Schedule 1

FORM ECSRC – K

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

For the financial year ended **December 2016**

Issuer Registration number **17102016LC**

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:
DERRY WILLIAM

SIGNED AND CERTIFIED

27/04/17
Date

Name of Director:
LLEWELLYN GILL

SIGNED AND CERTIFIED

27/04/17
Date

Name of Chief Financial Officer:
BENNIE STAPLETON

SIGNED AND CERTIFIED

Signature

27/04/17
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.

The challenges of the domestic economies and the financial services sector in the OECS, in particular the indigenous financial institutions continued in 2016. Issues with unemployment, sluggish and in some instances, negative growth, as in the case of Saint Lucia which according to the Eastern Caribbean Central Bank recorded an estimated (0.73) rate, are still critical issues that plague the small economies. However, despite these challenges the outlook for 2017 and beyond, is cautiously optimistic with a projected 2.78 growth rate for the Eastern Caribbean Currency Union (ECCU).

Over the course of the last few years the Board of ECFH have explored several strategic options to resolve the continuous weak performance of the Group caused primarily by the losses being incurred by its largest subsidiary Bank of Saint Lucia Limited. One such initiative is the vertical amalgamation of ECFH and the two wholly owned subsidiaries, ECFH Global Investments Solutions Limited (EGIS) and Bank of Saint Lucia Limited. This has been completed and the new entity continues as Bank of Saint Lucia Limited (BOSL). In addition to the resulting improvement in Capital, the new entity will benefit greatly by allowing for a more efficient corporate structure.

The burden of its legacy non-performing loans (NPLs) continued to plague the performance of BOSL. However the Board decided to be guided by industry best practices by adopting a loan loss provisioning and write-off position to significantly address the high level of NPLs in 2016. This decision will greatly assist BOSL returning to a more normal level of provisioning and consequently profitability.

Last year the Board took a decision to amalgamate the domestic banking entities (BOSL & BOSVG) as a means of strengthening the capital base, effectively managing the costs and risks associated with correspondent banking relationships, and generally achieving cost efficiencies from economies of scale by spreading and sharing costs. Although this was being actively pursued, and received the approval from the Regulator, the Board concluded that the emphasis should be on fixing the critical issues facing BOSL, and as such a BOSL standalone strategy was subsequently approved. However, the Board recognizes the potential benefits of a larger regional amalgamated Bank and intends to revisit the option at a more opportune time. In the meantime, the Board has taken a decision to divest its 51% shareholding interest in BOSVG and this process is expected to be completed by the end of June 2017.

As part of the organization's restructuring and risk mitigation strategy the Board also took a decision in 2016 to sell the operations of the Offshore Bank, BOSLIL. After obtaining the necessary regulatory approval, ECFH's shares in BOSLIL were sold to PROVEN Investments Limited. As a consequence, the BOSLIL subsidiary legally separated from the ECFH group on March 10, 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.

Building	Block and Parcel	Land & Building EC$
Gros Islet Branch	1256D 238,239	4,908,000
Vieux Fort Branch	1217C 676,677,678	3,025,000
Vieux Fort Parking lot	1256C 679	320,000
Soufriere Branch	0031C 474	3,060,000
Financial Centre Building	0848C 11	36,274,500
Massade Archives	1256D 299	1.370.000

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 legal proceedings during the 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 25th May 2016.

(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 involved the election of three directors for a term of three years by shareholders namely:

1. Jacqueline Emmanuel – Flood
2. Omar Davis
3. Llewellyn Gill

The term of Director Hildreth Alexander came to an end at the close of the meeting and he did not seek re-election. In addition Director Lisle Chase resigned at the close of the meeting.

(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 other item tabled at the Annual Meeting of Shareholders were as follows and were approved by a show of hands:

1. To consider and adopt the Report of the Auditors and the Audited Financial Statements of for the year ended December 31, 2015

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 participant.

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

There were no other matters where decisions were taken other than at a meeting of security holders.

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 no equity securities sold by ECFH during the period covered by the report.

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.

Risk management continued to play a dominant role in the Group's priorities, with heavy focus on mitigating risk whilst aiming to maximize performance. The mitigation of risk included adherence to the Risk Appetite of the group and creating a robust risk management culture. As part of the thrust towards improving the risk management culture, internal training programmes were conducted, along with the review of existing policies and procedures, and the creation of additional policies to address specific areas.

The Group, through the Risk Management and Audit Sub-Committees of the Board, reviewed and actioned timely and comprehensive reports on risk assessments, risk monitoring, risk modification, risk avoidance and risk sharing. The Group remains committed to further enhancing its performance in this area, and is therefore in the process of creating an Enterprise Risk Management framework which would provide a more structured approach for identifying, measuring, controlling and reporting on the significant risks faced by the organization.
The main risks to the Group over the financial year were credit, operational, market, legal and regulatory risks. However, 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
In 2016, Credit risk remained the most challenging area for the Group, evidenced by the high non-performing portfolio. This was even more challenging in an environment of poor economic performance coupled with the dated foreclosure legislation of Saint Lucia. Over the course of the last few years, the Board of ECFH explored several strategic options to resolve the continuous weak performance of the Group caused primarily by the losses being incurred by its largest subsidiary BOSL. Consequently, in 2016 the Bank undertook a comprehensive review of the credit portfolio. This review was undertaken to determine and apply the most prudent level of loan loss provisioning, guided by industry best practices. This led to the adoption of a loan loss provisioning and write-off policy that forthrightly addressed the high level of NPLs. Having made this level of loan loss provisions in 2016, the Bank effectively reduced the level of non-performing loans, curtailed the extent of its impact on the future performance of BOSL, and placed the Bank on par with the ECCU industry NPL average ratio.

Further, keen attention was paid to concentration risks, sectoral limits, and the process of loan origination, approval and administration. Efforts continue towards enhancing capacity by streamlining processes, strengthening staff through continuous training, and implementing efficient systems for monitoring adherence to established guidelines.

Operational Risk
The Group remained vulnerable to operational risk. However, internal controls were continuously reviewed and strengthened to mitigate against losses which would result from failed internal processes, people, systems or external events. The Group continues to improve the robustness of the Operational Risk Management function, and expects to achieve further enhancements from the Enterprise Risk Management framework.

Correspondent banking risks remained the largest operational risk faced by the Group as the practice of de-risking persisted globally by international banks in 2016. Whilst the Group was able to maintain all of its correspondent banking relationships, the Bank paid close attention to Compliance and its associated requirements, to ensure that relationships with correspondent banks were well maintained. In this regard, the Group disposed of the international banking subsidiary BOSLIL. Further, the Group continued to maintain and improve its comprehensive business continuity management program, to ensure that the Group could recover and resume normal operations in the shortest time frame following the occurrence of any disaster.

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 or paid during the said 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.

N/A

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 challenges of the domestic economies of the ECCB continued in 2016 which significantly impacted the performance of the Group. The weak performance of the group was caused primarily by the losses being incurred by its largest subsidiary Bank of Saint Lucia (BOSL.)The bank carried significant levels of non-performing loans for the last five (5) years and previous attempts to resolve this issue did not achieve the desired results. During the 2016 financial year, the Board of Directors, guided by industry best practices took a number of decisions to deal with the issue in resolute manner.

As part of the strategic restructuring of the Group, which was primarily ECFH geared at improving operational efficiency and the augmentation of regulatory capital in support of the Bank of St. Lucia, an amalgamation of brokerage arm (Global Investments Limited), the Bank of St. Lucia (BOSL) and the Eastern Caribbean Financial Holding Company (ECFH) was undertaken. A new holding company (ECFH) Eastern Caribbean Financial Holding Company Limited was established at the same time.

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

Economic conditions remained challenging in 2016 with low growth and high unemployment impacting business and household income. As such, the banking subsidiaries continued on a path of cautious lending which invariable resulted in liquidity levels well in excess of reserve requirements. The Group, in its quest to offset the cost of rising deposits, channeled these surplus funds into investments consistent with its conservative risk profile namely high quality, investment grade bonds.

Under the circumstances, a strategy rooted in the need to diversify, remained paramount and this was achieved by investing in internationally traded bonds representing all the major industrial sectors and geographical regions. Maintaining a portfolio composition which includes internationally traded instruments not only helped achieve the optimal risk-adjusted return on investments, but also accords the Group the added advantage of an instant source of liquidity as these instruments can be readily sold.

The Group maintained liquidity levels well in excess of the prudential benchmarks. It is expected that this trend will continue into the next financial year given current market conditions. As at end of the reporting period there were no known or impending events that were expected to impact in a material way on the overall liquidity position. Additionally, there were no material commitment for capital expenditure that is expected to impact on the liquidity position in the near term.

At the end of the reporting period both banking subsidiaries Capital Adequacy ratio was in excess of the 8 % prudential benchmark.

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.

Off-Balance Sheet assets under management as at December 2016 amounted to $75.1 million. This comprised investment securities managed on behalf of clients. Under such arrangements, BOSL advises the client in the formulation of an investment policy and is given a discretionary investment management mandate to act in accordance with the approved policy. It is important to note that although BOSL has a fiduciary responsibility to these clients, there are adequate disclaimers and indemnifications against possible claims related to investment losses that may arise.

More than two thirds of these off-balance sheet funds comprise company retirement funds while the balance comprises statutory reserves of insurance companies and other corporate entities. Investments include all the major asset classes of fixed income, equity and money market facilities with at least 90% invested in fixed income. In addition, there is a predominance of investments in Commonwealth Caribbean sovereign and corporate entities to as much as 80% in keeping with existing restrictions in legislation governing the investment of pension and insurance assets.

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*

The ECFH Group recorded a net loss of $111.8M in 2016, this was primarily attributed to loan loss provisioning of $135.7M, of which $128M was recorded in the Bank of Saint Lucia. Additionally a provision of $15.4M was made for losses on the disposal of the Bank of St. Lucia International Limited (BOSLIL).

Net interest income for the year was $73.7M, this represented a reduction of 8% or $6.6M compared to 2015. This reduction was mainly as a result of a decline in income from loans and advances, which fell by approximately $19.6M or 15.43% over the previous financial year. The combination of a downward trend in market rates and reduction in the productive loan portfolios were the primary contributing factors to this decline.

Interest income from investments increased by $2.3M or 13.7% from the previous financial year. The increase in income in this category was consistent with growth in the investment portfolio and represented efforts to utilize the excess liquidity within the Group's risk appetite.

The reduction of $11M or 17% in interest expense, was consistent with the Group's strategy to reduce its overall cost of funds. Other operating income recorded strong growth of $12M or 24% over the previous year, while other operating expenses remained relatively flat.

During 2016 continued focus was placed on the containment of cost, as such it is anticipated that there will be reductions in overall operating cost in the ensuing years.

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 no changes in auditors or disagreements with auditors during the period.

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.

14. List of Exhibits

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

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: ______**See Attached** 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):

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: See Attached Position: ____________

Mailing Address: ____________

____

____

Telephone No.: ____________

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

Give brief description of **current** responsibilities.

