Schedule 1

FORM ECSRC – K

ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended December 2015

Issuer Registration number ECFH 28062001SL

EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED
(Exact name of reporting issuer as specified in its charter)

SAINT LUCIA
(Territory of incorporation)

NO. 1 BRIDGE STREET, CASTRIES ST LUCIA
(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): 1-758-456-6000

Fax number: 1-758-456-6736

Email address: ECFH@candw.lc

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes ☑ No ☐

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Preference Shares	830,000
Ordinary Shares	24,465,589

SIGNATURES

A Director, the Chief Executive Officer and Chief Financial Officer of the company shall sign this Annual Report on behalf of the company. By so doing each certifies that he has made diligent efforts to verify the material accuracy and completeness of the information herein contained.

The Chief Financial Officer by signing this form is hereby certifying that the financial statements submitted fairly state the company's financial position and results of operations, or receipts and disbursements, as of the dates and period(s) indicated. The Chief Financial Officer further certifies that all financial statements submitted herewith are prepared in accordance with International Accounting Standards consistently applied (except as stated in the notes thereto) and (with respect to year-end figures) including all adjustments necessary for fair presentation under the circumstances.

Name of Chief Executive Officer:
Andre Iton

Signature

Date

Name of Director:
Lisle Chase

Signature

Date

Name of Chief Financial Officer:
Gordon Cochrane

Signature

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

2015 was another difficult year for the ECFH Group with financial results reported well below expected. The Group continued to focus on its turnaround strategy in particular focusing on efforts to improve its credit risk profile, notwithstanding the continued hostile operating environment. Economic conditions remained sluggish, while more enhanced regulatory reforms continued to be implemented for the banking sector.

During the year, several significant industry developments took place. A new more rigorous Banking Act was implemented in the ECCU area, with changes that could affect powers of the Regulators, capital requirements, increased license fees, increased fines for noncompliance etc. In May 2015 the floor on savings deposit interest rates was reduced from 3% to 2%, impacting all banks in the ECCU region, while this had a positive impact on the cost of funds for respective subsidiary banks, the competition for the limited credit demand became quite keen with lending interest rates reaching new lows, also reflective of the high liquidity levels in the regional banking system

Legislation was also developed to establish an Asset Management Company structured to acquire and manage non-performing assets of ECCU member banks. It is anticipated that the Eastern Caribbean Asset Management Company (ECAMC) will commence operations in 2016. We see this as a very positive move to assist financial institutions in addressing the high level of non-performing loans particularly in Saint Lucia given the existing inhibited foreclosure laws. The efforts to resolve the remaining legacy balance sheet issues of BOSL should be enhanced if we are able to transition most of those non-productive assets to the ECAMC.

From an internal perspective we introduced staff across the Group to the strategic initiatives agreed for the three year period, geared towards taking the Group, in particular BOSL back to profitability. A significant aspect of the Safe and Sound strategy is the commitment of the employer and employee in delivering on the agreed Performance Indicators developed for the Group, subsidiaries, departments and individual staff. Staff are beginning to embrace g the culture shift to accountability, productivity and performance excellence.

In 2015 greater emphasis was also placed on identifying areas to make the Group's operations more efficient and in addition to review of various processes, particularly within the back office functions and the service unit, integration initiatives were considered. The integration of operations towards streamlining the domestic banking business across the two islands will also achieve efficiencies and synergies resulting in reduced cost for the Group. This initiative will be given greater focus in 2016, with the financial impact reflected more fully from 2017.

2. Properties.

Provide a list of properties owned by the reporting entity, detailing the productive capacity and future prospects of the facilities. Identify properties acquired or disposed of since the beginning of the financial year for which this report is filed.

Estimated Reconstruction Cost

Building 1 - Financial Centre, Castries - 71,790 sq. ft. - $ 39,160,000

Building 2 – Bank of St Lucia, Gros Islet - 9,636 sq. ft. - $ 4,720,000

Building 3 – ECFH Building, Gros Islet - 30,193 sq. ft. - $ 31,133,310

Building 4 – Massade Archives, Gros Islet - 5,230 sq. ft. - $ 1,403,000

Building 5 – Bank of St Lucia, Vieux Fort - 6,886 sq. ft. - $ 2,875,000

Building 6 – Bank of St Lucia, Soufriere - 5,215 sq. ft. - $ 2,035,000
Building 6 is being sold to the Soufriere Foundation for $1 400,000.

Building 7 - New Bank of St Lucia, Soufriere - 6,947 sq. ft. - $ 3,060,000

Building 8 – EC Global, Castries - Sold May 2014

Building 9 – St Lucia Development Bank, Castries - 15,690 sq. ft.- $ 7,940,000

No properties were acquired during the year and all properties are being used for the Group's business except the ECFH Building in Gros-Islet where two floors remain vacant and efforts are being made to obtain tenants.

3. Legal Proceedings.

Furnish information on any proceedings that were commenced or were terminated during the current financial year. Information should include date of commencement or termination of proceedings. Also include a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

There were no new legal proceedings during the current financial year.

4. Submission of Matters to a Vote of Security Holders.

If any matter was submitted to a vote of security holders through the solicitation of proxies or otherwise during the financial year covered by this report, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

The annual meeting of shareholders was held on May 26, 2015.

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

The meeting did not involve the election of Directors.

(c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

The following matters were tabled:

1. To consider and adopt the Report of the Auditors and the Audited Financial Statements of for the year ended December 31, 2014

2. To consider and adopt the Report of Directors

3. To appoint Auditors and authorize Directors to fix their remuneration

(d) A description of the terms of any settlement between the registrant and any other participant.

There was no settlement between the Registrant and any other participant.

(e) Relevant details of any matter where a decision was taken otherwise than at a meeting of such security holders.

There were no such matters.

5. **Market for Reporting issuer's Common Equity and Related Stockholder Matters.**

Furnish information regarding all equity securities of the reporting issuer sold by the reporting issuer during the period covered by the report.

There were none.

6. **Financial Statements and Selected Financial Data.**

Attach Audited Financial Statements, which comprise the following:

<u>For the most recent financial year</u>

(i) Auditor's report; and
(ii) Statement of Financial Position;

<u>For the most recent financial year and for each of the two financial years preceding the date of the most recent audited Statement of Financial Position being filed</u>

(iii) Statement of Profit or Loss and other Comprehensive Income;
(iv) Statement of Cash Flows;
(v) Statement of Changes in Equity; and
(vi) Notes to the Financial Statements.

7. Disclosure about Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

The significant risks to which the Group is exposed include credit risk, operational risk, reputational, liquidity risk, market risk, and foreign exchange risk. The Group ensures that risk mitigation in any one area does not inadvertently increase exposure in other areas.

In 2015, the Group continued to direct its efforts towards fostering a culture of prudent risk management underpinned by a conservative risk appetite. Given the current economic climate, the Group reduced its appetite for risk; while at the same time enhanced its risk management framework to better identify, measure, monitor and control the various risks faced by the Group. This involved the review and update of key policies and procedures; the installation of an automated system for transaction monitoring and the risk profiling of customers at onboarding; and the use of a Credit Risk Rating and Loan Pricing Model to more accurately measure credit risk. The main risks to which the Group was exposed include credit, operational, market, legal and regulatory risks. With the exception of credit risk which was deemed high, the level of risk in all other categories was generally assessed as moderate with adequate risk management controls to keep within the Group's risk appetite.

Credit Risk
Credit risk is the most critical category of risk for the Group. The Group remained focused on ensuring all new lending was done with high quality loans, through improved credit analysis and underwriting of new lending opportunities. International best practices were employed in the assessment of all credits coupled with comprehensive credit risk reviews on lending over a stipulated dollar value. Efforts were geared towards reducing all large exposures to within internal and regulatory benchmarks. During the year, the Group continuously assessed limits to the various sectors to mitigate any concentration risk. In 2016 focus will continue on de -risking in the area of credit risk by restoring the strength of the balance sheet by hiving off the legacy NPLs to allow for a higher percentage of income generating assets while reducing the impact of impairment losses for the Group.

Operational Risk
The Group remains vulnerable to operational risk, which emanates from both its internal and external environments. To minimize the potential impact, the Group continues to adopt a proactive approach to mitigating operational risk through effective risk management tools and techniques. During the year, business continuity plans were reviewed and updated to ensure that the Group can continue to provide high quality service to its customers, following any natural or man-made disaster. The Group continued its work towards the development and implementation of the risk register. This tool will ensure that risk management is more structured and effective throughout the Group, attributable to the continuous monitoring of risk at the enterprise level.

8. Changes in Securities and Use of Proceeds.

(a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

There were no changes in Securities and Use of Proceeds.

(b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

- Offer closing date (provide explanation if different from date disclosed in the registration statement)

- Name and address of underwriter(s)

- Amount of expenses incurred in connection with the offer

- Net proceeds of the issue and a schedule of its use

- Payments to associated persons and the purpose for such payments

(c) Report any working capital restrictions and other limitations upon the payment of dividends.

Dividends were not declared and paid during the period.

9. Defaults upon Senior Securities.

(a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

There were no defaults upon Senior Securities.

(b) If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

The Group recorded a loss of $5.7 million in 2015. A primary contributing factor to this performance was the low level of growth in the economy which meant that expansion of the loan portfolio was not possible, within the Group's "Safe and Sound" strategy. Many of our customers faced insurmountable challenges leading to more loans being classified as non-performing. To compound this difficulty, property values underlying the existing non-performing loans continued to fall while the legal environment remained unconducive to disposal and re-structuring initiatives. All of this added up to a reduction in loan interest income and an increased impairment provision in the domestic banking subsidiaries, in particular impacting Bank of Saint Lucia Limited.

Interest income from loans was down 5.9% to $129.0M, reflecting the reduction or very low growth in the performing loan portfolios and the impact of the high ratio of NPLs of the domestic banks. Continuing high liquidity levels led to higher cash reserves available for investment so that, in spite of the historically low interest rates available regionally and internationally, interest earned on investments grew by 9% year on year. The reduction in the minimum savings deposit rate within the East Caribbean Currency Union in May 2015, together with Group initiatives to reduce the banks' cost of funds, led to a significant reduction in interest expense from $81.2M in 2014 to $68.3M in 2015 (15.9%). This trend is expected to continue in 2016 and is in turn driving reductions in lending rates.

The net effect of all of these factors was an increase of 8% in net interest income for the Group. Non interest or other operating income remained relatively flat.

Operating costs rose by $1.3 M (1.4%) in 2015 reflecting an increase in salaries and staff costs arising from the completion of wage negotiations with respective bargaining units early in 2015. Non staff related expenses, reduced by $1.4M (2.2%). Impairment losses mainly due to the decline in property values associated with the collateral assets securing the legacy NPL portfolio increased by $21 million year over year, recorded at $41 million.

The Group's total assets stood at $3.8B at December 2015, a slight increase from $3.7B in 2014. Increases in customer deposits continued in 2015, despite interest rate reductions. This allowed for funds available to be invested and will also be available for credit demand once market activity in the Region improves with improved economic conditions and increased customer confidence.

LIQUIDITY AND INVESTMENTS

The liquidity levels of all of the Group's subsidiaries are well in excess of prudential requirements. The lack of good, safe lending opportunities, tightening of industry standards as well as general economic conditions, coupled with moderate growth in customer deposits have created excess cash resources thus strengthening the subsidiary Balance Sheets. The Group's funding base continue to grow within all the business channels with retail, corporate and offshore deposits all reporting growth.

Investments of surplus funds in regional and international markets, has continued, always ensuring that investments are in highly rated credits which bear minimal risk of capital impairment. High levels of investment in readily traded instruments also ensures that these investments can be liquidated should there be a change in market conditions.

Liquidity and Capital Resources

Provide a narrative explanation of the following (but not limited to):

i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.

ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.

iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.

v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.

vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.

vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.

viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.

ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

The liquidity levels of all of the Group's subsidiaries are well in excess of prudential requirements. The lack of good, safe lending opportunities, tightening of industry standards as well as general economic conditions, coupled with moderate growth in customer deposits have created excess cash resources thus strengthening the subsidiary Balance Sheets.
The Group's funding base continue to grow within all the business channels with retail, corporate and offshore deposits all reporting growth.
Investments of surplus funds in regional and international markets, has continued, always ensuring that investments are in highly rated credits which bear minimal risk of capital impairment. High levels of investment in readily traded instruments also ensures that these investments can be liquidated should there be a change in market conditions.

Off Balance Sheet Arrangements

Provide a narrative explanation of the following (but not limited to):

i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.

ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.

iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.

iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

There are no material Off Balance Sheet items.

Results of Operations

In discussing results of operations, issuers should highlight the company's products and services, facilities and future direction. There should be a discussion of operating considerations and unusual events, which have influenced results for the reporting period. Additionally, any trends or uncertainties that might materially affect operating results in the future should be discussed.

Provide a narrative explanation of the following (but not limited to):

i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.

ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.

iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.

v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

vi) Matters that will have an impact on future operations and have not had an impact in the past.

vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations

viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ix) Performance goals, systems and, controls, *Overview of Results of Operations*

ECFH faced another challenging year in 2015. The domestic economies remained under pressure with high, although stabilizing rates of unemployment, little increase in consumer spending and generally weak economic indicators. The credit market remained difficult with no improvement in the legal framework in Saint Lucia and continued financial pressure on local households. These key economic drivers continue to affect the overall financial performance of the Group in particular the domestic bank in Saint Lucia, even as we continue to implement the strategic initiatives required to navigate through this challenging period.

The Group recorded an increase in its asset base, mainly due to increased customer deposits, but reported a net loss of $5.7 million. This was largely due to the impact of the performance of Bank of Saint Lucia Limited (BOSL) the largest subsidiary, reporting a net loss of $19.6 million for the year. The Bank continues to be impacted by the burden of its legacy non-performing loans (NPLs) in a sluggish economy exacerbated by the inability to realise collateral under the existing legal structure. In the second half of the year the full extent of the impact of the reducing value of collateral on the aging NPLs became clear as the professional valuation reports started to come in. In light of this, coupled with the difficulty of disposing of the assets referred to above the decision had to be taken to increase provisions by an additional $30 million to recognize the diminution in the value of collateral held.

All of the other subsidiaries of the Group – Bank of St. Vincent & the Grenadines, Bank of Saint Lucia International and ECFH Global Investment Solutions Limited continue to generate steady profits.

11. Changes in and Disagreements with Auditors on Accounting and Financial Disclosure.

Describe any changes in auditors or disagreements with auditors, if any, on financial disclosure.

There were none.

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC – MC report provided that the material change occurred within seven days of the due date of the Form ECSRC – K report. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC – MC report which would otherwise be required to be filed with respect to such information.

None

14. List of Exhibits

List all exhibits, financial statements, and all other documents filed with this report.

Financial Statements as at December 2015.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: ______________________________ Position: ______________________

Mailing Address: ____

____

____

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).
Give brief description of **current** responsibilities

Education (degrees or other academic qualifications, schools attended, and dates):

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Mr. Farid Antar

Position: General Manager

Mailing Address: 35 Aquamarine Drive, Diamond Vale, Diego Martin, Trinidad

Telephone No.: (868) 792-2569

List jobs held during past five years (include names of employers and dates of employment).

