Schedule 1

FORM ECSRC – K

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

For the financial year ended June 30 2017

Issuer Registration number
NBD25102003DM

National Bank of Dominica Ltd

(Exact name of reporting issuer as specified in its charter)

Commonwealth of Dominica

(Territory of incorporation)

64 Hillsborough Street, Roseau, Dominica

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): (767) 255-2319/255-2620/ 255-2300

Fax number: (767)-448-3982

Email address: eedwards@nbd.dm/ ajames@nbd.dm

(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
Ordinary	24,000,000

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:

Ellingworth Edwards

Edwards

Signature

Mar. 21, 2018

Date

Name of Director:

ANTHONY G. JOHN

Signature

Mar 21, 2018

Date

Name of Chief Financial Officer:

Linda Toussant-Peter

Signature

March 21, 2018

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.

1) Amalgamation of the OECS Indigenous Banks. - NBD commenced discussions with potential partners within the indigenous banking community with a view to satisfying the mandate from the ECCB's Monetary Council and strengthening the regional banking sector. Further discussions and possible selection of a partner are expected within the upcoming financial year.

2) Memorandum of Understanding was signed between NBD and Invest Dominica Authority (IDA), a public sector unit responsible for investor facilitation, with a view to fostering greater collaboration between the bank and the investor community, thereby creating greater business opportunities for the Bank; whilst at the same time, allowing the Bank opportunities to influence relevant regulations and/or legislations.

3) The Bank undertook a comprehensive Job Evaluation Exercise across all positions within the organisational structure. This was followed by a Skills Gap Analysis of incumbents in critical positions. These exercises are expected to assist in optimising the returns on human capital investment.

4) The Bank streamlined its customer on-boarding procedures and account management with a view to enhancing efficiency and customer satisfaction. The response thus far has been very favourable.

5) NBD formalised and expanded its Work Place Banking Programme to include outreach to Non-credit business customers. This programme affords the bank the opportunity to market its range of services not only to the corporate entity or entrepreneur, but also to the entire staff complement. The bank expects to use this avenue to grow its revenues streams.

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.

1. NBD's Head Office located on Hillsborough Street, Roseau, Dominica – no plans to alter the size of the building within this FY.
2. NBD's Portsmouth Branch – located on Michael Douglas Boulevard, Portsmouth – no plans to alter the size of the building within this FY.

3. NBD – Financial Centre – located in Canfield – no plans to alter the size of the building within this FY.

4. NIC – Lands owned by NBD's subsidiary and located in Machourie, in the Parish of St Joseph, Dominica. Land is held for sale to interested buyers.

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.

Legal Proceedings Description Date commenced or terminated (if occurring within the financial year ended June 30th 2015)
Louis Benoit v Edwin and Davina Riviere v NBD Ltd
Possession of Land/ Indemnity
Commenced: 2012
Terminated: NBD considered matter closed as the Claimant is deceased.

Ullswater Investment Limited v Villa Development Incorporated and National Bank of Dominica
Declaration of easement of adjourning property, order of possession, tresspass, nuisance
Commenced: June/July 2017

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 Special Meeting of Shareholders of the National Bank of Dominica Ltd. was held on January 23rd 2017

The 13 Annual General Meeting of Shareholders of the National Bank of Dominica Ltd, was held on March 24th 2017.

(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.

Directors elected at the Annual general Meeting held on march 24 2017:

Government of Dominica's appointments to the Board as follows:
a. Hazel Johnson
b. Anthony John
c. Genevieve Astaphan

Names Votes

(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.

Special Meeting of Shareholders:
To consider the resolution regarding a capitalization/'bonus share' issue, proposed by the Board of Directors, as a special resolution pursuant to sections 31 and 112 of the Companies Act.

Matters voted on by the shareholders at the 13 Annual General Meeting held on March 24 2017:
(i) To receive the Report of the Auditors
(ii) To elect Directors to serve on the Board
(iii) To fix remuneration of Directors
(iv) To appoint Auditors for the year ending June 30th 2016
(v) To approve Minutes

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

None

Directors elected at the Annual General Meeting of Shareholders held on March 24th 2018

Names	Votes
Rudaille Thomas	4,953,164
Gibbs Stephenson	4,685,016
Lorna Shillingford-Charles	4,596,003
Grayson Stedman	3,089,978
Ian Dorival	2,093,373
Aaron Dalrymple	2,045,607
Paul Moses	634,476

Rudaille Thomas, Gibbs Stephenson, Lorna Shillingford-Charles, Grayson Stedman and Ian Dorival were duly elected to serve on the Board for the period through to the next Annual General Meeting.

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

None

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.

The National Bank of Dominica Ltd did not sell any equity securities during the relevant period; securities are sold by security holders by private treaty and are not publicly traded.

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.

Category five Hurricane Maria was a major risk event which ravaged Dominica on September 18th 2017. Dominica suffered losses to the extent of 226% of GDP.

The full impact on delinquency, and non-performing loans and provisioning cannot be measured at this point in time. Collateral impairment will be assessed more precisely as insurance matters as settled. It is in the coming months that the real impact will become evident. Effect of earnings and capital cannot be fully assessed presently.

While there has been damage to bank infrastructure and equipment, the bank is presently negotiating insurance claims.

The Bank is aware of the potential risks and is monitoring the impact of this hurricane.

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.

No change in Securities

(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.

There are no restrictions as per the Banking Act or the Bank's Dividend Policy that restricts the payment of dividends

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.

None

(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.

Not Applicable

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

Overview
The Banking Sector in the ECCU region continues to operate in an environment of high liquidity and a competitive credit market which reflects reduce credit demand and increased pressure on an already low interest rate margin. However, profitability has been improving boosted by lower interest costs and increase investment earnings and fee income.
During the year, there was even a greater challenge for NBD to identify new initiatives to improve earnings and manage costs. Pursuing key objectives, the bank's performance for the financial year ended June 30, 2017 reflected improved performance both in terms of growth in assets and profitability. Asset base grew by $309M or 26%, while the Bank reported a profit for the year of $1.67M representing a 135% increase over the prior year's loss of $4.66M. This performance was driven mainly by improved performance in the areas of investments and non interest income.

Statement of Profit & Loss Review
Net Interest Income
Interest Income declined by 4.4% or $2.15M with reductions reflected both in loans and overdraft and investment securities. Loans & overdraft reduced by 2.4% or $1M as the bank continues to be challenged in identifying high volume of credit that meets its credit quality standard. Operating in a competitive environment there was also the increasing pressure being placed on an already low interest rate margin which influences rates and thus earnings. Investment income also reduced by 10% or $0.7M reflecting the investment climate in the ECCU region where bank's deposits and liquidity continued to rise, resulting in increased accumulation of reserves. Thus viable investment opportunities are competitive putting downward pressure on interest rates.

Interest Expense
Growth in customer deposit continued and at a higher rate in 2017. However, the impact on interest expense was cushioned by the continuous review of rates and the concentration of new deposits in the lower earning categories. Thus interest expense reflected a marginal decrease of 1% over the prior year.

Net Interest Income
Net Interest income therefore reduced by 7.3% mainly as a result of the decline in interest income.

Other Earnings

Other Earnings

For the year in review, the Bank saw improvements in most of the non-interest income areas. The performance of the US markets coupled with the exclusion of one impaired portfolio for which full provisioning has been made on the outstanding amounts have resulted in a positive movement in the performance of the externally managed portfolio which generated gains of $5.4M in comparison to a loss of $3.13M prior period.

The increase volume of foreign exchange transactions in addition to more favourable foreign exchange rates allowed for foreign exchange trading income to increase by 41% from $5.4M to $7.6M. The Bank continued to review its fee structure which contributed a 23% increase in net commissions and other income.

Operating Expenses

Provision for Credit Losses

Delinquency continues to be one of the key challenges being faced by the bank. There were increases in both the non performing ratio and provisioning levels. The non-performing loans ratio increased by 0.42% while net provisioning for losses on loans and advances increased by 152% or $11.8M when compared to the prior year. The increase is reflective of the bank being prudent and ensuring that adequate provisioning are made on all impaired loans.

Impairment on investment Securities

The bank recorded impairment loss of $0.58M on one of its investment securities and continues to work closely with the relevant parties where accounts are watch listed.

Recovery efforts continued and during the year a further $1.016M was received on an impaired investment and for which provisioning was previously made.

Non-Interest Expenses

The marginal increase in operating expenses reflects the concerted effort by the bank to manage costs and at the same time improve performance. Operating Expenses increased by less than 1% or $55K. Areas of costs increase such as employee expenses, utilities, insurances and agency fees were offset by reductions in other areas such as repairs and maintenance, depreciation and amortization. The Bank will continue to be prudent in cost management and ensure optimum returns for monies spent.

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

Discussion of Liquidity and Capital Resources

The Bank's primary source of liquidity is customers' deposits. Liquidity remains high and has been projected over the short to medium term to remain high due to inflows from the CBI program and grant funds / loan funds to aid the Government in its recovery process post Hurricane Maria being channelled through the bank.

The Bank is however mindful of high utilization of these funds in the medium to long term and will monitor liquidity movements closely with the appropriate contingent funding plan in place in the event of low liquidity due to rapid outflows.

As part of the Bank's liquidity plan, there is the intention to raise new capital in the near future which will not only strengthen the capital of the bank but provide a less vulnerable source of funding.

Further, the Bank currently hold significant sums in short term instruments which can be easily liquidated in the event of low liquidity. These include certificate of deposits and treasury bills.

The Bank also maintains a line of credit with one of its fund managers which can be used as a last resort.

At the end of June 2017, the Maturity Analysis showed a negative gap in the Up to 1 Year Category of $214M. This however represents a reduction when compared to the June 2016 position of $270M. It should be further noted, that based on historical withdraw patterns, it is highly unlikely that this gap will materialize from drawn downs in the short term.

As per the 2017/2018 budget, capital expenditure has been budgeted at $4.7M with the major area of expenditure being IT related (technology driven).

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 instruments includes loan commitments and financial guarantees (advance payment guarantees and performance bond guarantees).

At the end of June 2017, the Bank's off balance sheet commitment was as follows:

Loan Commitments -	$60,677,699
Financial Guarantees -	$3,966,899

With respect to the financial guarantees, there were no indicators at year end of possible default. Contractors have a history of satisfactory delivery and thus we expect similar end results.

Loan Commitment are mainly for utilities (50%), home construction and renovation, business financing and tourism projects. The Bank's current liquidity allows for honouring of these commitments. Based on projections, less than 50% is expected to be drawn in the new financial year.

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*

See Management Discussion and Analysis

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.

None

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

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

13. **Other Information.**

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

14. List of Exhibits

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

Financial Statements 2017, 2016, 2015

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Anthony C. John

Position: Chairman

Mailing Address: P.O. Box 2235
Roseau
Dominica

Telephone No.: 1 767 616 0100

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

Manager - Printing Services, Ross University School of Medicine, November 2010 - present

Give brief description of **current** responsibilities

Overall responsibility for the management of student and colleague printing platforms across the RUSM campus

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

BSc - Computing & Management
Lehman College - City University of New York
1990 - 1994

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Genevieve Astaphan

Position: Director

Mailing Address: P.O.BOx 75
Roseau
Dominica

Telephone No.: 767-275-4223/6167221

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

May 2000- present Managing Director of J. Astaphan & Co Ltd

Give brief description of **current** responsibilities

Director responsible of finance, inventory management and human resource

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

1981: Bachelor of Arts University of Western Ontario

1992: Certified General Accountant

2012 November: Accredited Director, ICSA

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Hazel Johnson

Position: Director

Mailing Address: P.O.BOX 1891
Roseau
Dominica

Telephone No.: 767-4482530/ 767-448-8571

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

Attorney-at-Law: de Freitas, de Freitas & Johnson; 2002 to present

Give brief description of **current** responsibilities

Manage Law Chambers
Provide legal representation and advice in both contentious and non-contentious matters

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

LLB (Hons), UWI Cave Hill 1996

Legal Education Certificate; Hugh Wooding Law School 1998

Accredited Director, Institute of Chartered Secretaries and Administrators, 2016

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Gibbs Stephenson

Position: Director

Mailing Address: P.O. Box 1744, Roseau, Commonwealth of Dominica

Telephone No.: 1-767-317-7776

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

2009 - present: Finance & Administration Manager- PDV Caribe Dominica Ltd

Give brief description of **current** responsibilities

- Management of Finance & Administration Department
- Preparation of financial statements and related financial information, including business plan together with related financial analysis.

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

2008: ACCA

2012: Accredited Director ICSA

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Rudaille Thomas

Position: Director

Mailing Address: 1240 Bay Street
Portsmouth
Dominica

Telephone No.: 767-235-5184

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

Account Executive for Rudolph F. Thomas & Family Ltd

Give brief description of **current** responsibilities

Responsibilities include: Sales, Purchases, Inventory Control, Accounts Receivables

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

A Level in Economics and Accounting, Clifton Dupigny Community College, Dominica 1996 Bachelor in Business Administration Accounting/Management, Inter American University, Puerto Rico 2001 Accredited Director, Institute of Chartered Secretaries and Administrators, 2015 Certificate in Corporate Governance, Caribbean Governance Training Institute 2015

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Lorna Shillingford Charles

Position: Director

Mailing Address: P O Box 2236
Roseau
Dominica

Telephone No.: 767-616-9626

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

Digicel Dominica 2008 to present

Give brief description of **current** responsibilities

Finance Manager
- Management of the Finance team including resource planning, delegation of duties, performance management, progress feedback and staff reviews.
- Co-ordinating the production of accurate and timely monthly management accounts in accordance with GAAP, Group standards and deadlines.
- Assist in the presentation of monthly board material, including ARPU and Revenue Analysis, Expense analysis and comparison of performance against budget
- Ensure the development and ongoing existence of strong internal controls, and compliance with accounting policies and procedures.
- Oversee the spending of the departments ensuring that it is aligned to budget. This includes approval of purchase orders, review of OPEX tracker and advising managers on management of same.
- Preparation of ad-hoc Management and Shareholder reports.
- Managing the annual audit.

