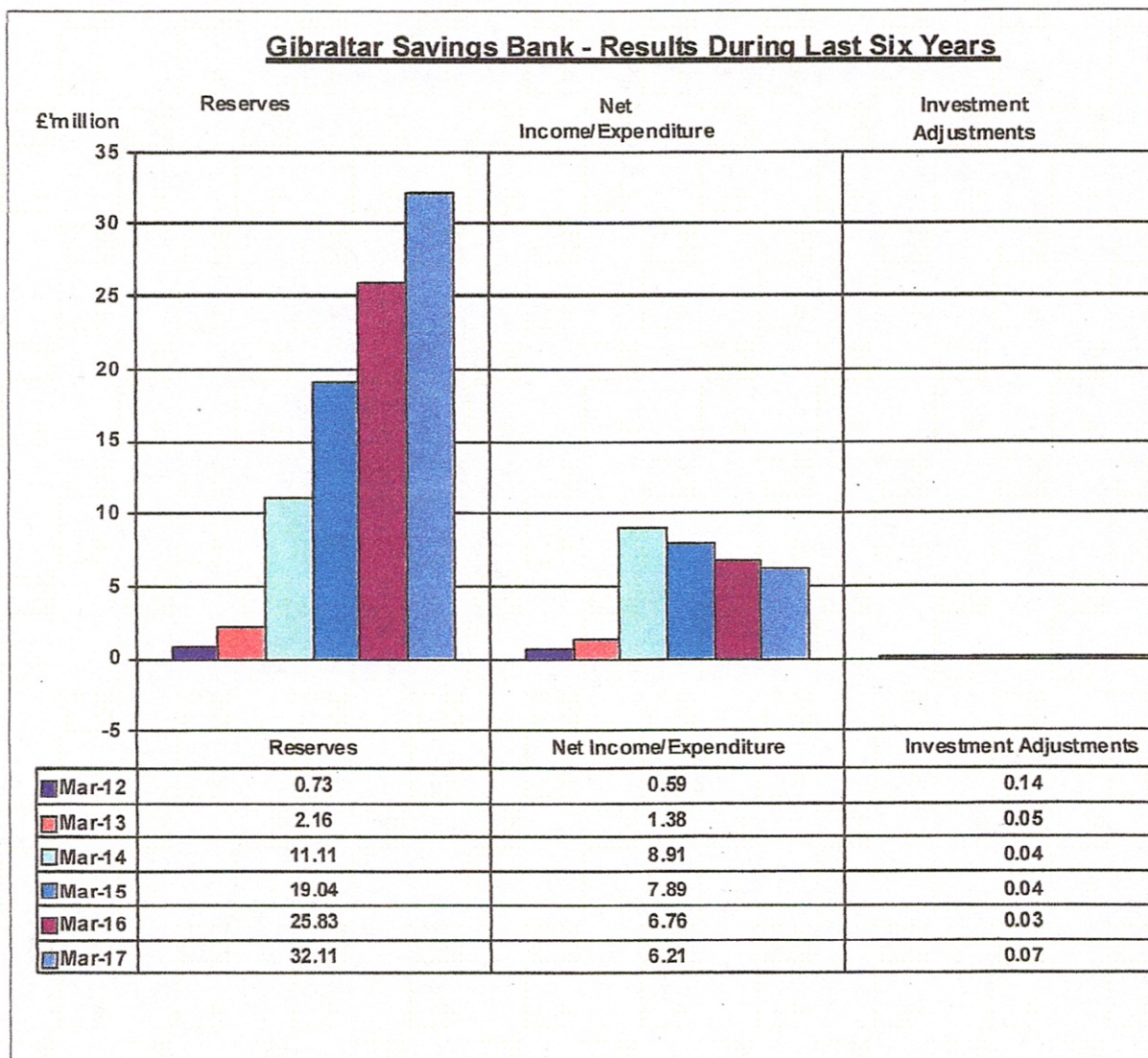
Government deposits in the Gibraltar Savings Bank were up by 296.9% reflecting an increase in the level of Government Liquid Reserves held by the bank.