June 2011 – date: Republic Bank Limited - General Manager – Corporate Operations & Process Improvement:

Chief Compliance Officer for Republic Bank Group (to December 2013)

Enterprise Risk Management (ERM) initiative – Sponsor for the introduction of a revised ERM Framework for the Group (May to October 2015)

Give brief description of **current** responsibilities

General Manager for:

Operational Risk, Business Systems & Process Improvement, Regional Operations, Administration and Archives, Premises / Facilities Management, Portfolio Management Office (from April 2014), Creditor Protection Support Unit (from April 2015)

Education (degrees or other academic qualifications, schools attended, and dates):

- Associate of the Institute of Chartered Secretaries and Administrators, UK - 2000 & FCIS - Dec 2015

- Diploma from the School of Bank Marketing and Management – American Bankers Association 2000

- Certificate in International Marketing – UWI Institute of Business, Trinidad - 1997

- Associate of the Chartered Institute of Bankers, UK (ACIB) – ifs School of Finance – 1986

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Mr. Hildreth Alexander

Position: Director

Mailing Address: P.O. Box 160, Castries
St Lucia

Telephone No.: (758) 452-2190

List jobs held during past five years (include names of employers and dates of employment).

Executive Director - St Lucia Employers Federation - 2009 - Present

Give brief description of **current** responsibilities

Manage the affairs of the Federation
Prepare and present annual budgets for approval of the Federation's Board
Preparation and execution of the Federation's training programmes
Ensuring annual staff performance reviews are carried out
Ensure that annual audits of the Federation are done

Education (degrees or other academic qualifications, schools attended, and dates):

BSc. in Mathematics and Chemistry (1975) - University of the West Indies, Mona - Jamaica
MBA - Marketing (1987) - CASS University - London England.

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Jacqueline Emmanuel-Flood

Position: Chief Executive Officer

Mailing Address: PO Box CP6410, Castries, Saint Lucia

Telephone No.: 758-285-4767(c); 758-453-5486(h)

List jobs held during past five years (include names of employers and dates of employment).

Chief Executive Officer, Trade Export Promotion Agency, Government of Saint Lucia (2012-Present)

Director, Office of Private Sector Relations, Government of Saint Lucia (2004-2012)

Give brief description of **current** responsibilities

Responsible for positioning and managing the Saint Lucia Trade Export Promotion Agency (TEPA), to market and promote Saint Lucia as an attractive and viable source of products for the export market, and of services by means of the several modes in GATS.

Prime responsibility is to return value to the Stakeholders and Saint Lucia and lead the management team in the formulation of the overall vision, and the execution of the business and operational strategy. Also, direct the development of the senior management, manage key relationships, enable operational excellence and report to the Supervisory Board/Directors.

(Additional information is on attached sheet)

Education (degrees or other academic qualifications, schools attended, and dates):

B.Sc. Economics, University of the West Indies (Barbados), 1988

M.Sc. Project Analysis, Finance and Investment, University of York (UK), 1992

Use additional sheets if necessary.

Primary Duties and Responsibilities

1. **Corporate Strategy**
   With the management team:
   - Identifies sets and agrees long term strategic direction, goals and objectives.
   - Defines and develops the Agency's plans and budgets designed to achieve specific export generation targets, develops operational plans and presents annually for Board approval.
   - Cascades, and agrees clear strategic medium to short term goals and objectives.

2. **Business Strategy**
   - Reviews and develops the organizational infrastructure.
   - Identifies, agrees and monitors the organisational values and culture.
   - Establishes clearly defined expectations, business targets and growth strategies for the Agency.
   - Identifies and agrees strategic resource requirements, methodologies and procedures (Human Resources, Technical, Equipment and Logistics).
   - Introduces, and maintains good Governance within the Agency.
   - Ensures the development and implementation of technological capabilities and infrastructure.
   - Oversees the development and deployment of the Agency's operations strategies.

3. **Operational Strategy and Policy**
   - Develops and agrees strategies and policies for Foreign and Domestic Markets:
     - Export marketing and promotion
     - Funding requirements and broad procedures
   - Ensures that the Company achieves the required funding to meet, and sustain its strategic goals and targets.
   - Builds, manages and maintains interaction and relationships, with all key stakeholders within Foreign and Domestic markets.

4. **Reward Policy and Procedures**
   - Analyses the nature and types of reward systems required for the Agency (eg Job Evaluation, Reward Management, Performance Management).
   - Agrees reward and remuneration policy and levels based on the research.
   - Agrees performance methods and indicators on which to assess remuneration and reward.

5. Operational Responsibilities

5.1 Direction of Export and Trade Promotion

- Assists with the identification of, and agrees target sectors and industries.
- Ensures increased contribution of traditional and non-traditional products for export.
- Ensures the promotion, marketing and facilitation of the export trade.

5.2 Direction of the Unit's Support Services

(Outsourced IT, Finance/Admin)

- Directs, and ensures that the identified Support Services are operating efficiently and effectively.
- Maintains an overview, through regular meetings and reports, of the problems and issues being met by Line Managers.

5.3 Financial Management and Control

- Monitors economic and financial environment of Saint Lucia, and the impact of the same in surrounding Caribbean countries.
- Receives departmental budgets, reviews consolidated budget with Finance Representative, and submits to the Board.
- Reviews monitors and addresses variances with Line Managers.
- Alerts the Board regarding serious budget variances and implications.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Lennox Timm

Position: Director ECFH

Mailing Address: PO BOx 1026 New Montrose
Kingstown
St. Vincent and the Grenadines

Telephone No.:

List jobs held during past five years (include names of employers and dates of employment).

Financial Comptroller - National Insurance Services St Vincent and the Grenadines 1993- present

Give brief description of **current** responsibilities

Analyze Financial statements and report to the Board of Directors
Assist with managing the investment portfolio
Prepare capital appraisal reports for the Board Financing
Analyze and review financing proposals for NIS funding
Manage external audit schedules published Financial statements and liase with auditor
make presentations at management meetings as well as to the Board of directors and committees of the Board.
Monitoring training and supervision of Accounting staff
Creating , monitoring and implementing internal controls.

Education (degrees or other academic qualifications, schools attended, and dates):

Professional degree in accounting- Chartered Certified Accountant (FCCA) UK
Accounting Technician- MAAT UK
Member of the Chartered Institute of Securities and investments -MCSI UK
Currently pursuing a Chartered Business Valuation Course with York University Canada

Schools - Emmanuel High -Secondary
UWI School of continuing education - A levels
Emille wolf College of Accountancy UK (now London School of Accountancy) 1995 -1997

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: David Lisle Chase

Position: Chairman

Mailing Address: P.O. Box 39, Castries
St Lucia

Telephone No.: 1-758-713-6300

List jobs held during past five years (include names of employers and dates of employment).

President & CEO - Financial Centre Corporation - 1999 - Present

Give brief description of **current** responsibilities

Oversee Operations - Finance & Marketing

Education (degrees or other academic qualifications, schools attended, and dates):

FCCA - 1979
TEP (Trust & Estate Practioner) - 2003

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: MARTIN DORVILLE

Position: MANAGING DIRECTOR

Mailing Address: Choc Ridge,
P.O. Box Choc 8033
Castries

Telephone No.: 758-285-2447

List jobs held during past five years (include names of employers and dates of employment).

2013 – Current MANAGING DIRECTOR (MD) - Consolidated Foods Ltd

2008 - 2013 DEPUTY MANAGING DIRECTOR - Consolidated Foods Ltd

Give brief description of **current** responsibilities

Consolidated Foods Ltd (Group of Companies)
Responsible for the managing the business towards the achievement of its vision of being the Premier Caribbean Basing Retailer and doing so with, Honesty & Integrity, collaboration with all relevant partners, respect and ethical practice, purposeful effort towards growth and continuous improvement.

Responsibilities
- Development of Strategic plans
- Driving performance according to approved plans and budgets
- Creating and maintaining a highly engaged and motivated workforce
- Driving excellence in customer service
- Maintaining a Healthy and safe environment for all associates, partners and customers
- Managing all partners/ stakeholder relationships relevant to the business

- MD of Consolidated Foods Limited (CFL) in SLU
- MD of Massy Stores SVG Ltd. and Massy Stores SVG Group holdings Ltd. – 2014
- MD of Caribbean Properties Holdings Inc. (CPHI),
- MD of joint Properties Holdings Inc. (JPHL)

Education (degrees or other academic qualifications, schools attended, and dates):

MBA Marketing & Finance: Warwick Business School

- BSc. Management, (First Class Honors): University of the West-Indies

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Omar L Davis

Position: Accountant

Mailing Address: P O Box 389
Vieux Fort
St. Lucia

Telephone No.: 758 484 1180

List jobs held during past five years (include names of employers and dates of employment).

Consultant
Self Employed

Give brief description of **current** responsibilities

Provision of Financial and Management Advisory Services

Education (degrees or other academic qualifications, schools attended, and dates):

Chartered Certified Accountant (1975)

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Dr. Terrence Farrell

Position: Director

Mailing Address: 32 The Palm
Glencoe
Trinidad & Tobago

Telephone No.: (868) 358-3944

List jobs held during past five years (include names of employers and dates of employment).

Give brief description of **current** responsibilities

Director - East Caribbean Financial Holding Company Limited
Director - Republic Bank Financial Holdings Limited
Director - TATIL
Director - TATIL Life

Education (degrees or other academic qualifications, schools attended, and dates):

Ph.D (Economics) University of Toronto - 1979
LLB - University of London - 2007
LEC - Hugh Wooding Law School - 2013

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Mr. Trevor Louisy

Position: Director

Mailing Address: P.O. Box 230, Castries
St Lucia

Telephone No.: (758) 457-4400

List jobs held during past five years (include names of employers and dates of employment).

Managing Director - St Lucia Electricity Services Limited - January 2004 - Present

Give brief description of **current** responsibilities

Responsible for the overall management and strategic direction of the company

Education (degrees or other academic qualifications, schools attended, and dates):

BSc. Electrical Engineering - University of the West Indies 1985

Use additional sheets if necessary.

East Caribbean Financial Holding Company Limited

Consolidated Financial Statements

For the year ended 31 December 2015
(Expressed in Eastern Caribbean Dollars)

East Caribbean Financial Holding Company Limited

Index to the Consolidated Financial Statements
For the year ended 31 December 2015

Ernst & Young
P.O. Box BW 368,
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INDEPENDENT AUDITORS' REPORT

To the shareholders of East Caribbean Financial Holding Company Limited

We have audited the accompanying consolidated financial statements of East Caribbean Financial Holding Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
St. Lucia
21 March 2016

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position

As at 31 December 2015

(in thousands of Eastern Caribbean dollars)

	2015 $'000	2014 $'000
Assets		
Cash and balances with Central Bank (Note 6)	**344,212**	291,837
Treasury bills (Note 7)	**25,965**	516
Deposits with other banks (Note 8)	**702,728**	751,491
Financial assets held for trading (Note 9)	**15,030**	8,615
Deposits with non-bank financial institutions (Note 10)	**7,896**	6,318
Investment securities (Note 14)	**748,935**	638,775
Financial instruments - pledged assets (Note 15)	**17,459**	23,866
Loans and receivables - loans and advances to customers (Note 11)	**1,667,579**	1,770,710
- bonds (Note 13)	**10,033**	10,033
Investment in associates (Note 16)	**14,292**	12,061
Property and equipment (Note 17)	**144,997**	147,127
Investment properties (Note 18)	**4,627**	6,790
Intangible assets (Note 19)	**7,905**	5,943
Other assets (Note 20)	**46,271**	31,900
Retirement benefit asset (Note 22)	**7,897**	9,622
Deferred tax asset net of liabilities (Note 27)	**3,896**	3,490
Income tax recoverable	**3,768**	3,912
Total assets	**3,773,490**	3,723,006
Liabilities		
Deposits from banks (Note 23)	**83,765**	91,880
Due to customers (Note 24)	**3,228,649**	3,119,488
Repurchase agreements (Note 15)	**19,936**	23,812
Dividends payable	**276**	567
Borrowings (Note 25)	**116,646**	152,883
Preference shares (Note 46)	**4,150**	4,150
Other liabilities (Note 26)	**68,394**	60,545
Total liabilities	**3,521,816**	3,453,325

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position…continued

As of 31 December 2015

(in thousands of Eastern Caribbean dollars)

	2015 $'000	2014 $'000
Equity		
Share capital (Note 28)	**170,081**	170,081
Contributed capital (Note 29)	**1,118**	1,118
Reserves (Note 31)	**158,710**	160,419
Revaluation surplus	**13,855**	13,855
Unrealized loss on available-for-sale investments	**(10,541)**	(5,305)
Accumulated deficit	**(132,459)**	(119,226)
Attributable to the Company's equity holders	**200,764**	220,942
Non – controlling interests (Note 30)	**50,910**	48,739
Total equity	**251,674**	269,681
Total liabilities and equity	**3,773,490**	3,723,006

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 21 March 2016:

Director Director

East Caribbean Financial Holding Company Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

(in thousands of Eastern Caribbean dollars)

	Share Capital $'000	Con-tributed capital $'000	Reserves $'000	Revalua-tion surplus $'000	Unrealised loss on Available for sale investments $'000	Retained earnings $'000	Total $'000	Non-con-trolling interests $'000	Total equity $'000
Balance at 1 January 2014	**170,081**	**1,118**	**154,297**	**13,855**	**(5,346)**	**(123,376)**	**210,629**	**50,082**	**260,711**
Total comprehensive income for the year	–	–	–	–	41	10,705	10,746	1,446	12,192
Transfers to reserves	–	–	6,555	–	–	(6,555)	–	–	–
Dividends paid by subsidiaries	–	–	–	–	–	–	–	(1,813)	(1,813)
Disposal of subsidiary	–	–	–	–	–	–	–	(976)	(976)
Contributions	–	3,000	–	–	–	–	3,000	–	3,000
Contributions withdrawn	–	(3,000)	–	–	–	–	(3,000)	–	(3,000)
Reserve reduction	–	–	(433)	–	–	–	(433)	–	(433)
Balance at 31 December 2014	**170,081**	**1,118**	**160,419**	**13,855**	**(5,305)**	**(119,226)**	**220,942**	**48,739**	**269,681**
Balance at 1 January 2015	**170,081**	**1,118**	**160,419**	**13,855**	**(5,305)**	**(119,226)**	**220,942**	**48,739**	**269,681**
Total comprehensive loss for the year	–	–	–	–	(5,236)	(11,522)	(16,758)	2,906	(13,852)
Transfers to reserves	–	–	1,711	–	–	(1,711)	–	–	–
Dividends paid by subsidiaries	–	–	–	–	–	–	–	(735)	(735)
Contributions withdrawn	–	–	(3,420)	–	–	–	(3,420)	–	(3,420)
Balance at 31 December 2015	**170,081**	**1,118**	**158,710**	**13,855**	**(10,541)**	**(132,459)**	**200,764**	**50,910**	**251,674**

The accompanying notes form part of these financial statements.