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

Also a Director of the company [ ] Yes [ ] No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Mr. Andre Chastanet

Position: Chairman

Mailing Address: c/o/ P.O. Box 1860
Castries
Saint Lucia

Telephone No.: 758 456-6000

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

Andre Chastanet is a Retired Business Executive who keeps himself occupied by managing a few apartments. Since retiring he served as Chairman of the National Insurance Corporation of St. Lucia for a period of seven months and as director of St. Lucia Electricity Services for a period of three years. He also served as a member of the National Competiveness and Productivity Council of St. Lucia.

Prior to retiring in September, 2013 he served as Managing Director of Consolidated Foods Ltd, owners and operators of the major supermarket chain in St. Lucia, for almost twenty years. During this period, he served as director on several corporate boards, locally and regionally and non profit organizations, including the St. Lucia Chamber of Commerce. He is a Chartered Accountant by profession and fellow of the Association of Chartered Certified Accountants of the UK.

Give brief description of **current** responsibilities

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

Following successful completion of the examinations of the Association of Chartered Certified Accountants of the UK in June 1988, I became an associate member in that same year and in 1993 became a Fellow member.

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: 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: Llewellyn Gill

Position: Chartered Accountant

Mailing Address: P O Box 546
Castries
St. Lucia

Telephone No.: 758 484 9250

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

Give brief description of **current** responsibilities

Team Leader for series of consultancies through John Snow, Inc. (JSI) and Social Sectors Development Strategies, Inc. (SSDS) with the Health Policy Management Unit of the Organization of Eastern Caribbean States (OECS) under the USAID-funded Health Care Policy, Planning, and Management (HCPPM) Project. Completed costing studies at Princess Margaret Hospital in Dominica, Glendon Hospital in Montserrat, General Hospital in Grenada and Peebles Hospital in Tortola, British Virgin Islands: assessed available accounting data and service statistics; established a framework of cost centers used to re-categorize data; examined operating cost data and assigned expenses to cost centers; identified "off-budget" expenses and estimated amortization and depreciation costs, categorized by cost center; using step-down method allocated indirect costs to the cost centers for direct in-patient and out-patient

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Mr. Marcus Joseph

Position: Director

Mailing Address: c/o/ P.O. Box 1860
Castries
Saint Lucia

Telephone No.: 758 456-6000

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

October 2015 to Date - Minvielle & Chastanet Limited - Divisional Manager – Finance

Directly responsible for the strategic and operational functions of Minvielle & Chastanet Limited, M&C Drugstore, M&C Shipping and M&C Gas.
Overall responsibility for accounting, finance, tax and auditing of the Automotive, Building Supplies and Services Division within Goddard Enterprises Limited covering St Lucia, Barbados, St Vincent, Jamaica and Grenada.

February 2013 to September 2015 - Minvielle & Chastanet Limited - Divisional Manager – Finance

Overall responsibility for accounting, finance, budget, tax and auditing of Goddard Group St Lucia

January 2006 to August 2009 - East Caribbean Financial Holding Company Limited - Group Financial Controller

Management of the Finance Department with responsibility for accounting, finance and budgeting
Responsible for tax planning, corporate tax returns and compliance with banking and insurance regulations;

May 2005 to December 2005 - East Caribbean Financial Holding Company Limited - Corporate Finance Manager

Assist with the management of the Finance Department with responsibility for accounting, finance an budgeting
Responsible for tax planning, corporate tax returns and compliance with banking and insurance regulations;

Give brief description of **current** responsibilities

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

September 2011 to June 2012 - Manchester Metropolitan University - Bar Standards Board

September 2009 – May 2010 - Leeds Metropolitan University - Post Graduate Diploma in Law

March 1991 – March1996 - Certified General Accountants' Association of Canada - Certificate in Accountancy

September 1995 – December1995 McGill University
Strategic Management - B
Information Systems Strategy - A
Internal Audit & Controls - A

September 1995 – December 1995 Concordia University
Advanced Corporate Finance - A

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: 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.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Bennie Stapleton   Position: Chief Financial Officer

Mailing Address: P.O. Box 1862, Castries
P.O. Box 1862, Castries
St. Lucia

Telephone No.: 1-758-456-6000

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

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

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Derry Williams　　Position: Managing Director (Acting)

Mailing Address: P.O. Box 1862, Castries

P.O. Box 1862, Castries

Telephone No.: 1-758-456-6803

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

Position is responsible for providing strategic leadership for the Bank by working with the Board of Directors and the Executive Management Team to establish and ensure delivery of the agreed work programme outputs and targets for the Bank within agreed budgets and for the
development of the Bank's network, systems and strategies, policies, new products and services;

• Review and set work programme strategies, targets and periodic performance monitoring indicators for the various departments;

• Review credit and other financial proposals above specified limits to ensure that they are feasible, bankable and mutually beneficial to the Bank and borrower;

• Manage the risk profile of the bank's credit and investment portfolios;

• Spearhead the development , communication and implementation of effective growth strategies and processes;

• Collaborates with the Executive Management Team to develop and implement plans for operational infrastructure of systems, processes and personnel designed to accommodate the growth objectives of the bank

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

November 2009 – Executive Programme in Business Administration, Columbia University, New York USA

2003 – Certificate in Investment Appraisal and Risk Analysis, Queen's University, Canada
2002 – Master of Business Administration – Finance, University of Leicester
2000 – Graduate Diploma in Management (Banking and Financial Services), University of Leicester, UK
1998 – Diploma , Institute of Canadian Bankers

Also a Director of the company　☑ Yes　☐ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Estherlita Cumberbatch Position: Corporate Secretary

Mailing Address: P.O. Box 1862, Castries, St Lucia

P.O. Box 1862, Castries, St Lucia

Telephone No.: 1-758-456-6000

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

Corporate Secretary

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

ACIS
LLB

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Gemma Marie Position: Senior Manager - Human Resources

Mailing Address: P.O. Box 1862, Castries
P.O. Box 1862, Castries
St. Lucia

Telephone No.: 1-758-456-6000

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

BOSL - Senior Manager Human Resources - June 2016 - Current

Emerson Network Power (USA) - Human Resources Manager - April 2014 - June 2016

East Caribbean Financial Holding Company Limited - Senior Manager Human Resources - September 2010 - March 2014

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

MBA - Human Resources - UWI - Cave Hill - 2004

BSc. Banking & Finance - University of Sydney - 1998

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Joanna Idra Charles Position: Deputy Managing Director

Mailing Address: Bridge street, Castries
Bridge street, Castries
St.lucia

Telephone No.: 1-758-456-6000/ext 6822

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

Deputy Managing Director (Acting) - March 2017 - Present
Chief Operating Officer - 01st May 2016 - March 2017 - responsible for some support functions such as Marketing, IT, Administration, facilities and strategy implementation.
General Manager - Corporate Services - January 2015 to April 30, 2016
Assistant General Manager - BOSL - 2005 to 2015

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

ACIB - Chartered Institute of Financial services UK - 1999
BSc (Hons) - University of Manchester - 1999
MBA - Manchester Business School - 2006

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Lyndon Arnold Position: Senior Manager - Information Management & Technology Services

Mailing Address: P.O. Box 1862, Castries, St Lucia

P.O. Box 1862, Castries, St Lucia

Telephone No.: 1-758-456-6000

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

Overall responsibility for maintaining the Information Technology environment of the Group's operations which includes administering the ECFH information Technology site infrastructure and ensure the optimization of Information Technology assets, ensuring that all of the Group's information systems components (software, hardware and connectivity devices) are adequately maintained and ensuring the Group's Network, Information Security and Internet Banking Policies are enforced at all times.

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

Master of Business Administration with Australia Institute of Business (AIB)

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Maria Fowell   Position: Senior Manager - Marketing & Corporate Communications

Mailing Address: St Lucia
St Lucia

Telephone No.: 1-758-456-6000

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

Senior Manager Marketing & Corporate Communications, ECFH January 2008 to present

The Senior Manager Group Marketing and Corporate Communications is responsible for developing and executing a clearly defined marketing and communications strategy in a manner that enhances brand equity and awareness of the ECFH Group, and its subsidiaries, and supports consistent business growth.

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

MSc Marketing, University of Leicester UK- Aug 1999-July 2001
BSC Tourism Management, University of the West Indies - Sept 1984-May 1988

other qualifications:
Diploma in Journalism - International Correspondence School USA - 1993
Strategic Tourism Marketing - George Washington University USA - 1997
Marketing Financial Services - American Bankers Association USA - 2008

Professional Membership - The Chartered Institute of Marketing, UK

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Melissa Simon Position: Senior Manager - Internal Audit

Mailing Address: P.O. Box 1862, Castries
P.O. Box 1862, Castries
St. Lucia

Telephone No.: 1-758-456-6000

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

The Senior Manager - Audit is required to perform advanced level professional internal auditing work as part of the company's governance structure. This includes directing a comprehensive audit program consisting of performance, financial, compliance and information systems audit projects in order to evaluate and assist in the improvement of risk management, governance and control processes. The Senior Manager - Audit reports functionally to the Audit Committee, administratively to the Group Managing Director and is responsible for ensuring that the Audit function remains compliant with the IIA standards.

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

BSc Management Studies - St. Augustine Campus, UWI - July 1999
Certified Financial Services Auditor (CFSA) - Institute of Internal Auditors - November 2006
Fellow of the Association of Chartered Certified Accountants (FCCA) - April 2008
Certified Fraud Examiner (CFE) - Association of Certified Fraud Examiners - June 2008
Certified Information Systems Auditor (CISA) - Information Systems Audit and Controls Association - December 2012
Certified Internal Auditor (CIA) - Institute of Internal Auditors - November 2015

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Shanta Louis Position: Chief Risk Officer

Mailing Address: P.O. Box 1862, Castries, St Lucia
P.O. Box 1862, Castries, St Lucia

Telephone No.: 1-758-456-6105

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

Senior Manager □Credit Risk, Bank of Saint Lucia Limited, ECFH (July 2015 to August 2016);

Compliance Manager, Bank of Saint Lucia International Limited, ECFH (April 2014 to June 2015);

Unit Head, Supervisory □Indigenous Banks, Bank Supervision Department, Eastern Caribbean Central Bank (April 2012 to March 2014);

Bank Examiner, Bank Supervision Department, Eastern Caribbean Central Bank (January 2009 to March 2012):

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

2016 University of South Wales (In Process)
Masters of Business Administration,

2002 □2005 University of the West Indies, St Augustine, Trinidad
BSc Economics with Finance & Accounting (2nd Class Honours)

2002 University of the West Indies School of Continuing Studies and the National Research and Development Foundation of St Lucia
Certificate in Human Resource Management (Grade A)

1996 □1998 Sir Arthur Lewis Community College, Castries, St. Lucia
A-levels with University of Cambridge (Advanced Level)
Mathematics (A), Management of Business (B), Economics (B), General Paper (B)

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Medford Francis Position: Senior Manager

Mailing Address: P.O. Box 1862, Castries

P.O. Box 1862, Castries

Telephone No.: 1-758-457-7231

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

(1) December 03, 2007 to February, 2011 Senior Fund Manager, Wealth and Asset Management Division, Bank of Saint Lucia Limited.
(2) February, 2011 to March,2014 Senior Manager, Wealth and Asset Management Division, Bank of Saint Lucia Limited.
(3) April, 2014 to May, 2015, Group Investment Manager, ECFH
(4) June, 2015 to Present, Senior Manager, ECFH Global Invetsments Solutions.