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

BSc Degree University of South Carolina 1994
ACCA 2008 (Affiliate)
Accredited Director

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ellingworth Edwards Position: Managing Director

Mailing Address: Roseau
Roseau
Dominica

Telephone No.: 767-255-2620

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

Managing Director - National Bank of Dominica Ltd - July 2014 to present.

a) Formulate strategic objectives and initiatives,
b) Oversee implementation and execution of strategic plans
c) Oversee operations of the institution
d) Provide leadership to management team and general staff body.
e) Lead negotiator on critical matters.

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

MBA (Finance) - University of North Texas, USA - 2005
Post-Graduate Diploma - Mediterranean Institute of Management, Cyprus - 1993
MSc (Accounting) - North Texas State University, USA - 1988

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: Linda Toussaint Peter Position: Chief Financial Officer

Mailing Address: Fond Baron, Loubiere
Fond Baron, Loubiere
Dominica

Telephone No.: 1 767 44 82117 / 275 1781

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

Chief Financial Officer - March 2016 - Present

Executive Manager Credit & Business Development - September 2014 - March 2016

Executive Manager Corporate Services - October 2012 - September 2014

Executive Manage Finance & Control - September 2010 - September 2012

Current Responsibilities
To provide strong support to the Managing Director and Board in the effective and efficient management of the Finance and Accounting funds of the NBD Group ensuring the provision of sound financial advice, effective policy formulation, accurate and comprehensive financial accounts and management reports in accordance with IFRS. Oversee all finance, accounting, forecasting, budgeting and treasury functions of the NBD Group and the profitability and efficient cash management in accordance with standards and regulatory guidelines.

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

FCCA
ACCA
BSC Accounting - University of the West Indies St Augustine

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: Joel Denis   Position: Executive Manager Credit & Business Development

Mailing Address: Castle Comfort, P.O Box 513, Roseau
Castle Comfort, P.O Box 513, Roseau
Commonwealth of Dominica

Telephone No.: (767) 255 -2614

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

Executive Manager Credit & Business Development (Ag)
National Bank of Dominica Ltd
March 15, 2016 to present

Head of Credit Department – Strategic and operational oversight. Credit Review and approval, Risk Management. Recoveries and Collections, Human Resource Management.

Manager Credit & Business Development
National Bank of Dominica Ltd
October 2014 to March 2016

Head of sales and relationship management unit. Manage team responsible for growing and management loans portfolio. Broad oversight of relationship management. Human Resource management.

Acting General Manager
Caribbean Union Bank Ltd
January 2015 to April 2015

Strategic and operation oversight of all departments. Specific responsibility for Credit Department. Prepare Board reports and provide advice on operation and strategic issues.

Manager Private & Corporate Banking
National Bank of Dominica Ltd
July 2010 to September 2014

Head of Private & Corporate Banking Unit (High Net Worth loan and deposit customers). Portfolio growth. Relationship Management. Operational Oversight.

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

Post Graduate Diploma in International Management
University of London (2010)

Qualified Financial Advisor
Kaplan Financial (2009)

BSc. Management Studies
University of the West Indies (2008)

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: Nellisa Cindy Anselm Position: Executive Manager - Banking Services

Mailing Address: P.O. Box 2072, Roseau, Dominica

P.O. Box 2072, Roseau, Dominica

Telephone No.: 767-275-0964

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

2015 - Current: Executive Manager - Banking Services (National Bank of Dominica)

Summary of Responsibilities:
Management of the Customer Service, Branch Network and Back Office Operations functions of the Bank, through the development, implementation and monitoring/review of strategic initiatives to achieve profitability/growth objectives.

2014 - 2015:	Manager - Credit Underwriting and Monitoring (NBD)
2013 - 2014:	Manager - Portsmouth Area (NBD)
2010 - 2013:	Credit Risk Officer (NBD)

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

2010 - 2014: MSc International Business	University of London
2003 – 2008: BSc Accounting & Finance	University of London
2001 – 2003: Diploma in Banking & Financial Services	University of West Indies
1998 – 2000: Cambridge A-Levels (Major - Accounting)	C. Dupigny Community College
1993 – 1998: CXC O-Levels (Major - Business)	Grand Bay Secondary

Other Professional: Certificates in:
Bank Card Operations; Customer Service, Sales & Marketing; Anti Money Laundering; Leadership; Lending; International Trade Finance; Credit; Customer Experience Management; Training; Business Writing; Coaching; Executive Management; Qualified Financial Advisor, Credit Risk Analysis

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: Asha James Position: Executive Manager, Legal Services & Corporate Secretary

Mailing Address: 64 Hillsborough Street , Roseau
64 Hillsborough Street , Roseau
Dominica

Telephone No.: 767-275-0084

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

2007- Present : Executive Manager, Legal Services and Corporate Secretary (National Bank of Dominica Ltd)

Responsibilities
- Provides legal and corporate governance advice to Board of Directors, Executive Management and other bank departments of NBD Ltd and its subsidiary;
- Resolves legal issues as they arise in the operations of banking and corporate activity;
- Drafts contracts and other legal documents, including credit agreements, loan securities, employment contracts;
- Oversees and manages litigation involving members of NBD Group;
- Develops, coordinates and evaluates the Group's Corporate Policies, procedures and programmes in relation to shareholder relations, corporate governance and legal services;
- Ensures compliance with the requirements of the Eastern Caribbean Stock Exchange and Securities Commission in accordance the relevant Securities legislation and regulations;
- Manages staff of the Corporate and Legal Department and prepares annual budget and department strategic plans.

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

Legal Education Certificate, Council of Legal Education, Hugh Wooding Law School
2011 Post Graduate Diploma in Professional Training for the Bar, with grade 'Very Competent', BBP Law School, London, United Kingdom
2007 Master of Laws with Distinction (Commercial and Corporate Law), University College London, United Kingdom
2006 Bachelor of Laws with Second Class Honours (Upper Division), University College London, United Kingdom
2015 -present Admitted to the Practice Law in Trinidad and Tobago, Supreme Court of Judicature, Trinidad and Tobago
2015 -present Admitted to the Practice of Law in the Commonwealth of Dominica, Eastern Caribbean Supreme Court
2016 -present Certified Mediator, University of the West Indies, Judicial Education Institute
2011-present Called to the Bar, in the United Kingdom
2007-present Accredited Director (Acc. Dir), Institute of Chartered Secretaries and Administrators (ICSA), Canada and Eastern Caribbean Securities Exchange

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: Lilian Polydore Position: Executive Manager - HR&CS

Mailing Address: 15 Street, Canefield

15 Street, Canefield

Commonwealth of Dominica

Telephone No.: 767 275 1095

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

1. National Bank of Dominica Limited, Executive Manager, Human Resource and Corporate Services - 1 December 2014 - present
Responsible for all HR and related functions and facilities management with related functions including physical security administration

2. National Bank of Dominica Limited, Executive Manager, Human Resource and Organisational Development - 1 December 2011 - 30 November 2014
Responsible for all HR and related functions including performance management and improvement, recruitment, payroll administration, employer/labour relations, change programmes.

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

1. MBA - University of Leicester: 2012
2. BSc Management (First Class Hons) - UWI, Cave Hill: 1999
3. Certificate - Strategic Human Resource Management - UWI, Institute of Business (IOB)
4. Certificate - Human Resource Information Systems - Implementation and Management - UWI, IOB
5. Certificate - Project Management
6. Certified Air Traffic Controller (Distinction), Barbados School of Air Traffic Services

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: Suzanne Joseph-Piper Position: Executive Manager, Marketing & Product Management

Mailing Address: Morne Daniel

Morne Daniel

Dominica

Telephone No.: (767) 255-2300/ 767-275-3375

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

Executive Manager, Marketing and Product Management – National Bank of Dominica Ltd. - 2009 to present.

Responsible for Product Management, Research and Development, Product Marketing, Communications and PR, Brand Management.

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

UNIVERSITY OF MINNESOTA, Carlson School of Management, Twin Cities, Minnesota
Master of Business Administration, Strategy and Marketing, May 2005

FLORIDA ATLANTIC UNIVERSITY (FAU), Boca Raton, Florida
Bachelor of Business Administration, Accounting major, December 1996

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: Carol A Lawrence Position: Executive Manager, Risk and Compliance

Mailing Address: Goodwill
Goodwill
Dominica

Telephone No.: 767 448 5694

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

June 2015 to present (October 2016)- Executive Manager, Risk and Compliance:

Safeguard the Bank, and assist in achieving desired strategies through:
Identifying and assessing risks in credit portfolio, including watch-listed and non-performing accounts, recommending provisioning amounts and changes to related processes. Monitors credit exposures against regulations and risk appetite.
Identifying and assessing operational risks
Managing the Business Continuity Function, ensuring mitigation measures are in place for possible periods of disruption
Monitoring Compliance with regulations, standards and policies, alerting management of updates to legislation.
Identifying, assessing and monitoring Anti-Money Laundering risks making recommendations for mitigating measures
Identifying and assessing risks related to bank's capital adequacy requirements
Participating in the Bank's Asset Liability Management Process as a member of the ALCO committee
Reviewing investment related information
Review of / drafting risk related policies

April 2011 to May 2015- Compliance Officer, National Bank of Dominica

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

Certified Anti-Money Laundering Specialist (CAMS) June 2014
Bachelor of Business Administration , Finance (Hons)

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: Marilyn Edwards

Position: Head of Internal Audit

Age: 52

Mailing Address: Apt 1 B Block 2, Riverside AptS. Roseau, Dominica

Telephone No.: 767 235 7585

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

Head of Internal Audit

- Developing and implementing Annual Internal Audit Plan for the Bank
- Providing reports to the Board and Management
- Liaising with the External Auditors and regulatory authority
- Developing and Maintaining Internal Audit Quality Assurance and Improvement Program.
- Monitoring the implementation of correction actions coming from audit findings.
- Managing the overall workflow of the Internal Audit department.

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

Certified Internal Auditor – The institute of Internal Auditing, September 2011

Master's in Business Administration – University of Leicester, January 2007
Bachelor of Arts - Accounting (Summa Cum Laude), University of the Virgin Islands, St Thomas USVI, May 1995

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:

N/A

Use additional sheets if necessary.

Form 31

COMPANIES ACT OF BARBADOS
(Section 343)
EXTERNAL COMPANY

ANNUAL RETURN

1. Name of Company **NATIONAL BANK OF DOMINICA LTD.**

   Company No.: **32380**

   Return for year ending: **2017**

   Address of Registered or Head Office: **64 Hillsborough Street, Roseau, Dominica**

   Address of principal office, if any, in Barbados **Marcel El-Daher, Fitzwilliam Stone & Alcazar, Fitzston House, Pine Plantation Road, St. Michael, Barbados**

   Date of Registration: **September 19, 2009**

2. List any changes in corporate structure: **None**

3. Share Capital

Class of Shares	Number issued and outstanding	Authorised capital	Purchased by Company		Redeemed by Company	
			In last financial period	Cumulative Total	In last financial period	Cumulative Total
Common Shares	**24,000,000 shares of EC $0.50**	**EC 20,000,000**	**N/A**	**N/A**	**N/A**	**N/A**

4. Main type of business carried on:

   Banking Business

5. Name and address of Attorney or Attorneys appointed under Section 332:

Marcel El-Daher
Attorney-at-Law
Fitzwilliam Stone & Alcazar
Fitzston House
Pine Plantation Road
St. Michael
BARBADOS

6. Director(s) of Company:

Full Name	Address	Occupation
ANTHONY C. JOHN	**P.O.BOX 2235 GRAND SAVANNE, SALISBURY, DOMINICA**	**DIRECTOR**
HAZEL JOHNSON*	**P.O.BOX 2306, ROSEAU,DOMINICA**	**DIRECTOR**
GENEVIEVE ASTAPHAN	**ST. AROMENT, GOODWILL, DOMINICA**	**DIRECTOR**
GIBBS STEPHENSON*	**P.O.BOX 1744, ROSEAU, DOMINICA**	**DIRECTOR**
LORNA SHILLINGFORD-CHARLES*	**P.O.BOX 1548, ROSEAU, DOMINICA**	**DIRECTOR**
RUDAILLE THOMAS	**1240 BAY STREET, ROSEAU, DOMINICA**	**DIRECTOR**
ELLINGWORTH EDWARDS*	**GRANDE SAVANNE, SALISBURY**	**DIRECTOR**

***NO MIDDLE INITIAL**

Date:	Signature:	Title:
	ANTHONY C. JOHN	**DIRECTOR**

For Ministry use only
Company No. Filed

Form 30

COMPANIES ACT OF BARBADOS
(Section 332)

POWER OF ATTORNEY

Know all men by these presents that

NATIONAL BANK OF DOMINICA LTD.
64 Hillsborough Street, Roseau, Dominica

(Name and address of external Company)
(hereinafter called the "Company")

hereby appoints:

Marcel El Daher, Fitzwilliam Stone & Alcazar, Fitzston House, Pine Plantation Road, St. Michael, Barbados

(Name and address of Attorney)
its true and lawful attorney, to act as such, and as such to sue and be sued, plead and be impleaded in any Court in Barbados, and generally on behalf of the Company within Barbados to accept service of process and to receive all lawful notices and, for the purposes of the Company to do all the acts and to execute all deeds and other instruments relating to the matters within the scope of this power of attorney. It is hereby declared that service of process in respect of suits and proceedings by or against the Company and of lawful notices on the attorney will be binding on the Company for all purposes. Where more than one person is hereby appointed attorney, any one of them, without the others, may act as true and lawful Attorney of the Company.