East Caribbean Financial Holding Company Limited

Consolidated Statement of Income

For the year ended 31 December 2015

(in thousands of Eastern Caribbean dollars)

	2015 $'000	2014 $'000
Continued operations		
Interest income (Note 33)	**155,803**	162,911
Interest expense (Note 33)	**(64,717)**	(77,879)
Net interest income	**91,086**	85,032
Other operating income (Note 34,35,36,37)	**59,987**	59,677
Impairment losses - loans	**(41,392)**	(20,431)
Impairment losses - investments	**(3,617)**	–
Operating expenses (Note 38)	**(109,671)**	(108,372)
Operating (loss)/profit	**(3,607)**	15,906
Share of profit in associates (Note 16)	**2,231**	1,794
(Loss)/profit for the year before income tax and dividends	**(1,376)**	17,700
Dividends on preference shares	**(291)**	(291)
(Loss)/profit for the year before income tax	**(1,667)**	17,409
Income tax expense (Note 41)	**(4,045)**	(7,158)
(Loss)/profit for the year	**(5,712)**	10,251
Discontinued Operation		
Profit for the year from discontinued operations	–	157
Gain on disposal of controlling interest	–	656
(Loss)/profit for the year	**(5,712)**	11,064
Attributable to:		
-Equity holders of the Company	**(8,583)**	9,548
-Non-controlling interests (Note 30)	**2,871**	1,516
(Loss)/profit for the year	**(5,712)**	11,064
(Loss)/earnings per share for earnings attributable to the equity holders of the Company during the year (Note 42)		
- basic	**(0.35)**	0.39
- diluted	**(0.34)**	0.38

East Caribbean Financial Holding Company Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(in thousands of Eastern Caribbean dollars)

	2015 $'000	2014 $'000
(Loss)/profit for the year	**(5,712)**	11,064
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealised (loss)/gain on available-for-sale investments	**(7,464)**	1,644
Realised gain transferred from statement of income	2,263	(1,673)
	(5,201)	(29)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent period:		
Re-measurement (losses)/gains on defined benefit pension scheme	**(4,199)**	1,948
Income tax effect	**1,260**	(791)
	(2,939)	1,157
Net other comprehensive (loss)/income	**(8,140)**	1,128
Total comprehensive (loss)/income for the year	**(13,852)**	12,192
Total comprehensive (loss)/ income attributable to:		
Equity holders of the Company	**(16,758)**	10,746
Non-controlling interests (Note 30)	**2,906**	1,446
	(13,852)	12,192

The accompanying notes form part of these financial statements.

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

(in thousands of Eastern Caribbean dollars)

	2015 $'000	2014 $'000
Cash flows from operating activities		
(Loss)/profit before income tax from continuing operations	**(1,376)**	17,700
Profit from discontinued operations	**–**	813
Profit before tax	**(1,376)**	18,513
Adjustments to reconcile profit before tax to net cash flows:		
Interest income on investments	**(27,385)**	(25,824)
Depreciation	**7,870**	8,052
Impairment losses on loans, advances and investment securities	**45,009**	20,431
Amortisation of intangible assets	**1,277**	1,755
Gain on disposal of controlling interest in discontinued operations	**–**	(656)
Unrealised loss on investments held for trading	**74**	37
Retirement benefit expense	**790**	1,171
(Gain)/loss on disposal of property and equipment	**(34)**	157
Loss on disposal of investment properties	–	1,273
Fair value loss/(gain) on investment property	**1,766**	(30)
Share of profit of associate	**(2,231)**	(1,794)
Net losses/(gains) on disposal of investments	**614**	(2,302)
Unamortised premium on investments	**(572)**	
Retirement benefit contributions paid	**(3,264)**	(1,577)
Cash flows before changes in operating assets and liabilities	**22,538**	19,206
Increase in mandatory deposits with Central Bank	**(8,485)**	(8,971)
Decrease/ in loans and advances to customers	**61,739**	77,586
(Increase)/decrease in other assets	**(14,607)**	8,422
Increase in due to customers	**109,161**	70,767
Decrease in repurchase agreements	**(3,876)**	(2,516)
Decrease in deposits from banks	**(8,115)**	(16,992)
Increase in other liabilities	**7,849**	7,105
Decrease in financial instruments - pledged assets	**6,606**	16,845
(Increase)/decrease in trading assets	**(6,489)**	5,208
(Increase)/decrease in treasury bills	**(4,113)**	5,466
Cash generated from operations	**162,208**	182,126
Income tax paid	**(2,811)**	(3,639)
Interest received	**26,507**	25,375
Net cash from operating activities	**185,904**	203,862

(in thousands of Eastern Caribbean dollars)

	2015 $'000	2014 $'000
Cash flows from investing activities		
Purchase of investment securities	**(302,123)**	(359,298)
Proceeds from disposal and redemption of investment securities	**177,279**	233,707
Purchase of property and equipment	**(5,765)**	(6,776)
Purchase of intangible assets	**(3,239)**	(376)
Proceeds from disposal of property and equipment	**59**	353
Proceeds from disposal of investment property	**397**	7,182
Proceeds from sale of controlling interest in subsidiary	–	2,295
Net cash used in investing activities	**(133,392)**	(122,913)
Cash flows from financing activities		
Dividends paid to minority shareholders	**(735)**	(1,813)
Dividends paid to preference shareholders	**(582)**	–
Contributions withdrawn	–	(3,000)
Reserve Reduction	**(3,420)**	(433)
Proceeds from capital contributions	–	3,000
Proceeds from borrowings	**5,606**	7,400
Repayments of borrowings	**(41,843)**	(67,642)
Net cash used in financing activities	**(40,974)**	(62,488)
Increase in cash and cash equivalents	**11,538**	18,461
Net foreign exchange movement in investments	**6,503**	8,459
Cash and cash equivalents at beginning of year	**916,132**	889,212
Cash and cash equivalents at end of year (Note 43)	**934,173**	916,132

The accompanying notes form part of these financial statements.

(in thousands of Eastern Caribbean dollars)

1 General information

East Caribbean Financial Holding Company Limited (the "Company" or "Parent Company") was formed pursuant to an Agreement for Amalgamation (the Agreement) dated 31 March 2001, between National Commercial Bank of Saint Lucia Limited (NCB), a company incorporated in Saint Lucia and continued under the Companies Act, 1996 of Saint Lucia and Saint Lucia Development Bank (SLDB), a company reincorporated under the same Act. Under the terms of the Agreement the companies agreed to amalgamate in accordance with the provisions of the Companies Act, 1996 from 1 July 2001 and to continue as one company as at the date of the Certificate of Amalgamation. The Certificate of Amalgamation was issued on 30 June 2001.

In addition for compliance with the Companies Act of Saint Lucia, certain entities within the East Caribbean Financial Holding Company Limited are subject to the provisions of the Banking Act, 1991, Insurance Act, 1995 and International Business Companies Act, 1999.

The principal activity of the company and its subsidiaries (the "Group") is the provision of financial services. The registered office and principal place of business of the Company is located at No.1 Bridge Street, Castries, Saint Lucia.

The principal shareholding of the Group is stated in Note 45.

The Company is listed on the Eastern Caribbean Securities Exchange.

2 Summary of significant accounting policies

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

Statement of compliance
East Caribbean Financial Holding Company Limited's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31 December 2015 (the reporting date).

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets held at fair value through profit or loss classified in the consolidated statement of financial position as trading financial assets and land and buildings classified as property and equipment and investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Basis of preparation...*continued*

(a) Changes in accounting policies and disclosures:

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

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

Annual improvements *2010-2012 Cycle*
These improvements are effective from 1 July 2014 did not have a material impact on the Group. They include:

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Basis of preparation…*continued*

(a) Changes in accounting policies and disclosures…*continued*

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarifies that:

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

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

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements *2011-2013 Cycle*
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

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

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

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

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Basis of preparation…*continued*

(b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 *Regulatory Deferral Accounts*

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

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

(b) Standards issued but not yet effective *…continued*

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

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

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

Amendments to IAS 27: *Equity Method in Separate Financial Statements*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Basis of preparation...*continued*

(b) Standards issued but not yet effective ...*continued*

Amendments to IAS 27: *Equity Method in Separate Financial Statements*.....*continued*

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements *2012-2014 Cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

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

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. These amendments are not expected to have any impact on the Group.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any on the Group.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Basis of preparation*…continued*

(b) Standards issued but not yet effective*…continued*

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.
These amendments are not expected to have any impact on the Group.

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

(c) Consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the Parent Company's reporting date. The consolidation principles are unchanged as against the previous year.

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all subsidiaries as of 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns
- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies …*continued*

(c) Consolidation…*continued*

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(c) Consolidation*…continued*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Inter-company transactions, balances and unrealised gains on transactions between group companies have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

(b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Non-controlling interests are presented separately within equity in the consolidated statement of financial position.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(c) Consolidation*…continued*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for by the equity method of accounting and initially recognised at cost.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in reserves recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Fair value measurement

The Group measures financial instruments such as investment securities and non- financial asset such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions	Notes 2,3,14 and 18
Quantitative disclosures of fair value measurement hierarchy	Note 3
Investment properties	Note 18
Financial instruments (including those carried at amortised cost)	Note 14

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

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(d) Fair value measurement*…continued*

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value of a non-financial asset takes into account a market participants ability to generate economic benefits by using the assets in its highest and best use or by selling to another participant that would use the asset in its highest and best use.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurement.

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

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash and non-restricted balances with the Central Bank, treasury bills, deposits with other banks, deposits with a non-bank financial institutions and other short-term securities.

(f) Financial assets

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

<u>(a) Financial assets at fair value through profit or loss</u>

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by management.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated statement of income. Gains and losses arising from changes in fair value are included directly in the consolidated statement of income and are reported as 'Fair value gains'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income'. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(f) Financial asset *…continued*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to customers or as investment securities. Interest on loans and receivables is included in the consolidated statement of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables and recognised in the consolidated statement of income.

(c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than: (a) those that the Group upon initial recognition designates as at fair value through profit or loss; (b) those that the Group designates as available-for-sale; and (c) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs are measured subsequently at amortised cost, using the effective interest method less impairment. Interest on held-to-maturity investments is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income as finance costs.

If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. The difference between the carrying value and fair value is recognised in equity.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(f) Financial assets…*continued*

(d) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to- maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. Management makes judgements at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in the consolidated statement of income. Interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the consolidated statement of income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of income when the Group's right to receive payment is established. Where fair value cannot be determined cost was used to value investments.

(g) Recognition/Derecognition

The Group uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Assets pledged as collateral.'

Financial assets are derecognised when the rights to the cash flows from the asset has expired or when it has transferred substantially all the risks and rewards of ownership.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(h) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including;

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Loans and advances that have been assessed individually and found not to be impaired and all individually performing loans and advances are assessed collectively in groups of assets with similar risk characteristics to determine whether provisions should be made due to incurred loss events which are not yet evident. The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data country risk and the performance of different groups.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(h) Impairment of financial assets *…continued*

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future 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 through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If a loan or held-to-maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the loan provision in the consolidated statement of income.

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 in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of income.

Assets classified as available-for-sale and held for trading

The Group makes judgments at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

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 objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(h) Impairment of financial assets *…continued*

Assets classified as available-for-sale and held for trading…continued

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

<u>Renegotiated loans</u>

During the normal course of business financial assets carried at amortised cost may be restructured with the mutual agreement of the "Group" and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment, the Group assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different the group derecognises the original financial asset and recognises a new one at fair value with any difference recognized in the statement of income.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(j) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements (repos) are retained in the financial statements as investments securities and the counterparty liability is included in other borrowed funds. The difference between sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest method.

(k) Property and equipment

Land and buildings comprises mainly branches and offices occupied by the parent or its subsidiaries. Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are reviewed annually by quantity surveyors.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income, all other decreases are charged to the statement of income.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(k) Property and equipment*…continued*

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	2%
Leasehold improvements	2 – 33 1/3%
Motor vehicles	20 – 25%
Office furniture & equipment	10 – 20%
Computer equipment	33 1/3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

(l) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment property comprises freehold land and building which are leased out under operating leases. Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the consolidated statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(l) Investment properties …*continued*

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

Investment property is carried at fair value, representing open market value determined annually by external professionally qualified valuers. Fair value is adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property is reviewed annually by independent external evaluators.

Investment property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

(m) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 20 years.

Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable.

An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after recognition.

(a) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(m) Intangible assets…*continued*

(b) Other intangible assets

Other intangible assets consist of customer relationships (core deposit intangibles). Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method. Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 12 years.

(n) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(o) Income tax

(a) Current tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income. In these circumstances, current tax is charged or credited to other comprehensive income.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

The Group does not offset income tax liabilities and current income tax assets.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(o) Income tax…*continued*

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, amortisation of intangible assets and their tax base, unutilised tax losses and pension gains. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

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

(p) Financial liabilities

The Group's holding in financial liabilities are at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities measured at amortised cost are deposits from banks or customers and debt securities in issue for which the fair value option is not applied.

(q) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

(r) Provisions

Provisions are recognised when the bank has a present legal or constructive obligation as a result of a past event, it is more likely 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.

(s) Redeemable preference shares

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividend on these preference shares are recognised in the statement of income.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(t) Employee benefits

Pension obligations

The Group operates a defined benefit plan. The scheme is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The plan is registered in St. Lucia and is regulated by the Insurance Act, 1994 which was enacted in 1995. A defined benefit plan is a pension plan that defines 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 pension obligation valuations are undertaken annually.

Annually the board of trustees reviews the level of funding and the asset liability mix to ensure adherence to the investment risk policy and the regulatory requirements. The required investment portfolio mix is 40% in equity instruments and 59% debt in debt instruments and 1% in cash and cash equivalents.

The Group's policy is to fully fund the pension and to meet any funding shortfalls over a period of ten years following regular periodical actuarial reviews.

The asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognised in the consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'operating expenses' in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The pension plan is exposed to inflation risk, interest rate risk and changes in the life expectancy for pensioners.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

(t) Employee benefits*….continued*

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(u) Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Group's banking entities to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Any increase in the liability relating to guarantees is reported in the statement of income within other operating expenses.

(v) Fiduciary activities

The Group commonly acts a trustees and in other fiduciary capacities that result in the holding and placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(w) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(x) Interest income and expense

Interest income and expense are recognised in the consolidated statement of income for all financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial assets or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(y) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

(z) Dividend income

Dividend income is recognised when the entity's right to receive payment is established.

(zi) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in thousands of Eastern Caribbean dollars, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(zi) Foreign currency translation…*continued*

Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition.

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 consolidated statement of income.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the other comprehensive income.

Group companies

The functional currency of the wholly owned offshore banking subsidiary is United States dollars. For consolidation purposes the results and financial position are translated to the presentation currency of the Group using the pegged rate of EC$2.70 = US$1.00.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income.

(in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

(zii) Leases

A Group company is the lessee

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period is expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

A Group company is the lessor

Assets leased out under operating leases are included in investment properties in the statement of financial position. They are depreciated over the expected useful life. Rental income is recognised in the consolidated statement of income on a straight-line basis over the period of the lease.

(ziii) Financial instruments

Financial instruments carried on the consolidated statement of financial position include cash resources, investment securities, loans and advances to customers, deposits with other banks, deposits from banks, due to customers and borrowings. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

(ziv) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Company's Board of Directors as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Group has the following reportable segments: Bank of St. Lucia Limited, Bank of St. Vincent and the Grenadines Limited, Bank of St. Lucia International Limited, and other.

(zv) Comparatives

Certain balances were reclassified in the prior year to meet the current year presentation period. These changes were not considered material.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management

Strategy in using financial instruments

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Group's Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from balances with central bank, deposits with other banks and non-bank financial institutions, investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets.