Current Duties:
- Manage Global Investments Solutions Limited with responsibility for the final output of all functionaries.
- Give strategic guidance to the following functional areas within the company:
- Finance & Compliance
- Operations & Administration
- Asset Management - Business Development
- Drive the formulation of the strategic plan for Global Investments and its implementation, and be fully accountable for the performance and overall management of the company, with special emphasis on product and business development; merchant banking and capital markets activity.

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

MSc. in Financial Management (with Merit) University of London's Centre for Financial Management Studies (June 2004 - December, 2006)

BSc. Degree in Economics Special (Upper Second Class Honours) University of the West Indies - Mona Campus (1999)

Also a Director of the company ☐ Yes ☑ No

If retained on a part time basis, indicate amount of time to be spent dealing with company matters:

Use additional sheets if necessary.

East Caribbean Financial Holding Company Limited

Consolidated Financial Statements

For the year ended 31 December 2016
(Expressed in Eastern Caribbean Dollars)

East Caribbean Financial Holding Company Limited
Index to the Consolidated Financial Statements
For the year ended 31 December 2016

Ernst & Young
P.O. Box BW 368,
Rodney Bay, Gros Islet,
St. Lucia, W.I.

Street Address
Mardini Building, Rodney Bay,
Gros Islet,
St. Lucia, W.I.

Tel: +758 458 4720
+758 458 4730
Fax: +758 458 4710
www.ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the 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 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT…CONTINUED

TO THE SHAREHOLDERS OF EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters	How our audit addressed the key audit matter
Estimates used in the allowance for impairment on loans to customers	
Areas of focus Refer to Notes 2(h), 11 and 12 to the consolidated financial statements. The allowance for impairment losses on loans and advances to customers is considered to be a significant matter as it requires the application of judgement and use of subjective assumptions by management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty and the timing and amount of expected future cash flows. The Group records both collective and specific allowances of loans and advances to customers. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. The recoverable amount of impairment loans are assessed on an individual basis and is primarily based on the realization of the underlying collateral security. An assessment is made on the market value of the collateral and the time and cost to collect in determining the expected cash flows. Management is continuously assessing the assumptions used in the allowance for loan losses process, and estimates are changed to account for current market and economic conditions, including the state of the real estate market. During the current year, management reassessed and amended the loan loss provisioning policy based on their historical experience in foreclosing and realizing the underlying collateral security and based on the current economic environment.	We assessed and tested the design and operating effectiveness of controls over: - Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of the loan portfolio. - Data used to determine the provisions for loan impairment, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. In addition, we assessed the adequacy of the provision for loan losses by testing the key assumptions used in the Bank's specific and collective loan loss allowance calculations, including the identification of impairment and forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We involved our internal valuation specialists in the review of third party valuations of the underlying collateral security. -We reviewed the accounting for the amended allowance for loan impairment policy and assessed the reasonableness of the change in estimates based on the Group's historical experience of the realization of security, actual collection of cash flows and the current market conditions. We assessed the model and inputs and assumptions for the inherent risk provisions. In addition, we assessed the adequacy of the disclosures in the financial statements.

Building a better working world

INDEPENDENT AUDITOR'S REPORT….CONTINUED

TO THE SHAREHOLDERS OF EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters	How our audit addressed the key audit matter
Fair Value of Investments	
Refer to Notes 2(d), 3, 14 and 18 to the consolidated financial statements. The Group invests in various investment securities for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price.	We reviewed the reasonableness of the methods and assumptions used in determining the fair value of investment securities. We considered whether the methodology remains appropriate given current market conditions. We independently assessed the fair value of investments by performing independent valuations on the investment portfolio as well as recalculating the unrealized gain (loss) recognized. We verified that the required IFRS disclosures have been included in the financial statements at year end. We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded.

INDEPENDENT AUDITOR'S REPORT….CONTINUED

TO THE SHAREHOLDERS OF EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Report on the Audit of the Consolidated Financial Statements

Other information included in the Group's 2016 Annual Report
Other information consists of the information included in the Group's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

INDEPENDENT AUDITOR'S REPORT ….CONTINUED

TO THE SHAREHOLDERS OF EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Report on the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT ....CONTINUED

TO THE SHAREHOLDERS OF EAST CARIBBEAN FINANCIAL HOLDING COMPANY LIMITED

Report on the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement executive in charge of the audit resulting in this independent auditor's report is Baldwin Alcindor.

Ernst + Young
CHARTERED ACCOUNTANTS
Castries
St. Lucia
23 March 2017

East Caribbean Financial Holding Company Limited
Consolidated Statement of Financial Position
As at 31 December 2016

(in thousands of Eastern Caribbean dollars)

	2016 $'000	2015 $'000
Assets		
Cash and balances with Central Bank (Note 6)	**366,874**	344,212
Treasury bills (Note 7)	**33,828**	25,965
Deposits with other banks (Note 8)	**227,992**	702,728
Financial assets held for trading (Note 9)	**18,600**	15,030
Deposits with non-bank financial institutions (Note 10)	**8,730**	7,896
Investment securities (Note 14)	**503,055**	748,935
Financial instruments - pledged assets (Note 15)	**21,367**	17,459
Loans and receivables - loans and advances to customers (Note 11)	**1,474,613**	1,667,579
- bonds (Note 13)	**10,033**	10,033
Investment in associates (Note 16)	**17,704**	14,292
Property and equipment (Note 17)	**133,386**	138,981
Investment properties (Note 18)	**9,328**	10,643
Intangible assets (Note 19)	**4,893**	7,905
Other assets (Note 20)	**63,258**	46,271
Retirement benefit asset (Note 22)	**10,627**	7,897
Deferred tax asset (Note 27)	**-**	4,330
Income tax recoverable	**4,179**	3,768
Assets of disposal group held for sale (Note 40)	**740,644**	-
Total assets	**3,649,111**	3,773,924
Liabilities		
Deposits from banks (Note 23)	**85,901**	83,765
Due to customers (Note 24)	**2,441,886**	3,228,649
Repurchase agreements (Note 15)	**13,839**	19,936
Dividends payable	**566**	276
Borrowings (Note 25)	**139,710**	116,646
Preference shares (Note 46)	**4,150**	4,150
Other liabilities (Note 26)	**93,112**	68,394
Deferred tax liability (Note 27)	**298**	434
Liabilities of disposal group held for sale (Note 40)	**724,067**	-
Total liabilities	**3,503,529**	3,522,250

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position (continued)

As at 31 December 2016

(in thousands of Eastern Caribbean dollars)

	2016 $'000	2015 $'000
Equity		
Share capital (Note 28)	**170,081**	170,081
Contributed capital (Note 29)	**1,118**	1,118
Reserves (Note 31)	**163,567**	158,710
Revaluation surplus	**13,855**	13,855
Unrealized loss on available-for-sale investments	**(793)**	(7,596)
Accumulated deficit	**(254,104)**	(135,404)
Attributable to the Company's equity holders	**93,724**	200,764
Non – controlling interests (Note 30)	**51,858**	50,910
Total equity	**145,582**	251,674
Total liabilities and equity	**3,649,111**	3,773,924

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 23rd March 2017.

Director

Director

: Caribbean Financial Holding Company Limited

olidated Statement of Changes in Equity

he year ended 31 December 2016

usands 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
nce at 1 January 2015	**170,081**	**1,118**	**160,419**	**13,855**	**(5,305)**	**(119,226)**	**220,942**	**48,739**	**269,681**
comprehensive loss for the year	–	–	–	–	(2,291)	(14,467)	(16,758)	2,906	(13,852)
sfers to reserves	–	–	1,711	–	–	(1,711)	–	–	–
lends paid by subsidiaries	–	–	–	–	–	–	–	(735)	(735)
ributions withdrawn	–	–	(3,420)	–	–	–	(3,420)	–	(3,420)
nce at 31 December 2015	**170,081**	**1,118**	**158,710**	**13,855**	**(7,596)**	**(135,404)**	**200,764**	**50,910**	**251,674**
nce at 1 January 2016	**170,081**	**1,118**	**158,710**	**13,855**	**(7,596)**	**(135,404)**	**200,764**	**50,910**	**251,674**
comprehensive loss for the year	–	–	–	–	6,803	(113,467)	(106,664)	2,369	(104,295)
sfers to reserves	–	–	5,233	–	–	(5,233)	–	–	–
lends paid by subsidiaries	–	–	–	–	–	–	–	(1,421)	(1,421)
ributions withdrawn	–	–	(376)	–	–	–	(376)	–	(376)
nce at 31 December 2016	**170,081**	**1,118**	**163,567**	**13,855**	**(793)**	**(254,104)**	**93,724**	**51,858**	**145,582**

ccompanying notes form part of these financial statements.

East Caribbean Financial Holding Company Limited
Consolidated Statement of Income
For the year ended 31 December 2016

(in thousands of Eastern Caribbean dollars)

	2016 $'000	2015 $'000
Continuing operations		
Interest income (Note 33)	**126,869**	144,440
Interest expense (Note 33)	**(53,133)**	(64,105)
Net interest income	**73,736**	80,335
Other operating income (Notes 34,35,36,37)	**62,285**	50,187
Impairment losses - loans (Note 12)	**(135,700)**	(41,392)
Impairment losses - investments	**–**	(2,296)
Operating expenses (Note 38)	**(99,045)**	(98,720)
Operating loss	**(98,724)**	(11,886)
Share of profit in associates (Note 16)	**3,915**	2,231
Loss for the year before income tax and dividends	**(94,809)**	(9,655)
Dividends on preference shares	**(291)**	(291)
Loss for the year before income tax	**(95,100)**	(9,946)
Income tax expense (Note 41)	**(8,425)**	(4,045)
Net loss for the year from continuing operations	**(103,525)**	(13,991)
Discontinued operations		
Profit for the year from discontinued operations (Note 40)	**7,184**	5,334
Provision for loss on disposal of subsidiary (Note 40)	**(15,453)**	–
Net loss for the year	**(111,794)**	(8,657)
Attributable to:		
-Equity holders of the Company	**(114,213)**	(11,528)
-Non-controlling interests (Note 30)	**2,419**	2,871
Loss for the year	**(111,794)**	(8,657)
Loss per share from continuing operations for earnings attributable to the equity holders of the Company during the year (Note 42)		
- basic	**(4.33)**	(0.69)
- diluted	**(4.19)**	(0.67)

East Caribbean Financial Holding Company Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

(in thousands of Eastern Caribbean dollars)

	2016 $'000	2015 $'000
Net loss for the year	**(111,794)**	(8,657)
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealised gain/(loss) on available-for-sale investments	**6,931**	(4,519)
Realised (gain)/loss transferred from statement of income	**(178)**	2,263
	6,753	(2,256)
Share of fair value gains on available for sale assets of associated companies	**152**	–
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent period:		
Re-measurement gains/(losses) on defined benefit pension scheme	**849**	(4,199)
Income tax effect	**(255)**	1,260
	594	(2,939)
Net other comprehensive income/(loss)	**7,499**	(5,195)
Total comprehensive loss for the year	**(104,295)**	(13,852)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(106,664)**	(16,758)
Non-controlling interests (Note 30)	**2,369**	2,906
	(104,295)	(13,852)

The accompanying notes form part of these financial statements.