The following is a summary of interest rates payable to depositors by the bank during the period April 2016 to March 2017:-

Ordinary Deposits	1%	per annum
Monthly Income Debentures	1.5 / 2%	per annum
Pensioners' Monthly Income Debentures	2%	per annum
3-Year Fixed Term Pensioners' Monthly Income Debentures	3%	per annum
3-Year Fixed Term Monthly Income Debentures	2.5 / 3%	per annum

5-Year Fixed Term Pensioners' Monthly Income Debentures	5%	per annum
5-Year Fixed Term Monthly Income Debentures	4 / 5%	per annum
Special Issue of Pensioners' Monthly Income Debentures 01/09/17	3.5%	per annum
10-Year Monthly Income Senior Citizens Debentures	5%	per annum
Children's Bond	5%	per annum

Rates for the 10-Year Accumulator Bonds and the 10-Year Pensioner Accumulator Bonds depend on when the Bond was issued. The interest on these Bonds is 2% for the first year from the issue date and this rate increases by 1% per annum in each subsequent year to reach an interest rate of 11% payable in the tenth year that the investment is held.




 G Lima
 Accountant General and Director, Gibraltar Savings Bank (Ag)
 19th July 2017

SPECIAL FUNDS
SAVINGS BANK FUND
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

INCOME AND EXPENDITURE ACCOUNT

INCOME

Return on Investments	£47,004,767.91
Miscellaneous Receipts	£4,409.44
	<u>£47,009,177.35</u>

EXPENDITURE

Interest Paid :	
Debentures	£36,436,467.79
On-Call Investment Accounts	£188,489.20
Ordinary Deposits	£812,815.28
Bonds	<u>£2,520,225.80</u>
	£39,957,998.07
New Banking Platform Costs and Annual Licence Fees	£411,614.18
Expansion Costs	£73,645.80
Miscellaneous Expenses	£12,513.06
Management and Other Charges	<u>£340,215.05</u>
	(£40,795,986.16)
Net Income transferred to Reserve Account	<u>£6,213,191.19</u>

DEPOSITS AND WITHDRAWALS ACCOUNT

INCREASE IN DEPOSITS

Debentures	£90,674,969.80
Bonds	£11,487,168.39
On-Call Investment Accounts	<u>£234,744,677.75</u>
	£336,906,815.94

DECREASE IN DEPOSITS

Ordinary Deposits	(£375,631.86)
Net Increase in Deposits during the year	<u>£336,531,184.08</u>

INVESTMENT ADJUSTMENT ACCOUNT

INCREASE IN INVESTMENTS

Net Capital Gain on Investments	£70,369.01
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DECREASE IN INVESTMENTS

	(£0.00)
Net Increase in Investments transferred to Reserve Account	<u>£70,369.01</u>

RESERVE ACCOUNT

INCREASE IN RESERVES

Net Income transferred from Income and Expenditure Account	£6,213,191.19
Net Increase in Investments transferred from Investment Adjustment Account	<u>£70,369.01</u>
	£6,283,560.20

DECREASE IN RESERVES

Transfer of Surplus to Consolidated Fund	(£0.00)
Net Increase in Reserves during the year	<u>£6,283,560.20</u>

SPECIAL FUNDS **SAVINGS BANK FUND**

BALANCE SHEET AS AT 31 MARCH 2017

ASSETS

Investments on 1 April 2016	£1,006,887,653.76
Net Purchase of Investments during the year	£340,057,674.79
	<u>£1,346,945,328.55</u>
Net Increase in Investments as per Investment Adjustment Account	£70,369.01
Investments on 31 March 2017	<u>£1,347,015,697.56</u>
Cash in Hand	£12,136,000.00
	<u>£1,359,151,697.56</u>

FINANCED BY

Debentures

Deposits on 1 April 2016	£762,926,630.29	
Accrued Interest on 1 April 2016	£2,957,003.69	
Net Increase in Deposits	£90,674,969.80	
Increase in Accrued Interest during the year	<u>£278,169.30</u>	
Deposits on 31 March 2017		£856,836,773.08

