Creating Opportunities... Building For The Future

Annual Report 2015

Bank of St Vincent & the Grenadines

The Bank That Gives Me *more*

A SUBSIDIARY OF ECFH

MOVING TOGETHER AS ONE

Theme

The BOSVG annual report theme for 2015 reminds all of the core commitment of the Bank to the development of the nation and region through a sustainable and bright future. As the leading financial institution in the market, the bank recognises that the positive impact of its performance must redound to the community, to the national sphere. The Bank creates opportunity through the intimate local connectivity to each customer and the community in which they live. Giving more, has never meant more, as our youth show their real leadership potential...excelling in all fields of endeavour, giving their all in the pursuit of betterment for all. The Bank celebrates their achievements and commits to ever providing the building blocks on which we can all rise to new heights, constructing our own future on the efforts of our indigenous talents, vision and perseverance. We invite all to share in this report and to equally share in the celebration of excellence of those who create opportunities for their own future, building a stronger future for all.

Contents

Notice of Annual Meeting

Notice is hereby given that the 30th Annual Meeting of the Shareholders of the Bank of St. Vincent and the Grenadines Ltd. will be held at the Methodist Church Building, Grenville St., Kingstown, June 21, 2016 at 5:00 pm, for the following purposes:

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

2. To consider and adopt the Directors' Report

3. To sanction Dividends of $0. 29¢ per share paid for the financial period ended December 31, 2015

4. To appoint Auditors for the Financial period January to December 2016

5. To elect Directors

6. To discuss any other business which may be properly considered at the Annual Meeting

Note: Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company. A person appointed by proxy need not be a shareholder. A proxy is enclosed for the use of shareholders and must reach the Corporate Secretary by 5pm, June 17, 2016.

By Order of the Board

Nandi Williams-Morgan
CORPORATE SECRETARY

"**Unleashing the human spirit** through the transformative power and joy of sport."

BANK OF ST. VINCENT AND THE GRENADINES LTD. CORPORATE INFORMATION

REGISTERED OFFICE & POSTAL ADDRESS:

Reigate
Granby Street
P.O. Box 880
Kingstown
VC0 100
St. Vincent and the Grenadines
West Indies

Email:info@bosvg.com
Website:www.bosvg.com
Telephone:(784)457-1844
Fax:(784)456-2612

Chairman: Sir. Errol Allen
Secretary: Mrs. Nandi Williams-Morgan

LEGAL COUNSELS:

Williams & Williams
Chambers, Middle Street
P.O. Box 589
Kingstown
St. Vincent
Telephone: (784) 456-1757
Fax:(784) 456-2259
Principal: Mr. Arthur Williams

Regal Chambers
Second Floor, Regal Building
Middle Street,Kingstown
St. Vincent
Telephone: (784) 457-2210
Fax:(784)457-1823
Principal: Mr. Grahame Bollers

Cardinal Law Firm
114 Granby Street
P.O. Box 401
Kingstown
St. Vincent
Telephone: (784)456-1954
Fax:(784)451-2391
Principal: Mr. Andrew Cummings Q.C

PARENT COMPANY:

East Caribbean Financial Holding Company Ltd. (ECFH)
1 Bridge Street
P.O. Box 1860
Castries
St. Lucia
West Indies

Email:ecfh@candw.lc
Website:www.ecfh.com
Telephone:(758)456-6000
Fax:(758)456-6702

SUBSIDIARY COMPANY:

Property Holding SVG Ltd.
Bedford Street
P.O. Box 880
Kingstown
St. Vincent and the Grenadines
Telephone:(784)457-1844
Fax:(784)456-2612

AFFILIATIONS:

Members of:
Caribbean Association of Banks
Caribbean Association of Audit Committee Members
Caribbean Banks Users Group
Eastern Caribbean Institute of Banking
ECCU Bankers Association
St. Vincent and the Grenadines Bankers Association
St. Vincent and the Grenadines Chamber of Industry and Commerce
St. Vincent Employers' Federation

REGULATORS:

Eastern Caribbean Central Bank
Eastern Caribbean Securities Regulatory Commission
Financial Intelligence Unit
Financial Services Authority
Ministry of Finance

EXTERNAL AUDITORS:

Ernst & Young
Chartered Accountants
Mardini Building
Bay Walk Mall
Rodney Bay, Gros Islet
Saint Lucia

OWNERSHIP IN BANK OF ST.VINCENT AND THE GRENADINES LTD. AS AT 31/12/2015

ECFH 51%
NIS 20%
The Public & Staff of BOSVG 16.87%
Gov't of SVG 12.13%

"Always strive to do better than the last time"

CORRESPONDENT BANKS

REGIONAL

Antigua Commercial Bank Limited
P.O. Box 95
St. John's, Antigua

Eastern Caribbean Central Bank
P.O Box 89
Basseterre, St. Kitts

1st National Bank St. Lucia Limited
P.O. Box 168
Castries, St. Lucia

National Bank of Anguilla
Ltd.
P.O Box 44
The Valley
Anguilla, West Indies

National Bank of Dominica
Roseau, Dominica

Republic Bank Grenada Limited
NCB House, P.O. Box 857, Maurice
Bishop Highway,
Grand Anse, St. George's, Grenada

St. Kitts Nevis Anguilla National
Bank
P.O. Box 343
Basseterre, St. Kitts

1st National Bank St. Lucia Limited
P.O. Box 168
Castries, St. Lucia

First Citizens Bank
62 Independence Square, Port of
Spain
Trinidad

National Commercial Bank
Jamaica
54 King Street
Kingston, Jamaica

Republic Bank
Barbados Limited
Trident House
Lower Broad Street
Bridgetown, Barbados

Republic Bank (Guyana) Limited
110 Camp & Regent Streets
Lacytown
Georgetown, Guyana

Republic Bank Trinidad Ltd
59 Independence Square, Port of
Spain
Trinidad

INTERNATIONAL

Bank of America
100 SE 2nd Street, 13th Floor,
Miami
Florida 33131, USA

Bank of Montreal
Correspondent Banking 3398
Harvester RD
Burlington, Ontario
Canada, L7N 3M7

Lloyds TSB Bank
Monument International Office
11/15 Monument Street
London, England EC3R 8JU

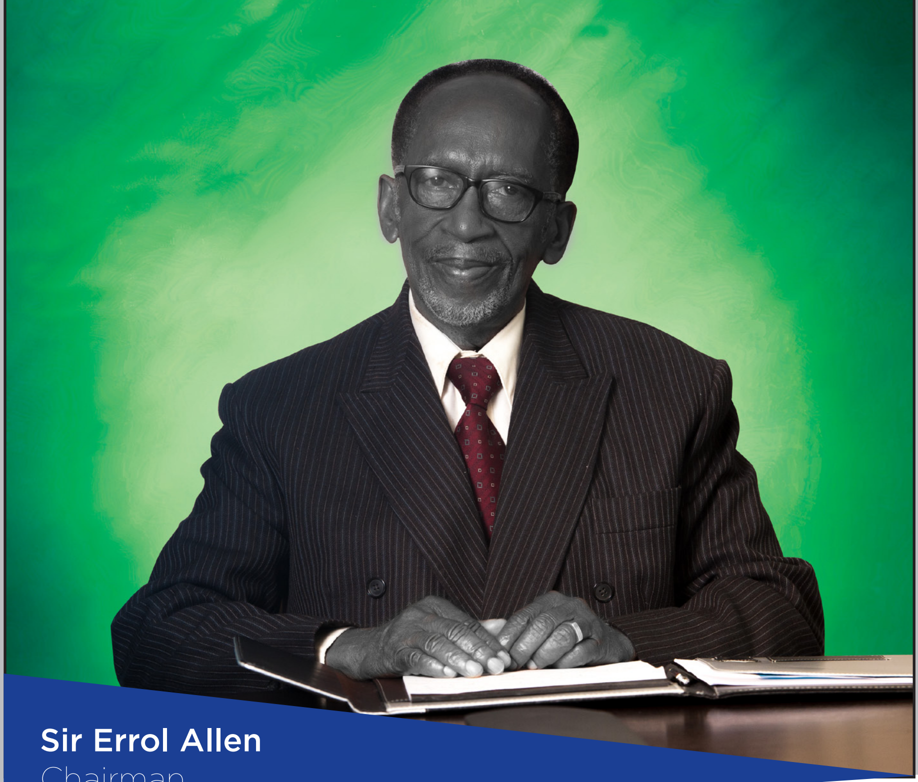
Toronto Dominion Bank
Toronto Data Centre
26 Gerrard Street West
Toronto Ontario M5B, 1G3, Canada

Bank of New York Mellon
1 Wall Street
New York, NY 10286

Crown Agents Bank
St. Nicolas House, St. Nicholas
Road
Sutton Surrey SM1 1EL, United
Kingdom

"**Each small step** you take
moves you closer to
your goal"

Chairman's Report



Sir Errol Allen
Chairman

OVERVIEW

Profit before tax for the year was $8.1 million reflecting a slight reduction of $0.7 million or 8% from the 2014 level of $8.8 million. Profit after tax however improved by 82% to $5.9 million compared to $3.1 million in 2014. The significant tax charge in 2014 related to the settlement of taxes for prior years. This has now been normalized and is therefore not expected to impact the results in the years ahead.