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cashflows

For the year ended 31 December 2016

(in thousands of Eastern Caribbean dollars)

	2016 $'000	2015 $'000
Cash flows from operating activities		
Loss before tax including discontinuing operations	**(103,078)**	(4,321)
Adjustments to reconcile loss before tax to net cash flows:		
Interest income on investments	**(29,490)**	(24,440)
Depreciation	**7,774**	7,870
Impairment losses on loans, advances and investment securities	**135,400**	45,009
Amortisation of intangible assets	**2,018**	1,277
Unrealised gain/(loss) on investments held for trading	**(17)**	74
Retirement benefit expense	**530**	790
(Loss)/gain on disposal of property and equipment	**6**	(34)
Loss on disposal of investment properties	–	–
Fair value loss on investment property	**1,315**	1,766
Share of profit of associate	**(3,915)**	(2,231)
Net (gains)/losses on disposal of investments	**(1,118)**	614
Unamortised premium on investments	**(368)**	(572)
Retirement benefit contributions paid	**(2,411)**	(3,264)
Cash flows before changes in operating assets and liabilities	**6,646**	22,538
Increase in mandatory deposits with Central Bank	**(5,155)**	(8,485)
Decrease in loans and advances to customers	**43,349**	61,739
Increase in other assets	**(21,467)**	(14,607)
Increase in due to customers	**(69,365)**	109,161
Decrease in repurchase agreements	**(6,097)**	(3,876)
Increase/(decrease) in deposits from banks	**8,322**	(8,115)
Increase in other liabilities	**40,653**	7,849
(Increase)/decrease in financial instruments - pledged assets	**(3,818)**	6,606
Increase in trading assets	**(3,608)**	(6,489)
Decrease/(increase) in treasury bills	**2,121**	(4,113)
Cash generated (used in) from operations	**(8,419)**	162,208
Income tax paid	**(2,063)**	(2,811)
Interest received	**29,708**	26,507
Net cash from operating activities	**19,226**	185,904

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cashflows (continued)

For the year ended 31 December 2016

(in thousands of Eastern Caribbean dollars)

	2016 $'000	2015 $'000
Cash flows from investing activities		
Purchase of investment securities	**(383,411)**	(302,123)
Proceeds from disposal and redemption of investment securities	**248,423**	177,279
Purchase of property and equipment	**(3,386)**	(5,765)
Purchase of intangible assets	**(398)**	(3,239)
Proceeds from disposal of property and equipment	**126**	59
Proceeds from disposal of investment property	–	397
Proceeds from sale of controlling interest in subsidiary	–	–
Net cash used in investing activities	**(138,646)**	(133,392)
Cash flows from financing activities		
Dividends paid to minority shareholders	**(1,421)**	(735)
Dividends paid to preference shareholders	–	(582)
Contributions withdrawn	–	–
Reserve reduction	**(376)**	(3,420)
Proceeds from capital contributions	–	–
Proceeds from borrowings	**55,357**	5,606
Repayments of borrowings	**(32,293)**	(41,843)
Net cash from (used in) financing activities	**21,267**	(40,974)
(Decrease) increase in cash and cash equivalents	**(98,153)**	11,538
Net foreign exchange movement in investments	**4,454**	6,503
Cash and cash equivalents at beginning of year	**934,173**	916,132
Cash and cash equivalents at end of year **(Note 43)**	**840,474**	934,173

The accompanying notes form part of these financial statements.

(in thousands of Eastern Caribbean dollars)

1 General information

In October 2016 the East Caribbean Financial Holding Company limited (ECFH) was amalgamated with Bank of Saint Lucia Limited and ECFH Global Investment Solutions in accordance with the provisions of the Companies Act CAP 13.01, Revised Laws of Saint Lucia and continued as Bank of Saint Lucia Limited. Another company with the same name East Caribbean Financial Holding Company Limited was then reincorporated under the same act to hold the shares of Bank of Saint Lucia Limited, Bank of Saint Lucia International Limited and Bank of St. Vincent & the Grenadines.

Bank of Saint Lucia Limited, Bank of Saint Vincent and the Grenadines Limited and ECFH are in compliance with the Companies Acts and Banking Acts. Other entities within the Group are subject to the provisions of the 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 2016 (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 accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015. There were no new interpretations or standards which were applicable to the Group in the current year.

(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 IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. In 2015 the Group set up a multidisciplinary implementation team ('the Team') with members from its various subsidiaries, Risk, Finance, Information Technology and Operations to prepare for IFRS 9 implementation ('the Project'). The Project is sponsored by the Chief Financial Officer, who regularly report to the Group's Supervisory Board. Training session on IFRS 9 and its implications have been held with team members and work has commenced on strategies to gather the relevant information. The Project timeless will become clearer by the end of the first quarter in 2017 where the analysis phase will be completed. Thereafter the design, build, testing and parallel run will be completed before the end of 2017 and go live in 2018.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: Fair Value through profit or loss (FVPL), Fair Value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

The Group does not expect a significant impact on the balance sheet and equity except for the effect of applying the impairment requirement of IFRS 9. The Group does not anticipate early adopting IFRS 9 and is currently assessing the impact.

(in thousands of Eastern Caribbean dollars)

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

Basis of preparation*...continued*

IFRS 15 *Revenue from Contracts with Customers*
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

IFRS 16 Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes
In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January 2017. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows
In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

(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 2016.

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 methods.

(b) Transactions with non-controlling interests and associates

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 14,9
Land and buildings	Note 17

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.

(a) Financial assets at fair value through profit or loss

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, or 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.

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 impairment losses on investments.

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

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 amortised 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...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.

Renegotiated loans

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 consolidated 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. 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.

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. 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.

(in thousands of Eastern Caribbean dollars)

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

Non-current assets held for sale and disposal groups

Non-current assets and disposal group's classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and: (i) Represents a separate major line of business or geographical area of operations (ii) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations Or (iii) Is a subsidiary acquired exclusively with a view to resale.

In the consolidated statement of comprehensive income for the reporting period, and the comparable period in the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Bank retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.
Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised. See Note 40 (Disposal Group Classified as held for sale) for further discussion.

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(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 advanced, 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.

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	
	2016	**2015**
	$'000	**$'000**
Credit risk exposures relating to the financial assets in the statement of financial position :		
Balances with central bank	**319,475**	307,472
Treasury bills	**33,828**	25,965
Deposits with other banks	**227,992**	702,728
Deposits with non-bank financial institutions	**8,730**	7,896
Loans and advances to customers:		
Large corporate loans	**415,434**	542,742
Term loans	**292,765**	336,220
Mortgages	**650,399**	651,264
Overdrafts	**116,015**	137,353
Bonds	**10,033**	10,033
Financial assets held for trading	**18,600**	15,030
Investment securities	**485,265**	733,448
Financial instruments - pledged assets	**21,367**	17,459
Other assets	**59,630**	41,297
	2,659,533	3,528,907
Credit risk exposures relating to the financial assets off the statement of financial position:		
Loan commitments	**84,356**	129,901
Guarantees, letters of credit and other credit obligations	**27,182**	25,808
	111,538	155,709
	2,771,071	3,684,616

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2016 and 2015 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 at the reporting date.

As shown above 53% (2015 – 47%) of the total maximum exposure is derived from loans and advances to customers and 18% (2015 – 21%) 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:

	2016 $'000	2015 $'000
Loans and advances to customers		
Neither past due nor impaired	**990,385**	1,041,185
Past due but not impaired	**187,695**	202,931
Impaired	**409,205**	556,252
Gross	**1,587,285**	1,800,368
Less allowance for impairment losses on loans and advances	**(112,672)**	(132,789)
Net	**1,474,613**	1,667,579

The total allowance for impairment losses on loans and advances is $112,672 (2015 – $132,789) of which $74,443 (2015 – $103,516) represents the individually impaired loans and the remaining amount of $38,229 (2015 – $29,273) 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 2016	**104,633**	**186,403**	**502,019**	**197,330**	**990,385**
31 December 2015	111,941	206,419	499,902	222,923	1,041,185

(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 2016					
Past due up to 30 days	**30,570**	**74,388**	**38,231**	**153**	**143,342**
Past due 30 – 60 days	**7,442**	**12,541**	**6,732**	**3**	**26,718**
Past due 60 – 90 days	**4,944**	**7,858**	**4,833**	–	**17,635**
	42,956	**94,787**	**49,796**	**156**	**187,695**

	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

(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 2016	**13,940**	**83,131**	**71,511**	**240,623**	**409,205**
31 December 2015	41,772	97,382	82,139	334,959	556,252

(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 2016 and 2015, 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 2016						
A- to A+	–	**100,981**	–	**10,033**	**23,006**	**134,020**
Lower than A-	**586**	**247,721**	–	–	**10,822**	**259,129**
Unrated	**18,014**	**136,563**	**21,367**	–	–	–
	18,600	**485,265**	**21,367**	**10,033**	**33,828**	**569,093**
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

The Group's balances held with other banks, non-bank financial institutions are held with reputable financial institutions, and as such, credit risk is deemed minimal.