On Call Investment Accounts

Deposits on 1 April 2016	£82,293,680.71	
Net Increase in Deposits during the year	<u>£234,744,677.75</u>	
Deposits on 31 March 2017		£317,038,358.46

Ordinary Deposits

Deposits on 1 April 2016	£85,089,734.88	
Net Decrease in Deposits during the year	<u>(£375,631.86)</u>	
Deposits on 31 March 2017		£84,714,103.02

Bonds

Deposits on 1 April 2016	£56,787,934.77	
Accrued Interest on 1 April 2016	£143,707.78	
Net Increase in Deposits during the year	£11,487,168.39	
Increase in Accrued Interest during the year	<u>£29,130.22</u>	
Deposits on 31 March 2017		£68,447,941.16
Total Deposits on 31 March 2017		£1,327,037,175.72

Reserve Account

Reserve Account on 1 April 2016	£25,830,961.64	
Net Increase in Reserves during the year	<u>£6,283,560.20</u>	
Reserve Account on 31 March 2017		£32,114,521.84
Fund Account Balance on 31 March 2017		<u>£1,359,151,697.56</u>



G Lima
Director, Gibraltar Savings Bank
19th July 2017

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2017

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2017
SUNCORP-METWAY LTD FRN 06/10/17	£5,000,000.00	100.098 0.223	£5,004,900.00 £11,155.89	£5,016,055.89
KFW FRN 03/07/17	£2,000,000.00	100.006 0.100	£2,000,120.00 £2,003.38	£2,002,123.38
BK NEDERLANDSE GEMEENTEN FRN 03/04/18	£2,000,000.00	100.068 0.130	£2,001,360.00 £2,606.42	£2,003,966.42
ABS FINANCE LTD LONDON FRN 01/05/18	£5,000,000.00	100.252 0.136	£5,012,600.00 £6,800.14	£5,019,400.14
ABN AMRO BANK NV FRN 30/11/18	£5,000,000.00	100.214 0.073	£5,010,700.00 £3,637.19	£5,014,337.19
TORONTO-DOMINION BANK FRN 01/02/19	£5,000,000.00	100.589 0.133	£5,029,450.00 £6,641.24	£5,036,091.24
ROYAL BANK OF CANADA FRN 04/06/19	£5,000,000.00	100.003 0.052	£5,000,150.00 £2,589.69	£5,002,739.69
LLOYDS BANK FRN 18/07/19	£7,000,000.00	100.296 0.130	£7,020,720.00 £9,065.10	£7,029,785.10
NATIONWIDE BUILDING SOCIETY FRN 25/04/19	£5,000,000.00	100.618 0.150	£5,030,900.00 £7,520.68	£5,038,420.68
STADSHYPOTEK AB FRN 17/08/18	£5,000,000.00	100.224 0.074	£5,011,200.00 £3,723.88	£5,014,923.88
CANADIAN IMPERIAL BANK FRN 10/01/22	£5,000,000.00	100.353 0.176	£5,017,650.00 £8,793.11	£5,026,443.11
EUROPEAN INVESTMENT BANK FRN 25/05/18	£17,000,000.00	100.291 0.053	£17,049,470.00 £8,997.46	£17,058,467.46
EUROPEAN INVESTMENT BANK FRN 16/04/19	£25,000,000.00	100.474 0.123	£25,118,500.00 £30,747.00	£25,149,247.00
EUROPEAN INVESTMENT BANK FRN 17/02/20	£10,000,000.00	100.602 0.070	£10,060,200.00 £7,000.54	£10,067,200.54
REPUBLIC OF FINLAND 1% 17/12/18	£7,000,000.00	100.877 0.285	£7,061,390.00 £19,945.21	£7,081,335.21
BELGIUM KINGDOM 1.125% 21/12/18	£9,000,000.00	101.009 0.308	£9,090,810.00 £27,739.73	£9,118,549.73
COMMONWEALTH BANK AUST 2.25% 07/12/18	£7,000,000.00	102.669 0.703	£7,186,830.00 £49,191.78	£7,236,021.78
ANHEUSER-BUSCH INBEV NV 6.5% 23/06/17	£1,000,000.00	101.268 5.004	£1,012,680.00 £50,041.10	£1,062,721.10
Carried forward	£127,000,000.00		£127,977,829.54	£127,977,829.54