The Bank's strategy throughout the year focused on the effective management of its significant risks with particular emphasis on credit and operational risks while the central issue of asset quality remained a key strategic imperative. At the same time, the Bank remained cautious about the prospects for growth given the obvious challenges which normally follow the cycles of economic slowdown. Furthermore, the low levels of economic growth experienced in recent years intensified the competition within the banking sector thereby leading to reduced margins for some products and services.

Within this context, the Bank continued during 2015 to protect its market share in order to preserve its revenue streams. Accordingly, there was a slight increase of 1% in revenue from $61.7 million in 2014 to $62.4 million in 2015. However, overall expenses increased by 2.6% from $52.9 million in 2014 to $54.3 million in 2015. The significant item is the increase in impairment for losses on loans and advances – the charge for the year being $3.6 million mainly resulting from the reduction in the income from recoveries for the year, as well as, some additional charges for the general and specific provisions.

"**Self belief**, dedication and perseverance can shatter any glass ceiling"

During the year 2015, the Bank continued to support its critical stakeholders through the investment of significant resources aimed at building internal capacity and fostering strong organizational commitment in the case of its employees, and providing critical support to our communities through our Corporate Social Responsibility (CSR) initiatives.

HUMAN RESOURCE DEVELOPMENT

With regards to the employees, the Bank's training and development activities during the year were geared towards the procurement and delivery of training in vital areas of its operations, as well as, supporting undergraduate certification and other specialized certifications for a number of employees who qualified under the Staff Training Policy. Accordingly, three employees graduated in 2015 with undergraduate degrees in Management, and Banking & Finance. Three other employees obtained certification in Counseling, Risk Management and Anti-Money Laundering Compliance.

During the year the Bank allocated and spent $0.3 million on training and staff development. Of this sum $0.1 million was allocated by way of refunds under its staff initiated training programme. The remaining $0.2 million was allocated to the normal training initiatives specifically designed to building the capacity of the staff in the various areas of the operations of the Bank. These areas included auditing and accounting; risk management, legal and compliance and mortgage underwriting to highlight a few.

The Bank had a staff complement of 166 at the end of the financial year under review. 24 employees or 15% of the staff were trained and certified at the undergraduate level, and 8 employees or 5% of the staff at the post graduate level. Given the changing dynamics in the banking sector and the growing complexities particularly in the area of regulatory compliance, it is vital that the Bank continues to strengthen its policy on employee training and development so that it can be fully prepared to deal with these new realities.

CORPORATE SOCIAL RESPONSIBILITY

Our initiatives in respect of the communities focused primarily on youth development as we continued the support for a number of flagship programmes including the Coast Guard Summer Camp; Special Olympics SVG, Barrouallie Sports Association and the National Drama Festival. Also, our Scholarship Programmes for secondary and tertiary level training continue to provide much needed assistance to young persons across the Country. Special note must be made of our Annual Calendar ***'The Promise of a Brighter Tomorrow'*** 2015 and 2016 Editions which showcase the achievements and continuing pursuits of young and highly talented persons in a number of areas including, sports, arts and culture, education and entrepreneurship. The 2016 Edition is featured on the cover and pages of this Annual Report.

OUTLOOK

While the Bank has performed creditably from a financial standpoint in recent years, there are still looming threats in the environment which pose significant dangers. The economic environment as noted earlier continues to impact the level of non-performing loans. More significantly, the prevailing correspondent banking risks that are now widespread across the sub region are further exacerbated by the relatively small size of the indigenous banking sector. And so, in an effort to confront these challenges, an amalgamation of the domestic banks within the ECFH Group – Bank of St. Lucia and Bank of St. Vincent and the Grenadines – is being considered. Such an amalgamation would strengthen the overall capital of the domestic banking operations thereby making it more resilient to future shocks. In addition, the combined size of the entity would help secure correspondent banking relationships which are under considerable threat for smaller indigenous banks in the region. Further, the opportunity for synergies in operating systems and governance structures would lead to overall cost reduction and greater efficiency.

ACKNOWLEDGEMENTS

In conclusion, I would like to thank the Directors for their commitment and their hard work, and more importantly, for their collective wisdom in directing the affairs of the Bank during this past year. I especially want to record, on behalf of the Board, heartfelt appreciation to former Director Andre Iton who resigned effective June 12, 2015 after serving the Board with distinction since November 1, 2010. I wish also to thank the management and staff of the Bank for their invaluable contributions over the year. Without their effort the results that we are reporting to shareholders would not have been possible. Special thanks also to the Shareholders and other key stakeholders of the Bank for the continued support and encouragement. And now as we move ahead we must seek opportunities to consolidate our efforts in confronting the challenges along the path towards building a strong and vibrant institution.

“**Don't wait** for the perfect moment, take the moment and make it perfect”

IN PURSUIT OF ACADEMIC EXCELLENCE

Staff academic achievements - 2015

CELESTINE JACKSON
ACCA

ANTIONETTE BROWNE
BSc. IN MANAGEMENT

JASON FREDERICK
BSc. IN MANAGEMENT STUDIES

LYDIA JACKSON
BSc. IN BANKING AND FINANCE

Profile of Directors

NAME:	**Sir. Errol Allen**
PROFESSION:	**Economist - Retired**
SUBSTANTIVE POSITION: (BOSVG)	Chairman of the Board of Directors Chairman of Human Resources Committee Chairman of Credit Committee
APPOINTED:	July 25, 2013
APPOINTED BY:	East Caribbean Financial Holdings Company Ltd.
QUALIFICATION:	BSc. Economics, MSc. International Economics, Chartered Director

NAME:	**Mrs. Judith Veira**
PROFESSION:	**Consulting Actuary**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Audit Committee
APPOINTED:	July 26, 2013
APPOINTED BY:	Government of St. Vincent and the Grenadines
QUALIFICATION:	BA Hons. Actuarial Science Fellow of the Society of Actuaries

NAME:	**Dr. Timothy Providence**
PROFESSION:	**Medical Doctor**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Credit Committee Member of the Human Resources Committee
ELECTED:	July 25, 2013
ELECTED BY:	The Public
QUALIFICATION:	MBBS , MRCOG ,FRCOG

NAME:	**Mr. Godwin Daniel**
PROFESSION:	**Agricultural Economist - Retired**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Chairman of the Audit Committee
APPOINTED:	October 30, 2014
APPOINTED BY:	St. Vincent and the Grenadines National Insurance Services
QUALIFICATION:	BSc. Agriculture, MSc. Agricultural Economics, Accredited Director

“**Put God first** in your life and never forget the human capacity to hurt or to heal”

Profile of Directors

NAME:	**Mrs. Esther Brown- Weekes**
PROFESSION:	**Bank Executive**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Credit Committee
APPOINTED:	July 25, 2013
APPOINTED BY:	East Caribbean Financial Holdings Company Ltd.
QUALIFICATION:	MSC Finance, Accredited Director

NAME:	**Mr. Lisle Chase**
PROFESSION:	**Chartered Accountant**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Human Resources Committee
APPOINTED:	July 15, 2014
APPOINTED BY:	East Caribbean Financial Holdings Company Ltd.
QUALIFICATION:	FCCA, CA

NAME:	**Mr. Lennox Bowman**
PROFESSION:	**Chief Executive Officer**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Credit Committee Member of the Audit Committee Member ECFH Board Risk Committee
APPOINTED:	July 25, 2013
APPOINTED BY:	St. Vincent and the Grenadines National Insurance Services
QUALIFICATION:	MAAT, ACIB

NAME:	**Mr. Omar Davis**
PROFESSION:	**Financial & Management Consultant**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Audit Committee Member ECFH Governance Committee
APPOINTED:	September 11, 2013
APPOINTED BY:	East Caribbean Financial Holding Company Ltd
QUALIFICATION:	ACCA

NAME:	**Mr. Derry Williams**
PROFESSION:	**Bank Executive**
SUBSTANTIVE POSITION: (BOSVG)	Managing Director Director of the Board
APPOINTED:	April 1, 2011
QUALIFICATION:	MBA-Finance

"**Put God first** in your life and never forget the human capacity to hurt or to heal"

Board of Directors

First Row: *Sir. Errol Allen [Chairman], Mrs. Judith Veira, Mr. Lisle Chase*
Second Row: *Dr. Timothy Providence, Mr. Godwin Daniel, Mrs. Esther Brown-Weekes*
Third Row: *Mr. Lennox Bowman, Mr. Omar Davis*

“ **It may not be easy** but it will be worth it ”

Directors' Report

The Directors of the Bank of St. Vincent and the Grenadines (BOSVG) are pleased to present the report of the Directors for the period January 2015 to December 2015:

DIRECTORS

During the financial year January 2015 to December 2015, one (1) director ceased to hold office. Mr. Andre Iton who was appointed by the East Caribbean Financial Holding Company Ltd. (ECFH) on July 25, 2013 ceased to hold office on June 12, 2015. The ECFH did not fill the vacancy caused by the resignation of Mr. Iton.