<u>Loans and advances</u>

The Group takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Debt securities and other bills

For debt securities and treasury bills, external rating such as Standard & Poor's or Caricris or their equivalents are used by the Asset Liability Committee for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Cash and balances with Central Bank

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Risk Department on an annual basis, and may be updated throughout the year subject to approval of the Group's Investment Committee and where necessary The Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary by the Board of Directors.

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

Some other specific control and mitigation measures are outlined below.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Collateral…continued
The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Group's credit exposure.

Longer-term finance and lending to corporate entities are secured; individual credit facilities are generally secured. In addition, in order to minimize the credit loss, the Group will seek additional credit collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Credit-related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are authorisations by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies
The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Impairment and provisioning policies…*continued*
Management determines whether objective evidence of impairment exists based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Maximum exposure to credit risk

	Maximum exposure	
	2015	**2014**
	$'000	**$'000**
Credit risk exposures relating to the financial assets in the statement of financial position :		
Balances with central bank	**307,472**	243,991
Treasury bills	**25,965**	516
Deposits with other banks	**702,728**	751,491
Deposits with non-bank financial institutions	**7,896**	6,318
Loans and advances to customers:		
Large corporate loans	**542,742**	609,318
Term loans	**336,220**	377,748
Mortgages	**651,264**	629,961
Overdrafts	**137,353**	153,683
Bonds	**10,033**	10,033
Financial assets held for trading	**15,030**	8,615
Investment securities	**748,935**	638,775
Financial instruments - pledged assets	**17,459**	23,866
Other assets	**45,578**	30,946
	3,548,675	3,485,261
Credit risk exposures relating to the financial assets off the statement of financial position:		
Loan commitments	**129,901**	119,133
Guarantees, letters of credit and other credit obligations	**25,808**	28,715
	155,709	147,848
	3,704,384	3,633,109

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2015 and 2014 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 45% (2014 – 49%) of the total maximum exposure is derived from loans and advances to customers and 20% (2014 – 17%) represents investments in debt securities.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management *…continued*

Credit risk*…continued*

Loans and advances are summarised as follows:

	2015 $'000	**2014 $'000**
Loans and advances to customers		
Neither past due nor impaired	**1,041,185**	1,092,638
Past due but not impaired	**202,931**	244,474
Impaired	**556,252**	529,171
Gross	**1,800,368**	1,866,283
Less allowance for impairment losses on loans and advances	**(132,789)**	(95,573)
Net	**1,667,579**	1,770,710

The total allowance for impairment losses on loans and advances is $132,789 (2014 – $95,573) of which $103,516 (2014 – $76,167) represents the individually impaired loans and the remaining amount of $29,273 (2014 – $19,406) represents the collective provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 11 and 12.

Loans and advances neither past due nor impaired
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

Loans and advances to customers

	Overdrafts $'000	**Term Loans $'000**	**Mortgages $'000**	**Large Corporate loans $'000**	**Total $'000**
31 December 2015	**111,941**	**206,419**	**499,902**	**222,923**	**1,041,185**
31 December 2014	141,877	229,737	481,538	239,486	1,092,638

(in thousands of Eastern Caribbean dollars)

3 Financial risk management *…continued*

Credit risk*…continued*

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

	Term Loans $'000	Mortgages $'000	Large Corporate loans $'000	Overdrafts $'000	Total $'000
At 31 December 2015					
Past due up to 30 days	**52,171**	**61,633**	**26,835**	**572**	**141,211**
Past due 30 – 60 days	**6,857**	**15,304**	**15,137**	**119**	**37,417**
Past due 60 – 90 days	**5,111**	**9,193**	**9,960**	**39**	**24,303**
	64,139	**86,130**	**51,932**	**730**	**202,931**

	Term loans $'000	Mortgages $'000	Large Corporate Loans $'000	Overdrafts $'000	Total $'000
At 31 December 2014					
Past due up to 30 days	52,106	59,392	49,807	614	161,919
Past due 30 – 60 days	9,430	13,542	24,889	63	47,924
Past due 60 – 90 days	4,112	8,172	22,303	44	34,631
	65,648	81,106	96,999	721	244,474

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Loans and advances…*continued*
The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Overdrafts $'000	Term Loans $'000	Mortgages $'000	Large Corporate Loans $'000	Total $'000
31 December 2015	**41,772**	**97,382**	**82,139**	**334,959**	**556,252**
31 December 2014	24,135	111,299	79,816	313,921	529,171

Repossessed collateral
At the end of 2015 the value of repossessed collateral held by the Group was $670 and was immaterial for 2014 ($1,004).

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Debt securities, treasury bills and other eligible bills
The table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2015 and 2014, based on Standard & Poor's and Moody's ratings:

	Financial assets held for trading $'000	Investment Securities $'000	Pledged Assets $'000	Loans and Receivables-bonds $'000	Treasury Bills $'000	Total $'000
At 31 December 2015						
AA- to AA+	–	**52,638**	–	–	–	**52,638**
A- to A+	–	**209,723**	–	–	–	**209,723**
Lower than A-	**36**	**363,498**	–	**10,033**	**25,965**	**399,532**
Unrated	**14,994**	**107,589**	**17,459**	–	–	**140,042**
	15,030	**733,448**	**17,459**	**10,033**	**25,965**	**801,935**
At 31 December 2014						
AA- to AA+	–	93,552	–	–	–	93,552
A- to A+	–	192,837	–	–	–	192,837
Lower than A-	–	201,510	–	10,033	516	212,059
Unrated	8,615	135,699	23,866	–	–	168,180
	8,615	623,598	23,866	10,033	516	666,628

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors
The Group operates primarily in Saint Lucia and St. Vincent. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in these locations, except for investments which have other exposures, primarily in the United States of America.

(b) Industry sectors
The following table breaks down the Group's credit exposure at gross amounts without taking into account any collateral held or other credit support by the industry sectors of the Group's counterparties.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Concentration of risks of financial assets with credit exposure

	Financial institutions $'000	Manufacturing $'000	Tourism $'000	Government $'000	Professional and other services $'000	Personal $'000	*Other industries $'000	Total $'000
At 31 December 2015								
Balances with central bank	**307,472**	**–**	**–**	**–**	**–**	**–**	**–**	**307,472**
Treasury bills	**403**	**–**	**–**	**25,562**	**–**	**–**	**–**	**25,965**
Deposits with other banks	**702,728**	**–**	**–**	**–**	**–**	**–**	**–**	**702,728**
Deposits with non-bank financial institutions	**7,896**	–	–	–	–	–	–	**7,896**
Loans and receivables to customers								
Overdrafts	**32**	**4,684**	**6,803**	**60,271**	**10,373**	**6,978**	**48,212**	**137,353**
Term loans	**17,351**	**2,829**	**10,919**	**42**	**23,593**	**258,157**	**23,329**	**336,220**
Large corporate loans	**379**	**14,742**	**94,016**	**34,052**	**106,462**	**20,527**	**272,564**	**542,742**
Mortgages	–	**83**	**420**	–	**2,547**	**646,949**	**1,265**	**651,264**
Loans and receivables:-Bonds	–	**–**	**–**	**10,033**	**–**	**–**	**–**	**10,033**
Financial assets held for trading	**87**	**–**	**–**	**14,370**	**–**	**–**	**573**	**15,030**
Investment securities	**362,358**	**550**	**–**	**65,359**	**–**	**–**	**320,668**	**748,935**
Financial instruments - pledged assets	–	**–**	**–**	**17,459**	**–**	**–**	**–**	**17,459**
Other assets	**2,643**	–	–	–	–	–	**42,935**	**45,578**
	1,401,349	**22,888**	**112,158**	**227,148**	**142,975**	**932,611**	**709,546**	**3,548,675**
Loan commitments, letters of credit guarantees and other credit obligations	**375**	**4,829**	**4,449**	**31,531**	**1,025**	**29,246**	**84,254**	**155,709**

*Other industries include construction and land development.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Concentration of risks of financial assets with credit exposure*…continued*

	Financial institutions $'000	Manufacturing $'000	Tourism $'000	Government $'000	Professional and other services $'000	Personal $'000	*Other industries $'000	Total $'000
At 31 December 2014								
Balances with central bank	243,991	–	–	–	–	–	–	243,991
Treasury bills	–	–	–	516	–	–	–	516
Deposits with other banks	751,491	–	–	–	–	–	–	751,491
Deposits with non-bank financial institutions	6,318	–	–	–	–	–	–	6,318
Loans and receivables to customers					–	–	–	
Overdrafts	276	6,521	5,298	61,525	16,231	16,505	47,327	153,683
Term loans	23,981	3,639	13,922	157	29,590	288,145	18,314	377,748
Large corporate loans	4,785	21,309	119,821	38,966	111,990	25,056	287,391	609,318
Mortgages	–	89	–	–	1,739	615,143	12,990	629,961
Loans and receivables:-Bonds	–	–	–	10,033	–	–	–	10,033
Financial assets held for trading	813	–	–	7,154	–	–	648	8,615
Investment securities	299,987	558	–	67,814	–	–	270,416	638,775
Financial instruments - pledged assets	–	–	–	23,866	–	–	–	23,866
Other assets	2,643	–	–	–	–	–	28,303	30,946
	1,334,285	32,116	139,041	210,031	159,550	944,849	665,389	3,485,261
Loan commitments, letters of credit, guarantees and other credit obligations	375	4,223	2,234	42,660	875	23,226	74,255	147,848

*Other industries include construction and land development

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risks arises from its non-trading and trading portfolios. Senior management of the Group monitors and manages market risk through the Asset Liability Committee which advises on financial risks and assigns risk limits for the Group.

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's available-for-sale investments (Note 14).

Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The following table summarises the Group's exposure to foreign currency exchange rate risk at 31 December.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Currency risk*…continued*

	AUD $'000	ECD $'000	USD $'000	BDS$ $'000	Euro $'000	GBP $'000	CAD $'000	Other $'000	Total $'000
At 31 December 2015									
Cash and balances with Central Bank	–	337,826	4,545	308	867	338	328	–	344,212
Treasury bills	–	25,965	–	–	–	–	–	–	25,965
Deposits with other banks	23,983	49,803	423,321	1,673	110,774	62,378	10,623	20,173	702,728
Financial assets held for trading	–	13,988	1,006	–	36	–	–	–	15,030
Deposits with non-bank financial institution	–	–	7,870	–	–	26	–	–	7,896
Loans and receivables:									
Loans and advances to customers	–	1,606,815	60,691	–	–	73	–	–	1,667,579
Bonds	–	10,033	–	–	–	–	–	–	10,033
Investment securities:									
Held to maturity	–	32,135	63,143	–	3,129	–	–	400	98,807
Available-for-sale	3,402	31,353	551,663	641	45,167	17,902	–	–	650,128
Financial instruments - pledged assets	–	16,847	612	–	–	–	–	–	17,459
Other assets	–	43,279	1,881	–	397	21	–	–	45,578
Total financial assets	27,385	2,168,044	1,114,732	2,622	160,370	80,738	10,951	20,573	3,585,415

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

	AUD $'000	ECD $'000	USD $'000	BDS$ $'000	Euro $'000	GBP $'000	CAD $'000	Other $'000	Total $'000
At 31 December 2015									
Liabilities									
Deposits from banks	–	79,972	3,786	–	2	5	–	–	83,765
Due to customers	27,321	2,156,082	779,400	–	159,646	79,226	10,538	16,436	3,228,649
Repurchase agreements	–	16,811	3,125	–	–	–	–	–	19,936
Borrowings	–	36,745	79,901	–	–	–	–	–	116,646
Preference shares	–	4,150	–	–	–	–	–	–	4,150
Other liabilities	14	67,218	251	–	132	3	(1)	777	68,394
Total financial liabilities	27,335	2,360,978	866,463		159,780	79,234	10,537	17,213	3,521,540
Net assets/(liabilities)	50	(192,934)	248,269	2,622	590	1,504	414	3,360	63,875
Loan commitments, letters of credit, guarantees and other credit obligations	–	155,709	–	–	–	–	–	–	155,709

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

	AUD $'000	ECD $'000	USD $'000	BDS$ $'000	Euro $'000	GBP $'000	CAD $'000	Other $'000	Total $'000
At 31 December 2014									
Cash and balances with Central Bank	–	284,497	5,112	348	1,065	401	414	–	291,837
Treasury bills	–	516	–	–	–	–	–	–	516
Deposits with other banks	13,165	43,706	519,760	1,494	102,927	45,275	3,641	21,523	751,491
Financial assets held for trading	–	5,232	3,342	–	41	–	–	–	8,615
Deposits with non-bank financial institution	–	–	6,290	–	–	28	–	–	6,318
Loans and receivables:									
Loans and advances to customers	–	1,674,463	88,307	–	7,940	–	–	–	1,770,710
Bonds	–	10,033	–	–	–	–	–	–	10,033
Investment securities:									
Held to maturity	–	29,272	13,124	–	–	–	–	387	42,783
Available-for-sale	3,574	36,099	483,551	608	50,301	18,951	–	2,908	595,992
Financial instruments - pledged assets	–	18,745	2,385	–	–	–	–	2,736	23,866
Other assets	3	28,017	1,122	–	531	4	361	908	30,946
Total financial assets	16,742	2,130,580	1,122,993	2,450	162,805	64,659	4,416	28,462	3,533,107

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

	AUD $'000	ECD $'000	USD $'000	BDS$ $'000	Euro $'000	GBP $'000	CAD $'000	Other $'000	Total $'000
At 31 December 2014									
Liabilities									
Deposits from banks	–	82,618	8,926	–	–	336	–	–	91,880
Due to customers	16,633	2,037,590	814,865	–	162,650	62,439	4,048	21,263	3,119,488
Repurchase agreements	–	20,738	3,074	–	–	–	–	–	23,812
Borrowings	–	63,513	89,370	–	–	–	–	–	152,883
Preference shares	–	4,150	–	–	–	–	–	–	4,150
Other liabilities	14	58,852	200	–	97	2	–	1,380	60,545
Total financial liabilities	16,647	2,267,461	916,435	–	162,747	62,777	4,048	22,643	3,452,758
Net assets/(liabilities)	95	(136,881)	206,558	2,450	58	1,882	368	5,819	80,349
Loan commitments, letters of credit, guarantees and other credit obligations	–	147,848	–	–	–	–	–	–	147,848

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both fair value and cash flows risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Interest rate risk*…continued*

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2015							
Financial assets							
Cash and balances with Central Bank	45	–	–	–	–	344,167	344,212
Treasury bills	11,168	10,168	4,629	–	–	–	25,965
Deposits with other banks	500,959	16,583	11,096	–	–	184,916	702,728
Financial assets held for trading	102	–	–	2,656	12,225	47	15,030
Deposits with non-bank financial institutions	7,896	–	–	–	–	–	7,896
Loans and receivables:							
– loans and advances to customers	143,993	13,916	78,320	282,380	1,148,970	–	1,667,579
– bonds	–	–	–	10,033	–	–	10,033
Investment securities:							
– held-to-maturity	3,023	344	20,305	48,132	27,003	–	98,807
– available-for-sale	49,376	8,749	55,443	355,424	146,098	35,038	650,128
Financial instruments - pledged assets	–	–	–	–	17,459		17,459
Other assets	2,298	–	–	804	–	42,476	45,578
Total financial assets	718,860	50,030	158,697	699,429	1,351,755	606,644	3,585,415