This appointment revokes all previous appointments in so far as such appointment relates to the scope of the powers prescribed by this power.

Date:		Signature:		Title:	Director

Consent to act as Attorney:

For Ministry use only

Company No: Filed:

NATIONAL BANK OF DOMINICA LTD.

Consolidated Financial Statements

June 30, 2017
(Expressed in Eastern Caribbean dollars)

NATIONAL BANK OF DOMINICA LTD.

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KPMG
ABI Financial Centre
156 Redcliffe Street
P.O. Box W388
St. John's
Antigua and Barbuda
Telephone (268) 725-6986
Email: ecinfo@kpmg.ag

INDEPENDENT AUDITORS' REPORT

To the Shareholders of National Bank of Dominica Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Bank of Dominica Ltd. and its subsidiary (collectively, "the Group"), which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report 2017, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

INDEPENDENT AUDITORS' REPORT, continued

To the Shareholders of National Bank of Dominica Ltd.

Other Information, continued

When we read the Annual Report 2017, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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.

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.

INDEPENDENT AUDITORS' REPORT, continued

To the Shareholders of National Bank of Dominica Ltd.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

- 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 auditors' 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 auditors' 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.

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

KPMG

Chartered Accountants
Castries, Saint. Lucia
February 20, 2018

National Bank of Dominica Ltd.

Consolidated Statement of Financial Position

As at June 30, 2017

(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Assets			
Cash and balances with Central Bank	7(a)	**289,389,512**	123,836,775
Treasury bills	8	**41,830,371**	40,969,796
Due from other banks	9	**400,266,775**	209,903,446
Deposits with non-bank financial institutions	10	**1,915,227**	25,090,682
Loans and advances	11	**559,143,094**	606,642,290
Investment securities	12	**167,702,283**	139,827,214
Other assets	13	**19,035,318**	19,160,429
Property and equipment	15	**11,197,990**	9,467,386
Property held for sale	14	**-**	2,541,142
Intangible assets	16	**186,194**	235,487
Investment in equity-accounted investee	17	**-**	3,542,927
Income tax recoverable	18	**196,310**	196,310
Total assets		**1,490,863,074**	1,181,413,884
Liabilities			
Deposits from customers	19	**1,334,998,572**	1,011,565,282
Other liabilities	20	**39,062,824**	54,751,051
Commercial paper	21	**20,461,249**	19,849,016
Total liabilities		**1,394,522,645**	1,086,165,349
Equity			
Share capital	22	**20,000,000**	11,000,000
Statutory reserve	23	**11,334,909**	11,000,000
Loan loss reserve	24	**9,000,000**	9,000,000
Available-for-sale reserve	25	**986,316**	1,568,966
Retained earnings		**55,019,204**	62,679,569
Total equity		**96,340,429**	95,248,535
Total liabilities and equity		**1,490,863,074**	1,181,413,884

The consolidated financial statements, on pages 4 to 75, were approved on February 20, 2018 by the Board of Directors for issue and signed on its behalf by:

Edwards

Ellingworth Edwards
Managing Director

Toussa

Linda Toussaint Peter
Chief Financial Officer

The notes on pages 9 to 75 are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Changes in Equity

For the year ended June 30, 2017

(Expressed in Eastern Caribbean Dollars)

	Notes	Share capital $	Statutory reserve $	Available-for-sale reserve $	Loan loss reserve $	Retained earnings $	Total $
Balance at July 1, 2015		11,000,000	11,000,000	2,488,251	9,000,000	67,342,732	100,830,93
Total comprehensive loss for the year							
Loss for the year		-	-	-	-	(4,663,163)	(4,663,163)
Change in fair value of available-for-sale investment securities	25	-	-	(919,285)	-	-	(919,285)
Total comprehensive loss for the year		-	-	(919,285)	-	(4,663,163)	(5,582,448)
Balance at June 30, 2016		11,000,000	11,000,000	1,568,966	9,000,000	62,679,569	95,248,535
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,674,544	1,674,544
Allocation to statutory reserve	23	-	334,909	-	-	(334,909)	-
Change in fair value of available-for-sale investment securities	25	-	-	(582,650)	-	-	(582,650)
Bonus share issue	22	9,000,000	-	-	-	(9,000,000)	-
Total comprehensive income for the year		9,000,000	334,909	(582,650)	-	(7,660,365)	1,091,894
Balance at June 30, 2017		20,000,000	11,334,909	986,316	9,000,000	55,019,204	96,340,429

The notes on pages 9 to 75 are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Profit or Loss

For the year ended June 30, 2017

(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Interest income	27	**46,890,424**	49,047,432
Interest expense	27	**(22,462,070)**	(22,683,066)
Net interest income		**24,428,354**	26,364,366
Net foreign exchange trading income		**7,692,199**	5,449,089
Net commission and other income	28	**6,953,546**	5,632,666
Net interest, commission and other income		**39,074,099**	37,446,121
Net income/(loss) from investment securities at fair value through profit or loss	12	**5,469,503**	(3,135,240)
Realized loss on disposal of investment securities	12	**-**	(124,129)
Investment written off		**-**	(416,720)
Net impairment losses on loans and advances	11(a)	**(19,614,169)**	(7,767,006)
Impairment recovery/(loss) on investment securities	12, 29	**436,904**	(7,026,940)
Operating expenses	30	**(23,691,793)**	(23,639,249)
Profit/(loss) before income tax		**1,674,544**	(4,663,163)
Income tax expense	33	**-**	-
Profit/(loss) for the year		**1,674,544**	(4,663,163)

The notes on pages 9 to 75 are an integral part of these consolidated financial statements.

(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Profit/(loss) for the year		**1,674,544**	(4,663,163)
Other comprehensive income:			
Items that are or may be subsequently reclassified to profit or loss:			
Change in fair value of available-for-sale investment securities	25	**(582,650)**	(919,285)
Total comprehensive income/(loss) for the year		**1,091,894**	(5,582,448)
Profit/(loss) per share attributable to equity holders of the Bank			
Basic and diluted	35	**0.07**	(0.21)

National Bank of Dominica Ltd.

Consolidated Statement of Cash Flow

For the year ended June 30, 2017

(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Cash flows from operating activities			
Profit/(loss) for the year		**1,674,544**	(4,663,163)
Adjustments for:			
Depreciation and amortization	15,16	**1,869,899**	2,271,392
Gain on disposal of property and equipment		**(155)**	(86,761)
Foreign exchange loss on investment securities	12	**-**	100,344
Interest income	27	**(46,890,424)**	(49,047,432)
Unrealized (gain)/loss on investment securities at fair value through profit or loss	12	**(5,469,503)**	3,135,239
Realized loss on disposal of investment securities	29	**-**	540,849
Interest expense	27	**22,462,070**	22,683,066
(Recovery)/impairment loss on investment securities	29	**(436,904)**	7,026,940
Movement in provision for impairment of loans and advances	11(a)	**(19,614,169)**	7,767,006
Cash flows before changes in operating assets and liabilities		**(46,404,642)**	(10,272,520)
Change in mandatory deposits with Central Bank		**(19,449,415)**	(8,726,037)
Change in loans and advances		**72,839,023**	(36,679,362)
Change in other assets		**125,111**	(13,845,288)
Change in deposits from customers and commercial paper		**325,781,708**	126,589,662
Change in other liabilities		**(15,688,227)**	26,110,243
Cash generated by operations		**317,203,558**	83,176,698
Interest received		**41,164,766**	42,914,430
Interest paid		**(24,198,255)**	(23,357,267)
Net cash generated by operating activities		**334,170,069**	102,733,861
Cash flows from investing activities			
Proceeds from maturity of bonds		**-**	402,906
Proceeds from maturity of/(investment in) treasury bills		**2,903,336**	(4,051,236)
Purchase of investment securities	12	**(24,207,008)**	(25,607,200)
Proceeds from disposal of investment securities		**5,198,623**	28,683,141
Purchase of property and equipment	15	**(864,551)**	(849,974)
Purchase of intangible assets	16	**(145,517)**	(51,742)
Proceeds from sale of property and equipment		**155**	87,203
Net cash used in investing activities		**(17,114,962)**	(1,386,902)
Net increase in cash and cash equivalents		**317,055,107**	101,346,959
Cash and cash equivalents – beginning of year		**310,318,743**	208,971,784
Cash and cash equivalents – end of year	7(b)	**627,373,850**	310,318,743

The notes on pages 9 to 75 are an integral part of these consolidated financial statements.

1. Reporting entity

The National Bank of Dominica Ltd. ("the Bank") is a company domiciled in the Commonwealth of Dominica. The Bank's registered office and principal place of business are both located at 64 Hillsborough Street, Roseau, Commonwealth of Dominica. These consolidated financial statements comprise the financial statements of the Bank and its subsidiary (collectively, "the Group").

The Bank was established by Act of Parliament No. 27 of 1976 and commenced operations on March 15, 1978. The Group is subject to the provisions of the Banking Act No. 4 of 2015 and the Companies Act of 1994 of the Commonwealth of Dominica.

The Eastern Caribbean Securities Exchange acts as a registrar and the transfer agent for the Bank's shares.

The Group provides retail, corporate and investment banking services in the Commonwealth of Dominica and the rest of the Eastern Caribbean region.

The National Investment Corporation Ltd. (NIC) is a wholly-owned subsidiary of the Bank, and was incorporated in the Commonwealth of Dominica under the Companies Act 1994. In August 2012, NIC was amalgamated with the National Mortgage & Finance Corporation, then another wholly-owned subsidiary of the Bank. NIC is in the process of reviewing its mandate and is currently non-operational. However, it is proposed that it engages in capital market services, focusing initially on brokerage and trade execution services to institutions and individual clients wishing to invest funds in various securities offered in the regional capital market.

2. Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were approved by the Board of Directors and authorized for issue on February 20, 2018.

(b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position that are measured at fair value:

- financial instruments at fair value through profit or loss, and
- available-for-sale financial assets.

(c) *Functional and presentation currency*

These financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional currency, except otherwise indicated. All amounts have been rounded to the nearest dollar.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the amounts recognised in the financial statements, and estimates that can cause a significant adjustment in the next financial year to the carrying amounts of assets and liabilities at the reporting date:

(i) Key sources of estimation uncertainty

1. <u>Allowance for impairment losses on financial assets</u>

   In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the amount of future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

2. <u>Residual values and useful lives of property and equipment</u>

   The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (Cont'd)

(i) Key sources of estimation uncertainty (Cont'd)

3. <u>Income taxes</u>

In the ordinary course of the Group's business, it undertakes transactions, and is subject to events, the tax effects of which are uncertain. In the face of such uncertainty, the Group makes estimates and judgements in determining the provision for income taxes.

The final tax outcome attributable to matters subject to such estimates and judgements may be materially different from that which was initially recognised. Any such difference will impact the current and deferred income tax provision in the period in which such determination is made.

4. <u>Fair value of financial instruments</u>

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using a variety of means, including quotes published by broker/dealers, an approach in which there is inherent significant uncertainty that has resulted in these instruments being categorised Level 2 in the fair value hierarchy. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instruments in an actual arm's length transaction.

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the Group exercises judgement in carrying out such designation.

The following are relevant to these financial statements:

- In classifying financial assets as "held-for-trading", the Group has determined that they meet the description of trading assets set out in accounting policy 3(i).
- In designating financial assets as at fair value through profit or loss, the Group has determined that they have met the criteria for this designation set out in accounting policy 3(i).
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the asset until their maturity date as required by accounting policy 3(i).
- In classifying financial assets as "loans and receivables" management concludes that, *inter alia*, they are not traded in an active market as required by accounting policy 3(i).This determination sometimes requires judgement.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year to assets and liabilities at the reporting date are discussed in Note 4.

3. Significant accounting policies

(a) Basis of consolidation

The consolidation principles are unchanged as compared to the previous year. The consolidated financial statements of the Group comprise the financial statements of the parent entity and its subsidiary as of and for the year ended June 30, 2017. The financial statements of the subsidiary used to prepare the consolidated financial statements were prepared as of the Bank's reporting date.

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

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(c) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, or any unrealized income and expenses (except for foreign currency transaction gains and/or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies (cont'd)

(e) Investment in associate (equity-accounted investee)

The Group's interest in equity-accounted investees comprises its interest in an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(f) New standards, and interpretations of and amendments to existing standards that became effective during the year:

Certain new standards and interpretations of, and amendments to, existing standards, which were in issue and were relevant to the Group, came into effect for the current financial period. None of these pronouncements had a material effect on the financial statements.

(g) New standards, and interpretations of and amendments to existing standards that are not yet effective:

At the date of authorization of the consolidated financial statements, there were certain new standards, and amendments to and interpretations of existing standards, which were issued but were not yet effective and which the Group had not early-adopted. The Group has assessed them and determined that the following may be relevant to its operations:

- IFRS 15, *Revenue from Contracts with Customers*, is effective for annual reporting periods beginning on or after January 1, 2018. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services.* The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS will take precedence.