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)

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 2016								
Balances with central bank	319,475	–	–	–	–	–	–	319,475
Treasury bills	–	–	–	33,828	–	–	–	33,828
Deposits with other banks	227,992	–	–	–	–	–	–	227,992
Deposits with non-bank financial institutions	8,730	–	–	–	–	–	–	8,730
Loans and receivables to customers								
Overdrafts	6,715	3,684	6,147	55,630	6,649	6,545	30,645	116,015
Term loans	333	2,359	9,866	3	23,210	237,681	19,313	292,765
Large corporate loans	45,106	8,072	74,929	40,577	73,886	22,984	149,880	415,434
Mortgages		55	–		2,469	640,624	7,251	650,399
Loans and receivables:-Bonds	–	–	–	10,033	–	–	–	10,033
Financial assets held for trading	–	–	–	18,014	–	–	586	18,600
Investment securities	182,111	417	–	115,426	–	–	187,311	485,265
Financial instruments - pledged assets	–	–	–	21,367	–	–	–	21,367
Other assets	–	–	-	–	–	–	59,630	59,630
	790,462	14,587	90,942	294,878	106,214	907,834	454,616	2,659,533
Loan commitments, letters of credit guarantees and other credit obligations	1,050	5,273	3,818	32,531	771	31,101	36,994	111,538

*Other industries include construction and land development.

n thousands of Eastern Caribbean dollars)

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 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	357,505	550	–	65,359	–	–	310,034	733,448
Financial instruments - pledged assets	–	–	–	17,459	–	–	–	17,459
Other assets	2,643	–	–	–	–	–	38,654	41,297
	1,396,496	22,888	112,158	227,148	142,975	932,611	694,631	3,528,907
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*

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 2016									
Cash and balances with Central Bank	–	357,956	6,456	472	919	375	696	–	366,874
Treasury bills	–	33,828	–	–	–	–	–	–	33,828
Deposits with other banks	–	98,623	121,345	2,292	4,081	881	354	416	227,992
Financial assets held for trading	–	18,014	586	–	–	–	–	–	18,600
Deposits with non-bank financial institution	–	–	8,730	–	–	–	–	–	8,730
Loans and receivables:									
Loans and advances to customers	–	1,435,382	39,231	–	–	–	–	–	1,474,613
Bonds	–	10,033	–	–	–	–	–	–	10,033
Investment securities:									
Held to maturity	–	40,684	90,775	–	–	–	–	–	131,459
Available-for-sale	–	71,196	299,691	709	–	–	–	–	371,596
Financial instruments - pledged assets	–	21,367	–	–	–	–	–	–	21,367
Other assets	–	59,630	–	–	–	–	–	–	59,630
Total financial assets	–	2,146,713	566,814	3,473	5,000	1256	1050	416	2,724,722

(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 2016									
Liabilities									
Deposits from banks	–	82,361	3,229	–	–	–	311	–	85,901
Due to customers	–	2,255,138	181,774	–	4,683	288	3	–	2,441,886
Repurchase agreements	–	10,660	3,179	–	–	–	–	–	13,839
Borrowings	–	76,210	63,500	–	–	–	–	–	139,710
Preference shares	–	4,150	–	–	–	–	–	–	4,150
Other liabilities	–	93,112	–	–	–	–	–	–	93,112
Total financial liabilities	–	2,521,631	251,682	–	4,683	288	314	–	2,778,598
Net assets/(liabilities)	–	(374,918)	315,132	3,473	317	968	736	416	(53,876)
Loan commitments, letters of credit, guarantees and other credit obligations	–	111,538	–	–	–	–	–	–	111,538

(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	–		60,691	–	–	73	–	–	
		1,606,815							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	–	38,998	1,881	–	397	21	–	–	41,297
Total financial assets	27,385	2,163,763	1,114,732	2,622	160,370	80,738	10,951	20,573	3,581,134

(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	(197,215)	248,269	2,622	590	1,504	414	3,360	59,594
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*

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 2016							
Financial assets							
Cash and balances with Central Bank	–	–	–	–	–	366,874	366,874
Treasury bills	11,009	10,136	12,683	–	–	–	33,828
Deposits with other banks	4,247	5,380	–	–	–	218,365	227,992
Financial assets held for trading	–	–	–	10,951	7,649	–	18,600
Deposits with non-bank financial institutions	8,730	–	–	–	–	–	8,730
Loans and receivables:							
– loans and advances to customers	136,827	15,918	47,049	242,246	1,032,573	–	1,474,613
– bonds	–	–	–	10,033	–	–	10,033
Investment securities:							
– held-to-maturity	6,685	3,167	22,824	51,835	46,948	–	131,459
– available-for-sale	6,027	16,296	68,805	168,141	94,537	–	353,806
Financial instruments - pledged assets	–	–	–	6,981	14,386	–	21,367
Other assets	–	–	–	–	–	59,630	59,630
Total financial assets	173,525	50,897	151,361	490,187	1,196,093	644,869	2,706,932

(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 2016							
Financial liabilities							
Deposits from banks	1,370	19,793	62,595	–	–	2,143	85,901
Due to customers	1,339,930	122,102	457,099	36,929	25,590	460,236	2,441,886
Repurchase agreements	–	–	13,839	–	–	–	13,839
Borrowings	5,394	1,601	19,804	53,391	59,520	–	139,710
Preference shares	–	–	–	–	4,150	–	4,150
Other liabilities	–	–	–	–	–	93,112	93,112
Total financial liabilities	1,346,694	143,496	553,337	90,320	89,260	555,491	2,778,598
Total interest repricing gap	(1,173,169)	(92,599)	(401,976)	399,867	1,106,833	89,378	(71,666)

(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 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	–	–	174,090	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	19,551	634,641
Financial instruments - pledged assets	–	–	–	–	17,459	-	17,459
Other assets	–	–	–	–	–	41,297	41,297
Total financial assets	716,562	49,760	169,793	698,625	1,351,755	579,152	3,565,647

(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	(580,161)	(96,382)	(535,691)	636,917	1,267,110	(647,686)	44,107

(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 2016 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 3,776 (2015 – $8,094) 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 2016						
Deposits from banks	**3,571**	**19,969**	**63,340**	–	–	**86,880**
Due to customers	**1,808,318**	**122,637**	**462,369**	**37,516**	**25,590**	**2,456,430**
Repurchase agreements	–	–	**13,988**	–	–	**13,988**
Borrowings	**4,839**	**3,949**	**22,811**	**96,024**	**80,807**	**208,430**
Preference shares	–	–	–	–	**4,150**	**4,150**
Other liabilities	**54,876**	**22,630**	**15,434**	**172**	**-**	**93,112**
Total financial liabilities	**1,871,604**	**169,185**	**577,942**	**133,712**	**110,547**	**2,862,990**

	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

(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 2016		
Loan commitments	**84,356**	**84,356**
Financial guarantees, letters of credit and other credit obligations	**27,182**	**27,182**
Total	**111,538**	**111,538**
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

(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.

Pledged assets
The estimated fair value of pledged assets are derived from market prices or broker/dealer 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**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Loans and receivables				
− Large Corporate loans	**415,434**	542,742	**431,812**	667,294
− Term loans	**292,765**	336,220	**308,194**	339,247
− Mortgages	**650,399**	651,264	**581,041**	566,925
− Overdrafts	**116,015**	137,353	**114,764**	153,803
− Bonds	**10,033**	10,033	**9,795**	9,646
Held to maturity	**131,459**	98,807	**119,603**	100,930
Financial liabilities				
Borrowings	**139,710**	116,646	**147,660**	104,088

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

Fair values of financial assets and liabilities

Management assessed that cash and short-term deposits with other banks and non-bank financial institutions, treasury bills and other assets and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values 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 2016				
Assets measured at fair value:				
Investment properties	–	**9,328**	–	**9,328**
Land and buildings	–	–	**118,656**	**118,656**
Financial assets held for trading				
- debt securities	–	**18,600**	–	**18,600**
Financial assets available-for-sale				
- debt securities	**2,636**	**341,700**	**9,470**	**353,806**
- equity securities	**5,803**	**7,091**	–	**12,894**
Financial instruments –pledged assets	–	**21,637**	–	**21,637**
Total financial assets	**8,439**	**398,356**	**128,126**	**534,921**
31 December 2015				
Assets measured at fair value:				
Investment properties	–	10,643	–	10,643
Land and buildings	–	–	117,775	117,775
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	–	12,633
Financial instruments –pledged assets	–	17,459	–	17,459
Total financial assets	214	671,415	136,552	808,181

(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 2016			
Loans and advances to customers	**–**	**1,435,811**	**1,435,811**
Bonds	**9,795**	**–**	**9,795**
Held to maturity investments	**119,603**	**–**	**119,603**
Total financial assets	**129,398**	**1,435,811**	**1,565,209**
31 December 2015			
Loans and advances to customers	–	1,727,269	1,727,269
Bonds	9,646	–	9,646
Held to maturity investments	100,930	–	100,930
Total financial assets	110,576	1,727,269	1,837,845

Liabilities for which fair values are disclosed

	Level 3 $'000	Total $'000
31 December 2016		
Borrowings	**147,760**	**147,760**
31 December 2015		
Borrowings	104,088	104,088

(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.

There were no transfers between levels in the fair value hierarchy during the year.

The following table presents the changes in level 3 instruments for the year ended 31 December 2016 and 2015.

(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		
	Debt securities $'000	**Debt securities $'000**	**Total $'000**
31 December 2016			
At beginning of year	**36**	**18,741**	**18,777**
Transfer to disposal group held for sale	**–**	**(17,646)**	**(17,646)**
Purchases	**–**	**8,462**	**8,462**
Settlement	**(36)**	**(87)**	**(123)**
At end of year	–	**9,470**	**9,470**

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**	**Total $'000**
31 December 2015			
At beginning of year	40	21,114	21,154
Purchases	–	65	65
Settlement	(4)	(2,438)	(2,442)
At end of year	36	18,741	18,777

(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.

	2016 $'000	2015 $'000
Tier 1 capital		
Share capital	**170,081**	170,081
Reserves	**163,567**	158,710
Accumulated deficit	**(254,104)**	(132,459)
Non-controlling interest	**51,858**	50,910
Total qualifying Tier 1 capital	**131,402**	247,242
Tier 2 capital		
Revaluation reserve	**13,855**	13,855
Redeemable preference shares	**4,150**	4,150
Unrealised loss on available-for-sale investments	**(793)**	(10,541)
Subordinated debt	**50,000**	–
Collective impairment allowance	**38,229**	29,273
Total qualifying Tier 2 capital	**105,441**	36,737
Less investments in associates	**(17,704)**	(14,292)
Total regulatory capital	**219,139**	269,687
Risk-weighted assets:		
On-statement of financial position	**2,235,080**	2,322,726
Off-statement of financial position	**61,486**	68,637
Total risk-weighted assets	**2,296,566**	2,391,363
Basel capital adequacy ratio	**9.54%**	11%

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 $67,160 (2015 – $70,904).

(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 $4,445 (2015 – $6,257) $4,345 (2015 – $5,308) 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 $11,856 (2015 – $1,772) 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 and investment property at revalued amounts with changes in fair value being recognized in other comprehensive income and in the statement of comprehensive income respectively. 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:

2016:

Assumption	Sensitivity Level	Impact on defined benefit obligation	
		Increase	Decrease
Discount rate	1%	$8,841	$6,127
Future salary increases	1%	$4,197	$3,459
Increase in average life expectancy	1 year	$341	–

(in thousands of Eastern Caribbean dollars)

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

2015:

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	–

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 2016 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.

5 Segment analysis

In the financial years 2016 and 2015, 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.