In accordance with article 4.4 of the Bye-Law of BOSVG:"Unless his tenure is sooner determined, a director shall hold office from the date from which he is elected or appointed for a term of three years until the close of the annual meeting of the shareholders following but shall be eligible for re-election if qualified." The following directors will therefore retire from the Board and are eligible for re-appointment/ re-election:

Sir Errol Allen	-	Appointed by ECFH
Mrs. Esther Brown-Weekes	-	Appointed by ECFH
Mr. Lisle Chase	-	Appointed by ECFH
Mr. Omar Davis	-	Appointed by ECFH
Mrs. Judith Veira	-	Appointed by the Government of SVG
Mr. Godwin Daniel	-	Appointed by the National Insurance Services
Mr. Lennox Bowman	-	Appointed by the National Insurance Services
Dr. Timothy Providence	-	Elected by the Public

Mr. Gordon Cochrane who served as Alternate Director for the ECFH also retires this year. There is a vacancy on the Board from the resignation of Mr. Andre Iton to be filled by the ECFH.

DIRECTORS' INTEREST

Directors' interest in the ordinary shares of BOSVG as at December 2015 remained unchanged compared to December 2014. Interests were as follows:

Director		**Beneficial Interest**
Errol Allen	-	3,550
Judith Veira	-	31,000
Timothy Providence	-	60,000
Godwin Daniel	-	3,500
Omar Davis	-	3,110
Derry Williams	-	3,650

"**Opportunity** is a scarce commodity, so grab it with both hands"

There was no contract of significance subsisting during or at the end of the financial year in which a director was materially interested directly or indirectly.

GOVERNANCE

The Board of Directors of BOSVG met six times for the 2015 financial year. At the end of the 2015 financial year, there were three (3) Board Committees namely; Audit Committee, Credit Committee and the Human Resources Committee. During the year, the Board dissolved the Executive Committee effective September 25, 2015. It was agreed that responsibilities of the Executive Committee will be subsumed by the full Board and the other remaining Committees including Board Committees of the ECFH Group. The decision to dissolve the Executive Committee was taken since its primary function - the review and adjudication of credits - was assigned to the Credit Committee which was established in 2014.

The Audit Committee met four (4) times for the year and the Credit Committee met five (5) times for the year. The Human Resources Committee did not meet for the year. However, the full Board adjudicated on all matters that would have been tabled at this Committee during the year.

BOSVG was represented on two (2) Board Committees at the Group level during the year. Director Bowman served on the ECFH Risk Committee while Director Davis served on the ECFH Governance Committee. These Committees met four (4) and five (5) times for the year respectively.

Credit Committee: Errol Allen (Chairman), Lennox Bowman, Esther-Brown-Weekes and Timothy Providence

Human Resources Committee: Errol Allen (Chairman), Lisle Chase and Timothy Providence

Audit Committee: Godwin Daniel (Chairman), Lennox Bowman, Judith Veira and Omar Davis

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT DECEMBER 31, 2015

The substantial shareholders of the company as at December 31, 2015 were:

SHAREHOLDER	NO. OF COMMON SHARES	PERCENTAGE
East Caribbean Financial Holding Company Ltd.	5,100,000	51%
St. Vincent and the Grenadines National Insurance Services	2,000,000	20%
The Public inclusive of employees of the Bank	1,687,075	16.87%
Government of St. Vincent and the Grenadines	1,212,925	12.13%

SIGNIFICANT TRANSACTIONS

There were no significant transactions for the period under review.

DIVIDENDS

A final dividend in the amount of 0.29 cents per share was declared by the Board to all shareholders on record as at May 24, 2016. This dividend payment will be tabled at the 30th Annual Meeting of the Shareholders for sanction.

SHAREHOLDERS RELATIONS

The Bank of St. Vincent and the Grenadines Ltd. shares, is scheduled to be listed on the Eastern Caribbean Securities Exchange in June 2016 before the Annual Meeting of Shareholders.

AUDITORS

The Auditors, Ernst & Young, retired at the end of the financial year 2015 as their three (3) year cycle ended at that point. However, the Board of Directors recommends to the shareholders at the 30th Annual Meeting their re-appointment for the financial year ending December 31, 2016.

“**Choose the path** towards something that you love and are passionate about”

Profile Of Executive Management

NAME: Derry Williams
POSITION: Managing Director
QUALIFICATION: MBA-Finance
APPOINTED: April 2011

NAME: Bernard Hamilton
POSITION: Manager Credit Administration
QUALIFICATION: MBA, MSc. Economics
APPOINTED: February 2005

NAME: Bennie Stapleton
POSITION: Chief Financial Officer
QUALIFICATION: Certified Internal Auditor, FCCA, BSc. Accounting
APPOINTED: September 2009

NAME: Cerlian Russell
POSITION: Manager Operations
QUALIFICATION: MBA – General Management
APPOINTED: March 2010

NAME: Nandi Williams-Morgan
POSITION: Corporate Secretary
QUALIFICATION: GDL, LLM International Trade Law, BSc. Economics with Law
APPOINTED: December 2004

NAME: La Fleur Hall
POSITION: Manager Risk and Compliance
QUALIFICATION: CAMS, MSc. Audit Management and Consultancy, CFFA
APPOINTED: February 2011

“**Unleashing the human spirit** through the transformative power and joy of sport.”

Profile of Senior Management

NAME: Kenroy Alexander
POSITION: Branch Manager Operations
QUALIFICATION: ICA International Diploma in Financial Crime Prevention
APPOINTED: July 1, 2013

NAME: Joanne Ballantyne
POSITION: Manager Central Services Unit
QUALIFICATION: Certificates – Institute of Canadian Bankers
APPOINTED: July 1, 2013

NAME: Lisa Henry
POSITION: Senior Human Resources Officer
QUALIFICATION: BSC Accounting, Special Diploma in Counselling
Certificate in Business Administration
APPOINTED: December 1, 2013

NAME: Nicole Fernandez
POSITION: Senior Information Technology Officer
QUALIFICATION: Executive Diploma in Information Technology
APPOINTED: January 3, 2006

NAME: Celestine Jackson
POSITION: Senior Accountant
QUALIFICATION: Certified Accounting Technician, BSc (Hons) Applied Accounting, ACCA
APPOINTED: October 1, 2009

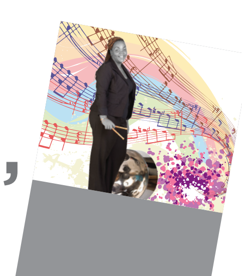
NAME: Irvia Jack-Haynes
POSITION: Senior Audit Officer
QUALIFICATION: Bachelor in Business Administration
APPOINTED: September 15, 2009

NAME: Patricia John
POSITION: Sales and Service Manager
QUALIFICATION: Certificate – Eastern Caribbean Securities Market Representative
Representative Licence - Eastern Caribbean Securities Regulatory Commission
APPOINTED: July 1, 2013

NAME: Andrene Hazel
POSITION: Sales and Service Manager
QUALIFICATION: Executive Diploma- General Management
APPOINTED: July 1, 2013

NAME: Monifa Latham
POSITION: Senior Officer Treasury and Investment
QUALIFICATION: BSc Economics, Principal Licence - Eastern Caribbean Securities Regulatory Commission
APPOINTED: October 1, 2010

“Music is not what I do, it's who I am”



Managment Team

From left to right:
Cerlian Russell *Senior Manager, Business and Operations,* ***Nandi Williams-Morgan*** *Corporate Secretary,* ***Derry Williams*** *Managing Director,* ***La Fleur Hall*** *Manager, Risk and Compliance,* ***Bernard Hamilton*** *Manager, Credit Administration,* ***Bennie Stapleton*** *Chief Financial Officer,*

“ **Think without ceilings** and aim to produce work that can measure up to global benchmarks. ”

Overview of Financial Performance

ECONOMIC CONTEXT

Growth in the local economy remained below the 2% mark during the year under review. This presented very limited prospects for any general improvements in the Bank's financial performance as the critical sectors of the economy remained subdued.

Despite the obvious challenges in the macro-economic environment, the Bank was able to sustain the quality of the credit portfolio by maintaining the level of non-performing loans at around 6.4%. Additionally, the Bank increased provisioning for loan losses due to the impact of the general slowdown in economic activities which resulted in the reduction in sale of collateral held for distressed loans. Despite this, the Bank still maintained its profitability at the same level of the previous year.

PERFORMANCE SUMMARY

The Bank recorded profit before tax of $8,065,338 and after tax profit of $5,858,954 for the financial year ended December 31, 2015. While there was a slight reduction in the profit before tax based on the prior year's results, there was an increase in the after tax profit by $2,764,405 due mainly to the reduction in the income tax expense. The income tax expense in the prior year resulted from the settlement of taxes related to the period 2009 to 2013.

Total assets reduced by 1.1% to $899,188,648 from $909,102,657 in 2014. This was mainly due to the reduction in borrowings arising from the repurchase of a pool of mortgages from Eastern Caribbean Home Mortgage Bank.

The main highlights with comparatives for 2013 and 2014 are shown on the following page.