  The Group will assess the impact that this standard will have on its 2019 financial statements.

3. Significant accounting policies (cont'd)

(g) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Group is assessing the impact that this standard will have on its 2019 financial statements.

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers,* is also adopted. The Group is assessing the impact that this standard will have on its 2020 financial statements.

(h) Cash and cash equivalents

Cash comprises cash on hand and demand deposits at banks, and includes unrestricted balances with the ECCB. Cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and held for short-term operating, rather than investment, purposes. They comprise balances with less than three months' maturity from the date of acquisition and include treasury bills, term deposits with other banks, term deposits with non-bank financial institutions, and other short-term securities.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities

(i) Recognition

The Group initially recognizes loans and advances and deposits on the date that they are originated. The Group uses trade date accounting for regular way contracts when recording financial asset transactions. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through the profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Derecognition
Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain ownership of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets that are transferred to a third party but do not qualify for de-recognition are presented in the consolidated statement of financial position as "Assets pledged as collateral", if the transferee has the right to sell or re-pledge them. If the transferee is required to return the same or a similar asset, the transfer is recorded as a reverse repurchase agreement.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(iii) Classification

Financial assets

The Group classifies its financial assets in one of the following categories:

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

  Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan, including any transaction costs – and measured subsequently at amortized cost using the effective interest rate method.

- Held-to-maturity investments
  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.

  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.

- Available-for-sale
  Available-for-sale investments are financial assets that are (1) 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 (2) 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 investments comprise equity and debt securities.

  Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration, including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses (note 3(v), until the financial asset is derecognized. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit and loss.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Financial assets (cont'd)

- Available-for-sale (cont'd)
  However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss in "Dividend income" when the Group's right to receive payment is established.

- At fair value through profit or loss and within the category sub-classified as:
  - held for trading
    A financial asset is classified as held for trading if it is acquired 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.
    or
  - designated as fair value through profit or loss
    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.

Financial liabilities
The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Financial liabilities measured at amortized cost are deposits from banks or customers and other financial liabilities

(iv) Reclassification of financial assets
The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(v) Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions, similar to Group's trading activities.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(vi) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement
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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of a financial instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include using recent arms' length transactions between knowledgeable, willing parties (if available), reference to the current values of other instruments that are substantially the same, discounted cash flow analyses, and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy (see Note 6) as of the end of the reporting period during which the change has occurred.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy (see Note 6) as of the end of the reporting period during which the change has occurred.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(viii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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(s) (a "loss event"), and that the loss event (or events) has or had an impact on the 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 can include:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- other observable data relating to a group of assets, such as:
  - adverse changes in the payment status of borrowers or issuers in the Group; or
  - economic conditions that correlate with defaults on the assets in the Group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be significant and a period of nine (9) months to be prolonged.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities both at a specific assets and collective level. All individually significant loans and advances and held-to-maturity investments are assessed for specific impairment. Those not found to be specifically impaired, along with those not individually significant, are then collectively assessed for any impairment that has been incurred but not yet identified. This collective assessment of loans and advances and held-to-maturity investment securities that are not individually significant is performed by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modeling of historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(viii) Identification and measurement of impairment

Assets carried at amortised cost

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial assets should be derecognized. If the cash flows of the renegotiated assets are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss is measured as follows:

- If the expected restructuring does not result in de-recognition of the existing asset, the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and the amounts are discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring does result in de-recognition of the existing asset, then the expected fair value of the new assets is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances or held-to-maturity investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Assets classified as available-for-sale

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

3. Significant accounting policies (cont'd)

(i) Financial assets and financial liabilities (cont'd)

(viii) Identification and measurement of impairment

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

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 recognized in profit or loss, the impairment loss is reversed with the amount of the reversal recognized in the separate statement of comprehensive income.

Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

(ix) Designation at fair value through profit or loss
The Group designates financial assets at fair value through profit or loss in either of the following circumstances:

- The assets are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 12 sets out the amount of each financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

3. Significant accounting policies (cont'd)

(j) Property and equipment

(i) Recognition and measurement
Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss

(ii) Subsequent costs
Subsequent expenditures are included in the asset's carrying amount or are recognized 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 reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation
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:

Building	3%
Leasehold improvements	20%
Computer equipment	14% - 33%
Furniture and equipment	14% - 20
Motor vehicles	20%

Depreciation methods, residual values and useful lives are reviewed at each reporting date, and adjusted if appropriate. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is then written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

3. Significant accounting policies (cont'd)

(k) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software licenses and other intangible assets. Intangible assets are recognized at cost less accumulated amortisation and any accumulated impairment losses. 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 amortized. 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 analyzed 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 measurement after recognition.

Computer software licenses
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits of the relevant asset. Software costs are amortized on the straight line basis in profit or loss from the date it is available for use. The estimated useful lives of software range from three (3) to five (5) years. Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary. Costs associated with maintaining computer software programs are recognized as an expense when incurred.

(l) Impairment of other non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists for any asset, then that asset's recoverable amount is estimated. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present vale using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses are recognised in profit or loss.

(m) Property held for sale

Property held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

3. Significant accounting policies (cont'd)

(n) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case they are recognised in equity or other comprehensive income.

(i) *Current tax*

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any tax adjustment to tax payable in respect of previous years. Income tax payable is calculated on the basis of the applicable tax laws in the Commonwealth of Dominica and is recognized as an expense (income) for the period, except to the extent that current tax relates 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.

(ii) *Deferred tax*

Deferred income tax is provided on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the difference between the carrying amounts of property and equipment and intangible assets and their tax bases and unutilized tax losses.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

However, deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

(o) Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred and measured at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(p) Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group 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.

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience with similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss within other operating expenses.

(q) Share Capital

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.

Dividends on ordinary shares
Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are, however, disclosed in the notes to the financial statements.

(r) Interest income and expense

Interest income and expense are recognized in profit or loss for all financial instruments using the effective interest method. The effective interest method is a method of calculating the amortized 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 and receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation of the effective interest rate includes all transaction costs and 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3. Significant accounting policies (cont'd)

(s) Fee and commission income

Fee and commission income is generally recognized on the accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized 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 recognized on completion of the underlying transaction. For financial planning and custody services that are continuously provided over an extended period of time, fees are recognized based on the applicable service contracts, usually on a time apportioned basis.

(t) Dividend income

Dividend income is recognized in profit or loss when the Group's right to receive payment is established. Dividends are presented in net interest, commission and other income in the statement of profit or loss.

(u) Employee benefits

(i) *Short-term employee benefits:*
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) *Defined contribution plans:*
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(v) Foreign currency

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. 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 recognized in profit or loss. 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 the amortized cost of the security and other changes in the carrying amount of the security.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognised in other comprehensive income.

3. Significant accounting policies (cont'd)

(w) Leases

All leases entered into by the Group are operating leases and therefore payments made under the terms of the leases are recognized in profit or loss on the straight line basis over their individual lives.

(x) Financial instruments

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

4. Use of estimates and judgments

As indicated in note 2(d), the preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses within the next financial year.

Management discusses with the Group Audit Committee the development, selection and disclosure of the Group's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties. Information about assumptions and estimation uncertainties that have a major risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see Note 5).

(a) Impairment of financial assets

(i) Impairment losses on loans and advances

Loans and advances and held-to-maturity securities are accounted for at amortised cost. They are evaluated for impairment on the basis described in Note 3(i) (viii).

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merit, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

A collective component of the total allowance is established for:

- Groups of homogenous loans that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired (IBNR).

Collective allowance for groups of homogenous loans is established using a formula approach based on historic loss rate experience.

Collective impairment for groups of assets that are individually significant but that were not found to be individually impaired (IBNR) cover credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, and held-to-maturity investment securities, but the individual impaired items cannot yet be identified.

4. Use of estimates and judgments (cont'd)

(a) Impairment of financial assets (cont'd)

(i) Impairment losses on loans and advances (cont'd)

In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(ii) Impairment of available-for-sale equity investments

The Group determines that for available-for-sale equity investments, a significant or prolonged decline in their fair value below their cost is objective evidence of impairment. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share prices. 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 operating and financing cash flows.

(b) Classification of 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 judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortized cost. If the entire held-to-maturity investments are tainted, their values would be as indicated in Note 6.

(c) Determination of fair value

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(i)(vii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group places the fair values estimated in a fair value hierarchy based on the degree to which the estimates are affected by unobservable inputs. See Note 6.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of the amount and timing of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

5. Financial risk management

Risk management framework

This note presents information about the Group's objectives, policies, and processes for measuring and managing risk. 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 retail banking, and 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 minimize potential adverse effects on the Group's 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 mainly by the Finance Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Bank's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks that arise from the use of financial instruments are:

- Credit risk
- Liquidity risk
- Market risk (includes currency risk, interest rate risk, and equity price risk)
- Operational risk

(a) Credit risk

Credit risk is the risk of the Group suffering financial loss should a customer or a counterparty to a financial instrument fail to meet its contractual obligations to the Group, and arises principally from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities. It 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 investments in debt securities and other exposures arising from its trading activities ("trading exposures"), including non-equity trading portfolio assets. For risk management purposes, the Group considers and consolidates all elements of credit risk exposure - e.g. individual obligor default risk, country and sector risk.

Loans and advances

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 made 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.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Probability of default
The Group assesses the probability of default of individual counterparties using an internal rating tool tailored to the various categories of counterparty. They have been developed based on the East Caribbean Central Bank prudential guidelines. Borrowing customers of the Group are segmented into five rating classes as follows:

(i) Pass
(ii) Special mention
(iii) Sub-standard
(iv) Doubtful
(v) Loss

This rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tool is kept under review and upgraded as necessary.

Debt securities and other bills
For debt securities and other bills, external rating agencies such as Standard & Poor's, Moody's and Caricris or their equivalents are used by the Asset and Liability Committee (ALCO) for the management 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.

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 related borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or, when considered necessary by the Board of Directors, more frequent review.

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.

(i) *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.

Longer-term finance and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Collateral

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

(ii)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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions) are collaterised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

(iii) Impairment and provisioning policies

The Group's internal rating system focuses more on credit-quality mapping from the inception of the lending and investment activities. In contrast, 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. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes. The impairment provision shown in the consolidated statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom three grades.

The table below shows the percentage of the Group's on-statement of financial position items relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

	Loans to customers		Impairment Provision		Net Total
	$	%	$	%	$
At June 30, 2017					
Pass	335,529,656	54	-	-	335,529,656
Special mention	80,010,231	13	-	-	80,010,231
Substandard	83,680,048	14	8,368,005	21	75,312,043
Doubtful	59,310,634	10	29,655,317	74	29,655,317
Loss	1,915,250	-	1,915,250	5	-
Inherent risk provision	83,000	-	830	-	82,170
Gross loans to customers	560,528,819	91	39,939,402	100	520,589,417
Interest receivable	52,375,784	9	-	-	52,375,784
Total	612,904,603	100	39,939,402	100	572,965,201

	Loans to customers		Impairment Provision		Net Total
	$	%	$	%	$
At June 30, 2016					
Pass	290,171,326	45	-		290,171,326
Special mention	153,219,648	24	-		153,219,648
Substandard	107,755,933	16	10,775,593	30	96,980,340
Doubtful	42,188,680	7	21,094,340	59	21,094,340
Loss	4,031,438	1	4,031,438	11	-
Inherent risk provision	37,263	-	372	-	36,891
Gross loans to customers	597,404,288	93	35,901,743	100	561,502,545
Interest receivable	46,655,751	7	-	-	46,655,751
Total	644,060,039	100	35,901,743	100	608,158,296

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) *Impairment and provisioning policies (cont'd)*

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, 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 (e.g. 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 the 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.

The table below represents a worst case scenario of credit risk exposure to the Group at June 30, 2017 and 2016 without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown below 48% (2016 - 59%) of the total maximum exposure is derived from loans and receivables 14.1% (2016 – 13.7%) represents investment securities.