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2015							
Financial liabilities							
Deposits from banks	**3,953**	**11,133**	**61,041**	**–**	**–**	**7,638**	**83,765**
Due to customers	**1,284,272**	**134,542**	**597,673**	**38,255**	**22,972**	**1,150,935**	**3,228,649**
Repurchase agreements			**19,936**				**19,936**
Borrowings	**8,495**	**461**	**26,714**	**23,453**	**57,523**	**–**	**116,646**
Preference shares					**4,150**	**–**	**4,150**
Other liabilities	**3**	**6**	**120**	**–**	**–**	**68,265**	**68,394**
Total financial liabilities	**1,296,723**	**146,142**	**705,484**	**61,708**	**84,645**	**1,226,838**	**3,521,540**
Total interest repricing gap	**(577,863)**	**(96,112)**	**(546,787)**	**637,721**	**1,267,110**	**(620,194)**	**63,875**

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2014							
Financial assets							
Cash and balances with Central Bank	4,899	–	–	–	–	286,938	291,837
Treasury bills	–	–	516	–	–	–	516
Deposits with other banks	307,046	263,305	1,445	–	–	179,695	751,491
Financial assets held for trading	41	–	1,193	2,415	4,147	819	8,615
Deposits with non-bank financial institutions	6,318	–	–	–	–	–	6,318
Loans and receivables:							
– loans and advances to customers	205,514	15,502	74,906	279,912	1,194,876	–	1,770,710
– bonds	–	–	–	10,033	–	–	10,033
Investment securities:							
– held-to-maturity	10,913	54	12,742	14,579	3,724	771	42,783
– available-for-sale	6,790	4,934	35,176	315,016	203,295	30,781	595,992
Financial instruments - pledged assets	2,736	–	18,739	2,391	–	–	23,866
Other assets	–	–	–	944	23,643	6,359	30,946
Total financial assets	544,257	283,795	144,717	625,290	1,429,685	505,363	3,533,107

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2014							
Financial liabilities							
Deposits from banks	4,092	32,657	49,472	–	–	5,659	91,880
Due to customers	1,333,942	218,821	463,932	38,090	13,225	1,051,478	3,119,488
Repurchase agreements		7,848	15,964	–	–	–	23,812
Borrowings	6,345	262	39,796	39,074	67,406	–	152,883
Due to reinsurers	–	–	–	–	–	–	–
Insurance claims and deferred revenue	–	–	–	–	–	–	–
Preference shares	–	–	–	–	4,150	–	4,150
Other liabilities	1,457	45	20	126	–	58,897	60,545
Total financial liabilities	1,345,836	259,633	569,184	77,290	84,781	1,116,034	3,452,758
Total interest repricing gap	(801,579)	24,162	(424,467)	548,000	1,344,904	610,671	80,349

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Interest rate risk*…continued*

The table below summarises the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss:

	EC$ %	US$ %	EURO %	GBP %	CAD %	AUD %	BDS %
At 31 December 2015							
Assets							
Treasury bills	**4.8**	–	–	–	–	–	–
Deposits with other banks	**2.2**	**0.3**	–	**0.3**	**0.1**	**1.0**	–
Loans and receivables:							
– loans and advances to customers	**8.4**	**5.3**	–	**3.0**	–	–	–
– bonds	**7.5**						
Investment securities:							
– held-to-maturity	**5.0**	**3.3**	**0.9**	–	–	–	–
– available-for-sale	**4.5**	**2.6**	**1.0**	**2.9**	–	4.0	–
Financial instruments – pledged	**7.4**	**7.5**	–	–	–	–	–
Liabilities							
Due to customers	**2.1**	**1.0**	**0.1**	**0.4**	**0.1**	**1.3**	–
Deposits from banks	**2.7**	**1.1**	–	–	–	–	–
Deposits with non-bank financial institution							
Other fund raising instruments	**3.0**	**1.6**	–	–	–	–	–
Borrowings	**6.1**	**3.5**	–	–	–	–	–

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*

	EC$ %	US$ %	EURO %	GBP %	CAD %	AUD %	BDS %
At 31 December 2014							
Assets							
Treasury bills	5.0	–	–	–	–	–	–
Deposits with other banks	1.6	1.0	–	0.2	0.3	1.4	–
Loans and receivables:							
– loans and advances to customers	8.8	5.6	0.6	–	–	–	–
– bonds	7.5	–	–	–	–	–	–
Investment securities:							
– held-to-maturity	4.8	6.8	–	–	–	–	–
– available-for-sale	3.8	3.9	2.4	3.7	–	4.8	–
Financial instruments – pledged	6.7	7.0	–	–	–	–	–
Liabilities							
Due to customers	3.2	1.0	0.1	0.4	0.1	1.2	–
Deposits from banks	3.1	1.6	–	–	–	–	–
Other fund raising instruments	3.8	–	–	–	–	–	–
Borrowings	7.2	3.7	–	–	–	–	–

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Interest rate risk…*continued*
Cash flow interest rate risk arises from loans and advances to customers at variable rates. At 31 December 2015 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $8,094 (2014 – $8,644) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, payment of cash requirements from contractual commitments, or other cash outflows.

The Group is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, and guarantees. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process
The matching and controlled mismatching of the contractual maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Funding approach
Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Liquidity risk…*continued*

Non-derivative cashflows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the liquidity risk based on expected discounted cash inflows.

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
At 31 December 2015						
Deposits from banks	3,215	20,138	62,093	–	–	85,446
Due to customers	2,459,973	135,347	605,235	39,363	22,972	3,262,890
Repurchase agreements	–	–	20,195	–	–	20,195
Borrowings	14,778	1,849	26,210	30,443	64,826	138,106
Preference shares	–	–	–	–	4,150	4,150
Other liabilities	53,082	6,655	8,657	–	–	68,394
Total financial liabilities	2,531,048	163,989	722,390	69,806	91,948	3,579,181
Financial Assets						
At 31 December 2015						
Cash and balances with Central Bank	344,212	–	–	–	–	344,212
Treasury bills	11,201	10,168	4,630	–	–	25,999
Deposits with other banks	661,581	13,758	7,552	–	–	682,891
Financial assets held for trading	150	–	–	4,937	15,252	20,339
Deposits with non-bank financial institutions	7,896	–	–	–	–	7,896
Loans and receivables:						
loans and advances to customers	77,707	54,982	227,549	946,484	1,345,852	2,652,574
– bonds	–	–	750	3,000	11,017	14,767
Financial instruments-pledged assets	–	–	–	–	27,781	27,781
Investment securities:						
– held-to-maturity	5,365	359	41,506	54,497	36,092	137,819
– available-for-sale	48,284	8,783	16,983	383,739	223,584	681,373
Other Assets	15,082	198	30,991	–	2,643	46,271
Total financial assets held for managing liquidity	1,171,478	88,248	329,961	1,392,657	1,659,578	4,641,922

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

Liquidity risk...*continued*

Non-derivative cashflows...*continued*

	Up to 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Financial Liabilities At 31 December 2014						
Deposits from banks	9,798	32,927	50,494	–	–	93,219
Due to customers	2,388,537	222,602	487,366	47,525	13,225	3,159,255
Repurchase agreements	–	7,882	16,277	–	–	24,159
Borrowings	7,212	825	40,938	40,282	91,217	180,474
Preference shares	–	–	–	–	4,150	4,150
Other liabilities	47,531	526	11,145	3,839	–	63,041
Total financial liabilities	2,453,078	264,762	606,220	91,646	108,592	3,524,298
Financial Assets At 31 December 2014						
Cash and balances with Central Bank	291,836	–	–	–	–	291,836
Treasury bills	–	–	516	–	–	516
Deposits with other banks	430,534	233,196	47,168	–	–	710,898
Financial assets held for trading	98	3,239	973	5,566	1,113	10,989
Deposits with non-bank financial institutions	6,318	–	–	–	–	6,318
Loans and receivables:						
loans and advances to customers	108,216	55,472	200,534	1,044,762	1,160,837	2,569,821
– bonds	–	–	750	12,969	–	13,719
Financial instruments-pledged assets	2,718	–	19,645	3,137	–	25,500
Investment securities:						
– held-to-maturity	10,949	89	14,288	17,908	6,542	49,776
– available-for-sale	6,787	4,951	35,030	343,652	269,380	659,800
Other Assets	8,940	3,429	8,221	2,484	–	23,074
Total financial assets held for managing liquidity	866,396	300,376	327,125	1,430,478	1,437,872	4,362,247

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Liquidity risk…*continued*

Assets held for managing liquidity risk

The Group holds a diversified portfolio of cash and investment securities to support payment obligations.

The Group's assets held for managing liquidity risk comprise cash and balances with central banks, certificates of deposit, government bonds that are readily acceptable in repurchase agreements, treasury and other eligible bills, loans and advances to financial institutions, loans and advances to customers and other items in the course of collection.

The Group would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources.

Off-statement of financial position items

(a) Loan commitments

The dates of the contractual amounts of the Group's off-statement of financial position financial instruments, that commit it to extend credit to customers and other facilities (Note 44), are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 44) are also included below based on the earliest contractual maturity date.

	<1 Year $'000	**Total $'000**
As at 31 December 2015		
Loan commitments	**129,901**	**129,901**
Financial guarantees, letters of credit and other credit obligations	**25,808**	**25,808**
Total	**155,709**	**155,709**
At 31 December 2014		
Loan commitments	119,133	119,133
Financial guarantees, letters of credit and other credit obligations	28,715	28,715
Total	147,848	147,848

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-statement of financial position commitments are also assumed to approximate the amounts disclosed in Note 44 due to their short term nature.

Due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date at rates which reflect market conditions and are assumed to have fair values which approximate carrying value.

Investment securities

Investment securities include interest bearing debt and equity securities held to maturity and available-for-sale. Assets classified for sale are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Loans and advances

Loans and advances are net of provisions for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cashflows expected to be received. Expected cashflows are discounted at current market rates to determine fair value.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	Carrying value		**Fair value**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Financial assets				
Loans and receivables				
− Large Corporate loans	**542,742**	609,318	**667,294**	575,486
− Term loans	**336,220**	377,748	**339,247**	351,068
− Mortgages	**651,264**	629,961	**566,925**	449,463
− Overdrafts	**137,353**	153,683	**153,803**	189,752
− Bonds	**10,033**	10,033	**9,646**	9,469
Held to maturity	**98,807**	42,783	**100,930**	44,832
Financial liabilities				
Borrowings	**116,646**	152,883	**104,088**	128,214

Management assessed that cash and short term deposits, trade receivables trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Fair values of financial assets and liabilities…*continued*
The following methods and assumptions were used to estimate the fair values of assets and liabilities:

The Group's interest-bearing borrowings and loans are determined by using Discounted Cash Flow method using the discount rate that reflects the average rates at the end of the period. The value of regional bonds classified as loans and receivables with evidence of open market trades at par plus accrued interest is deemed to approximate fair value.

Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as Luxembourg, New York and Trinidad and Tobago.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Fair values of financial assets and financial liabilities…*continued*

Fair value hierarchy…*continued*

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2015				
Assets measured at fair value:				
Investment properties	–	**4,627**	–	**4,627**
Financial assets held for trading				
- debt securities	–	**14,947**	**36**	**14,983**
- equity securities	**47**	–	–	**47**
Financial assets available-for-sale				
- debt securities	–	**615,900**	**18,741**	**634,641**
- equity securities	**167**	**12,466**	**2,854**	**15,487**
Financial instruments –pledged assets	–	**17,459**	–	**17,459**
Total financial assets	**214**	**665,399**	**21,631**	**687,244**
31 December 2014				
Assets measured at fair value:				
Investment properties	–	6,790	–	6,790
Financial assets held for trading				
- debt securities	–	8,517	41	8,558
- equity securities	57	–	–	57
Financial assets available-for-sale				
- debt securities	5,823	553,879	21,114	580,816
- equity securities	5,330	6,990	2,857	15,177
Financial instruments –pledged assets	–	23,866	–	23,866
Total financial assets	11,210	600,042	24,012	635,264

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Fair values of financial assets and financial liabilities…*continued*

Fair value hierarchy…*continued*

Assets for which fair values are disclosed

	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2015			
Loans and receivable (Note 3)	**1,727,269**	**–**	**1,727,269**
Bonds	**9,646**	**–**	**9,646**
Held to maturity investments	**100,930**	**–**	**100,930**
Total financial assets	**1,837,845**	**–**	**1,837,845**
31 December 2014			
Loans and receivable	1,565,769	–	1,565,769
Bonds	9,469	–	9,469
Held to maturity investments	44,832	–	44,832
Total financial assets	1,620,070	–	1,620,070

Liabilities for which fair values are disclosed

	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2015			
Due to customers	–	3,228,649	3,228,649
Borrowings	**104,088**	–	104,088
Total financial liabilities	**104,088**	3,228,649	3,332,737
31 December 2014			
Due to customers	–	3,119,488	3,119,488
Borrowings	128,214	–	128,214
Total financial liabilities	128,214	3,119,488	3,247,702

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

Fair values of financial assets and financial liabilities*…continued*

Fair value hierarchy*…continued*

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones debt securities classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter fixed income securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

Fair values of financial assets and financial liabilities...*continued*

Fair value hierarchy...*continued*

	Financial assets held for trading	Available-for-Sale		
	Debt securities $'000	Debt securities $'000	Equity securities $'000	Total $'000
31 December 2015				
At beginning of year	**40**	**21,114**	**2,857**	**24,011**
Purchases	–	**65**	–	**65**
Currency revaluation	–	–	**(3)**	**(3)**
Settlement	**(4)**	(2,438)	–	**(2,442)**
At end of year	**36**	**18,741**	**2,854**	**21,631**

There were no gains or losses for the period included in the statement of income or comprehensive income for assets held at 31 December.

	Financial assets held for trading	Available-for-Sale		
	Debt securities $'000	Debt securities $'000	Equity securities $'000	Total $'000
31 December 2014				
At beginning of year	46	18,952	2,857	21,855
Purchases	–	7,153	–	7,153
Currency revaluation	(5)	–	–	(5)
Settlement	–	(4,222)	–	(4,222)
Disposal of subsidiary	–	(769)	–	(769)
At end of year	41	21,114	2,857	24,012

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the East Caribbean Central Bank the Authority for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires each bank or banking group to hold the minimum level of the regulatory capital to the risk-weighted asset (the 'Basel capital adequacy ratio') at or above the internationally agreed minimum of 8%.

The Group's regulatory capital as managed by its Treasury is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and fixed asset revaluation reserves (limited to 20% on Tier 1 capital).

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management…*continued*

Capital management…*continued*

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December. During those two years, the banking subsidiaries of the Group complied with all of the externally imposed capital requirements to which they are subject.

	2015 $'000	2014 $'000
Tier 1 capital		
Share capital	**170,081**	170,081
Reserves	**158,710**	160,419
Accumulated deficit	**(132,459)**	(119,226)
Non-controlling interest	**50,910**	48,739
Total qualifying Tier 1 capital	**247,242**	260,013
Tier 2 capital		
Revaluation reserve	**13,855**	13,855
Redeemable preference shares	**4,150**	4,150
Unrealised loss on available-for-sale investments	**(10,541)**	(5,305)
Collective impairment allowance	**29,273**	19,406
Total qualifying Tier 2 capital	**36,737**	32,106
Less investments in associates	**(14,292)**	(12,061)
Total regulatory capital	**269,687**	280,058
Risk-weighted assets:		
On-statement of financial position	**2,322,726**	2,306,259
Off-statement of financial position	**68,637**	64,325
Total risk-weighted assets	**2,391,363**	2,370,584
Basel capital adequacy ratio	**11%**	12%

Fiduciary activities

The Group provides investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. At the statement of financial position date, the Group had financial assets under administration amounting to $70,904 (2014 – $63,416).