"**No one can stop you,**
only you can stop
yourself"

FINANCIAL STATISTICS 2013-2015

Bank of St. Vincent and the Grenadines

	2015	2014	2013
OPERATING RESULTS ($'OOO)			
Interest Income	50,068,147	48,640,918	47,825,394
Interest Expense	(19,412,837)	(22,244,978)	(21,884,437)
NET INTEREST INCOME	30,655,310	26,395,940	25,940,957
Non Interest Income	12,290,053	13,054,659	12,087,443
Total Revenue	42,945,363	39,450,599	38,028,400
Provision for Credit Losses	3,607,851	(77,150)	(1,195,762)
Provision for Investment Losses	410,408	-	770,900
Income Tax Expense	2,206,384	5,685,062	1,547,259
Non Interest Expense	30,861,766	30,748,138	29,415,268
Net Income	5,858,954	3,094,549	7,490,735
Net Income Attributable to Shareholders	2,929,477	1,547,275	3,745,368
OPERATING PERFORMANCE			
Earnings Per Share	0.59	0.31	0.75
Dividends Per Share	0.29	0.15	0.37
Return on Equity	5.64%	3.11%	7.47%
Return on Assets	0.65%	0.34%	0.90%
Efficiency Ratio	81.22%	77.75%	76.23%
Core Banking Margin (Spread)	3.41%	2.90%	3.11%
FINANCIAL POSITION DATA ($'000)			
Cash And Deposits With Banks	195,560,043	207,936,530	138,435,812
Total Assets	899,188,648	909,102,657	834,250,628
Loans And Advances	586,006,095	577,997,867	564,081,530
Investments	39,250,294	43,077,581	51,240,589
Customers Deposit	655,935,277	651,341,735	589,139,473
Shareholders Equity	103,898,879	99,467,056	100,215,714
CAPITAL AND LIQUIDITY MEASURES			
Tier 1 Capital	20.24%	20.18%	20.28%
Total Risk Weighted Assets	517,993,966	497,421,031	500,009,956
Loans to Deposits	89.34%	88.74%	95.75%
CREDIT QUALITY			
Impaired Loans	37,702,505	36,634,578	39,307,137
Allowance for Loan Losses	7,019,004	5,194,196	6,227,200
Impaired Loans as a % of Loans	6.36%	6.28%	6.89%
Provisions For Loan Losses As A % Of Loans	1.18%	0.89%	1.09%
Non Productive Loans to Total Asset	4.19%	4.03%	4.71%
OTHER			
Number of Staff	166	168	161
Earnings Per Staff	35,295	18,420	46,526
Number of Shares	10,000,000	10,000,000	10,000,000

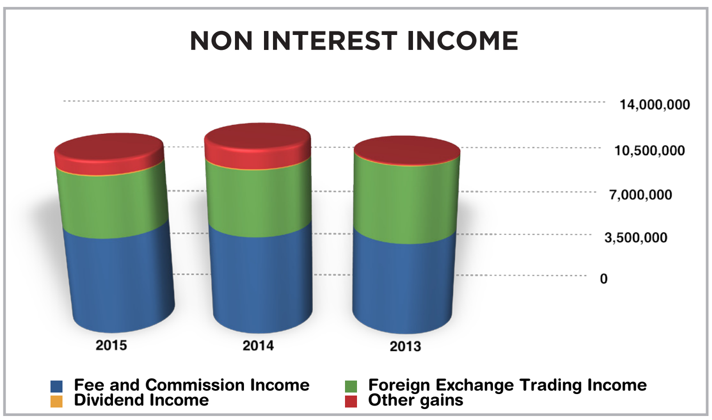
NET INTEREST INCOME

Net Interest Income increased by approximately 4.26 million or 16.1% when compared to the previous financial year. This increase was primarily attributed to growth in interest income from loans and advances and a reduction in interest expense. The reduction in the minimum interest rate on savings accounts in conjunction with other initiatives taken to lower the Bank's cost of fund resulted in the positive movement in interest expense from $22.2 million in 2014 to $19.4 million in 2015.

Interest income from loans and advances grew by $1.8 million commensurate with the growth in Banks' interest earning assets. There was a reduction in investment income of $0.281 million due mainly to the overall reduction in the investment portfolio and a general decline in market conditions which resulted in lower yields.

NON-INTEREST INCOME

Total Non-Interest Income was $12.2 million compared to $13.1 million in 2014. The reduction was due mainly to the impact of the one-off collection of $1.2 million in 2014 from the closure of the self-insurance plan previously operated by the Bank. All other categories performed in line with budgetary expectations.



NON-INTEREST EXPENSE

Total non-interest expense was consistent with the previous financial period. Increases in some categories of operating expenses were generally covered by reductions in other categories. Reductions were mainly achieved in areas such as property related expenses, utilities, subscription and donations, while there were increases in Bank & other Licenses, legal and professional fees and Credit Card expenses and staff related expenses.

	2015	2014	2013
Employee Benefit Expense	10,027,311	9,677,982	8,819,051
Management Fees	909,340	1,661,935	1,146,163
Property Related Expenses	376,371	444,428	669,765
Utilities	2,183,852	2,405,120	2,584,388
Subscription And Donations	113,474	665,684	137,131
Bank & Other Licenses	1,061,287	958,162	1,106,888
Legal And Professional Fees	446,371	111,992	996,793
Credit Card Expenses	1,404,237	1,222,953	1,018,023

The breakdown of Other Expenses is shown below:

	Year ended Dec 31, 2015 $	Year ended Dec 31, 2014 $
ATM Expenses	215,237	143,798
Cashiers shorts & overs	(7,087)	(14,068)
Cleaning	178,018	172,485
Motor Vehicle	99,434	144,237
Scholarships	112,500	139,321
Travelling	226,320	178,329
Cash Carriage	619,991	629,853
Internal Audit	8,655	10,144
Int'l Debit Card	427,928	353,065
Laundry	180	180
Library	298	823
Office Toiletries & Expenses	150,460	123,573
Recoveries Expense	-	834
Sundry Gains & Losses	608,223	459,780
Transaction fees	2,083	12,811
	2,642,240	**2,355,165**

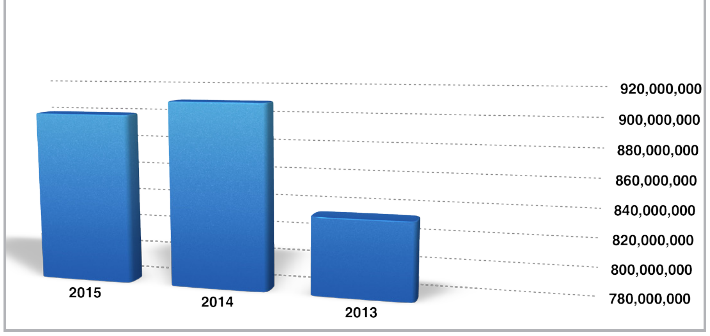
“**Each small step** you take moves you closer to your goal”

INCOME TAX EXPENSE

Total income tax expense was $2.2 million in 2015 compared to $5.6 million in 2014. AAs noted earlier, the 2014 tax expense was related mainly to the settlement of tax liability for the financial period 2009 to 2013.

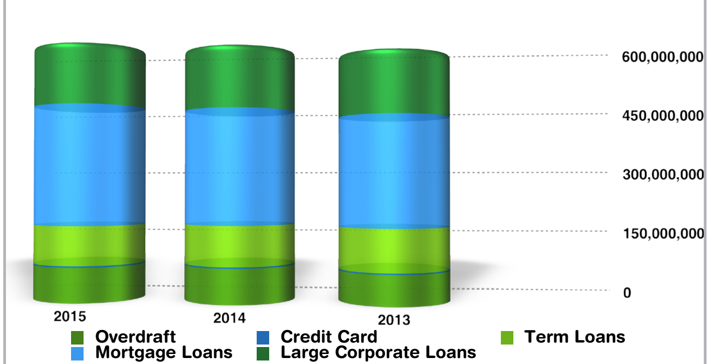
ASSETS

At December 31, 2015 the bank's total assets decreased by approximately $10.0 million or 1%. The reduction in the assets was due in most part to the utilization of cash resources to facilitate the repurchasing of approximately $17.0 million dollars in off balance sheet assets; this also led to a reduction in borrowed funds.



LOANS AND ADVANCES/CREDIT QUALITY

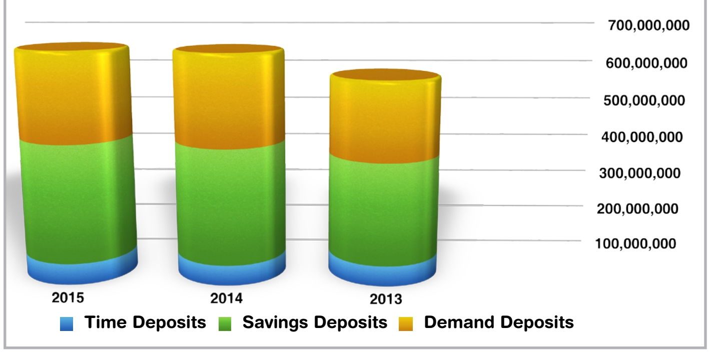
The total loan portfolio grew by 1.7% or $9.8 million during the financial year. This increase was primarily driven by a 5.1% growth in the mortgage portfolio. The other loan categories remained relatively consistent with the previous financial year.