Management is confident in its ability to continue to control and sustain minimal exposure to credit risk to the Group resulting from its loans and advances portfolio based on the following:

74% (2016 - 74%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;
Large corporate customer loans, which represent the biggest group in the portfolio, are backed by collateral;
71% (2016 - 69%) of the loans and advances portfolio are considered to be neither past due nor impaired;

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) <u>Impairment and provisioning policies (cont'd)</u>

Maximum exposure to credit risk before collateral held or other credit enhancements

	2017	**2016**
	$	**$**
Credit risk exposure relating to on-statement of financial position assets:		
Treasury bills	**41,830,371**	40,969,796
Due from other banks	**400,266,775**	209,903,446
Deposits with non-bank financial institutions	**1,915,227**	25,090,682
Loans and receivables		
- Loans and advances to customers	**559,143,094**	606,642,290
Financial assets at fair value through profit or loss	**83,727,164**	54,610,109
Investment securities		
- Held-to-maturity	**56,119,122**	59,454,896
- Available-for-sale	**27,855,997**	25,762,209
	1,170,857,750	1,022,433,428
Credit exposure relating to off-statement of financial position items:		
Loan commitments	**60,677,699**	68,070,525
Financial guarantees and other financial facilities	**3,966,899**	2,525,226
	64,644,598	70,595,751
	1,235,502,348	1,093,029,179

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iv) Concentration of risk by location

Loans and advances to banks	**2017**	**2016**
	$	**$**
Domestic	-	-
ECCU area	-	318,787
Non-ECCU area	-	-
	-	318,787

Loans and advances to customers	**2017**	**2016**
	$	**$**
Domestic	485,694,270	554,457,441
ECCU area	44,219,027	44,240,180
Non-ECCU area	29,229,797	7,625,882
	559,143,094	606,323,503
Total loans and advances	559,143,094	606,642,290

Investment and debts securities	**2017**	**2016**
	$	**$**
Domestic	23,968,504	24,666,379
ECCU area	60,006,613	59,971,120
Non-ECCU area	83,727,166	55,189,715
	167,702,283	139,827,214

Lending commitments and financial guarantees	**2017**	**2016**
	$	**$**
Domestic	64,644,598	70,595,751
ECCU area	-	-
Non-ECCU area	-	-
	64,644,598	70,595,751

5. Financial risk management (cont'd)
(a) Credit risk (cont'd)

(v) Loans and advances to customers

Loans and advances to customers are summarized as follows:

	2017 $	2016 $
Loans and advances to customers		
Neither past due nor impaired	**435,307,839**	445,411,145
Past due but not impaired	**88,994,308**	120,952,209
Impaired	**88,602,456**	77,696,685
	612,904,603	644,060,039
Less: unearned interest	**(31,649)**	(31,649)
Gross	**612,872,954**	644,028,390
Less: impairment provision	**(53,729,860)**	(37,386,100)
Net	**559,143,094**	606,642,290

The total impairment provision for losses on loans and advances is $53,729,860 (2016 - $37,386,100) of which $48,771,149 (2016 - $31,264,833) relates to the individually impaired loans and the remaining amount of $4,958,711 (2016 - $6,121,267) is the portfolio provision. Further information on impairment is included in Note 11(a).

(vi) 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 as follows:

	Overdrafts $	Term loans $	Mortgages $	Large Corporate customers $	Total loans and advances $
June 30, 2017					
Loans and advances to customers					
Pass	**32,476,839**	**67,222,560**	**107,506,681**	**228,101,759**	**435,307,839**
June 30, 2016					
Loans and advances to customers					
Pass	52,569,908	95,271,764	102,679,299	194,890,174	445,411,145

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(vii) Loans and advances past due but not impaired

Loans and advances past due but not impaired are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The gross amount of loans and advances by class to customers that were past due but not impaired, net of unearned interest, were as follows:

	Term loans $	Mortgages $	Large Corporate customers $	Total loans and advances to customers $
June 30, 2017				
Past due up to 30 days	**7,083,131**	**5,566,804**	**36,530,904**	**49,180,839**
Past due 30 – 60 days	**401,250**	**2,793,963**	**2,261,075**	**5,456,288**
Past due 60 – 90 days	**822,861**	**154,714**	**7,667,868**	**8,645,443**
Over 90 days	**1,556,138**	**6,452,937**	**17,702,663**	**25,711,738**
Gross	**9,863,380**	**14,968,418**	**64,162,510**	**88,994,308**
Less unearned interest in discount loans	**(31,649)**	**-**	**-**	**(31,649)**
Net	**9,831,731**	**14,968,418**	**64,162,510**	**88,962,659**
June 30, 2016				
Past due up to 30 days	12,920,503	7,982,729	45,047,010	65,950,242
Past due 30 – 60 days	1,622,339	1,742,920	5,681,881	9,047,140
Past due 60 – 90 days	614,933	680,719	10,591,950	11,887,602
Over 90 days	10,411,603	4,019,109	19,636,513	34,067,225
Gross	25,569,378	14,425,477	80,957,354	120,952,209
Less unearned interest in discount loans	(31,649)	-	-	(31,649)
Net	25,537,729	14,425,477	80,957,354	120,920,560

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(viii) *Loans and advances individually impaired*

The individually impaired loans and advances to customers, before taking into consideration the cash flows from collateral held and unearned interest on discount loans is $88,602,456 (2016 - $77,696,685). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

	Overdrafts $	Term loans $	Mortgages $	Large Corporate customers $	Total loans and advances to customers $
June 30, 2017					
Individually impaired loans	**6,856,721**	**2,227,477**	**17,882,179**	**61,636,079**	**88,602,456**
June 30, 2016					
Individually impaired loans	4,477,415	5,649,382	11,909,344	55,660,544	77,696,685

(ix) *Loans and advances renegotiated*

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These accounts are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired at June 30, 2017 amounted to $10,555,587 (2016 - $12,052,040).

(x) *Debt securities, treasury bills and other eligible bills*

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2017, based on Standard & Poor's ratings or their equivalent.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(x) Debt securities, treasury bills and other eligible bills (cont'd)

	Financial assets at fair value through profit or loss $	Treasury bills $	Investment securities $	Total $
June 30, 2017				
BB- to AA+	**83,727,164**	**-**	**-**	**83,727,164**
Un-rated	**-**	**41,830,371**	**83,975,119**	**125,805,490**
	83,727,164	**41,830,371**	**83,975,119**	**209,532,654**
June 30, 2016				
BB- to AA+	54,610,109	-	-	54,610,109
Un-rated	-	40,969,796	85,217,105	126,186,901
	54,610,109	40,969,796	85,217,105	180,797,010

	2017 $	2016 $
Treasury bills	**41,830,371**	40,969,796
Investment securities	**167,702,283**	139,827,214
	209,532,654	180,797,010

(b) Market risk

The Group takes on exposure to market risks, which is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to control and manage market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

The Group's exposure to market risks arises from its non-trading portfolios. 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 held-to-maturity and available-for-sale investments.

Management of market risk

The Group's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component.

Market risk arising from the Group's trading activities is managed in accordance with Board-approved policies and limits.

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(i) *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 Group's exposure to various currencies at June 30, 2017 is depicted in the following table. Included in the table are the Group's financial instruments at carrying amounts, categorized by currency.

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2017								
Assets								
Cash and balances with Central Bank	**288,199,940**	**668,326**	**36,180**	**367,152**	**68,875**	**49,039**	**-**	**289,389,512**
Treasury bills	**41,830,371**	**-**	**-**	**-**	**-**	**-**	**-**	**41,830,371**
Due from other banks	**96,870,843**	**284,593,477**	**36,180**	**13,417,958**	**3,600,053**	**508,862**	**1,239,402**	**400,266,775**
Deposits with non-bank financial institutions	**623,697**	**1,291,530**	**-**	**-**	**-**	**-**	**-**	**1,915,227**
Loans and advances	**555,148,469**	**3,994,625**	**-**	**-**	**-**	**-**	**-**	**559,143,094**
Investment securities:								
Held-to-maturity	**37,162,620**	**17,284,230**	**-**	**-**	**-**	**-**	**1,672,272**	**56,119,122**
Available-for-sale	**25,143,780**	**2,712,217**	**-**	**-**	**-**	**-**	**-**	**27,855,997**
At fair value through profit or loss	**-**	**74,748,925**	**-**	**-**	**-**	**-**	**8,978,239**	**83,727,164**
Total financial assets	**1,044,979,720**	**385,293,330**	**72,360**	**13,785,110**	**3,668,928**	**557,901**	**11,889,913**	**1,460,247,262**

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(i) Currency risk (cont'd)

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2017 (Cont'd)								
Liabilities								
Deposits from customers	**1,281,496,868**	**52,151,261**	**-**	**1,037,705**	**941**	**311,797**	**-**	**1,334,998,572**
Commercial paper	**20,461,249**	**-**	**-**	**-**	**-**	**-**	**-**	**20,461,249**
Other liabilities	**13,337,985**	**25,724,839**	**-**	**-**	**-**	**-**	**-**	**39,062,824**
Total financial liabilities	**1,315,296,102**	**77,876,100**	**-**	**1,037,705**	**941**	**311,797**	**-**	**1,394,522,645**
Net currency exposure	**(270,316,382)**	**307,417,230**	**72,360**	**12,747,405**	**3,667,987**	**246,104**	**11,889,913**	**65,724,618**
As at June 30, 2016								
- Financial assets	880,286,725	236,265,384	469,325	10,844,000	7,336,245	344,485	10,724,039	1,146,270,203
- Financial liabilities	986,337,753	97,321,043	-	2,162,614	91,676	252,263	-	1,086,165,349
Net currency exposure	(106,051,028)	138,944,341	469,325	8,681,386	7,244,569	92,222	10,724,039	60,104,854

(ii) 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 its 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 re-pricing that may be undertaken. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's interest- bearing financial assets and financial liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates.

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(*b*) *Market risk (cont'd)*

(ii) *Interest rate risk (cont'd)*

	Up to 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2017					
Assets					
Cash and balances with Central Bank	**-**	**-**	**-**	**289,389,512**	**289,389,512**
Treasury bills	**41,830,371**	**-**	**-**	**-**	**41,830,371**
Due from other banks	**171,878,230**	**-**	**-**	**228,388,545**	**400,266,775**
Deposits with non-bank financial institutions	**1,915,227**	**-**	**-**	**-**	**1,915,227**
Loans and advances to customers	**146,113,157**	**98,833,359**	**314,196,578**	**-**	**559,143,094**
Investment securities:					
Held-to-maturity	**26,600,289**	**23,967,019**	**5,551,814**	**-**	**56,119,122**
Available-for-sale	**4,046,272**	**5,827,672**	**-**	**17,982,053**	**27,855,997**
Total financial assets	**392,383,546**	**128,628,050**	**319,748,392**	**535,760,110**	**1,376,520,098**
Liabilities					
Deposits from customers	**696,739,441**	**127,948,346**	**56,181,786**	**454,128,999**	**1,334,998,572**
Other liabilities	**-**	**-**	**-**	**39,062,824**	**39,062,824**
Commercial paper	**9,385,814**	**11,075,435**	**-**	**-**	**20,461,249**
Total financial liabilities	**706,125,255**	**139,023,781**	**56,181,786**	**493,191,823**	**1,394,522,645**
Interest sensitivity gap	**(313,741,709)**	**(10,395,731)**	**263,566,606**	**42,568,287**	**(18,002,547)**
Cumulative sensitivity gap	**(313,741,709)**	**(324,137,440)**	**(60, 570,834)**	**(18,002,547)**	
As at June 30, 2016					
Total financial assets	295,811,750	146,288,174	370,888,002	278,672,168	1,091,660,094
Total financial liabilities	630,453,564	143,065,326	67,115,220	245,531,239	1,086,165,349
Interest sensitivity gap	(334,641,814)	3,222,848	303,772,782	33,140,929	5,494,745
Cumulative sensitivity gap	(334,641,814)	(331,418,966)	(27,646,184)	5,494,745	

5. Financial risk management (cont'd)

(*b*) *Market risk (cont'd)*

(iii) *Equity price risk*

Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The Group is exposed to equity security price risk because of investments held by the Group that are classified on the statement of financial position as available-for-sale and at fair value through profit or loss. The primary exposure to equity prices arises from trading activities. The Group manages its non-trading equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

Sensitivity analysis – Equity price risk

If market rates at June 30, 2017 had been 1% higher, with all other variables held constant, comprehensive income for the year would have been $5,827 (2016 - $9,193) higher as a result of the increase in the fair value of available-for-sale equity securities. An equivalent decrease would have resulted in an equivalent amount stated above but with opposite impact

For such investments classified as fair value through profit or loss, the impact on profit or loss and equity would have been an increase or decrease of $54,695 (2016 - $31,352).

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting its payment obligations associated with its financial liabilities when they fall due or upon demand. 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 inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Management of liquidity risk

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.

5. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

The key elements of the liquidity management process are as follows:

Daily and weekly monitoring to ensure that requirements are met. This includes the replenishment of funds as they mature or as borrowed by customers. The Group ensures that sufficient funds are held in the one to thirty day maturity bucket to satisfy liquidity requirements.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen liquidity problems. Additionally, the investment portfolio is fairly diversified by currency, geography, issuer, product and term.
- Weekly monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

5. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

Maturities of financial assets and financial liabilities

The tables below set out the remaining period to the contractual maturities of the Group's financial assets and financial liabilities

	Up to 1 year	1 to 5 years	Over 5 years	Total
As at June 30, 2017	**$**	**$**	**$**	**$**
Assets				
Cash and balances with Central Bank	289,389,512	-	-	289,389,512
Treasury bills	41,830,371	-	-	41,830,371
Due from other banks	400,266,775	-	-	400,266,775
Deposits with non-bank financial institutions	1,915,227	-	-	1,915,227
Loans and advances to customers	146,113,157	98,833,359	314,196,578	559,143,094
Investment securities:				
Held-to maturity	26,600,289	23,967,019	5,551,814	56,119,122
Available-for-sale	4,046,272	5,827,672	17,982,053	27,855,997
At fair value through profit or loss	74,748,925	-	8,978,239	83,727,164
Total financial assets	984,910,528	128,628,050	346,708,684	1,460,247,262
Liabilities				
Deposits from customers	1,150,868,441	127,948,346	56,181,786	1,334,998,573
Other liabilities	39,062,824	-	-	39,062,824
Commercial paper	9,385,814	11,075,435	-	20,461,249
Total financial liabilities	1,199,317,079	139,023,781	56,181,786	1,394,522,646
Liquidity gap	(214,406,551)	(10,395,731)	290,526,898	65,724,616
As at June 30, 2016				
Total financial assets	605,379,191	146,288,174	394,602,838	1,146,270,203
Total financial liabilities	875,984,803	143,065,325	67,115,221	1,086,165,349
	(270,605,612)	3,222,849	327,487,617	60,104,854

5. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Residual contractual maturities relating to off-balance sheet items

Loan commitments
The dates of the contractual amounts of the Group's off-balance sheet instruments that commit it to extend credit to customers and other facilities (Note 37) are summarized in the table below:

Financial guarantees and other financial facilities
Financial guarantee facilities, which are included in other accounts payable (Note 20) are also included in the table below, based on the earliest contractual maturity date.