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2017

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2017
Brought forward	£127,000,000.00		£127,977,829.54	£127,977,829.54
BMW FINANCE NV 1.75% 20/11/17	£5,000,000.00	100.725 0.628	£5,036,250.00 £31,404.11	£5,067,654.11
LVMH MOET HENNESSY VUITT 1.625% 20/12/17	£5,000,000.00	100.771 0.450	£5,038,550.00 £22,482.88	£5,061,032.88
PRUDENTIAL PLC 1.375% 19/01/18	£7,000,000.00	100.521 0.267	£7,036,470.00 £18,722.60	£7,055,192.60
PRUDENTIAL PLC 1.75% 27/11/18	£2,500,000.00	101.587 0.595	£2,539,675.00 £14,863.01	£2,554,538.01
KFW 2% 06/12/18	£3,000,000.00	102.692 0.630	£3,080,760.00 £18,904.11	£3,099,664.11
BK NEDERLANDSE GEMEENTEN 1.875% 07/12/18	£7,000,000.00	102.196 0.586	£7,153,720.00 £40,993.15	£7,194,713.15
BNP PARIBAS 2.375% 20/11/19	£5,000,000.00	103.750 0.852	£5,187,500.00 £42,619.86	£5,230,119.86
DAIMLER AG 1% 20/12/19	£5,000,000.00	100.209 0.277	£5,010,450.00 £13,835.62	£5,024,285.62
TOTAL CAPITAL SA 2.25% 17/12/20	£100,000.00	105.108 0.641	£105,108.00 £641.10	£105,749.10
DEXIA CREDIT LOCAL 1.875% 17/07/17	£19,500,000.00	100.396 1.320	£19,577,220.00 £257,440.07	£19,834,660.07
ABN AMRO BANK NV 2.25% 11/09/17	£4,500,000.00	100.758 0.122	£4,534,110.00 £5,502.72	£4,539,612.72
LANDWIRTSCH. RENTENBANK 1% 15/12/17	£19,240,000.00	100.508 0.290	£19,337,739.20 £55,875.07	£19,393,614.27
SWEDBANK HYPOTEK AB 1.625% 15/04/19	£6,000,000.00	101.775 1.558	£6,106,500.00 £93,493.15	£6,199,993.15
MUNICIPALITY FINANCE PLC 1.125% 07/12/17 (1)	£5,000,000.00	100.523 0.351	£5,026,150.00 £17,568.49	£5,043,718.49
KOMMUNALBANKEN AS 1.125% 15/12/17 (1)	£10,000,000.00	100.540 0.327	£10,054,000.00 £32,671.23	£10,086,671.23
NEDER WATERSCHAPSBANK 2% 28/12/18	£10,000,000.00	102.464 0.510	£10,246,400.00 £50,958.90	£10,297,358.90
ASIAN DEVELOPMENT BANK 1% 18/12/18	£5,000,000.00	100.977 0.282	£5,048,850.00 £14,109.59	£5,062,959.59
BARCLAYS BANK PLC 1.5% 04/04/17	£2,000,000.00	100.004 1.484	£2,000,080.00 £29,671.23	£2,029,751.23
Carried forward	£247,840,000.00		£250,859,118.63	£250,859,118.63