(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. During 2016 management publicly announced its decision to dispose of its offshore operations and as such the subsidiary is carried as an asset held for sale.
- 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. The Company's Board of Directors relies primarily on net interest income to assess the performance of the segment, therefore 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 2016						
Net interest income	**41,193**	**32,245**	**9,770**	**–**	**298**	**83,506**
Net fee and commission income	**30,018**	**7,487**	**5,333**	**5,278**	**-**	**48,116**
Other income	**16,089**	**5,812**	**2,438**	**529**	**(69)**	**24,799**
Impairment charge loans	**(128,782)**	**(6,918)**	**–**	**–**	**–**	**(135,700)**
Depreciation and amortization	**(5,154)**	**(2,852)**	**(1,146)**	**(17)**	**–**	**(9,169)**
Operating expenses	**(62,901)**	**(28,139)**	**(9,795)**	**(1,210)**	**(38)**	**(102,083)**
Loss before taxation	**(109,537)**	**7,635**	**6,600**	**4,580**	**191**	**(90,531)**
Dividends on preference shares	**(291)**	**–**	**–**	**–**	**–**	**(291)**
Income tax	**(5,726)**	**(2,699)**	**–**	**–**	**–**	**(8,425)**
				–		
Loss for the year	**(115,554)**	**4,936**	**6,600**	**–**	**191**	**(99,247)**
Total assets	**2,014,421**	**971,281**	**773,522**	**7,557**	**264,497**	**4,031,278**
Total liabilities	**1,939,826**	**865,449**	**724,067**	**5,714**	**92,203**	**3,627,259**
At 31 December 2015						
Net interest income	54,897	30,655	8,088	–	(5,500)	88,140
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, 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)
Loss before taxation	(20,851)	8,065	5,032	2,571	2,075	(3,108)
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

(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 2016			
Net interest income	**83,506**	**–**	**83,506**
Net fee and commission income	**48,116**	**(34)**	**48,082**
Other income	**24,799**	**(2,825)**	**21,974**
Impairment charge loans, investments and property	**(135,700)**	**-**	**(135,700)**
Depreciation and amortisation	**(9,169)**	**(623)**	**(9,792)**
Operating expenses	**(102,083)**	**(12,980)**	**(115,063)**
Loss before tax	**(90,531)**	**(16,462)**	**(106,993)**
Dividends on preference shares	**(291)**	**–**	**(291)**
Share profit of associates	**3,915**	**–**	**3,915**
Income tax expense	**(8,425)**	**–**	**(8,425)**
Net loss for the year	**(95,332)**	**(16,462)**	**(111,794)**
Assets	**4,031,278**	**(382,167)**	**3,649,111**
Liabilities	**3,627,259**	**(123,729)**	**3,503,530**
At 31 December 2015			
Net interest income	88,140	1	88,141
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	(3,108)	(3,444)	(6,552)
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	(5,213)	(3,444)	(8,657)
Assets	4,188,981	(415,057)	3,773,924
Liabilities	3,671,310	(149,060)	3,522,250

(in thousands of Eastern Caribbean dollars)

6 Cash and balances with Central Bank

	2016 $'000	2015 $'000
Cash in hand	**47,399**	36,740
Balances with Central Bank other than mandatory deposits	**172,321**	165,473
Included in cash and cash equivalents (Note 43)	**219,720**	202,213
Mandatory deposits with Central Bank	**147,154**	141,999
	366,874	344,212

Pursuant to the Banking Act 2015, 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

	2016 $'000	2015 $'000
Cash and cash equivalents (Note 43)	**31,319**	21,336
More than 90 days to maturity	**2,509**	4,629
	33,828	25,965

Treasury bills are debt securities issued by the Governments of Saint Lucia and Saint Vincent. The weighted average effective interest rate at 31 December 2016 was 4.1% (2015 – 4.8%).

8 Deposits with other banks

	2016 $'000	2015 $'000
Items in the course of collection	**16,310**	11,654
Placements with other banks	**202,055**	141,933
Interest bearing deposits	**9,627**	549,141
Included in cash and cash equivalents (Note 43)	**227,992**	702,728

The weighted average effective interest rate of interest-bearing deposits at 31 December 2016 is 1.14% (2015 – 0.37%).

(in thousands of Eastern Caribbean dollars)

9 Financial assets held for trading

	2016 $'000	2015 $'000
Debt securities – listed	**18,600**	14,983
Equity securities-listed	–	47
	18,600	15,030

Trading financial assets were acquired for 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 7.1% (2015 – 7.62%).

10 Deposits with non-bank financial institutions

	2016 $'000	2015 $'000
Interest bearing deposits		
Included in cash and cash equivalents (Note 43)	**8,730**	7,896

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 2016 and 2015.

11 Loans and advances to customers

	2016 $'000	2015 $'000
Large corporate loans	**487,749**	609,814
Term loans	**312,490**	367,940
Mortgage loans	**668,317**	668,171
Overdrafts	**118,729**	154,443
Gross	**1,587,285**	1,800,368
Less allowance for impairment losses on loans and advances (Note 12)	**(112,672)**	(132,789)
Net	**1,474,613**	1,667,579

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2016 was 7.61% (2015 – 8%) and productive overdrafts stated at amortised cost was 11.65% (2015 – 12.17%).

(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 2016					
At beginning of year	**67,072**	**31,720**	**16,907**	**17,090**	**132,789**
Written off during the year	**(78,903)**	**(32,224)**	**(18,936)**	**(25,754)**	**(155,817)**
Individual impairment provisions made during the year	**78,338**	**19,490**	**15,956**	**12,960**	**126,744**
Collective impairment provisions made during the year	**5,808**	**739**	**3,991**	**(1,582)**	**8,956**
At end of year	**72,315**	**19,725**	**17,918**	**2,714**	**112,672**
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

13 Loans and receivables – bonds

	2016 $'000	2015 $'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 2016 in respect of Government bonds at amortised cost was 7.5% (2015 – 7.5%).

(in thousands of Eastern Caribbean dollars)

14 Investment securities

	2016 $'000	2015 $'000
Securities held-to-maturity		
Debt securities at amortised cost		
- Listed	**96,498**	61,239
- Unlisted	**41,575**	44,182
	138,073	105,421
Less provision for impairment	**(6,614)**	(6,614)
Total securities – held to maturity	**131,459**	98,807
Securities available-for-sale		
Debt securities at fair value		
- Listed	**315,263**	602,532
- Unlisted	**38,944**	34,937
	354,207	637,469
Less provision for impairment on debt securities	**(401)**	(2,828)
	353,806	634,641
Equity securities		
- Listed	**12,894**	12,633
- Unlisted	**4,896**	2,854
Total securities – available-for-sale	**371,596**	650,128
Total investment securities	**503,055**	748,935

Included in available for sale debt securities are mutual funds secured by debt securities of Nil (2015 - $44,174). The weighted average effective interest rate on held-to-maturity securities at amortised cost at 31 December 2016 was 4.72% (2015 – 3.62%).

The weighted average effective interest rate on available-for-sale securities at fair value at 31 December 2016 was 3.15% (2015 – 2.65%).

(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 2016	**98,807**	**650,128**	**15,030**	**10,033**	**773,998**
Exchange differences on monetary assets	–	**(4,454)**	–	–	**(4,454)**
Additions	**136,064**	**247,347**	**6,490**	–	**389,901**
Movement in accrued interest	**290**	**(598)**	**177**	–	**(131)**
Disposals (sale and redemption)	**(17,576)**	**(229,037)**	**(3,058)**	–	**(249,671)**
Amortisation of discounts/premiums	**368**	–	–	–	**368**
Gains from changes in fair value	–	**6,753**	**17**	–	**6,770**
Transfer to disposal group held for sale	**(86,494)**	**(298,543)**	**(56)**	–	**(385,093)**
At 31 December 2016	**131,459**	**371,596**	**18,600**	**10,033**	**531,688**
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)	(27,317)	(153,521)	(5,030)	–	(185,868)
Amortisation of discounts/premiums	572	–	–	–	572
Provision for loss on investment	(2,296)	(1,321)	–	–	(3,617)
Losses from changes in fair value	–	(2,256)	(74)	–	(2,330)
At 31 December 2015	98,807	650,128	15,030	10,033	773,998

15 Financial instruments - pledged assets and repurchase agreements

The following assets are pledged against certain other funding instruments:

	Financial instruments - pledged assets	
	2016 $'000	**2015 $'000**
Pledged against repurchase agreements	**10,823**	17,459
Pledged against automated clearing house	**10,544**	–
	21,367	17,459

The value of repurchase agreements on the statement of financial position which are secured by pledged assets is $13,839 (2015 - $19,936). 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

	2016 $'000	2015 $'000
Investment in associates	**17,704**	14,292

The investments in associates are as follows:

	2016 $'000	2015 $'000
Associate		
At beginning of year	**14,292**	12,061
Transfer to available for sale investments	**(655)**	–
Share of other comprehensive income	**152**	–
Share of profit in associate	**3,915**	2,231
At end of year	**17,704**	14,292

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 2016 is as follows:

	2016 $'000	2015 $'000
Current assets	**96,537**	148,996
Non-current assets	**723,687**	461,899
Liabilities	**(709,870)**	(514,595)
Preference Shares	**(47,869)**	(47,869)
Equity	**62,485**	48,431
% ownership	**28%**	28%
Carrying amount of the investment	**17,704**	13,722

(in thousands of Eastern Caribbean dollars)

16 Investment in associates … *continued*

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

	2016 **$'000**	**2015** **$'000**
Revenue	**41,368**	26,278
Administrative cost	**(23,103)**	(16,115)
Depreciation	**(2,017)**	(2,233)
Profit for the year	**16,248**	7,930
Tax expense	**(2,733)**	–
Other comprehensive income	**537**	–
Total comprehensive income	**14,052**	7,930

(in thousands of Eastern Caribbean dollars)

16 Investment in associates...*continued*

During the year, the Group's interest in EC Global Insurance Company Limited was reduced from 20% to 11%. As a result of the loss of substantial interest in the company, the Group reclassified the investment to investment securities. EC Global insurance Company Limited underwrites short term insurance contracts to customers. The company is an unlisted company incorporated in St. Lucia with head office in Jamaica.

The Group's interest in its associate EC Global Insurance Company Limited, as at 31 December 2016 is as follows:

	2016 $'000	**2015 $'000**
Current assets	–	8,825
Non-current assets	–	7,992
Liabilities	–	(13,955)
Equity	–	2,862
% ownership	–	20%
Carrying amount of the investment	–	570

Summarised statement of profit and loss of EC Global Insurance Limited at December 2016:

	2016 $'000	**2015 $'000**
Revenue	–	1,847
Administrative cost	–	(1,105)
Adjustment of prior year's result	–	(819)
Profit for the year	–	(77)
Group's share of loss for the year	–	(16)

The associate had no contingent liabilities or capital commitments as at 31 December 2016 or 2015.