	1 year $	1 – 5 years $	Total $
June 30, 2017			
Loan commitments	**30,677,699**	**30,000,000**	**60,677,699**
Financial guarantees and other financial facilities	**3,966,899**	**-**	**3,966,899**
	34,644,598	**30,000,000**	**64,644,598**
June 30, 2016			
Loan commitments	38,043,583	30,026,942	68,070,525
Financial guarantees and other financial facilities	2,525,226	-	2,525,226
	40,568,809	30,026,942	70,595,751

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors.

5. Financial risk management (cont'd)

(d) Operational risk (cont'd)

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas. These standards address the following requirements:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of business unit to which they relate, with summaries submitted to the Audit Committee and the Board of Directors.

(e) Capital management

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

- to comply with the capital requirements set by the Eastern Caribbean Central Bank ("ECCB");
- 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 ECCB for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.
A new Banking Act, No. 4 of 2015, was assented to on June 12, 2015 and commenced on November 12, 2015. Under this new Act, the ECCB requires each bank or banking group to:

(a) hold the minimum level paid up share capital of EC$20,000,000; this is an increase from the previous level of EC$5,000,000 and;

(b) maintain a ratio of total regulatory capital to the risk weighted assets ("the Basel ratio") at or above the minimum 8% indicated in the ECCB Prudential Guidelines. There has been no change in this regard under the new Act.

5. Financial risk management (cont'd)

(e) Capital management (cont'd)

The ECCB allowed banks a grace period of 450 days from the date of the assent of the Banking Act to satisfy this new paid up capital requirement. The Group's deadline date was February 4, 2017.

On January 23, 2017 by way of a shareholders resolution, the Group made an 11 for 1 Bonus Share issue to satisfy the additional capital requirement. Subsequently, there was a transfer from retained earnings to share capital of $9,000,000. This is however only a temporary measure; the Group will be seeking injections of new capital to satisfy these requirements in the long-term.

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment losses, and unrealized gains arising on the fair valuation of equity instruments held as available-for-sale (limited to 20% of Tier 1 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.

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended June 30, 2017 and 2016. During those two years, the Group complied with all of the externally imposed capital requirements to which it was subject.

	Notes	2017 $	2016 $
Tier 1 capital			
Share capital	22	**20,000,000**	11,000,000
Statutory reserve	23	**11,334,909**	11,000,000
Retained earnings		**55,019,204**	62,679,569
Total tier 1 capital		**86,354,113**	84,679,569
Tier 2 capital			
Collective impairment allowance		**53,729,860**	37,386,100
Loan loss reserve	24	**9,000,000**	9,000,000
Unrealised gain on available-for-sale investment securities	25	**986,316**	1,568,966
Total qualifying tier 2 capital		**63,716,176**	47,955,066
Total regulatory capital		**150,070,289**	132,634,635
Risk weighed assets		**543,441,386**	545,245,841
Capital adequacy ratio			
- Required		**8.0%**	8.0%
- Actual		**15.9%**	15.5%

6. Fair values of financial instruments

Fair value is defined in Note 3(i)(vii). The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash and cash equivalents, other assets and other liabilities 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 is also assumed to approximate the amounts disclosed in Note 37 due to their short term nature.

The fair values of listed securities are assumed to be equal to their quoted market values. The fair values of unlisted securities are estimated at book value.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at market interest rates prevailing at the reporting date. The estimated fair values of loans are not significantly different from their carrying values.

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 are at rates which reflect market conditions and are considered to have fair values which approximate carrying values.

Fair value hierarchy
The Group classifies fair value measurements using the following fair value hierarchy, which reflects the nature of the significant inputs used in making the measurements:

Level 1 – Inputs that are quoted prices market (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as the New York Stock Exchange and the London Stock Exchange

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). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 - Inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. 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.

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)
Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equities and certain non-US sovereign obligations. The Group does not adjust the quoted prices of these instruments.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are classified as Level 2, unless the measurement of its fair value requires the use of significant unobservable input, in which case it is reclassified as Level 3. For the year ended June 30, 2017, there were no securities transferred between Levels 1 and 2.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified as Level 2. These include most investment-grade corporate bonds, certain non-US sovereign obligations, thinly traded listed equities and some over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

For the year ended June 30, 2017, the Group had no Level 3 securities, neither were any securities transferred in or out of Level 3.

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

Financial instruments not measured at fair value:

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount							Fair value			
As at June 30, 2017	**Notes**	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for sale**	**Other amortised costs**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value												
Cash and cash equivalent	**7**	**-**	-	**627,373,850**	**-**	**-**	**-**	**627,373,850**	**-**	**-**	**-**	-
Treasury bills		**-**	-	**26,545,583**	**-**	**-**	**-**	**26,545,583**	**-**	**-**	**-**	-
Loans and Advances	**11**	**-**	-	**559,143,094**	**-**	**-**	**-**	**559,143,094**	**-**	**-**	**-**	-
Investment securities:	**12**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	-
Measured at amortised cost		**-**	**56,119,122**	**-**	**-**	**-**	**-**	**56,119,122**	**-**	**-**	**-**	-
Unquoted securities		**-**		**-**	**21,309,732**	**-**	**-**	**21,309,732**	**-**	**-**	**-**	-
Financial assets measured at fair value										**-**	**-**	**-**
Corporate bonds		**19,846,680**	**-**	**-**	**-**	**-**	**-**	**19,846,680**	**8,388,598**	**11,458,082**	**-**	**19,846,680**
Quoted equity securities		**15,078,819**	**-**	**-**	**5,842,174**	**-**	**-**	**20,920,993**	**4,227,268**	**16,693,725**	**-**	**20,920,993**
Debt securities		**48,790,924**	**-**	**-**	**704,092**	**-**	**-**	**49,495,016**	**-**	**49,495,016**	**-**	**49,495,016**
Asset-backed securities		**10,741**	**-**	**-**	**-**	**-**	**-**	**10,741**	**-**	**10,741**	**-**	**10,741**
Total assets		**83,727,164**	**56,119,122**	**1,213,062,527**	**27,855,998**	**-**	**-**	**1,380,764,811**	**12,615,866**	**77,657,564**	**-**	**90,273,430**
Deposit from customers	**19**	**-**	**-**	**-**	**-**	**1,334,998,572**	**-**	**1,334,998,572**	**-**	**-**	**-**	-
Trading liabilities	**20**	**-**	-	**-**	**-**	**-**	**39,062,824**	**39,062,824**	**-**	**-**	**-**	-
Commercial paper	**21**	**-**	-	**-**	**-**	**20,461,249**	**-**	**20,461,249**	**-**	**-**	**-**	-
Total liabilities		**-**	**-**	**-**	**-**	**1,355,459,821**	**39,062,824**	**1,394,522,645**	**-**	**--**	**-**	-

(Expressed in Eastern Caribbean Dollars)

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

Financial instruments not measured at fair value (cont'd)

		Carrying amount							Fair value			
As at June 30, 2016	**Notes**	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for sale**	**Other amortised costs**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value												
Cash and cash equivalent	**7**	-	-	310,318,743	-	-	-	310,318,743	-	-	-	-
Treasury bills		-	-	29,448,919	-	-	-	29,448,919	-	-	-	-
Loans and Advances	**11**	-	-	606,642,290	-	-	-	606,642,290	-	-	-	-
Investment securities:	**12**	-	-	-	-	-	-	-	-	-	-	-
Measured at amortised cost		-	59,454,896	-	-	-	-	59,454,896	-	-	-	-
Unquoted securities		-	-	-	18,237,743	-	-	18,237,743	-	-	-	-
Financial assets measured at fair value												
Corporate bonds		12,127,765	-	-	-	-	-	12,127,765	-	12,127,765	-	12,127,765
Quoted equity securities		11,179,757	-	-	6,075,800	-	-	17,255,557	-	17,255,557	-	17,255,557
Debt securities		31,291,602	-	-	1,448,666	-	-	32,740,268	3,085,681	29,654,587	-	32,740,268
Asset-backed securities		10,985	-	-	-	-	-	10,985	-	10,985	-	10,985
Total assets		54,610,109	59,454,896	946,409,952	25,762,209	-	-	1,086,237,166	3,085,681	59,048,894	-	62,124,575
Deposit from customers	**19**	-	-	-		1,011,565,282	-	1,011,565,282	-	-	-	-
Trading liabilities	**20**	-	-	-	-	-	54,751,051	54,751,051	-	-	-	-
Commercial paper	**21**	-	-	-	-	19,849,016	-	19,849,016	-	-	-	-
Total liabilities		-	-	-	-	1,031,414,298	54,751,051	1,086,165,349	-	-	-	-

7. Cash and balances with Central Bank

(a) Cash and balances with Central Bank

	Note	2017 $	2016 $
Cash in hand		**9,409,606**	12,056,434
Cash at Central Bank other than mandatory deposits		**200,497,454**	51,747,304
Included in cash and cash equivalents	7(b)	**209,907,060**	63,803,738
Mandatory deposits		**79,482,452**	60,033,037
		289,389,512	123,836,775

The weighted average effective interest rate on interest-bearing deposits with the Central Bank at June 30, 2017 was 0.00% (2016 - 0.00%). Deposits with the Central Bank are non-interest bearing.

Mandatory deposits

Section 45 of the Dominica Banking Act No. 4 of 2015, and the Eastern Caribbean Central Bank Agreement Act of 1983, prescribes the maintenance of a reserve, including marginal required reserves, against deposits and other similar liabilities specified for that purpose. Such reserves shall be maintained either by way of notes and coins, cash holdings with other financial institutions or by way of deposits with the Central Bank. Such mandatory deposits are not available to finance the Group's day-to-day operations.

(b) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:

	Notes	2017 $	2016 $
Cash and balances with Central Bank	7(a)	**209,907,060**	63,803,738
Treasury bills	8	**15,284,788**	11,520,877
Due from other banks	9	**400,266,775**	209,903,446
Deposits with non-bank financial institutions	10	**1,915,227**	25,090,682
		627,373,850	310,318,743

Treasury bills of $15,284,788 (2016 - $11,520,877) comprise bills with less than three months' maturity from the date of acquisition and forms part of the total of $41,830,371 (2016 - $40,969,796) in note 8.

(Expressed in Eastern Caribbean Dollars)

8. Treasury bills

	Notes	2017 $	2016 $
Treasury bills issued by domestic and regional governments	7(b)	**41,830,371**	40,969,796

The weighted average effective interest rate in respect of treasury bills for the year was 4.52% (2016 – 4.69%).

9. Due from other banks

	Notes	2017 $	2016 $
Items in the course of collection		**7,688**	57,165
Placements with other banks		**99,543,755**	135,441,668
Interest bearing deposits		**300,715,332**	74,404,613
	7(b)	**400,266,775**	209,903,446

The weighted average effective interest rate in respect of interest bearing deposits for the year was 1.51% (2016 – 1.38%). Placements with other banks include the amount of $25,724,839 (2016 - $46,789,942) received on behalf of customers that was in the process of clearing at end of year. These funds are not available for the Bank's use in its normal operations until processed.

10. Deposits with non-bank financial institutions

	Notes	2017 $	2016 $
Interest bearing deposits		**623,697**	927,038
Held by broker		**1,291,530**	24,163,644
	7(b)	**1,915,227**	25,090,682

The weighted average effective interest rate in respect of interest bearing deposits for the year was 2% (2016 – 5.61%).

11. Loans and advances

	Notes	2017 $	2016 $
Loans and advances to customers	11(a)	**559,143,094**	606,642,290

(a) Loans and advances to customers

	2017 $	2016 $
Mortgage loans	**140,357,279**	129,014,120
Large corporate customers	**357,664,333**	326,931,544
Overdrafts	**47,288,029**	68,895,390
Credit Cards	**3,682,824**	3,741,027
Term loans	**63,912,138**	115,477,958
Gross	**612,904,603**	644,060,039
Unearned interest on discount loans	**(31,649)**	(31,649)
Provision for loan impairment	**(53,729,860)**	(37,386,100)
Net	**559,143,094**	606,642,290
Current	**146,113,157**	139,246,181
Non-current	**413,029,937**	467,396,109
	559,143,094	606,642,290

The weighted average effective interest rate on productive loans stated at amortized cost at June 30, 2017 was 7.05% (2016 - 7.48%) and productive overdrafts stated at amortized cost was 7.80% (2016 - 7.81%).