SAVINGS BANK FUND
STATEMENT OF INVESTMENTS ON 31 MARCH 2017

DESCRIPTION OF STOCK	NOMINAL VALUE	PRICE / ACCRUED INTEREST %	VALUE / ACCRUED INTEREST	TOTAL VALUE ON 31/03/2017
Brought forward	£247,840,000.00		£250,859,118.63	£250,859,118.63
SCOTTISH & SOUTHERN ENERGY 5% 01/10/18	£7,000,000.00	106.167 2.479	£7,431,690.00 £173,561.64	£7,605,251.64
LLOYDS BANK PLC 2.75% 09/12/18 (1)	£2,000,000.00	103.262 0.844	£2,065,240.00 £16,876.71	£2,082,116.71
STERLING FUTURE SETTLEMENTS ACCOUNT (1)	(£17,226,716.44)	100.000	(£17,226,716.44)	(£17,226,716.44)
ROYAL BANK OF SCOTLAND GBP CALL A/C	£52,963.71	100.000	£52,963.71	£52,963.71
BANK OF NEW YORK GBP A/C	£16,534,545.11	100.000	£16,534,545.11	£16,534,545.11
LLOYDS BANK GBP CALL A/C	£7,930,812.71	100.000	£7,930,812.71	£7,930,812.71
GOVERNMENT OF GIBRALTAR MONTHLY INCOME DEBENTURES ISSUED ON 1 OCTOBER 2014	£147,700,000.00	100.000 0.510	£147,700,000.00 £752,663.01	£148,452,663.01
GOVERNMENT OF GIBRALTAR DEBENTURES ISSUED ON 1 SEPTEMBER 2014	£100,000,000.00	100.000 2.992	£100,000,000.00 £2,991,780.82	£102,991,780.82
CREDIT FINANCE COMPANY LTD REDEEMABLE PREFERENCE SHARES	£400,000,000.00	100.000	£400,000,000.00	£400,000,000.00
VISA - SHAREHOLDING (2)	£7.92	2862932.702	£226,744.27	£226,744.27
GSBA LTD - ORDINARY SHARES	£11,000,000.00	100.000	£11,000,000.00	£11,000,000.00
GIBTELECOM LTD - ORDINARY SHARES (3)	£15,000.00	503985.271	£75,597,790.66	£75,597,790.66
BANK OF ENGLAND	£40,549,458.65	100.000 0.001	£40,549,458.65 £377.72	£40,549,836.37
BARCLAYS BANK PLC	£51,604,964.02	100.000 0.029	£51,604,964.02 £14,865.65	£51,619,829.67
NATIONAL WESTMINSTER OFFSHORE LTD	£158,434,452.01	100.000 0.042	£158,434,452.01 £66,726.87	£158,501,178.88
JYSKE BANK	£20,705,124.73	100.000 0.058	£20,705,124.73 £12,095.61	£20,717,220.34
GIBRALTAR INTERNATIONAL BANK	£69,478,136.48	100.000 0.061	£69,478,136.48 £42,424.99	£69,520,561.47
	£1,263,618,748.90		£1,347,015,697.56	£1,347,015,697.56

Notes:

(1) The sterling future settlements account reflects the following trades transacted in March 2017 with settlement in April 2017. This amount includes an element of accrued interest:

Kommunalbanken AS 1.125% 15/12/17
Municipality Finance PLC 1.125% 07/12/17
Lloyds Bank Plc 2.75% 09/12/18

(2) The Visa shareholding shown above is based on a re-valuation as at 31 March 2017 of its 230 Series C preference shares in Visa Inc.

(3) The Savings Bank Fund has paid and holds the beneficial interest in 15,000 Ordinary Shares (7,500 Class A and 7,500 Class B) of £1 each in Gibtelecom Ltd, with the legal interest in these shares being held by the Government.

Notes to the Accounts

1. **Principal Accounting Policies**

Basis of Accounting

These financial statements have been prepared on a 'cash basis', in line with the standards for the preparation of the public accounts of Gibraltar, except for the accounting policies shown hereunder:

Return on Investments

Interest earned on investments and interest payable is accounted for on an accrual basis.

Investments

The basis for valuing investments in bonds and other securities managed by the Crown Agents has changed over the current financial year from amortised cost to fair value.

Shares are valued at fair value or cost.

Government debentures are valued at cost plus accrued interest.