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 2015							
Opening net book amount	121,030	2,355	984	13,369	3,043	727	141,508
Additions	–	1,117	160	2,110	1,563	815	5,765
Disposals at cost	(397)	(416)	(195)	(540)	(82)	–	(1,630)
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	118,565	2,575	809	12,230	3,260	1,542	138,981
At 31 December 2015							
Cost or valuation	136,310	10,521	3,038	43,404	30,613	1,542	225,428
Accumulated depreciation	(17,745)	(7,946)	(2,229)	(31,174)	(27,353)	–	(86,447)
Net book amount	118,565	2,575	809	12,230	3,260	1,542	138,981
Year ended 31 December 2016							
Opening net book amount	**118,565**	**2,575**	**809**	**12,230**	**3,260**	**1,542**	**138,981**
Additions	**1,401**	**–**	**220**	**1,319**	**945**	**(499)**	**3,386**
Disposals at cost	**–**	**(1,115)**	**(701)**	**(653)**	**(12)**		**(2,481)**
Accumulated depreciation on disposal	**–**	**1,106**	**629**	**605**	**9**	**–**	**2,349**
Depreciation charge	**(2,191)**	**(728)**	**(367)**	**(2,995)**	**(1,493)**	**–**	**(7,774)**
Transfer to disposal group	**–**	**(62)**	**(77)**	**(439)**	**(497)**	**–**	**(1,075)**
Closing net book amount	**117,775**	**1,776**	**513**	**10,067**	**2,212**	**1,043**	**133,386**
At 31 December 2016							
Cost or valuation	**137,711**	**9,316**	**2,408**	**43,321**	**30,330**	**1,043**	**224,129**
Accumulated depreciation	**(19,936)**	**(7,540)**	**(1,895)**	**(33,254)**	**(28,118)**	**–**	**(90,743)**
Net book amount	**117,775**	**1,776**	**513**	**10,067**	**2,212**	**1,043**	**133,386**

(in thousands of Eastern Caribbean dollars)

17 Property and equipment*...continued*

The major component of land and buildings were revalued in 2017 by an independent valuer based on open market value and a management internal specialist performed a review of the remaining buildings. 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:

	2016 $'000	**2015 $'000**
Cost	**68,143**	66,682
Accumulated depreciation based on historical cost	**(19,219)**	(17,028)
Depreciated historical cost	**48,924**	49,654

18 Investment properties

	2016 $'000	**2015 $'000**
Land and buildings		
At beginning of year	**10,643**	12,409
Disposal	–	(1,766)
Fair value adjustment	**(1,315)**	**–**
At end of year	**9,328**	10,643

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:

	2016 $'000	**2015 $'000**
Rental income	**1,787**	1,865
Direct operating expenses arising from investment properties that generated rental income	**568**	301
Direct operating expenses that did not generate rental income	**100**	399

(in thousands of Eastern Caribbean dollars)

19 Intangible assets

	Computer software $'000	Other intangibles $'000	Total $'000
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)	(1,277)
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
Year ended 31 December 2016			
Opening net book amount	**5,868**	**2,037**	**7,905**
Additions	**398**	**–**	**398**
Amortisation charge for the year	**(1,395)**	**(623)**	**(2,018)**
Transfer to disposal group held for sale	**(1,392)**	**–**	**(1,392)**
Closing net book amount	**3,479**	**1,414**	**4,893**
At 31 December 2016			
Cost	**13,481**	**7,793**	**21,274**
Accumulated amortisation	**(10,002)**	**(6,379)**	**(16,381)**
Net book amount	**3,479**	**1,414**	**4,893**

Other intangibles relate to the fair value adjustments attained on the acquisition of Bank of Saint Vincent and the Grenadines.

(in thousands of Eastern Caribbean dollars)

20 Other assets

	2016 $'000	2015 $'000
Receivable accounts	**29,313**	23,400
Receivable accounts- credit card	**33,821**	18,814
Prepaid expenses	**2,781**	4,281
Stationery and supplies	**847**	693
Accounts receivable	**851**	2,832
Accrued income	**152**	240
	67,765	50,260
Less provision for impairment on other assets (Note 21)	**(4,507)**	(3,989)
	63,258	46,271

21 Provision for impairment on other assets

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

	2016 $'000	2015 $'000
At beginning of year	**3,989**	3,666
Provisions made during the year	**827**	808
Write offs during the year	**(309)**	(485)
At end of year	**4,507**	3,989

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset

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

	2016 $'000	2015 $'000
Fair value of plan assets	**56,424**	52,209
Present value of funded obligation	**(45,797)**	(44,312)
Asset in the statement of financial position	**10,627**	7,897

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:

	2016 $'000	2015 $'000
Beginning of year	**44,312**	38,226
Current service cost	**915**	1,298
Interest cost	**3,406**	3,003
Employee contribution	**960**	983
Actuarial loss/gains	**(2,242)**	1,729
Benefits paid	**(1,554)**	(927)
End of year	**45,797**	44,312

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

	2016 $'000	2015 $'000
Beginning of year	**52,209**	47,849
Actual return on plan assets	**2,584**	1,235
Employer contributions	**2,411**	3,264
Employee contributions	**960**	983
Benefits paid	**(1,554)**	(927)
Administrative expenses	**(186)**	(195)
End of year	**56,424**	52,209

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset*...continued*

	2016 $'000	2015 $'000
Net asset at beginning of year	**7,897**	9,622
Net periodic cost	**(530)**	(790)
Contributions paid	**2,411**	3,264
Effect on statement of comprehensive income	**849**	(4,199)
Net asset at end of year	**10,627**	7,897

Benefit Cost

	2016 $'000	2015 $'000
Current service cost	**915**	1,298
Net interest on net defined benefit asset	**3,406**	3,003
Expected return on plan assets	**(3,977)**	(3,706)
Administration expenses	**186**	195
Net periodic cost at end of year	**530**	790

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

	2016 $'000	2015 $'000
Gain from change in assumption	**–**	–
Gain from experience	**(2,242)**	1,729
Expected return on plan assets	**3,977**	3,706
Actual return on plan assets	**(2,584)**	(1,236)
	(849)	4,199

The principal actuarial assumptions used were as follows:

	2016 %	2015 %
Discount rate	**7.5**	7.5
Future promotional salary increases	**3.00-4.52**	3.0-4.5
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:

	2016 %	2015 %
Debt securities	**90**	86
Equity securities	**6**	8
Other	**4**	6
	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:

	2016	2015
Male	**24.60**	24.52
Female	**26.81**	26.77

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:

	2016 $'000	2015 $'000
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	**27**	11
- Consumer staples	**1,959**	1,914
- Other	**1,403**	2,112
Quoted Debt securities		
- Sovereign bonds	**17,925**	11,898
- Energy	**2,283**	5,078
- Industrial	**276**	278
- Consumer staples	–	281
- Other	**12,417**	10,908
Cash and cash equivalents	**2,419**	2,655
Unquoted investments		
Unquoted Debt securities		
- Sovereign bonds	**13,053**	11,126
- Other	**4,662**	5,948
Total	**56,424**	52,209

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

	2016 $'000	2015 $'000
Within the next 12 months	**619**	621
Between 2 and 5 years	**684**	2,961
Between 5 and 10 years	**11,654**	8,076
Total expected payments	**12,957**	11,658

The average duration of the defined benefit plan obligation at the end of the reporting period is years 16 (2015 – 17 years).

(in thousands of Eastern Caribbean dollars)

23 Deposits from banks

	2016 $'000	2015 $'000
Deposits from banks	**85,901**	83,765

The weighted average effective interest rate on deposits from banks was 2.44% (2015 – 2.38%).

24 Due to customers

	2016 $'000	2015 $'000
Term deposits	**623,566**	828,283
Savings deposits	**963,976**	905,054
Call deposits	**270,208**	185,974
Demand deposits	**584,136**	1,309,338
	2,441,886	3,228,649

The weighted average effective interest rate of customers' deposits at 31 December 2016 was 2.03% (2015 – 2.24%).

(in thousands of Eastern Caribbean dollars)

25 Borrowings

	Due	Interest rate %	2016 $'000	Interest rate %	2015 $'000
Other borrowed funds					
Caribbean Development Bank	2017-2020	**3.0%**	**63,489**	3.5%	69,682
National Insurance Corporation (Saint Lucia)	2017-2026	**7.5%**	**53,145**	6.9%	3,700
National Insurance Corporation (St. Vincent)	2017-2025	**6.12%**	**19,492**	6.1%	20,636
European Investment Bank	2027	**–**	**–**	3.3%	10,219
Prodev bond	2016-2017	**7.5%**	**3,584**	7.5%	7,374
ECHMB	2016-2041	**–**	**–**	–	5,035
			139,710		116,646

Security for loans issued by the Group 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. During the year bank of St. Vincent repurchased the remaining loans from ECHMB.

In August 2016, the holding company issued a ten (10) year, EC$50 million bond via private placement with the purpose of capitalizing its wholly -owned subsidiary of Bank of Saint Lucia Limited. The bond which qualifies as tier II capital, pays interest semi-annually at the rate of 7.25%. Principal repayments are to be amortized by way of 10 semi-annual payments over the last 5-year term of the instrument. The National Insurance Corporation was the sole purchaser of the bond.

The Group had undrawn facilities at the end of the financial reporting period of $27,007 (2015 – $31,442) with the Caribbean Development Bank.

(in thousands of Eastern Caribbean dollars)

26 Other liabilities

	2016 $'000	2015 $'000
Trade and other payables	**84,370**	58,340
Interest payable	**–**	129
Managers' cheques outstanding	**8,605**	9,852
Agency loans	**137**	73
	93,112	68,394

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

The movements on the deferred tax asset are as follows:

	2016 $'000	2015 $'000
Net deferred tax position at beginning of year	**(3,896)**	(3,490)
Deferred tax charge Income Statement (Note 41):		
Arising from retirement benefit plan	**563**	743
Arising from other timing differences	**(500)**	111
Arising from tax losses not utilised	**3,876**	–
Deferred tax charge for the year	**3,939**	854
Deferred tax charge to other comprehensive income		
Deferred tax arising from retirement benefit plan	**255**	(1,260)
Net deferred tax position at end of year	**298**	(3,896)

(in thousands of Eastern Caribbean dollars)

27 Deferred tax ...*continued*

The deferred tax account is detailed as follows:

	2016 $'000	2015 $'000
Accelerated capital allowances	**2,220**	2,720
Fair value of pension assets	**3,187**	2,369
Unutilised tax losses	**(5,109)**	(8,985)
Net deferred tax asset	**298**	(3,896)
Reflected in the statement of financial position as follows:		
Deferred tax asset	**–**	4,330
Deferred tax liability	**(298)**	(434)
Deferred Tax asset, net	**(298)**	3,896

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	2016 $'000	No. of Shares	2015 $'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:

	2016 $'000	2015 $'000
Productive Sector Equity Fund Incorporated	**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

	2016 $'000	2015 $'000
At beginning of year	**50,910**	48,739
Share of profit of subsidiaries	**2,419**	2,871
Share of unrealised loss on investments	**(50)**	35
Dividends paid	**(1,421)**	(735)
At end of year	**51,858**	50,910

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

	2016 $'000	2015 $'000
(a) General reserve	**62,957**	60,647
(b) Statutory reserve	**87,971**	87,971
(c) Student loan guarantee fund reserve	**(22)**	161
(d) Special reserve	**2,034**	2,034
(e) Retirement benefit reserve	**10,627**	7,897
Total reserves at 31 December	**163,567**	158,710

Movements in reserves were as follows:

	2016 $'000	2015 $'000
(a) General		
At beginning of year	**60,647**	57,610
Transferred from retained earnings	**2,310**	3,037
At end of year	**62,957**	60,647

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

	2016 $'000	2015 $'000
(b) Statutory		
At beginning of year	**87,971**	87,971
At end of year	**87,971**	87,971

Pursuant to Section 45 (1) of the Banking Act 2015, 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.