The overall quality of the loan portfolio remained relatively consistent with the previous financial year. During the year a number of initiatives geared at sustaining the quality of the credit portfolio were implemented by management. As a result of this, the Bank was able to maintain its non-performing loan ratio at around 6.4% despite the decline in property sales and the limited opportunities for the restructuring of credit facilities given the constraints of the economic context. The Bank intends to continue pursuing opportunities for further reduction in the non-performing portfolio with a view to moving closer to the international benchmark of 5%.

DEPOSITS/DUE TO CUSTOMERS

Due to Customers was consistent with the previous financial year. However, there were some movements among the various categories of deposits. There were increases of approximately $7.0 million and $2.0 million in savings and term deposit while demand deposits fell by approximately $4.0 million. The strong liquidity in the market had allowed the bank to maintain competitive rates on its deposit products during the year and we expect this trend to continue in 2016.



CONCLUSION

The performance of the Bank reflects improvements in a number of key areas. The Bank's income continues to experience growth while expenses are held constant. In the years ahead, the focus will continue to be on seeking growth opportunities while at the same time improving the overall risk profile of the Bank. In the given economic context it is imperative that we continue to pay close attention to the critical risk areas, particularly credit and operational risks, in order to mitigate any possibility of losses that can impact the profitability of the Bank.

"Put God first in everything you do. Everything will come through for you"

Building a better working world

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Bank of St. Vincent and the Grenadines Limited

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Ernst & Young

CHARTERED ACCOUNTANTS
St. Lucia
21 March 2016

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Assets		
Cash and balances with Central Bank (Note 5)	**93,097,701**	117,771,589
Treasury bills (Note 6)	**10,167,671**	-
Deposits with other banks (Note 7)	**92,294,671**	90,164,941
Financial assets held for trading (Note 8)	**36,311**	40,502
Investment securities (Note 12)	**39,250,294**	43,077,581
Loans and receivables - loans and advances to customers (Note 9)	**586,006,095**	577,997,867
-bonds (Note 11)	**10,032,877**	10,032,877
Property and equipment (Note 14)	**56,741,507**	58,002,725
Investment properties (Note 15)	**2,565,000**	4,331,000
Other assets (Note 16)	**7,816,946**	5,914,212
Income tax recoverable	**1,179,575**	1,769,363
Total assets	**899,188,648**	909,102,657
Liabilities		
Deferred tax Liability (Note 17)	**433,585**	652,890
Deposits from banks (Note 18)	**38,841,463**	40,212,066
Due to customers (Note 19)	**655,935,277**	651,341,735
Borrowings (Note 20)	**51,064,175**	71,650,451
Other liabilities (Note 21)	**49,015,269**	45,778,459
Total liabilities	**795,289,769**	809,635,601
Equity		
Share capital (Note 22)	**14,753,306**	14,753,306
Reserves (Note 23)	**14,753,306**	14,753,306
Unrealised gain on investments	**1,633,479**	1,560,610
Retained earnings	**72,758,788**	68,399,834
Total equity	**103,898,879**	99,467,056
Total liabilities and equity	**899,188,648**	909,102,657

Approved by the Board of Directors on 21 March 2016:

Director
SIR ERROL N. ALLEN

Director
GODWIN A. DANIEL

The accompanying notes form an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

	Share Capital (Note 22) $	Other Reserves (Note 23) $	Unrealised gain (loss) on investments $	Retained Earnings $	Total $
Balance at January 1, 2014	**14,753,306**	**14,753,306**	**1,703,817**	**69,005,285**	**100,215,714**
Total comprehensive income	-	-	(143,207)	3,094,549	2,951,342
Dividend Paid	-	-	-	(3,700,000)	(3,700,000)
At December 31, 2014	**14,753,306**	**14,753,306**	**1,560,610**	**68,399,834**	**99,467,056**
Balance at January 1, 2015	**14,753,306**	**14,753,306**	**1,560,610**	**68,399,834**	**99,467,056**
Total comprehensive income	-	-	**72,869**	**5,858,954**	**5,931,823**
Dividend Paid	-	-	-	**(1,500,000)**	**(1,500,000)**
At December 31, 2015	**14,753,306**	**14,753,306**	**1,633,479**	**72,758,788**	**103,898,879**

The accompanying notes form an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Interest income (Note 25)	**50,068,147**	48,640,918
Interest expense (Note 25)	**(19,412,837)**	(22,244,978)
Net interest income	**30,655,310**	26,395,940
Fee and commission income (Note 26,28,29)	**12,215,449**	12,988,563
Dividend income (Note 27)	**74,604**	66,096
Impairment losses on investment securities (Note 12)	**(410,408)**	-
Impairment losses on loans and advances, net (Note 32)	**(3,607,851)**	77,150
Operating expenses (Note 30)	**(30,861,766)**	(30,748,138)
Profit before income tax	**8,065,338**	8,779,611
Income tax expense (Note 33)	**(2,206,384)**	(5,685,062)
Profit for the year	**5,858,954**	3,094,549
Earnings per share (Note 34)	**0.58**	0.31

The accompanying notes form an integral part of these financial statements

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Profit for the year	**5,858,954**	3,094,549
Other comprehensive income		
Items to be reclassified to profit or loss:		
Unrealised gain/(loss) on available for sale investments	**72,869**	(143,207)
Total comprehensive income for the year	**5,931,823**	2,951,342

The accompanying notes form an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

	2015	2014
	$	$
Cash flows from operating activities		
Profit before income tax	**8,065,338**	8,779,611
Adjustments for reconcile net profit before tax to net cash flows:		
Interest income – investment securities & deposits	**(3,123,790)**	(3,482,409)
Interest expense - borrowings	**2,068,405**	2,094,453
Impairment on loans and advances	**3,599,630**	716,220
Impairment on investment	**410,408**	-
Depreciation	**2,941,254**	3,021,297
Dividend income	**(74,604)**	(66,096)
Loss on disposal of investment property	**45,010**	-
Gain on disposal of property and equipment	**(14,837)**	(40,457)
Cash flows before changes in operating assets and liabilities	**13,916,814**	11,022,619
Increase in mandatory deposits with Central Bank	**(275,612)**	(3,732,135)
Increase in loans and advances to customers	**(14,409,746)**	(13,311,975)
Increase in other assets	**(1,548,556)**	(829,891)
Increase in due to customers	**4,651,356**	62,391,169
Decrease in deposits from banks	**(1,370,603)**	(2,576,651)
Increase in other liabilities	**3,236,810**	9,861,724
Net cash generated from operations	**4,200,463**	62,824,860
Dividends received	**74,604**	66,096
Interest received	**3,123,791**	3,482,888
Interest paid	**(2,089,978)**	(2,066,767)
Income tax paid	**(2,190,079)**	(4,342,560)
Net cash generated from operating activities	**3,118,801**	59,964,517
Cash flows from investing activities		
Movement in short term investments and fixed deposits	**814,217**	(81,737)
Proceeds from sale of investment property	**1,720,990**	-
Sale of treasury bills	**-**	5,981,449
Proceeds from disposal and redemption of investment securities	**10,045,474**	8,363,610
Purchase of investment securities	**(6,555,726)**	(344,287)
Purchase of property and equipment	**(1,685,199)**	(2,397,399)
Proceeds from disposal of property and equipment	**20,000**	53,665
Net cash generated from investing activities	**4,359,756**	11,575,301

(expressed in Eastern Caribbean dollars)

	2015 $	2014 $
Cash flows from financing activities		
Dividends paid	**(1,500,000)**	(3,700,000)
Repayment of borrowings	**(21,002,816)**	(2,375,145)
Proceeds from borrowings	**3,240,000**	6,387,513
Net cash (used in)/ generated from financing activities	**(19,262,816)**	312,368
Effects of exchange rate changes on cash and cash equivalents	**(57,814)**	(188,907)
Net (decrease)/ increase in cash and cash equivalents	**(11,842,073)**	71,663,279
Cash and cash equivalents at beginning of year	**165,692,154**	94,028,875
Cash and cash equivalents at end of year (Note 35)	**153,850,081**	165,692,154

The accompanying notes form an integral part of these financial statements.

(expressed in Eastern Caribbean dollars)

1 General information

Bank of St. Vincent and the Grenadines Limited (the Bank), (the Parent Company or "Group") (formerly the National Commercial Bank (SVG) Ltd.) was incorporated in St. Vincent and the Grenadines on 1 June 1977. On 19 June 2009, the Bank and the St. Vincent and the Grenadines Development Bank Inc. were amalgamated and continued under the name of the National Commercial Bank (SVG) Ltd. The Bank's name was changed to Bank of St. Vincent and the Grenadines Limited on 26 November 2012. In addition to the Company's Act of 1994, the Bank is subject to the provisions of the Banking Act 2006.