11. Loans and advances (cont'd)

(a) Loans and advances to customers (cont'd)

(i) Movement in loan provision for the year

	2017 $	2016 $
At beginning of year	**(37,386,100)**	(34,537,435)
Bad debts written off	**4,364,185**	5,418,268
	(33,021,915)	(29,119,167)
Charge for the year	**(20,707,945)**	(8,266,933)
Total provision for loan impairment	**(53,729,860)**	(37,386,100)

(ii) Charges against profits

	2017 $	2016 $
Increase in provision for impairment	**(20,707,945)**	(8,266,933)
Impairment recoveries on loans and advances	**1,093,776**	499,927
Net impairment charged in profit or loss	**(19,614,169)**	(7,767,006)

(iv) Analysis by type of credit

	Large corporate customers $	Term loans $	Mortgage loans $	Overdraft $	Total $
At beginning of year 2017	**22,993,800**	**5,979,142**	**4,099,037**	**4,314,121**	**37,386,100**
Bad debts written off	**(4,000,000)**	**(220,227)**	**-**	**(143,958)**	**(4,364,185)**
Charge for the year	**20,399,324**	**(1,527,918)**	**1,679,409**	**157,130**	**20,707,945**
At end of year	**39,393,124**	**4,230,997**	**5,778,446**	**4,327,293**	**53,729,860**
At beginning of year 2016	22,934,571	2,495,920	3,116,638	5,990,306	34,537,435
Bad debts written off	(4,181,824)	(451,442)	(162,327)	(622,675)	(5,418,268)
Charge for the year	4,241,053	3,934,664	1,144,726	(1,053,510)	8,266,933
At end of year	22,993,800	5,979,142	4,099,037	4,314,121	37,386,100

(Expressed in Eastern Caribbean Dollars)

11. Loans and advances (cont'd)

(a) Loans and advances to customers (cont'd)

Concentration of loans and advances to customers

(i) Sectoral analysis

	2017		2016	
	$	**%**	**$**	**%**
Agriculture, forestry and fishing	693,458	0.1	720,297	0.1
Mining and quarrying	7,591,729	1.2	7,637,354	1.2
Manufacturing	3,431,215	0.6	8,645,075	1.3
Electricity, gas, steam and air conditioning	24,846,468	4.1	30,072,761	4.7
Water supply, sewerage and waste management	12,810,898	2.1	12,920,362	2.1
Construction and land development	49,349,463	8.1	51,881,812	8.1
Wholesale & retail trade, repair of motor vehicles and motorcycles	59,687,000	9.7	62,485,656	9.8
Transport and storage	36,618,634	6.0	38,867,697	6.0
Accommodation and food service activities	43,939,444	7.2	41,221,090	6.4
Information and communication	13,634,273	2.2	15,003,927	2.3
Financial intermediation	55,542,917	9.1	50,010,256	7.8
Real estate activities	211,241,463	34.4	206,363,058	32.1
Professional, scientific and technical services	6,192,067	1.0	6,162,333	1.0
Administrative and support services activities	497,440	0.1	405,934	0.1
Public administration and social security	56,142,545	9.1	78,079,690	12.1
Education (including Student Loans)	8,271,902	1.3	8,465,352	1.0
Human health and social work activities	848,539	0.1	1,075,551	0.2
Arts, entertainment and recreation	426,954	0.1	572,888	0.1
Other service activities	3,509,688	0.6	2,682,640	0.4
Private households	17,628,506	2.9	20,786,306	3.2
	612,904,603	100.0	644,060,039	100.0

See Note 5(a) for geographical analysis.

12. Investment securities

	2017 $	2016 $
Held-to-maturity	**56,119,122**	59,454,896
Available-for-sale	**27,855,997**	25,762,209
At fair value through profit or loss	**83,727,164**	54,610,109
	167,702,283	139,827,214

A. Held-to-maturity investment securities

	2017 $	2016 $
Government bonds	**46,986,731**	50,482,935
Corporate bonds	**10,643,988**	10,667,085
Asset-backed securities	**8,488,403**	8,304,876
	66,119,122	69,454,896
Less individual allowance for impairment	**(10,000,000)**	(10,000,000)
Debt securities	**56,119,122**	59,454,896

B. Available-for-sale investment securities

	2017 $	2016 $
Government bonds	**5,798,580**	6,470,822
Corporate bonds	**-**	-
Asset-backed securities	**4,046,272**	3,940,353
	9,844,852	10,411,175
Equity securities available-for-sale	**13,488,237**	14,807,956
Less: impairment	**(7,616,971)**	(8,053,875)
Unquoted equity securities measured at cost	**22,151,285**	18,608,359
Less: impairment	**(10,011,406)**	(10,011,406)
	27,855,997	25,762,209

Impairment loss on available-for-sale investment securities

	2017 $	2016 $
Balance at beginning of the year	**18,065,281**	12,318,545
Impairment charge for the year	**579,605**	8,253,875
Recovery of investment security measured at cost	**(1,016,509)**	(1,226,934)
	17,628,377	19,345,486
Unquoted equity securities measured at cost written off	**-**	(1,280,205)
Balance at end of the year	**17,628,377**	18,065,281

12. Investment securities (cont'd)

C. Investment securities measured at fair value through profit or loss

	2017 $	2016 $
Corporate bonds	**19,846,680**	12,127,765
Debt securities	**48,790,924**	31,291,602
Asset-backed securities	**10,742**	10,985
Equities	**15,078,818**	11,179,757
	83,727,164	54,610,109

	Available-for-sale					
	Listed $	**Unlisted $**	**Total available-for-sale $**	**Held-to-maturity $**	**Financial assets at fair value through profit or loss $**	**Total $**
Opening balance - 2016	9,978,030	21,670,333	31,648,363	73,603,179	49,374,271	154,625,813
Additions	-	131,037	131,037	414,080	25,062,083	25,607,200
Reclassification	-	8,633,480	8,633,480	-	(8,633,480)	-
Disposals	(675,000)	(4,332,521)	(5,007,521)	(14,562,363)	(7,833,052)	(27,402,936)
Loss on disposal of investment security	-	(1,696,925)	(1,696,925)	-	(124,129)	(1,821,054)
Fair value loss	(919,285)	-	(919,285)	-	(3,135,240)	(4,054,525)
Impairment loss on investment securities	-	(7,026,940)	(7,026,940)	-	-	(7,026,940)
Foreign exchange loss on translation	-	-	-	-	(100,344)	(100,344)
	8,383,745	17,378,464	25,762,209	59,454,896	54,610,109	139,827,214
Opening balance - 2017	**8,383,745**	**17,378,464**	**25,762,209**	**59,454,896**	**54,610,109**	**139,827,214**
Additions	**279,450**	**108,667**	**388,116**	**171,340**	**23,647,552**	**24,207,008**
Reclassification	**-**	**3,542,927**	**3,542,927**	**-**	**-**	**3,542,927**
Disposals	**(675,000)**	**(1,016,509)**	**(1,691,509)**	**(3,507,114)**	**-**	**(5,198,623)**
Fair value loss	**(582,650)**	**-**	**(582,650)**	**-**	**5,469,503**	**4,886,853**
Impairment recovery on investment securities	**-**	**436,904**	**436,904**	**-**	**-**	**436,904**
	7,405,545	**20,450,453**	**27,855,997**	**56,119,122**	**83,727,164**	**167,702,283**

The weighted average effective interest rate for the year in respect of available-for-sale securities at fair value was 5.31% (2016 - 5.59%). The weighted average effective interest rate for the year in respect of held-to-maturity securities at amortized cost was 4.63% (2016 - 5.04%).

12. Investment securities (cont'd)

CL Financial Group placements

As at June 30, 2017, the Group held investments with members of the CL Financial Group as follows:

	Maturity date $	Investment amount $	Provision 2017 $	Investment amount $	Provision 2016 $
CLICO International Life Insurance Company - Barbados	January 26, 2015	10,000,000	10,000,000	10,000,000	10,000,000

13. Other assets

	2017 $	2016 $
Prepayments and advances	**822,197**	797,609
Clearings	**471,441**	446,951
Stationery	**883,650**	969,837
Merchant settlements	**2,988,421**	2,926,423
Other receivable	**13,869,609**	14,019,609
	19,035,318	19,160,429

The amounts classified as "Other receivable" relate to amounts due from another financial institution. The financial institution was placed in Receivership in November 2015. The Group is currently working through its regulator to arrive at a satisfactory resolution.

14. Property held for sale

Under Section 55 of the Banking Act No. 4 of 2015, the Group is required to dispose of all immoveable property surplus to its operational needs within three (3) years from November 12, 2015. Consequently, freehold land was previously reclassified as "Property held for sale". During the year this amount was reclassified to property and equipment as it is unlikely that sale will be realized within the next year. The Group continues to seek to effect this sale to be in line with statutory requirements.

(Expressed in Eastern Caribbean Dollars)

15. Property and equipment

	Land $	Building $	Leasehold improvement $	Computer equipment $	Furniture & equipment $	Motor vehicles $	Total $
COST							
Balance at July 1, 2015	4,256,683	8,727,716	1,202,837	7,213,582	14,927,790	917,650	37,246,258
Additions	-	-	-	199,393	321,581	329,000	849,974
Transfer to held for sale	(2,541,142)	-	-	-	-	-	(2,541,142)
Disposals	-	-	-	-	(63,906)	(245,000)	(308,906)
Balance at June 30, 2016	**1,715,541**	**8,727,716**	**1,202,837**	**7,412,975**	**15,185,465**	**1,001,650**	**35,246,184**
Additions	**-**	**10,878**	**6,500**	**447,901**	**399,272**	**-**	**864,551**
Transfer from held for sale	**2,541,142**	**-**	**-**	**-**	**-**	**-**	**2,541,142**
Disposals	**-**	**-**	**-**	**-**	**(32,436)**	**-**	**(32,436)**
Balance at June 30, 2017	**4,256,683**	**8,738,594**	**1,209,337**	**7,860,876**	**15,552,301**	**1,001,650**	**38,619,441**
ACCUMULATED DEPRECIATION							
Balance at July 1, 2015	-	(3,636,515)	(1,146,104)	(6,518,248)	(12,056,754)	(684,310)	(24,041,931)
Charge for the period	-	(230,310)	(56,363)	(436,252)	(1,214,485)	(107,923)	(2,045,333)
Disposals	-	-	-	-	63,906	245,000	308,906
Depreciation eliminated on disposals	-	-	-	-	-	(440)	(440)
Balance at June 30, 2016	**-**	**(3,866,825)**	**(1,202,467)**	**(6,954,500)**	**(13,207,333)**	**(547,673)**	**(25,778,798)**
Charge for the period	**-**	**(230,672)**	**(1,968)**	**(382,978)**	**(931,840)**	**(127,631)**	**(1,675,089)**
Depreciation eliminated on disposals	**-**	**-**	**-**	**-**	**32,436**	**-**	**32,436**
Balance at June 30, 2017	**-**	**(4,097,497)**	**(1,204,435)**	**(7,337,478)**	**(14,106,737)**	**(675,304)**	**(27,421,451)**
Carrying Values							
Balance as at June 30, 2017	**4,256,683**	**4,641,097**	**4,902**	**523,398**	**1,445,564**	**326,346**	**11,197,990**
Balance as at June 30, 2016	1,715,541	4,860,891	370	458,475	1,978,132	453,977	9,467,386
Balance as at June 30, 2015	4,256,683	5,091,201	56,733	695,334	2,871,036	233,340	13,204,327

(Expressed in Eastern Caribbean Dollars)

16. Intangible assets

	Total **$**
COST	
Balance at July 1, 2015	7,572,297
Additions	51,742
Balance at June 30, 2016	**7,624,039**
Additions	**145,517**
Balance at June 30, 2017	**7,769,556**
ACCUMULATED DEPRECIATION	
Balance at July 1, 2015	7,162,493
Charge for the year	226,059
Balance at June 30, 2016	**7,388,552**
Charge for the year	**194,810**
Balance at June 30, 2017	**7,583,362**
Carrying Values	
Balance at June 30, 2017	**186,194**
Balance as at June 30, 2016	235,487
Balance as at July 1, 2015	409,804

17. Investment in equity - accounted investee

At the end of 2016, the Group held an ownership interest of 20.69% in Caribbean Union Bank Limited ('CUB'), which was classified as an equity-accounted investee. During the year ended June 30, 2017, 60,000,000 ordinary shares in CUB were issued for a cash consideration of $24,000,000. This resulted in the dilution of the Group's interest from 20.69% to 5.21%. The equity investment was therefore reclassified to an available-for-sale instrument as the Group no longer holds an investee interest.

During the year ended June 30, 2016, the Group's share of profit in the equity-accounted investee, was $22,385. As CUB is not a publicly listed entity and consequentially does not have published price quotations, the Group used its management accounts as at and for the period ended June 30, 2016 to identify the net assets as the period between CUB's reporting date of December 31, 2015 and that of the Group exceeded the three-month limit in accordance with IFRS 12, *Disclosure of Interests in Other Entities*.

Summary financial information for the equity-accounted investee, not adjusted for the percentage ownership held by the Group as at June 30, 2016 was as follows:

	2016 **$**
Percentage ownership interest	20.69%
	$
Total assets	182,192,163
Total liabilities	(177,061,066)
Net assets	5,131,097
Group's share of net assets (20.69%)	1,061,624
Carrying amount of interest in associate	1,061,624
Income	6,998,705
Expenses	(6,890,512)
Profit from continuing operations	108,193
Group's share of profit (20.69%)	22,385

	2016 **$**
Cost	3,542,927
Share of profits at beginning of year	2,918,980
Group's share of profits in 2016	22,385
At end of the year	2,941,365

(Expressed in Eastern Caribbean Dollars)

18. Income tax recoverable

The income tax recoverable recognized in the consolidated statement of financial position represents an overpayment of taxes for periods up to June 30, 2000.

19. Deposits from customers

	2017 $	2016 $
Demand deposits	**491,582,510**	233,037,394
Savings accounts	**552,737,198**	501,008,119
Term deposits	**290,678,864**	277,519,769
	1,334,998,572	1,011,565,282
Current	**1,139,831,245**	868,668,940
Non-current	**195,167,327**	142,896,342
	1,334,998,572	1,011,565,282

The weighted average effective interest rate for the year in respect of customers' deposits was 1.83 % (2016 - 2.24%).