	2016 $'000	2015 $'000
(c) Student loan guarantee fund		
At beginning of year	**161**	3,182
Transferred from retained earnings	**193**	399
Capital Drawing	**(376)**	(3,420)
	(22)	161

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.

	2016 $'000	2015 $'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*

	2016 $'000	2015 $'000
(e) Retirement benefit		
At beginning of year	**7,897**	9,622
Transferred from retained earnings	**2,730**	(1,725)
At end of year	**10,627**	7,897

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:

	2016		2015	
	Income $'000	**Expense $'000**	**Income $'000**	**Expense $'000**
Government of Saint Lucia	**2**	**729**	5	764
Government of St. Vincent and the Grenadines	**8,564**	**1,245**	8,996	868
Statutory bodies – Saint Lucia	**1,306**	**7,619**	1,395	10,984
Statutory bodies – St. Vincent and the Grenadines	**343**	**2,005**	501	2,235
Directors and key management	**691**	**125**	716	229

(in thousands of Eastern Caribbean dollars)

32 Related party transactions and balances ...*continued*

Related party balances with the Group were as follows:

	2016		2015	
	Loans $'000	**Deposits $'000**	**Loans $'000**	**Deposits $'000**
Government of Saint Lucia	**5**	**115,661**	8	73,101
Government of St. Vincent and the Grenadines	**84,551**	**38,464**	93,705	24,290
Statutory bodies – Saint Lucia	**17,242**	**406,010**	18,809	411,720
Statutory bodies – St. Vincent and the Grenadines	**3,630**	**86,051**	5,335	72,030
Directors and key management	**12,758**	**5,701**	13,081	10,427

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 6.1% (2015 – 5.3%). 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:

	2016 $'000	**2015 $'000**
Salaries and other short-term benefits	**8,405**	11,035
Pension costs	**553**	620
	8,958	11,655
Directors remuneration	**571**	685

(in thousands of Eastern Caribbean dollars)

33 Net interest income

	2016 $'000	Restated 2015 $'000
Interest income		
Loans and advances	**107,394**	126,991
Treasury bills and investment securities	**19,445**	17,099
Cash and short-term funds	**30**	350
	126,869	144,440
Interest expense		
Time deposits	**21,321**	29,780
Borrowings	**6,297**	6,573
Savings deposits	**21,894**	23,771
Demand deposits	**2,263**	2,417
Correspondent banks	**1,358**	1,564
	53,133	64,105
Net interest income	**73,736**	80,335

34 Net fee and commission income

	2016 $'000	2015 $'000
Fee and commission income		
Credit related fees and commissions	**42,510**	33,669
Asset management and related fees	**239**	276
	42,749	33,945

35 Net foreign exchange trading income

	2016 $'000	2015 $'000
Foreign exchange		
Net realised gains	**14,372**	11,483
Net unrealised gains	**302**	248
	14,674	11,731

(in thousands of Eastern Caribbean dollars)

36 Other operating income

	2016 $'000	2015 $'000
Rental income	**1,787**	1,865
Other	**2,014**	1,006
	3,801	2,871

37 Other gains, net

	2016 $'000	2015 $'000
Gains/(losses)gains on disposal of available-for-sale investment securities	**423**	(1,758)
Gains on disposal of held to maturity investment securities	**12**	18
Fair value gains/(losses) on held for trading investment securities	**17**	(74)
Fair value loss on investment property	**(1,315)**	–
Retirement benefit gains	**1,881**	2,474
Other gains	**43**	980
	1,061	1,640

(in thousands of Eastern Caribbean dollars)

38 Operating expenses

	2016 $'000	2015 $'000
Employee benefit expense (Note 39)	**40,760**	40,980
Depreciation and amortisation	**8,646**	8,854
Utilities and telecommunications	**5,569**	6,910
Repairs and maintenance	**6,348**	5,606
Advertising and promotion	**1,265**	2,149
Bank and other licences	**1,300**	1,470
Security	**2,256**	2,211
Printing and stationery	**1,431**	1,768
Legal and professional fees	**1,675**	1,667
Insurance	**1,243**	1,535
Credit card & IDC visa charges	**7,564**	6,986
Borrowing fees	**454**	131
Corporate responsibility	**443**	421
Broker fees	**55**	242
Interest levy	**4,282**	4,060
Bank charges	**2,125**	1,564
Travel and entertainment	**294**	449
Other expenses	**13,335**	11,717
	99,045	98,720

39 Employee benefit expense

	2016 $'000	2015 $'000
Wages and salaries	**31,358**	30,078
Other staff cost	**7,273**	9,168
Pensions	**2,129**	1,734
	40,760	40,980

(in thousands of Eastern Caribbean dollars)

40 Disposal group classified as Held for Sale

During December 2016, the Group publicly announced the decision of the board of directors to dispose of the offshore banking subsidiary in order to divest from the inherent risks associated with this line of business.

The classes of assets and liabilities of the subsidiary classified as held for sale are as follows:

	2016 $'000
Assets	
Cash and balances with Central Bank	352,713
Investment Securities	369,603
Loans and advances to customers	14,216
Due from banks	–
Other current assets	1,645
Property & Equipment	2,467
Total	740,644
Liabilities	
Customer Deposits	717,376
Other liabilities	6,691
Total	724,067

	2016 $'000
Net assets in the statement of consolidated financial position	16,577
Adjustments for intercompany balances	17,443
Loss on disposals	15,453
	49,473

The provision for loss on disposal of subsidiary is as follows:

	2016 $'000
Cash consideration	34,020
Less: Net assets carried at lower of cost and fair value less costs to sell	(49,473)
	(15,453)

(in thousands of Eastern Caribbean dollars)

40 Disposal group classified as Held for Sale *...continued*

The analysis of the results of discontinuing operations is as follows:

	2016 $'000	2015 $'000
Revenue	**17,540**	16,285
Administrative cost	**(9,210)**	(10,659)
Depreciation	**(1,146)**	(292)
Profit for the year	**7,184**	5,334
Total comprehensive income	**7,184**	5,334

Cash flows from discontinued operations:

	2016 $'000
Operating cash flows	**(196,611)**
Investing cash flows	**(28)**
Financing Cash flows	–
Total cash flows	**196,639**

(in thousands of Eastern Caribbean dollars)

41 Income tax expense/ (recovery)

	2016 $'000	2015 $'000
Current tax	**2,835**	3,191
Under provision of prior year tax	**1,651**	–
Deferred tax charge (Note 27)	**3,939**	854
	8,425	4,045
Deferred tax expense in other comprehensive income:		
Deferred tax arising from defined benefit pension plan	**255**	(1,260)

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:

	2016 $'000	2015 $'000
(Loss)/profit for the year before income tax	**(94,809)**	(1,376)
Tax calculated at the applicable tax rate of 30%	**(28,443)**	(413)
Tax effect of income not subject to tax	**(5,942)**	(7,807)
Deferred tax asset unrecognised on tax losses	**39,145**	4,084
Tax effect of expenses not deductible for tax purposes	**5,890**	8,181
Under provision of income tax	**1,651**	–
	8,425	4,045

(in thousands of Eastern Caribbean dollars)

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

The Group has unutilised tax losses of $17,033 (2015 – $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 $242,710 (2015 – $145,242) for which no deferred tax asset has been recognized.

Tax losses expire as follows:

	2016 $'000	2015 $'000
2016		
2017	–	20,530
2018	**11,456**	11,456
2019	**98,265**	98,265
2020	**24,957**	24,957
2021	**6,367**	6,367
2022	**13,619**	13,619
	105,079	–
	259,743	175,194

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 from continuing operations attributable to ordinary shareholders of $105,944 (2015 – ($16,862) and 24,465 (2015 – 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 (2015 – $291).

Diluted
The calculation of diluted earnings per share is based on the loss from continuing operations attributable to ordinary shareholders of $105,944 (2015 – ($16,862 and 25,295 (2015 – 25,295) 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 (2015 – $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:

	2016 $'000	2015 $'000
Cash and balances with Central Bank (Note 6)	**219,720**	202,213
Deposits with other banks (Note 8)	**227,992**	702,728
Deposits with non-bank financial institutions (Note 10)	**8,730**	7,896
Treasury Bills (Note 7)	**31,319**	21,336
Cash of disposal group	**352,713**	–
	840,474	934,173

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.

	2016 $'000	2015 $'000
Loan commitments	**84,356**	129,901
Guarantees, letters of credit and other credit obligations	**27,182**	25,808
	111,538	155,709

Contingent liabilities

Operating leases

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

	2016 $'000	2015 $'000
Not later than 1 year	**1,535**	5,654
Later than 1 year and not later than 5 years	**1,028**	4,245
	2,563	9,899

(in thousands of Eastern Caribbean dollars)

45 Principal subsidiary undertakings

	Holding 2016 %	Holding 2015 %
Bank of Saint Lucia Limited	**100**	100
Bank of Saint Lucia International Limited	**100**	100
ECFH Global Investment Solution Limited	–	100
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.

As part of its strategic objectives, the local companies of the ECFH Group namely; Bank of Saint Lucia Limited and ECFH Global Investment Solutions were amalgamated with ECFH holding company in October 2016, and this amalgamated entity continued as Bank of Saint Lucia Limited. Another company named East Caribbean Financial Holding Company Limited was then incorporated at the same time to hold the shares of Bank of Saint Lucia Limited, Bank of Saint Lucia International Limited and Bank of Saint Vincent and the Grenadines limited.

46 Cumulative preference shares

	No. of shares	2016 $'000	No. of Shares	2015 $'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 (2015 – $291).

(in thousands of Eastern Caribbean dollars)

47 Subsequent events

The Board of the Group took a decision to sell the operations of its offshore and international banking subsidiary (BOSLIL), as part of its restructuring and risk mitigation strategy. BOSLIL was sold to Proven Investments Limited on 10 March 2017 (See Note 40)

The Board of Directors on 21 February 2017 took a decision to divest its 51% shareholding interest in the Bank of St. Vincent and the Grenadines Limited. The process is expected to be completed on or before 30 June 2017.

48 Comparatives

Certain balances were reclassified in the prior year to meet the current year presentation period. These changes had no impact on the total assets or total equity. The changes represented $2,945 reclassification from unrealised gains and losses to retained earnings relating to amortisation and accretion of premiums and discounts on investment securities and $6,016 from property plant and equipment to investment properties.