Property Holdings SVG Ltd. (the "Subsidiary") is wholly owned by the Bank. The Subsidiary was incorporated in Saint Vincent and the Grenadines on 13 December 2010. The Subsidiary' principal activity is to own, develop and manage real estate properties acquired by the Bank.

The Bank and the Subsidiary together "the Group" is a 51% subsidiary of Eastern Caribbean Financial Holding Company (ECFH) Ltd. Of the remaining 49%, 12.13% is owned by the Government, 20% owned by the National Insurance Services and 16.87% owned by the public as at 31 December 2015.

The principal activity of the Group is the provision of retail, corporate, banking and investment services in St. Vincent and the Grenadines.

The Group's principal place of business and registered office is located at Reigate Building, Granby Street Kingstown St. Vincent.

2 Summary of significant accounting policies

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

Statement of compliance
Bank of St. Vincent and the Grenadines Limited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) as at 31 December 2015(the reporting date).

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

(a) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

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

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

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

Annual improvements *2011-2013 Cycle*
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

(b) Standards issued but not yet effective

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

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2015, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement
The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in Other Comprehensive Income (OCI) will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

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

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

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

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

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

Annual Improvements *2012-2014 Cycle*
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts
ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
IAS 19 Employee Benefits
IAS 34 Interim Financial Reporting

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation...*continued*

Consolidation...*continued*

(a) Transactions and non-controlling interests

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

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Fair value measurement

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

➢ Disclosures for valuation methods, significant estimates and assumptions	Notes 2 and 4
➢ Quantitative disclosures of fair value measurement hierarchy	Note 3
➢ Investment properties	Note 15
➢ Financial instruments (including those carried at amortised cost)	Note 12

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

Consolidation*...continued*

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

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

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

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

Cash and cash equivalents

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

(expressed in Eastern Caribbean dollars)

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

Financial assets

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

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

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

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

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

(b) Loans and receivables

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

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

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

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

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

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

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

Recognition/Derecognition
The Group uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties or;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of borrowers in the Group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets…*continued*

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets…*continued*

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

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

Property and equipment
All property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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:

Leasehold improvements	20%
Furniture and equipment	10%-20%
Motor vehicles	25%
Property	2%
Computer Software	20%

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

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

(expressed in Eastern Caribbean dollars)

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

Investment properties

Properties that are held for long term rental or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment property comprises of land for capital appreciation.

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

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

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

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

Impairment of other non-financial assets

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

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

(expressed in Eastern Caribbean dollars)

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

Income tax

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

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future years, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

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

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

The principal temporary differences arise from depreciation of property and equipment and unlimited tax losses. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is more likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee benefits

Pension

The Group operates a defined contribution pension scheme. The scheme is generally funded through payments to trustee-administered funds, determined by the provisions of the plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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.

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

Share capital

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

Dividends for the year that are declared after the statement of financial position date are dealt with the subsequent events note.

(expressed in Eastern Caribbean dollars)

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

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

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

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

Fee and commission income
Fees and commissions are generally recognised on an accruals basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportioned basis.

Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

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

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

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

(expressed in Eastern Caribbean dollars)

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

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, a distinction is made between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit and loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the other comprehensive income.

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

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

Financial instruments
Financial instruments carried on the statement of financial position include cash resources, 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 statement associated with each item.

Comparatives
Except when a standard or an interpretation permits or requires otherwise, all comparatives are amended to meet current year presentation.

(expressed in Eastern Caribbean dollars)

3 Financial risk management

Strategy in using financial instruments

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

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

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

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

Credit risk

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

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

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 provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Debt securities and other bills

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

Cash and balances with Central Bank

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

Risk limit control and mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below.

Collateral

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

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

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

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*
Management determines whether objective evidence of impairment exists based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

Maximum exposure to credit risk
Credit risk exposures relating to the financial assets in the statement of financial position:

	Maximum exposure	
	2015	**2014**
	$	**$**
Cash and balances with Central Bank	**93,097,701**	117,771,589
Treasury bills	**10,167,671**	-
Deposits with other banks	**92,294,671**	90,164,941
Financial Assets Held for Trading		
− Debt Securities	**36,311**	40,502
Loans and advances to customers:		
− Overdrafts	**79,779,110**	80,694,410
− Term loans	**88,522,737**	90,119,156
− Large Corporate loans	**138,110,017**	140,530,459
− Mortgage loans	**276,819,452**	263,628,315
− Credit Cards	**2,774,779**	3,025,527
− Bonds	**10,032,877**	10,032,877
Investment Securities	**39,250,294**	43,077,581
Other assets	**6,166,622**	4,704,057
	837,052,242	**843,789,414**
Credit risk exposures relating to off-statement of financial position items		
Guarantees and letters of credit	**140,500**	1,511,291
Loan commitments	**11,624,068**	7,314,450
	11,764,568	**8,825,741**
	848,816,810	**852,615,155**

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk...*continued*

As shown above 70.41% (2014 - 67.79%) of the total maximum exposure is derived from loans and advances to customers; 5.81% (2014 – 6.23%) represents investments in debt securities.

Loans and advances to customers are summarised as follows:

	2015 $	2014 $
Neither past due nor impaired	**470,645,970**	476,297,243
Past due but not impaired	**84,676,624**	70,260,242
Impaired	**37,702,505**	36,634,578
Gross	**593,025,099**	583,192,063
Less allowance for impairment losses on loans and advances to customers	**(7,019,004)**	(5,194,196)
Net	**586,006,095**	577,997,867

The total impairment provision for loans and advances to customers is $7,019,004 (2014 - $5,194,196) of which $5,080,856 (2014 - $4,269,818) represents the individually impaired loans and the remaining amount of $1,938,148 (2014 - $924,378) represents the collective provision. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 9 and 10.

Loans and advances to customers 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.

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
31 December 2015	**79,530,513**	**67,318,120**	**226,908,306**	**94,825,905**	**2,063,126**	**470,645,970**
31 December 2014	80,468,496	65,775,126	214,074,588	113,667,212	2,311,821	476,297,243

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk...*continued*

Loans and advances to customers past due but not impaired

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

	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
At 31 December 2015					
Past due up to 30 days	**10,487,653**	**24,251,984**	**14,467,215**	**572,134**	**49,778,986**
Past due 30 - 60 days	**2,218,780**	**9,311,858**	**8,828,038**	**119,009**	**20,477,685**
Past due 60 - 90 days	**1,167,492**	**3,745,923**	**9,467,419**	**39,119**	**14,419,953**
	13,873,925	**37,309,765**	**32,762,672**	**730,262**	**84,676,624**
At 31 December 2014					
Past due up to 30 days	10,752,606	25,110,846	4,159,659	614,234	40,637,345
Past due 30 - 60 days	2,630,181	6,216,518	635,479	62,582	9,544,760
Past due 60 - 90 days	1,831,240	5,011,180	13,191,787	43,930	20,078,137
	15,214,027	36,338,544	17,986,925	720,746	70,260,242

Loans and advances to customers individually impaired:

	Over -drafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
31 December 2015	910,252	9,564,202	14,481,174	12,290,027	456,850	37,702,505
31 December 2014	557,864	11,336,273	14,754,353	9,852,166	133,922	36,634,578

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk...*continued*

Repossessed collateral
At the end of 31 December 2015, the Group had repossessed collateral of $108,000 (2014 - $26,600)

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

	Treasury Bills $	Financial Assets held-to-maturity $	Financial Assets Available-for- sale $	Financial Assets held-for-trading $	Loans and Receivables – Bonds $	Total $
At 31 December 2015						
A- to A+	**-**	**-**	**-**	**-**	**-**	**-**
Lower than A-	**10,167,671**	**17,056,686**	**-**	**-**	**10,032,877**	**37,257,234**
Unrated	**-**	**17,179,350**	**5,014,258**	**36,311**	**-**	**22,229,919**
	10,167,671	**34,236,036**	**5,014,258**	**36,311**	**10,032,877**	**59,487,153**
At 31 December 2014						
AA- to AA+	-	4,685,991	-	-	-	4,685,991
Lower than A-	-	17,288,638	-	-	10,032,877	27,321,515
Unrated	-	16,161,563	4,941,389	40,502	-	21,143,454
	-	38,136,192	4,941,389	40,502	10,032,877	53,150,960

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors
The Group operates primarily in Saint Vincent and the Grenadines. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in this location, except for investments which have other exposures, primarily in the other Caribbean Countries.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Industry and economic concentrations of assets...*continued*