(in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Going Concern
The Group's management is satisfied that it has the resources to continue in business for the foreseeable future. The Group's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

Impairment losses on loans and advances
The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated at $6,257 (2014 – $7,947) $5,308 (2014 – $5,539) lower or higher.

Impairment of assets carried at fair value
The Group determines that available-for-sale and held for trading equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

The Group individually assesses available-for-sale debt securities for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the consolidated statement of income.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

(in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies...*continued*

Held-to-maturity investments

The Group follows the guidance of IAS 39 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 Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at carrying value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value would increase by $1,772 (2014 – $1,348) with a corresponding entry in the fair value reserve in equity.

Fair value of financial instruments

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the group's best estimates of the most appropriate model assumptions.

Deferred taxes

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

Revaluation of land and buildings and investment property

The Group measures its land and buildings at revalued amounts with changes in fair value being recognized in the statement of comprehensive income. The Group engages independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is shown below:

Assumption	Sensitivity Level	Impact on defined benefit obligation	
		Increase	Decrease
Discount rate	1%	$8,822	$6,230
Future salary increases	1%	$4,289	$3,561
Increase in average life expectancy	1 year	$277	–

(in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies *…continued*

Corporate income taxes

Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2014 have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

On 17 November 2011, the Inland Revenue Department issued a Notice of Reassessment to the Bank of Saint Lucia Limited for Corporate Income Tax, assessing tax charges and penalties of $1,975 for the 2010 income year. This differs from the tax credit of $4,521 computed by the Bank. The difference relates primarily to varying interpretations of the Income Tax Act in respect of the deduction for tax purposes of specific provisions for development loan losses. The net result is a decline in the deferred tax asset of $6,496.

The Bank raised a formal objection to the reassessment in December 2011 which was rejected by the Inland Revenue department in March 2013. Following from this, in April 2012, the Bank lodged an Appeal with the Appeal Commissioners pursuant to Section 109 (1) of the Income Tax Act Cap 15.02.

The Bank has obtained legal advice that the reassessment is based on a fundamental misinterpretation of the relevant provisions of the Income Tax Act.

Adjustments arising, if any, will be reflected in the period in which agreement is reached.

5 Segment analysis

In the financial years 2015 and 2014, segment reporting by the Group was prepared in accordance with IFRS 8, ‘Operating segments’.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company’s Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing their performance.

The Group has five operating segments which meet the definition of reportable segment under IFRS 8. They comprise the individual subsidiaries of the Group:

(in thousands of Eastern Caribbean dollars)

5 Segment analysis...*continued*

- Bank of St. Lucia Limited (BOSL) –operating in St. Lucia and provides domestic banking services.
- Bank of St. Vincent and the Grenadines Limited (BOSVG) –operating in St. Vincent and the Grenadines and provides domestic banking services.
- Bank of St. Lucia International Limited- incorporating International banking including International corporate and International personal banking, and a wide range of other services to International clients.
- ECFH Global Investment Solutions Limited (GIS)-incorporating Capital market activities and Merchant Banking.
- Other comprises of the holding company of the Group and incorporates shared services such as: finance, treasury, property administration, information technology, human resources and marketing.

The Group's segment operations are all financial with a majority of revenues being derived from interest and the Company's Board of Directors relies primarily on net interest income to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

The revenue from external parties reported to the Company's Board of Directors is measured in a manner consistent with that in the consolidated statement of income.

Revenue from external customers is recorded as such and can be directly traced to each business segment.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Company's Board of Directors reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Company's Board of Directors.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position. Transactions between business segments are on an arms length basis and are eliminated on consolidation and reflected in the consolidations entries.

There were no revenues derived from transactions with a single external customer that amount to 10% or more of the Group's revenue.

(in thousands of Eastern Caribbean dollars)

5 Segment analysis*…continued*

	BOSL $	BOSVG $	BOSLIL $	GIS $	Other $	Total $
At 31 December 2015						
Net interest income	**56,100**	**30,655**	**9,830**	**–**	**(5,500)**	**91,085**
Net fee and commission income	**23,656**	**6,934**	**6,588**	**3,564**	**–**	**40,742**
Other income	**5,825**	**5,794**	**3,212**	**243**	**11,948**	**27,022**
Impairment charge loans and investments	**(39,232)**	**(4,456)**	**(1,321)**	**–**	**–**	**(45,009)**
Depreciation and amortization	**(2,253)**	**(2,941)**	**(293)**	**(18)**	**(1,707)**	**(7,212)**
Operating expenses	**(63,744)**	**(27,921)**	**(11,242)**	**(1,218)**	**(2,666)**	**(106,791)**
Profit before taxation	**(19,648)**	**8,065**	**6,774**	**2,571**	**2,075**	**(163)**
Dividends on preference shares	**–**	**–**	**–**	**–**	**(291)**	**(291)**
Income tax	**–**	**(2,206)**	**–**	**(764)**	**(1,075)**	**(4,045)**
Loss for the year	**(19,648)**	**5,859**	**6,774**	**1,807**	**709**	**(4,499)**
Total assets	**2,009,148**	**898,755**	**907,164**	**6,485**	**367,429**	**4,188,981**
Total liabilities	**1,885,137**	**794,856**	**868,931**	**667**	**127,726**	**3,677,317**
At 31 December 2014						
Net interest income	56,317	26,396	9,196	–	(6,878)	85,031
Net fee and commission income	20,234	7,064	5,905	3,913	–	37,116
Other income	8,714	6,784	4,102	309	17,301	37,210
Impairment charge loans, investments	(19,715)	(716)	–	–	–	(20,431)
Depreciation and amortization	(2,440)	(3,021)	(83)	(18)	(1,754)	(7,316)
Operating expenses	(59,252)	(27,727)	(10,590)	(1,048)	(7,034)	(105,651)
Profit before taxation	3,858	8,780	8,530	3,156	1,635	25,959
Dividends on preference shares	–	–	–	–	(291)	(291)
Income tax	(76)	(5,685)	–	(936)	(461)	(7,158)
Profit for the year	3,782	3,095	8,530	2,220	883	18,510
Total assets	1,921,990	908,450	920,207	5,728	370,202	4,126,577
Total liabilities	1,777,642	808,983	884,420	165	122,998	3,594,208

(in thousands of Eastern Caribbean dollars)

5 Segment analysis...*continued*

Reconciliation of segment results of operations to consolidated results of operations:

	Total Management Reporting $'000	Consolidation entries $'000	Total $'000
At 31 December 2015			
Net interest income	**91,085**	**1**	**91,086**
Net fee and commission income	**40,742**	**(209)**	**40,533**
Other income	**27,022**	**(7,568)**	**19,454**
Impairment charge loans, investments and property	**(45,009)**	–	**(45,009)**
Depreciation and amortisation	**(7,212)**	**(1,935)**	**(9,147)**
Operating expenses	**(106,791)**	**6,267**	**(100,524)**
Loss before tax	**(163)**	**(3,444)**	**(3,607)**
Dividends on preference shares	**(291)**	–	**(291)**
Share profit of associates	**2,231**	–	**2,231**
Income tax expense	**(4,045)**	–	**(4,045)**
Loss for the year	**(2,268)**	**(3,444)**	**(5,712)**
Assets	**4,188,981**	**(415,491)**	**3,773,490**
Liabilities	**3,671,310**	**(149,894)**	**3,521,816**
At 31 December 2014			
Net interest income	85,031	1	85,032
Net fee and commission income	37,116	(366)	36,750
Other income	37,210	(14,283)	22,927
Impairment charge loans, investments and property	(20,431)	–	(20,431)
Depreciation and amortisation	(7,316)	(2,492)	(9,808)
Operating expenses	(105,651)	7,087	(98,564)
Profit before tax	25,959	(10,053)	15,906
Dividends on preference shares	(291)	–	(291)
Share profit of associates	–	1,794	1,794
Income tax expense	(7,158)	–	(7,158)
Profit for the year	18,510	(8,259)	10,251
Assets	4,126,577	(403,571)	3,723,006
Liabilities	3,594,208	(140,883)	3,453,325

(in thousands of Eastern Caribbean dollars)

6 Cash and balances with Central Bank

	2015 $'000	2014 $'000
Cash in hand	**36,740**	47,846
Balances with Central Bank other than mandatory deposits	**165,473**	110,477
Included in cash and cash equivalents (Note 43)	**202,213**	158,323
Mandatory deposits with Central Bank	**141,999**	133,514
	344,212	291,837

Pursuant to Section 17 of the Banking Act of St. Lucia No.34 of 2006, the Banking institutions are required to maintain in cash and deposits with the Central Bank reserve balances in relation to the deposit liabilities of the institution.

Mandatory reserve deposits are not available for use in the Banking institutions' day-to-day operations. The balances with the Central Bank are non-interest bearing.

7 Treasury bills

	2015 $'000	2014 $'000
Cash and cash equivalents (Note 43)	**21,336**	–
More than 90 days to maturity	**4,629**	516
	25,965	516

Treasury bills are debt securities issued by the Governments of Saint Lucia and Saint Vincent. The weighted average effective interest rate at 31 December 2015 was 4.8% (2014 – 4.41 %).

8 Deposits with other banks

	2015 $'000	2014 $'000
Items in the course of collection	**11,654**	19,246
Placements with other banks	**141,933**	158,993
Interest bearing deposits	**549,141**	573,252
Included in cash and cash equivalents (Note 43)	**702,728**	751,491

The weighted average effective interest rate of interest-bearing deposits at 31 December 2015 is 0.37% (2014 – 0.50%).

(in thousands of Eastern Caribbean dollars)

9 Financial assets held for trading

	2015 $'000	2014 $'000
Debt securities – listed	**14,983**	8,558
Equity securities-listed	**47**	57
	15,030	8,615

Trading financial assets were acquired for the purpose of selling in the near term and would otherwise have been classified as held-to-maturity investments. The weighted average interest rate earned on held-for-trading investments debt securities was 7.62% (2014 – 7.07%).

10 Deposits with non-bank financial institutions

	2015 $'000	2014 $'000
Interest bearing deposits		
Included in cash and cash equivalents (Note 43)	**7,896**	6,318

Interest rate on deposits depends on the value of deposits held. There was no interest earned on deposits with non-bank financial institutions in the years 2015 and 2014.

11 Loans and advances to customers

	2015 $'000	2014 $'000
Large corporate loans	**609,814**	650,406
Term loans	**367,940**	406,684
Mortgage loans	**668,171**	642,460
Overdrafts	**154,443**	166,733
Gross	**1,800,368**	1,866,283
Less allowance for impairment losses on loans and advances (Note 12)	**(132,789)**	(95,573)
Net	**1,667,579**	1,770,710

	2015 $'000	2014 $'000
Current	**236,229**	295,922
Non-current	**1,431,350**	1,474,788
	1,667,579	1,770,710

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2015 was 8% (2014 – 8%) and productive overdrafts stated at amortised cost was 12.17% (2014 – 13.69%).

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances

	Corporate loans $'000	Term loans $'000	Mortgage loans $'000	Overdrafts $'000	Total $'000
At 31 December 2015					
At beginning of year	**41,088**	**28,936**	**12,499**	**13,050**	**95,573**
Written off during the year	**(546)**	**(2,576)**	**(585)**	**(469)**	**(4,176)**
Individual impairment provisions made during the year	**25,363**	**5,596**	**4,502**	**4,315**	**39,776**
Collective impairment provisions made during the year	**1,167**	**(236)**	**491**	**194**	**1,616**
At end of year	**67,072**	**31,720**	**16,907**	**17,090**	**132,789**
At 31 December 2014					
At beginning of year	168,903	25,067	10,010	19,022	223,002
Written off during the year	(138,515)	(1,105)	(1,796)	(6,444)	(147,860)
Individual impairment provisions made during the year	10,894	4,423	2,920	3,375	21,612
Collective impairment provisions made during the year	(194)	551	1,365	(2,903)	(1,181)
At end of year	41,088	28,936	12,499	13,050	95,573

13 Loans and receivables – bonds

	2015 $'000	2014 $'000
Non- current		
Government bonds	**10,033**	10,033

Government bonds are purchased from and issued directly by the Government of St. Vincent and the Grenadines. The weighted average effective interest rate at 31 December 2014 in respect of Government bonds at amortised cost was 7.5% (2014 – 7.5%).

(in thousands of Eastern Caribbean dollars)

14 Investment securities

	2015 $'000	2014 $'000
Securities held-to-maturity		
Debt securities at amortised cost		
- Listed	**61,239**	11,560
- Unlisted	**44,182**	36,735
	105,421	48,295
Less provision for impairment	**(6,614)**	(5,512)
Total securities – held to maturity	**98,807**	42,783
Securities available-for-sale		
Debt securities at fair value		
- Listed	**602,532**	521,087
- Unlisted	**34,937**	62,556
	637,469	583,643
Less provision for impairment on debt securities	**(2,828)**	(2,828)
	634,641	580,815
Equity securities		
- Listed	**12,633**	12,320
- Unlisted	**2,854**	2,857
Total securities – available-for-sale	**650,128**	595,992
Total investment securities	**748,935**	638,775
Current	**137,243**	70,609
Non-current	**611,692**	568,166
	748,935	638,775

Included in available for sale debt securities are mutual funds secured by debt securities of $44,174 (2014 $39,983). The weighted average effective interest rate on held-to-maturity securities at amortised cost at 31 December 2015 was 3.62% (2014 – 4.26%).

The weighted average effective interest rate on available-for-sale securities at fair value at 31 December 2015 was 2.65% (2014 – 5.90%).

(in thousands of Eastern Caribbean dollars)

14 Investment securities...*continued*

	Held to maturity $'000	Available-for-sale $'000	Held for trading $'000	Loans and receivables – bonds $'000	Total $'000
At 1 January 2015	**42,783**	**595,992**	**8,615**	**10,033**	**657,423**
Exchange differences on monetary assets	–	**(6,503)**	–	–	**(6,503)**
Additions	**84,759**	**217,364**	**11,398**	–	**313,521**
Movement in accrued interest	**306**	**373**	**121**	–	**800**
Disposals (sale and redemption)	**(27,335)**	**(149,944)**	**(5,030)**	–	**(182,309)**
Unamortised Discount/Premium	**572**	–	–	–	**572**
Provision for loss on investment	**(2,296)**	**(1,321)**	–	–	**(3,617)**
Realised (losses) on disposals	**18**	**(632)**	–	–	**(614)**
Losses from changes in fair value	–	**(5,201)**	**(74)**	–	**(5,275)**
At 31 December 2015	**98,807**	**650,128**	**15,030**	**10,033**	**773,998**
At 1 January 2014	53,756	468,710	13,860	10,033	546,359
Exchange differences on monetary assets	(108)	(8,350)	(13)	–	(8,471)
Additions	–	359,298	822	–	363,545
Movement in accrued interest	472	290	–	–	762
Disposals (sale and redemption)	(9,498)	(224,209)	(6,017)	–	(243,149)
Disposal of subsidiary	(1,839)	(2,020)	–	–	(3,859)
Realised gains on disposals	–	2,302	–	–	2,302
Losses from changes in fair value	–	(29)	(37)	–	(66)
At 31 December 2014	42,783	595,992	8,615	10,033	657,423

15 Financial instruments - pledged assets and repurchase agreements

The following assets are pledged against certain other funding instruments:

	Financial instruments - pledged assets	
	2015 $'000	**2014 $'000**
Pledged against repurchase agreements	**17,459**	23,866
	17,459	23,866

The value of repurchase agreements on the statement of financial position which are secured by pledged assets is $19,936 (2014 - $23,812). The variance between investment pledged against repurchase agreements and the value of repurchase agreement represents accrued interest.