20. Other liabilities

	2017 $	2016 $
Manager's cheques	**2,412,310**	656,040
Bankers' payments	**2,716,197**	1,162,672
Provision for staff gratuities	**3,029,402**	2,903,061
Unclaimed dividends	**326,160**	325,597
Uncleared funds	**25,724,839**	46,789,942
Other accounts payable and accrued liabilities	**4,853,916**	2,913,739
	39,062,824	54,751,051

The provision for staff gratuities is pursuant to a union agreement to provide employees with a gratuity upon termination. The gratuity is provided by the Group to staff with a minimum of 10 years of service. The funds are being held by the Group. Uncleared funds represents amounts received on behalf of customers which were in the process of clearing at year end. These funds are not available for the Group's use in its normal operations until processed.

(Expressed in Eastern Caribbean Dollars)

21. Commercial paper

The Group entered into syndicated loan arrangements for which funding exceeded the statutory Tier 1 requirement. To comply with this requirement, the Group issued commercial paper in order to fund these facilities. The commercial paper is issued for a maximum period of three years with the option of renewal. As at the reporting date, the Group had commercial paper of $20,461,249 (2016 - $19,849,016). There were no syndicated loans as at June 30, 2017.

The effective interest rates are 5.63% (2016 - 5.14%).

22. Share capital

	Number of shares	2017 $	2016 $
Authorized			
40,000,000 ordinary shares of no par value			
Issued and fully paid			
Ordinary shares at beginning of year	22,000,000	**11,000,000**	11,000,000
Bonus Share Issue	2,000,000	**9,000,000**	-
Ordinary Shares at end of year	24,000,000	**20,000,000**	11,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

During the year, to meet the requirements of the Banking Act No. 4 of 2015, which requires that the Bank hold a minimum level of paid up capital of $20,000,000, the shareholders approved an 11 for 1 bonus issue, which resulted in the issue of 2,000,000 ordinary shares to qualifying shareholders. Issued share capital subsequently increased by $9,000,000.

23. Statutory reserve

Pursuant to Section 45 of the Banking Act No. 4 of 2015, the Group shall, out of its net profits of each year, transfer to a reserve “not less than 20% of the annual net earnings of the Group to a reserve fund whenever the fund is less than one hundred percent of the issued and paid-up capital of the Group”. At the reporting date, the Group’s reserve was less than the issued and paid-up capital and therefore 20% of profits for the year ended June 30, 2017 has been transferred to statutory reserve.

24. Loan loss reserve

In 2014, the Directors declared the creation of a loan loss reserve as a transfer from retained earnings. The declaration of this reserve is in anticipation of the adoption of IFRS 9, *Financial Instruments,* in future years. The standard proposes a change in the framework for the provision for loan losses from the “incurred loss” model to the “expected loss” model and it is expected that there will be a significant increase in the provision when it is effective. Loans and advances currently in the Group’s portfolio are expected to contribute to this increase in the loan loss provision. As such the loan loss reserve is intended to give a reasonable estimate of what the true Tier 2 capital is in light of these future changes in the determination of the impairment allowance.

25. Available-for-sale reserve

Unrealized gains or losses on investment securities reflect the difference between the available-for-sale investments at cost and their fair value.

	2017 $	2016 $
Balance at beginning of year	**1,568,966**	2,488,251
Loss on changes in fair values	**(582,650)**	(919,285)
Balance at end of year	**986,316**	1,568,966

26. Dividends

The following dividends were declared and paid by the Group:

	Issued and outstanding shares	2017 $	2016 $
0 cents (2016 – 0 cents) per qualifying ordinary share		-	-
Ordinary shares at the end of the year	24,000,000		

27. Net interest income

	2017 $	2016 $
Interest income		
Loans and overdrafts	**39,671,163**	40,679,191
Treasury bills, investment securities and bonds	**6,033,257**	6,735,648
Deposits with banks	**1,186,004**	1,632,593
	46,890,424	49,047,432
Interest expense		
Time deposits, commercial paper and syndicated arrangements	**10,822,530**	11,940,055
Saving deposits	**10,488,337**	9,991,972
Demand deposits	**1,099,879**	751,039
Correspondent banks	**51,324**	-
	22,462,070	22,683,066
Net interest income	**24,428,354**	26,364,366

(Expressed in Eastern Caribbean Dollars)

28. Net commission and other income

	2017 $	2016 $
Dividend income	**583,451**	567,232
Foreign currency account commission	**966,529**	531,457
Loan fees	**1,255,292**	1,571,753
Net credit card revenue	**35,199**	151,965
Others	**1,898,506**	1,179,773
Services charges	**2,214,569**	1,630,486
	6,953,546	5,632,666

29. (Recovery of)/impairment loss on investment securities

	Note	2017 $	2016 $
Impairment on available-for–sale investment securities		**579,605**	8,253,875
Investment recovered during the year		**(1,016,509)**	(1,226,935)
	12	**(436,904)**	7,026,940

Loss on disposal of investment securities

	Note	2017 $	2016 $
Loss recognized during the year- fair value through the profit or loss	12	**-**	124,129
Available for sale			
Loss written off during the year		**-**	1,280,205
Charge for the year		**-**	416,720
	12	**-**	1,696,925
	12	**-**	1,821,054

Impairment losses are reflected in the consolidated statement of profit or loss for the year ended June 30, 2017 and represent management's assessment of impairment of investment securities classified as available-for-sale and at fair value through profit or loss, based on the existence of objective evidence of impairment at that date.

See note 12 for the effect of the impairment on the consolidated statement of financial position.

(Expressed in Eastern Caribbean Dollars)

30. Operating expenses

	Notes	2017 $	2016 $
Audit fees		**210,200**	211,600
Audit expenses		**50,735**	50,050
Depreciation and amortization		**1,869,899**	2,271,392
Directors' expenses		**87,935**	49,882
Directors' fees		**268,700**	255,352
Directors' training and development		**60,967**	113,975
Employee benefit expenses	32	**10,746,511**	10,665,332
Insurance		**421,415**	333,022
Legal and other professional fees		**1,136,816**	1,190,127
Office expenses		**864,933**	777,110
Other expenses	31	**2,804,127**	2,510,659
Rental of premises and equipment		**713,733**	745,362
Repairs and maintenance:			
- *Building*		**897,797**	868,478
- *Computer*		**1,721,149**	2,021,937
- *Other*		**484,089**	315,791
Utilities			
- *Electricity and water*		**786,901**	765,420
- *Telephone*		**565,886**	493,760
		23,691,793	23,639,249

31. Other expenses

	Note	2017 $	2016 $
Advertising and promotions		**914,543**	875,911
Agency fees		**1,036,067**	891,184
Collateral revaluation		**21,328**	43,924
Meetings and conferences		**143,618**	110,690
Miscellaneous		**167,471**	123,318
Scholarships expenses		**10,138**	11,456
Security – cash in transit		**102,148**	118,120
Subscription and levies		**208,283**	186,329
Sundry losses		**200,531**	149,727
	30	**2,804,127**	2,510,659

(Expressed in Eastern Caribbean Dollars)

32. Compensation

	Note	2017 $	2016 $
Employees			
Wages and salaries		**8,320,135**	8,097,473
Other staff costs		**601,365**	622,333
Training		**358,309**	527,978
Social security cost		**521,251**	510,889
Retirement benefit and gratuity		**439,597**	483,733
Group insurance		**305,714**	298,613
Staff uniform		**200,140**	124,313
	30	**10,746,511**	10,665,332
Key Management Compensation			
Salaries and other short-term benefits		**1,374,168**	1,224,013
Post-employment benefits		**258,654**	131,597
		1,632,822	1,355,610
Directors' fees		**268,700**	255,352

33. Income tax expense

	2017 $	2016 $
Current	**-**	-
Deferred	**-**	-
	-	-

The tax on the operating profit differs from the theoretical amount that would arise by applying the basic tax rate of 25% to the consolidated loss, as follows:-

	2017 $	2016 $
Profit/(loss) before tax	**1,674,544**	(4,663,163)
Tax credit calculated at the applicable tax rate of 25% (2016 – 25%)	**418,636**	(1,165,791)
Tax impact of non-deductible expenses	**6,631,799**	3,945,282
Tax impact of exempt income	**(4,727,584)**	(5,440,788)
Tax impact of current year tax (profit)/losses	**(2,322,851)**	2,661,297
	-	-

34. Income tax losses

At the end of the year, the Group had income tax losses of $9,869,318 (2016 – $21,149,366) to carry forward against future tax liabilities. These losses, which have not been confirmed or agreed by the Inland Revenue Department, will expire as follows if not utilised:

Income Year	Expiry year	(Profit)/ Losses arisng $	Losses expired $	Losses b/f $	Accumulated losses c/f $
2012	2017	(141,266)	1,153,356	22,279,451	20,984,829
2013	2018	1,988,644	2,291,237	20,984,829	20,682,236
2014	2019	2,718,211	9,795,272	20,682,236	13,605,175
2015	2020	5,797,325	9,039,586	13,605,175	10,362,914
2016	2021	10,645,186	(141,266)	10,362,914	21,149,366
2017	2022	(9,291,404)	1,988,644	21,149,366	9,869,318

Deferred income tax assets are recognized in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

The deferred tax asset has not been recognised since it is uncertain that taxable profits will be available against which the deferred tax asset can be utilised.

35. Basic and diluted profit/ loss per share

The calculation of profit per share is based on the profit attributable to ordinary shareholders for the year of $1,674,544 (2016 – loss of $4,663,163) divided by 24,000,000 (2016 - 22,000,000), being the weighted average number of ordinary shares in issue during the year.

(Expressed in Eastern Caribbean Dollars)

36. Related party transactions and balances

A related party is a person or entity that is related to the Group.

A party is related to the Group, if:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the reporting Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

(Expressed in Eastern Caribbean Dollars)

36. Related party transactions and balances (cont'd)

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

	2017		2016	
	Income $	**Expense $**	**Income $**	**Expense $**
Government of Dominica	**2,833,781**	**600,976**	2,087,260	349,631
Statutory bodies	**1,029,065**	**3,457,730**	531,443	5,445,459
Directors and related entities	**629,073**	**39,540**	597,524	64,701
Key management	**82,593**	**19,590**	92,549	15,979

At June 30, 2017, related parties had the following balances with the Group:

	2017		2016	
	Loans $	**Deposits $**	**Loans $**	**Deposits $**
Government of Dominica	**55,163,963**	**307,830,867**	76,239,846	50,303,631
Statutory bodies	**16,953,981**	**142,358,832**	17,557,613	157,404,201
Directors and related entities	**13,439,267**	**1,392,259**	12,738,435	2,247,897
Key management	**1,728,230**	**958,814**	1,960,901	835,131

As at the reporting date, the Group's single largest shareholder was the Government of the Commonwealth of Dominica holding directly 48.93% (2016 - 48.93%) of the issued share capital, and 55.09% (2016 - 55.09%) when considered in concert with other shareholding entities owned and controlled by the Government. In addition, the loan balances of the Government of Dominica at $55,163,963 (2016 - $76,239,846) constituted 9% (2016 – 11.84%) of the loans and advances outstanding from customers at June 30, 2017.

Directors' shareholdings as at the end of the financial year are as follows: 10,608 shares or 0.04% (2016 – 8,668 shares or 0.04%).

37. Commitments and contingencies

Loans and advances committed but not yet drawn at the year-end totaled $61 million (2016 - $68 million).

Sectoral analysis

	2017 $	**2016 $**
Construction and land development	**2,756,134**	1,661,446
Business financing	**9,230,735**	27,053,608
Home construction and renovation	**9,529,155**	5,651,725
Education	**636,346**	1,025,224
Other personal	**1,693,217**	492,307
Tourism	**6,832,112**	2,186,215
Utilities	**30,000,000**	30,000,000
	60,677,699	68,070,525

Acceptances, guarantees and letters of credit that remain open at the year-end amounted to $3,966,899 (2016 - $2,525,226).

38. Future lease commitments

There were no commitments for capital works or real properties at the reporting date. However, there were operating lease commitments in respect of which the minimum future payments were as follows:

	2017 $	**2016 $**
Within one year	**570,773**	593,984
Within two to five years	**988,464**	115,340
	1,559,237	709,324

39. Human capital management

The following data serves as a selection of the Group’s performance measurement indicators for the last two years:

		2017 $	**2016 $**
Number of employees		143	143
Staff costs/total revenue		16.04%	17.42%
Interest revenue per employee		327,905	342,989
Assets per employee	$	10,529,527	7,940,862

(Expressed in Eastern Caribbean Dollars)

40. Subsequent events

Subsequent to the balance sheet date, but prior to the signing of these consolidated financial statements, the Commonwealth of Dominica was struck by category 5 Hurricane Maria. There was significant damage to infrastructure throughout the country, including the Group's facilities, plant and equipment. The Group's assets were adequately insured and therefore there was no significant impact on the Group's facilities.

The damage to property, including, homes, land, vehicles and businesses may result in an inability of some customers to properly discharge their loans in accordance with their loan agreements. The Group will work with these customers to achieve a satisfactory result in the interim and long term for all parties involved.

At the date of signing these consolidated financial statements, the Group was in the process of conducting a wider impact assessment. Upon completion, the Group will be able to adequately quantify the value of losses arising from this event. Once determined, losses will be reflected in the subsequent reporting period.