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	Other Industries $	Total $
Cash and balances with Central Bank	93,097,701	-	-	-	-	-	-	93,097,701
Treasury Bills	-	-	-	10,167,671	-	-	-	10,167,671
Deposits with other banks	92,294,671	-	-	-	-	-	-	92,294,671
Financial assets held for trading	36,311	-	-	-	-	-	-	36,311
Investment securities:								
- Held to maturity	19,220,287	-	-	12,573,033	-	-	2,442,716	34,236,036
- Available for sale	3,689,449	-	-	-	-	-	1,324,809	5,014,258
Loans and receivables:								
- Loans and advances to customers								
- Corporate	-	2,272,918	14,838,936	33,631,410	12,836,217	5,975,852	68,554,684	138,110,017
- Term	449,477	385,872	811,436	-	320,302	85,632,935	922,715	88,522,737
- Mortgages	-	-	420,199	-	-	275,669,339	729,914	276,819,452
- Overdrafts	289,585	2,286,873	304,520	60,073,952	3,431,128	3,507,467	9,885,585	79,779,110
- Credit cards	11,892	-	664	1,963	7,195	2,731,311	21,754	2,774,779
- Bonds	-	-	-	10,032,877	-	-	-	10,032,877
Other assets	-	-	-	-	-	-	6,166,622	6,166,622
At 31 December 2015	**209,089,373**	**4,945,663**	**16,375,755**	**126,480,906**	**16,594,842**	**373,516,904**	**90,048,799**	**837,052,242**
Guarantees, letters of credit, loan commitments and other credit related obligations	**-**	**850,000**	**-**	**-**	**-**	**8,044,068**	**2,870,500**	**11,764,568**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Industry and economic concentrations of assets...*continued*

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	Other Industries $	Total $
Cash and balances with Central Bank	117,771,589	-	-	-	-	-	-	**117,771,589**
Deposits with other banks	90,164,941	-	-	-	-	-	-	**90,164,941**
Financial assets held for trading	40,502	-	-	-	-	-	-	**40,502**
Investment securities:								
- Held to maturity	18,736,665	-	-	16,721,711	-	-	2,677,816	**38,136,192**
- Available for sale	3,655,333	-	-	-	-	-	1,286,056	**4,941,389**
Loans and receivables:								
- Loans and advances to customers								
- Corporate	-	2,616,340	13,352,675	37,601,376	12,530,475	7,945,155	66,484,438	**140,530,459**
- Term	757,169	407,517	523,066	-	351,551	86,337,499	1,742,354	**90,119,156**
- Mortgages	-	-	-	-	-	262,496,257	1,132,058	**263,628,315**
- Overdrafts	55,433	1,446,963	1,384,872	61,227,225	3,021,351	3,367,399	10,191,167	**80,694,410**
- Credit cards	23,225	-	6,116	6,382	10,611	2,968,679	10,514	**3,025,527**
- Bonds	-	-	-	10,032,877	-	-	-	**10,032,877**
Other assets	-	-	-	-	-	-	4,704,057	**4,704,057**
At 31 December 2014	**231,204,857**	**4,470,820**	**15,266,729**	**125,589,571**	**15,913,988**	**363,114,989**	**88,228,460**	**843,789,414**
Guarantees, letters of credit, loan commitments and other credit related obligations	**-**	**157,000**	**350,000**	**989,491**	**-**	**7,157,450**	**171,800**	**8,825,741**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Market risk

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

Non-trading portfolios market risk primarily arises 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.

Currency risk

The Group takes on exposure to 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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

Concentrations of financial assets and financial liabilities	**ECD**	**USD**	**BDS**	**EURO**	**GBP**	**CAD**	**Other**	**Total**
As at 31 December 2015								
Financial assets								
Cash and balances with Central Bank	90,552,400	1,568,619	193,252	455,471	152,135	175,550	274	93,097,701
Treasury bills	10,167,671	-	-	-	-	-	-	10,167,671
Deposit with other banks	18,448,009	70,849,286	168,548	988,158	563,309	1,186,036	91,325	92,294,671
Financial assets held for trading	-	-	-	36,311	-	-	-	36,311
Investment securities:								
– held-to-maturity	27,331,585	6,904,451	-	-	-	-	-	34,236,036
– available-for-sale	3,047,833	1,324,809	641,250	366	-	-	-	5,014,258
Loans and receivables:								
– loans and advances to customers	586,006,095	-	-	-	-	-	-	586,006,095
– bonds	10,032,877	-	-	-	-	-	-	10,032,877
Other assets	6,166,622							6,166,622
Total financial assets	**751,753,092**	**80,647,165**	**1,003,050**	**1,480,306**	**715,444**	**1,361,586**	**91,599**	**837,052,242**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

Concentrations of financial assets and financial liabilities

As at 31 December 2015

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
Financial liabilities								
Deposits from banks	38,841,463	-	-	-	-	-	-	38,841,463
Due to customers	634,082,343	18,866,317	-	1,470,702	173,375	1,342,540	-	655,935,277
Borrowings	25,670,842	25,393,333	-	-	-	-	-	51,064,175
Other liabilities	49,015,269	-	-	-	-	-	-	49,015,269
Total financial liabilities	747,609,917	44,259,650	-	1,470,702	173,375	1,342,540	-	794,856,184
Net assets	4,143,175	36,387,515	1,003,050	9,604	542,069	19,046	91,599	42,196,058
Guarantees, letters of credit, loan commitments and other credit related obligations	**11,764,568**	**-**	**-**	**-**	**-**	**-**	**-**	**11,764,568**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Currency risk*...continued*

Concentrations of financial assets and financial liabilities	**ECD**	**USD**	**BDS**	**EURO**	**GBP**	**CAD**	**Other**	**Total**
As at 31 December 2014								
Financial assets								
Cash and balances with Central Bank	115,276,884	1,325,390	234,847	510,593	193,126	230,475	274	117,771,589
Deposit with other banks	19,144,035	65,826,799	192,555	2,976,147	729,682	1,183,734	111,989	90,164,941
Financial assets held for trading	-	-	-	40,502	-	-	-	40,502
Investment securities:								
– held-to-maturity	25,012,585	13,123,607	-	-	-	-	-	38,136,192
– available-for-sale	3,047,833	1,281,958	607,500	4,098	-	-	-	4,941,389
Loans and receivables:								
– loans and advances to customers	577,997,867	-	-	-	-	-	-	577,997,867
– bonds	10,032,877	-	-	-	-	-	-	10,032,877
Other assets	4,704,057	-	-	-	-	-	-	4,704,057
Total financial assets	**755,216,138**	**81,557,754**	**1,034,902**	**3,531,340**	**922,808**	**1,414,209**	**112,263**	**843,789,414**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Currency risk*...continued*

Concentrations of financial assets and financial liabilities	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
As at 31 December 2014								
Financial liabilities								
Deposits from banks	40,212,066	-	-	-	-	-	-	40,212,066
Due to customers	627,143,577	19,008,615	-	3,742,221	98,417	1,348,905	-	651,341,735
Borrowings	46,952,533	24,697,918	-	-	-	-	-	71,650,451
Other liabilities	45,778,459	-	-	-	-	-	-	45,778,459
Total financial liabilities	**760,086,635**	**43,706,533**	-	**3,742,221**	**98,417**	**1,348,905**	-	**808,982,711**
Net assets/(liabilities)	(4,870,497)	37,851,221	1,034,902	(210,881)	824,391	65,304	112,263	34,806,703
Guarantees, letters of credit, loan commitments and other credit related obligations	**8,825,741**	-	-	-	-	-	-	**8,825,741**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow 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.

(expressed in Eastern Caribbean dollars)

3 **Financial risk management***...continued*

Interest rate risk *...continued*
The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 2015							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	93,097,701	93,097,701
Treasury Bills	10,167,671	-	-	-	-	-	10,167,671
Deposits with other banks	-	-	2,390,157	-	-	89,904,514	92,294,671
Financial assets held for trading	36,311	-	-	-	-	-	36,311
Investment securities:							
– held-to-maturity	756,583	291,686	18,161,156	10,901,084	4,125,527	-	34,236,036
– available for sale	-	-	-	-	-	5,014,258	5,014,258
Loans and receivables:							
– loans and advances to customers	77,749,440	8,532,917	18,370,049	103,848,531	377,505,158	-	586,006,095
– bonds	-	-	-	10,032,877	-	-	10,032,877
Other assets	-	-	-	-	-	6,166,622	6,166,622
Total financial assets	88,710,005	8,824,603	38,921,362	124,782,492	381,630,685	194,183,095	837,052,242
Financial liabilities							
Deposits from banks	3,342,392	16,553,428	17,659,995	-	-	1,285,648	38,841,463
Due to customers	420,633,519	32,743,259	92,907,818	-	-	109,650,681	655,935,277
Borrowings	585,451	802,605	3,162,841	15,679,010	30,834,268	-	51,064,175
Other liabilities	-	-	-	-	-	49,015,269	49,015,269
Total financial liabilities	424,561,362	50,099,292	113,730,654	15,679,010	30,834,268	159,951,598	794,856,184
Net interest re-pricing gap	(335,851,357)	(41,274,689)	(74,809,292)	109,103,482	350,796,417	34,231,497	42,196,058

(expressed in Eastern Caribbean dollars)