(in thousands of Eastern Caribbean dollars)

16 Investment in associates

	2015 $'000	2014 $'000
Investment in associates	**14,292**	12,061

The investments in associates are as follows:

	2015 $'000	2014 $'000
Associate		
At beginning of year	**12,061**	9,612
Additions	**–**	655
Share of profit in associate	**2,231**	1,794
At end of year	**14,292**	12,061

The Group invested $6,800 and has a 28% shareholding in the East Caribbean Amalgamated Bank Limited of Antigua. The company is an unlisted company incorporated in St. Kitts. This undertaking represented the Group's contribution to a joint initiative of indigenous banks of the East Caribbean Currency Union to salvage and restructure the previous Bank of Antigua Limited.

East Caribbean Amalgamated Bank Limited of Antigua financial reporting period ends on 30 September. The Group's interest in its associate East Caribbean Amalgamated Bank Limited of Antigua, as at 31 December 2015 is as follows:

	2015 $'000	2014 $'000
Current assets	**148,996**	75,518
Non-current assets	**461,899**	447,061
Liabilities	**(514,595)**	(434,208)
Preference Shares	**(47,869)**	(47,869)
Equity	**48,431**	40,502
% ownership	**28%**	28%
Carrying amount of the investment	**13,722**	11,475

Summarised statement of profit and loss of East Caribbean Amalgamated Bank Limited:

	2015 $'000	2014 $'000
Revenue	**26,278**	23,178
Administrative cost	**(16,115)**	(14,511)
Depreciation	**(2,233)**	(2,089)
Profit for the year	**7,930**	6,578
Total comprehensive income	**7,930**	6,578
Group's share of profit for the year	**2,247**	1,864

(in thousands of Eastern Caribbean dollars)

16 Investment in associates…*continued*

The Group has a 20% interest in EC Global Insurance Company Limited, which underwrites short term insurance contracts to customers. The company is an unlisted company incorporated in St. Lucia with head office in Jamaica. This undertaking arose when the Group disposed of its majority interest in EC Global Insurance Limited, retaining a 20% holding.

The Group's interest in its associate EC Global Insurance Company Limited, as at 31 December 2015 is as follows:

	2015 $'000	2014 $'000
Current assets	**8,825**	**15,111**
Non-current assets	**7,992**	**318**
Liabilities	**(13,955)**	**(12,501)**
Equity	**2,862**	**2,928**
% ownership	**20%**	**20%**
Carrying amount of the investment	**570**	**586**

Summarised statement of profit and loss of EC Global Insurance Limited for 4 months to December 2015:

	2015 $'000	2014 $'000
Revenue	**1,847**	1,858
Administrative cost	**(1,105)**	**(2,208)**
Adjustment of prior year's result	**(819)**	
Profit for the year	**(77)**	**(350)**
Group's share of profit for the year	**(16)**	**(70)**

The associate had no contingent liabilities or capital commitments as at 31 December 2015 or 2014.

The Company has an investment in Caribbean Credit Card Corporation Limited through both of its subsidiaries, Bank of Saint Lucia Limited and Bank of St. Vincent and the Grenadines Limited. The combined ownership is 22.6%. The Company did not account for this investment as an associate as it does not have significant influence. The combined ownership results in one vote in favor of the Company against the other seven board member votes.

(in thousands of Eastern Caribbean dollars)

17 Property and equipment

	Land and buildings $'000	Leasehold improvements $'000	Motor vehicles $'000	Office furniture and equipment $'000	Computer equipment $'000	Work-in-progress buildings $'000	Total $'000
Year ended 31 December 2014							
Opening net book amount	126,716	3,318	860	14,896	3,152	216	149,158
Additions	2,051	483	456	2,137	1,138	511	6,776
Disposals at cost	–	(878)	–	(1,100)	(775)	–	(2,753)
Accumulated depreciation on disposal	–	525	–	949	769	–	2,243
Disposal of subsidiary	–	(211)	(19)	(13)	(2)	–	(245)
Depreciation charge	(2,118)	(882)	(313)	(3,500)	(1,239)	–	(8,052)
Closing net book amount	126,649	2,355	984	13,369	3,043	727	147,127
At 31 December 2014							
Cost or valuation	142,326	9,820	3,073	41,834	29,132	744	226,929
Accumulated depreciation	(15,677)	(7,465)	(2,089)	(28,465)	(26,089)	(17)	(79,802)
Net book amount	126,649	2,355	984	13,369	3,043	727	147,127
Year ended 31 December 2015							
Opening net book amount	126,649	2,355	984	13,369	3,043	727	147,127
Additions	–	1,117	160	2,110	1,563	815	5,765
Disposals at cost	–	(416)	(195)	(540)	(82)	–	(1233)
Accumulated depreciation on disposal	–	416	195	515	82	–	1208
Depreciation charge	(2,068)	(897)	(335)	(3,224)	(1,346)	–	(7,870)
Closing net book amount	124,581	2,575	809	12,230	3,260	1542	144,997
At 31 December 2015							
Cost or valuation	142,326	10,521	3,038	43,404	30,613	1,542	231,444
Accumulated depreciation	(17,745)	(7,946)	(2,229)	(31,174)	(27,353)	–	(86,447)
Net book amount	124,581	2,575	809	12,230	3,260	1,542	144,997

(in thousands of Eastern Caribbean dollars)

17 Property and equipment*…continued*

In 2015 land and buildings were revalued by an independent valuer based on open market value. The valuation indicates that the market value does not differ materially from the carrying amount of the respective assets in the books of the Group.

The historical cost of land and buildings is:

	2015 $'000	2014 $'000
Cost	**66,682**	66,682
Accumulated depreciation based on historical cost	**(17,028)**	(14,960)
Depreciated historical cost	**49,654**	51,722

18 Investment properties

	2015 $'000	2014 $'000
Land and buildings		
At beginning of year	**6,790**	15,215
Net book value of disposals	**(397)**	(8,455)
Fair value adjustment	**(1,766)**	30
At end of year	**4,627**	6,790

The investment properties are valued annually based on open market value by an independent, professionally qualified valuer. Comparative analysis was used to determine the market value of the investment properties.

The Group has no restrictions on the realisability of its investment properties and no contractual obligation to either purchase, construct or develop investment properties or for repairs maintenance and enhancements.

The following amounts have been recognised in the statement of income:

	2015 $'000	2014 $'000
Rental income	**1,865**	2,067
Direct operating expenses arising from investment properties that generated rental income	**301**	330
Direct operating expenses that did not generate rental income	**399**	600

(in thousands of Eastern Caribbean dollars)

19 Intangible assets

	Computer software $'000	Other intangibles $'000	Total $'000
Year ended 31 December 2014			
Opening net book amount	3,488	3,834	7,322
Additions	376	–	376
Amortisation charge for the year	(581)	(1,174)	(1,755)
Closing net book amount	3,283	2,660	5,943
At 31 December 2014			
Cost	12,661	7,793	20,454
Accumulated amortisation	(9,378)	(5,133)	(14,511)
Net book amount	3,283	2,660	5,943
Year ended 31 December 2015			
Opening net book amount	**3,283**	**2,660**	**5,943**
Additions	**3,239**	**–**	**3,239**
Amortisation charge for the year	**(654)**	**(623)**	**(1277)**
Closing net book amount	**5,868**	**2,037**	**7,905**
At 31 December 2015			
Cost	**15,900**	**7,793**	**23,693**
Accumulated amortisation	**(10,032)**	**(5,756)**	**(15,788)**
Net book amount	**5,868**	**2,037**	**7,905**

Other intangibles relate computer software and core deposits intangibles attained on the acquisition of Bank of Saint Vincent and the Grenadines.

(in thousands of Eastern Caribbean dollars)

20 Other assets

	2015 $'000	2014 $'000
Receivable accounts	**23,400**	14,304
Receivable accounts- credit card	**18,814**	13,773
Prepaid expenses	**4,281**	4,079
Stationery and supplies	**693**	954
Accounts receivable	**2,832**	2,231
Accrued income	**240**	225
	50,260	35,566
Less provision for impairment on other assets (Note 21)	**(3,989)**	(3,666)
	46,271	31,900

21 Provision for impairment on other assets

The movement on the provision for impairment on other assets was as follows:

	2015 $'000	2014 $'000
At beginning of year	**3,666**	3,052
Provisions made during the year	**808**	640
Write offs during the year	**(485)**	(26)
At end of year	**3,989**	3,666

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset

Movement in the asset recognised in the consolidated statement of financial position:

The movement in the defined benefit obligation over the year is as follows:

	2015 $'000	2014 $'000
Beginning of year	**38,226**	37,136
Current service cost	**1,298**	1,491
Interest cost	**3,003**	2,927
Employee contribution	**983**	928
Actuarial loss/gains	**1,729**	(3,205)
Benefits paid	**(927)**	(1,050)
End of year	**44,312**	38,227

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

	2015 $'000	2014 $'000
Beginning of year	**47,849**	44,404
Actual return on plan assets	**1,235**	2,123
Employer contributions	**3,264**	1,577
Employee contributions	**983**	928
Benefits paid	**(927)**	(1,050)
Administrative expenses	**(195)**	(133)
End of year	**52,209**	47,849

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2015 $'000	2014 $'000
Fair value of plan assets	**52,209**	47,849
Present value of funded obligation	**(44,312)**	(38,227)
Asset in the statement of financial position	**7,897**	9,622

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset...*continued*

	2015 $'000	2014 $'000
Net asset at beginning of year	**9,622**	7,268
Net periodic cost	**(790)**	(1,171)
Contributions paid	**3,264**	1,577
Effect on statement of comprehensive income	**(4,199)**	1,948
Net asset at end of year	**7,897**	9,622

Benefit Cost

	2015 $'000	2014 $'000
Current Service cost	**1,298**	1,491
Net interest on net defined benefit asset	**3,003**	2,927
Expected return on plan assets	**(3,706)**	(3,380)
Administration expenses	**195**	133
Net periodic cost at end of year	**790**	1,171

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2015 $'000	2014 $'000
Gain from change in assumption	**–**	(2,211)
Gain from experience	**1,729**	(994)
Expected return on plan assets	**3,706**	3,380
Actual return on plan assets	**(1,236)**	(2,123)
	4,199	(1,948)

The principal actuarial assumptions used were as follows:

	2015 %	2014 %
Discount rate	**7.5**	7.5
Future promotional salary increases	**3.0-4.5**	1.25 to 4.5
Future inflationary salary increases	**2.00**	2.00

Assumptions are set to approximate the expected average rates over the long term and may not be appropriate in any specific year.

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset...*continued*

Plan assets allocation is as follows:

	2015 %	2014 %
Debt securities	**86**	91
Equity securities	**8**	8
Other	**6**	1
	100	100

The pension plan assets do not include assets or ordinary shares of the Group.

Mortality rate
Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 60 after the statement of financial position date is as follows:

	2015	2014
Male	**24.52**	24.43
Female	**26.77**	26.73

The assumption adopted for the expected return on assets considers the actual assets the Plan holds and the outlook for returns on various asset classes. This assumption is usually derived by looking at actual asset mix and making assumptions about returns relative to the "baseline" of the plan's discount rate, which are taken to be the returns on government bonds.

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset*...continued*

The major categories of the fair value of the total plan assets are as follows:

	2015 $'000	2014 $'000
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	**11**	14
- Industrial	**–**	373
- Consumer staples	**1,914**	1,619
- Other	**2,112**	1,774
Quoted Debt securities		
- Sovereign bonds	**11,898**	22,988
- Energy	**5,078**	5,433
- Industrial	**278**	562
- Consumer staples	**281**	291
- Other	**10,908**	11,812
Cash and cash equivalents	**2,655**	611
Unquoted investments		
Unquoted Debt securities		
- Sovereign bonds	**11,126**	1,401
- Other	**5,948**	971
Total	**52,209**	47,849

The following payments are expected contributions to the defined benefit plan in future years:

	2015 $'000	2014 $'000
Within the next 12 months	**621**	563
Between 2 and 5 years	**2,961**	2,607
Between 5 and 10 years	**8,076**	7,058
Total expected payments	**11,658**	10,228

The average duration of the defined benefit plan obligation at the end of the reporting period is years 17 (2014 – 16.54years).

(in thousands of Eastern Caribbean dollars)

23 Deposits from banks

	2015 $'000	2014 $'000
Deposits from banks	**83,765**	91,880

The weighted average effective interest rate on deposits from banks was 2.38% (2014 – 3.73%).

24 Due to customers

	2015 $'000	2014 $'000
Term deposits	**828,283**	819,891
Savings deposits	**905,054**	901,955
Call deposits	**185,974**	154,661
Demand deposits	**1,309,338**	1,242,981
	3,228,649	3,119,488
Current	**3,167,422**	3,068,173
Non-current	**61,227**	51,315
	3,228,649	3,119,488

The weighted average effective interest rate of customers' deposits at 31 December 2015 was 1.72% (2014 – 2.24%).

(in thousands of Eastern Caribbean dollars)

25 Borrowings

	Due	Interest rate %	2015 $'000	Interest rate %	Restated 2014 $'000
Other borrowed funds					
Caribbean Development Bank	2017-2020	3.5%	**69,682**	3.7%	77,231
National Insurance Corporation (Saint Lucia)	2017	6.9%	**3,700**	6.9%	5,370
National Insurance Corporation (St. Vincent)	2014-2025	6.1%	**20,636**	5.9%	21,715
European Investment Bank	2027	3.3%	**10,219**	3.3%	12,139
Prodev bond	2015-2017	7.5%	**7,374**	7.5	11,190
ECHMB	2013-2041	–	**5,035**	–	25,238
			116,646		152,883

	2015 $'000	2014 $'000
Current	**31,323**	46,403
Non-current	**85,323**	106,480
	116,646	152,883

(in thousands of Eastern Caribbean dollars)

25 Borrowings*...continued*

Security for loans issued to the parent company includes a first hypothecary obligation over the building and property known as the Financial Center, which is located at #1 Bridge Street.

The final maturity date of the Prodev bond issue is December 2017.

The ECHMB borrowings represent the value of loans sold to ECHMB. The bank has the option of buying or selling loans to ECHMB as part of its liquidity management strategy. Under the terms of the agreement, Bank of St. Lucia Limited and Bank of St. Vincent Limited remain obligated to indemnify ECHMB with respect to any default, loss or title deficiency occurring during the life of the loans secured by the purchase of mortgages.
There have not been any defaults of principal, interest or other breaches with respect to borrowings during the year. The ECHMB loans are reported on balance sheet.

The Group had undrawn facilities at the end of the financial reporting period of $31,442 (2014 – $37,970) with the Caribbean Development Bank.

26 Other liabilities

	2015 $'000	2014 $'000
Trade and other payables	**58,340**	55,055
Interest payable	**129**	95
Managers' cheques outstanding	**9,852**	4,516
Agency loans	**73**	879
	68,394	60,545

The agency loans are funds issued to the Group by the Government of Saint Lucia for disbursement to the related projects. The Group earns an agency fee on the amounts disbursed. The funds belong to the Government of Saint Lucia and the Group bears no risk in relation to these funds.

27 Deferred tax asset

The movements on the deferred tax asset are as follows:

	2015 $'000	2014 $'000
At beginning of year	**(3,490)**	(5,187)
Deferred tax charge Income Statement (Note 41):		
Arising from retirement benefit plan	**743**	706
Arising from other timing differences	**111**	200
	854	906
Deferred tax charge to other comprehensive income		
Deferred tax arising from retirement benefit plan	**(1,260)**	791
At end of year	**(3,896)**	(3,490)

(in thousands of Eastern Caribbean dollars)

27 Deferred tax asset...*continued*

The deferred tax account is detailed as follows:

	2015 $'000	2014 $'000
Accelerated capital allowances	**2,720**	1,956
Fair value of pension assets	**2,369**	2,887
Unutilised tax losses	**(8,985)**	(8,333)
	(3,896)	(3,490)

Deferred income taxes and liabilities are offset when there are legally enforceable rights to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

28 Share capital

	No. of Shares	2014 $'000	No. of Shares	2013 $'000
Ordinary shares				
Authorised:				
50,000,000 ordinary shares of no par value				
Issued and fully paid				
At beginning and end of year	24,465,589	170,081	24,465,589	170,081

29 Contributed capital

Total capital contributions received at 31 December, were as follows:

	2015 $'000	2014 $'000
Productive Sector Equity Fund Incorporated	**1,118**	1,118
Add: capital contribution	**–**	3,000
Less: funds utilised against student impaired student loans	**–**	(3,000)
	1,118	1,118

The figures above represent the contributions to the Group by Third Parties in support of the two funds listed.

(in thousands of Eastern Caribbean dollars)

30 Non-controlling interests

	2015 $'000	2014 $'000
At beginning of year	**48,739**	50,082
Share of profit of subsidiaries	**2,871**	1,516
Share of unrealised loss on investments	**35**	(70)
Disposal of subsidiary	**–**	(976)
Dividends paid	**(735)**	(1,813)
At end of year	**50,910**	48,739

There is a 49% minority interest in Bank of St. Vincent and the Grenadines Limited. The summarised financial information of the subsidiary is included in the segment analysis within note 5.

31 Reserves

	2015 $'000	2014 $'000
(a) General reserve	**60,647**	57,610
(b) Statutory reserve	**87,971**	87,971
(c) Student loan guarantee fund reserve	**161**	3,182
(d) Special reserve	**2,034**	2,034
(e) Retirement benefit reserve	**7,897**	9,622
Total reserves at 31 December	**158,710**	160,419

Movements in reserves were as follows:

	2015 $'000	2014 $'000
(a) General		
At beginning of year	**57,610**	54,625
Transferred from retained earnings	**3,037**	2,985
At end of year	**60,647**	57,610

It is the policy of the Group to maintain a general reserve for reinvestment in operations. Transfers to the reserve are based on a maximum of 35% of the consolidated Group's profit for the year after transfers to statutory reserve.

(in thousands of Eastern Caribbean dollars)

31 Reserves...continued

	2015 $'000	2014 $'000
(b) Statutory		
At beginning of year	**87,214**	87,214
Transferred from retained earnings	**–**	–
At end of year	**87,214**	87,214

Pursuant to Section 14(1) of the Banking Act of St. Lucia No. 34 of 2006, the Bank institutions shall, out of its net profits of each year transfer to that reserve a sum equal to not less than twenty percent of such profits whenever the amount of the fund is less than one hundred percent of the paid-up capital of the Banking institutions.

	2015 $'000	2014 $'000
(c) Student loan guarantee fund		
At beginning of year	**3,182**	3,156
Transferred from retained earnings	**399**	459
Capital Drawing	**(3,420)**	(433)
	161	3,182

This is a non-distributable reserve. Transfers are made to the reserve at an amount equal to the net profit of the subsidiary Student Loan Guarantee Fund Limited.

	2015 $'000	2014 $'000
(d) Special		
At beginning of year	**2,034**	2,034
Transferred from retained earnings	–	–
At end of year	**2,034**	2,034

The finance contract between the European Investment Bank ("EIB") and the former St. Lucia Development Bank, now assumed by Bank of Saint Lucia Limited, requires the institution to establish and maintain a special reserve. Annually, an amount as specified under Section 6.05 of the Contract is credited to the reserve.

(in thousands of Eastern Caribbean dollars)

31 Reserves...*continued*

	2015 $'000	2014 $'000
(e) Retirement benefit		
At beginning of year	**9,622**	7,268
Transferred from retained earnings	**(1,725)**	2,354
At end of year	**7,897**	9,622

The retirement benefit reserve is a non-distributable reserve. It is the Group's policy to match the amount of fair value of retirement benefit plan assets with the retirement benefit reserve.

32 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions.

Interest income and interest expense with related parties were as follows:

	2015		2014	
	Income $'000	**Expense $'000**	**Income $'000**	**Expense $'000**
Government of Saint Lucia	5	764	5	795
Government of St. Vincent and the Grenadines	8,996	868	8,257	1,500
Statutory bodies – Saint Lucia	1,395	10,984	1,793	12,600
Statutory bodies – St. Vincent and the Grenadines	501	2,235	552	2,720
Directors and key management	716	229	673	174

(in thousands of Eastern Caribbean dollars)

32 Related party transactions and balances *…continued*

Related party balances with the Group were as follows:

	2015		2014	
	Loans $'000	**Deposits $'000**	**Loans $'000**	**Deposits $'000**
Government of Saint Lucia	8	73,101	95	60,121
Government of St. Vincent and the Grenadines	93,705	24,290	98,816	33,540
Statutory bodies – Saint Lucia	18,809	411,720	18,754	352,967
Statutory bodies – St. Vincent and the Grenadines	5,335	72,030	6,685	79,711
Directors and key management	13,081	10,427	9,030	3,730

No provisions have been recognised in respect of loans given to related parties.

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 10 years and have a weighted average effective interest rate of 5.3% (2014 – 5.6%). The secured loans advanced to the directors during the year are collateralised by mortgages over residential properties.

Transactions with related parties were carried out on commercial terms and conditions.

Key management compensation

Key management includes the Group's complete management team. The compensation paid or payable to key management for employee services is shown below:

	2015 $'000	**2014 $'000**
Salaries and other short-term benefits	**11,035**	9,780
Pension costs	**620**	419
	11,655	10,199
Directors remuneration	**685**	624

(in thousands of Eastern Caribbean dollars)

33 Net interest income

	2015 $'000	Restated 2014 $'000
Interest income		
Loans and advances	**128,418**	137,087
Treasury bills and investment securities	**25,044**	23,245
Cash and short-term funds	**2,341**	2,579
	155,803	162,911
Interest expense		
Time deposits	**30,391**	35,723
Borrowings	**6,573**	7,529
Savings deposits	**23,771**	29,474
Demand deposits	**2,417**	2,617
Correspondent banks	**1,565**	2,536
	64,717	77,879
Net interest income	**91,086**	85,032

34 Net fee and commission income

	2015 $'000	2014 $'000
Fee and commission income		
Credit related fees and commissions	**33,669**	30,476
Asset management and related fees	**6,864**	6,274
	40,533	36,750

35 Net foreign exchange trading income

	2015 $'000	2014 $'000
Foreign exchange		
Net realised gains	**13,603**	14,378
Net unrealised gains	**214**	348
	13,817	14,726

(in thousands of Eastern Caribbean dollars)

36 Other operating income

	2015 $'000	2014 $'000
Rental income	**1,865**	2,140
Other	**1,006**	2,030
	2,871	4,170

37 Other gains, net

	2015 $'000	2014 $'000
(Losses)/gains on disposal of available-for-sale investment securities	**(632)**	2,302
Gains on disposal of held to maturity investment securities	**18**	–
Fair value losses on held for trading investment securities	**(74)**	(37)
Fair value gain on investment property	**–**	30
Retirement benefit gains	**2,474**	406
Other gains	**980**	1,330
	2,766	4,031

(in thousands of Eastern Caribbean dollars)

38 Operating expenses

	2015 $'000	Restated 2014 $'000
Employee benefit expense (Note 39)	**47,093**	44,318
Depreciation and amortisation	**9,147**	9,808
Utilities and telecommunications	**7,634**	7,215
Repairs and maintenance	**5,941**	5,587
Advertising and promotion	**2,380**	2,434
Bank and other licences	**1,547**	1,356
Security	**2,211**	2,292
Printing and stationery	**1,784**	1,560
Legal and professional fees	**1,979**	3,787
Insurance	**1,613**	1,724
Credit card & IDC visa charges	**6,986**	6,115
Borrowing fees	**131**	365
Corporate responsibility	**456**	1,087
Broker fees	**242**	260
Interest levy	**4,060**	3,927
Bank charges	**1,711**	1,848
Business development	**324**	324
Travel and entertainment	**827**	551
Other expenses	**13,605**	13,814
	109,671	108,372

39 Employee benefit expense

	2015 $'000	2014 $'000
Wages and salaries	**34,546**	33,698
Other staff cost	**10,537**	8,904
Pensions	**2,010**	1,716
	47,093	44,318

(in thousands of Eastern Caribbean dollars)

40 Discontinued operations

On 1 September 2014, the Group sold its controlling interest in its insurance subsidiary, EC Global Insurance Limited. Since that date the former subsidiary has continued to trade but as an associate company of the Group. The results of EC Global Insurance Limited for the period up to the date of disposal are presented below:

	2015 $'000	2014 $'000
Revenue	–	2,467
Expenses	–	(2,310)
Profit/loss from discontinued operation	–	157

The net cash flows of EC Global Insurance Limited for the period up to the date of disposal are as follows:

	2014 $'000	2013 $'000
Operating	–	(74)
Financing	–	389
Net cash inflow / (outflow)	–	315

Earnings per share:

	2015 $'000	2014 $'000
Basic/diluted, profit/(loss) for the year from discontinued operation	–	**0.45**

(in thousands of Eastern Caribbean dollars)

40 Discontinued operations *...continued*

	2015 $'000	2014 $'000
Consideration :		
- Cash	–	**2,295**
- Investment in Associate	–	**656**
Total Consideration	–	2,951
Fair Value of Net Assets		
	–	
- Cash		2,589
- Other Assets	–	8,861
- Liabilities	–	(8,172)
Net Assets	–	3,278
70% Share of interest in subsidiary	–	2,295
Gain on Disposal of Subsidiary	–	656

41 Income tax expense/(recovery)

	2015 $'000	2014 $'000
Current tax	**3,191**	3,552
Prior year tax	–	2,700
Deferred tax charge (Note 27)	**854**	906
	4,045	7,158
Income tax expense in other comprehensive income		
Deferred tax arising from defined benefit	**(1,260)**	791

Tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 30% as follows:

	2015 $'000	2014 $'000
(Loss)/profit for the year before income tax	**(1,376)**	17,700
Tax calculated at the applicable tax rate of 30%	**(413)**	5,310
Tax effect of income not subject to tax	**(7,807)**	(8,017)
Deferred tax asset unrecognised	**4,084**	2,024
Tax effect of expenses not deductible for tax purposes	**8,181**	5,141
Under provision of income tax	–	2,700
	4,045	7,158

(in thousands of Eastern Caribbean dollars)

41 Income tax expense/(recovery) …*continued*

The Group has unutilised tax losses of $29,952 (2014 – $29,952) for which a deferred tax asset has been recognised due to the certainty of its recoverability. Unutilized tax losses may be carried forward and deducted against 50% of future taxable income within six years following the year in which the losses were incurred. The losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department. The Group also has unutilised tax losses of $145,242 (2014 – $131,771) for which no deferred tax asset has been recognized.

Tax losses expire as follows:

	2015 $'000	**2014 $'000**
2015		149
2016	**20,530**	20,530
2017	**11,456**	11,456
2018	**98,265**	98,265
2019	**24,957**	24,956
2020	**6,367**	6,367
2021	**13,619**	6,367
	175,194	161,723

There was no income tax effect relating to components of other comprehensive income.

42 Earnings per share

Basic
The calculation of basic earnings per share is based on the (loss)/profit attributable to ordinary shareholders of ($8,583) (2014 – $9,548) and 24,465 (2014 – 24,465) shares, being the weighted average number of ordinary shares in issue in each year. For the purpose of calculating basic earnings per share, the (loss)/profit for the year attributable to ordinary shares is the (loss)/profit for the year after deducting preference dividends of $291 (2014 – $291).

Diluted
The calculation of diluted earnings per share is based on the (loss)/profit attributable to ordinary shareholders of ($8,583) (2014 – $9,548) and 25,296 (2014 – 25,296) shares, being the weighted average number of shares in issue. For the purpose of calculating diluted earnings per share, the (loss) / profit for the year attributable to ordinary shares is the (loss) / profit for the year after deducting preference dividends of $291 (2014 – $291).

(in thousands of Eastern Caribbean dollars)

43 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following balances:

	2015 $'000	2014 $'000
Cash and balances with Central Bank (Note 6)	**202,213**	158,323
Deposits with other banks (Note 8)	**702,728**	751,491
Deposits with non-bank financial institutions (Note 10)	**7,896**	6,318
Treasury Bills (Note 7)	**21,336**	–
	934,173	916,132

44 Contingent liabilities and commitments

Commitments

The following table indicates the contractual amounts of the Group financial instruments that commit it to extend credit to customers.

	2015 $'000	2014 $'000
Loan commitments	**129,901**	119,133
Guarantees, letters of credit and other credit obligations	**25,808**	28,715
	155,709	147,848

Contingent liabilities

Operating leases

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2015 $'000	2014 $'000
Not later than 1 year	**5,654**	1,322
Later than 1 year and not later than 5 years	**4,245**	786
	9,899	2,108

(in thousands of Eastern Caribbean dollars)

45 Principal subsidiary undertakings

	Holding 2015 %	Holding 2014 %
Bank of Saint Lucia Limited	**100**	100
Bank of Saint Lucia International Limited	**100**	100
ECFH Global Investment Solution Limited	**100**	100
EC Global Insurance Company Limited	**–**	–
Bank of Saint Vincent and the Grenadines Limited	**51**	51
Student Loan Guarantee Fund Limited **	**–**	–
Productive Sector Equity Fund Incorporated **	**–**	–

Bank of St. Vincent and the Grenadines Limited is incorporated in St. Vincent and the Grenadines. All other subsidiaries are incorporated in Saint Lucia.

** Allotment of shares had not been completed at the reporting date.

The Group disposed of its majority interest in the EC Global Insurance Company Limited and retained 20% holding in the company as an investment in associate.

46 Cumulative preference shares

	No. of shares	2015 $'000	No. of Shares	2014 $'000
7% Cumulative preference shares				
Authorised:				
11,550,000 preference shares				
At beginning and end of year	830,000	4,150	830,000	4,150

The preference shares are non-voting and are to be converted to ordinary shares. The Group has imposed certain restrictions with respect to the number of preference shares that can be converted to ordinary shares in any one year.

The Board of Directors of the Company and the National Insurance Corporation have formally agreed that future conversions of preference shares should be done at $5 per share.

Dividends declared and unpaid on the preference shares during the year amounted to $291 (2014 – $291).