3 **Financial risk management**...*continued*

Interest rate risk ...*continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 2014							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	117,771,589	**117,771,589**
Deposits with other banks	-	465,510	3,204,374	-	-	86,495,057	**90,164,941**
Financial assets held for trading	40,502	-	-	-	-	-	**40,502**
Investment securities:							
– held-to-maturity	10,907,250	-	7,974,383	15,766,021	2,717,638	770,900	**38,136,192**
– available for sale	-	-	-	-	-	4,941,389	**4,941,389**
Loans and receivables:							
– loans and advances to customers	22,404,468	63,813,892	12,579,092	61,078,925	418,121,490	-	**577,997,867**
– bonds	-	-	-	10,032,877	-	-	**10,032,877**
Other assets	-	-	-	-	-	4,704,057	**4,704,057**
Total financial assets	**33,352,220**	**64,279,402**	**23,757,849**	**86,877,823**	**420,839,128**	**214,682,992**	**843,789,414**
Financial liabilities							
Deposits from banks	3,349,014	16,329,951	18,112,977	-	-	2,420,124	**40,212,066**
Due to customers	397,943,636	31,674,497	99,267,089	-	-	122,456,513	**651,341,735**
Borrowings	2,384,177	262,064	2,586,472	13,837,787	52,579,951	-	**71,650,451**
Other liabilities	-	-	-	-	-	45,778,459	**45,778,459**
Total financial liabilities	**403,676,827**	**48,266,512**	**119,966,538**	**13,837,787**	**52,579,951**	**170,655,096**	**808,982,711**
Net interest re-pricing gap	**(370,324,607)**	**16,012,890**	**(96,208,689)**	**73,040,036**	**368,259,177**	**44,027,896**	**34,806,703**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk...*continued*
The table below summarize the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss:

	EC$ %	USD %	EURO %
As at 31 December 2015			
Assets			
Treasury bills	**4.50**	**-**	**-**
Deposits with other banks	**2.75**	**-**	**-**
Investment securities:			
- held-to-maturity	**5.35**	**6.38**	**-**
Loans and receivables:			
- loans and advances to customers	**8.54**	**-**	**-**
- bonds	**7.50**	**-**	**-**
Liabilities			
Due to customers	**2.28**	**0.79**	**0.71**
Deposits from banks	**2.34**		**-**
Borrowings	**6.46**	**3.24**	**-**

	EC$ %	USD %	EURO %
As at 31 December 2014			
Assets			
Deposits with other banks	3.60	0.25	-
Investment securities:			
- held-to-maturity	5.35	6.75	-
Loans and receivables:			
- loans and advances to customers	8.50	-	-
- bonds	7.50	-	-
Liabilities			
Due to customers	3.04	1.87	1.17
Deposits from banks	2.95	-	-
Borrowings	7.13	3.62	-

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk
Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At 31 December 2015, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $2,935,030 (2014 - $2,889,989) higher/lower interest income on variable rate loans.

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

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

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

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

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

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

Non derivative cash flows
The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 2015						
Financial liabilities						
Deposits from banks	4,682,705	17,107,781	18,133,715	-	-	39,924,201
Due to customers	530,390,837	32,939,081	93,717,993	-	-	657,047,911
Borrowings	585,451	1,159,963	4,654,381	22,087,271	35,249,747	63,736,813
Other liabilities	49,015,269	-	-	-	-	49,015,269
Total financial liabilities	584,674,262	51,206,825	116,506,089	22,087,271	35,249,747	809,724,194
Financial assets						
Cash and balances with Central Bank	93,097,701	-	-	-	-	93,097,701
Treasury bills	10,200,959	-	-	-	-	10,200,959
Deposit with other Banks	89,904,514	-	2,376,209	-	-	92,280,723
Financial Assets Held for Trading	36,311	-	-	-	-	36,311
Loans and receivables:						
– loans and advances to customers	19,511,009	24,068,794	82,357,787	339,944,195	521,170,967	987,052,752
– bonds	-	-	750,000	12,219,178		12,969,178
Investment Securities:						
– held-to-maturity	814,419	306,552	19,678,154	13,455,199	6,777,250	41,031,574
– available for sale	-	-	-	1,324,809	3,689,449	5,014,258
Other Assets	7,816,946	-	-	-	-	7,816,946
Total financial assets held for managing liquidity	221,381,859	24,375,346	105,162,150	366,943,381	531,637,666	1,249,500,402

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 2014						
Financial liabilities						
Deposits from banks	5,810,375	16,509,306	18,693,311	-	-	**41,012,992**
Due to customers	520,400,149	31,674,497	99,267,089	-	-	**651,341,735**
Borrowings	2,573,440	595,051	4,168,893	20,762,024	58,430,357	**86,529,765**
Other liabilities	45,778,459	-	-	-	-	**45,778,459**
Total financial liabilities	**574,562,423**	**48,778,854**	**122,129,293**	**20,762,024**	**58,430,357**	**824,662,951**
Financial assets						
Cash and balances with Central Bank	117,771,589	-	-	-	-	**117,771,589**
Deposit with other Banks	86,495,057	464,634	3,220,760	-	-	**90,180,451**
Financial Assets Held for Trading	40,502	-	-	-	-	**40,502**
Loans and receivables						
– loans and advances to customers	18,582,105	20,265,281	80,147,691	337,592,457	525,182,991	**981,770,525**
– bonds	-	-	750,000	12,969,178	-	**13,719,178**
Investment Securities:						
– held-to-maturity	10,944,138	34,652	9,456,786	19,095,681	4,588,110	**44,119,367**
– available for sale	-	-	-	1,281,958	3,659,431	**4,941,389**
Other Assets	5,914,213	-	-	-	-	**5,914,213**
Total financial assets held for managing liquidity	**239,747,604**	**20,764,567**	**93,575,237**	**370,939,274**	**533,430,532**	**1,258,457,214**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Assets held for managing liquidity risk
The Group holds a diversified portfolio of cash and investment securities to support payment obligations.

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

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

Off-statement of financial position items

(a) Loan commitments
The dates of the contractual amounts of the Group's off-statement of financial position financial instruments, that commit it to extend credit to customers and other facilities (Note 24), are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 24) are also included below based on the earliest contractual maturity date.

	<1 Year	**1-5 Years**	**Total**
	$	**$**	**$**
At 31 December 2015			
Loan commitments	**11,624,068**	**-**	**11,624,068**
Guarantees and letters of credit	**140,500**	**-**	**140,500**
Total	**11,764,568**	**-**	**11,764,568**
At 31 December 2014			
Loan commitments	7,314,450	-	7,314,450
Guarantees and letters of credit	1,490,791	20,500	1,511,291
Total	8,805,241	20,500	8,825,741

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Fair values of financial assets and liabilities

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

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-statement of financial position commitments is also assumed to approximate the amounts disclosed in Note 24 due to their short term nature.

Due to customers

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

Investment securities

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Loans and advances

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

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

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers:				
− Term loans	**88,522,737**	90,119,156	**78,785,050**	75,269,669
− Large corporate loans	**138,110,017**	140,530,459	**112,731,358**	112,782,526
− Mortgage loans	**276,819,452**	263,628,315	**201,178,435**	189,284,960
− Overdrafts	**79,779,110**	80,694,410	**79,779,110**	80,694,410
Credit Cards	**2,774,779**	3,025,527	**2,774,779**	3,025,526
− Bonds	**10,032,877**	10,032,877	**9,646,182**	9,468,919
Investment securities:				
− Held-to-maturity	**34,236,036**	38,136,192	**35,261,755**	39,268,465
Financial liabilities				
Borrowings	**51,064,175**	71,650,451	**50,452,563**	66,801,060

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

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

The following methods and assumptions were used to estimate the fair values of assets and liabilities:
The Group's interest-bearing borrowings and loans are determined by using DCF method using the discount rate that reflects the average rates at the end of the period.

The value of regional bonds classified as loans and receivable with evidence of open market trades at par plus accrued interest is deemed to approximate fair value.

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on actively traded exchanges.

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

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

	Level 2 $	Level 3 $	Total $
31 December 2015			
Investment properties			
- Lands	**-**	**2,565,000**	**2,565,000**
Financial assets held for trading			
- Debt securities	**-**	**36,311**	**36,311**
Financial assets available for sale			
- Equity securities	**1,966,059**	**3,048,199**	**5,014,258**
Total financial assets	**1,966,059**	**5,649,510**	**7,615,569**
31 December 2014			
Investment properties			
-Lands	-	4,331,000	4,331,000
Financial assets held for trading			
- Debt securities	-	40,502	40,502
Financial assets available for sale			
- Equity securities	1,889,458	3,051,931	4,941,389
Total financial assets	1,889,458	7,423,433	9,312,891

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Assets for which fair values are disclosed

	Level 2 $	Total $
31 December 2015		
Loans and receivable (Note 3)	**586,006,095**	**586,006,095**
Bonds	**10,032,877**	**10,032,877**
Held to maturity investments	**34,236,036**	**34,236,036**
Total financial assets	**630,275,008**	**630,275,008**
31 December 2014		
Loans and receivable	577,997,867	577,997,867
Bonds	10,032,877	10,032,877
Held to maturity investments	38,136,192	38,136,192
Total financial assets	626,166,936	626,166,936

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Liabilities for which fair values are disclosed

	Level 2 $	Total $
31 December 2015		
Deposit from Banks	**38,841,463**	**38,841,463**
Due to customers	**655,935,277**	**655,935,277**
Borrowings	**51,064,175**	**51,064,175**
Total financial liabilities	**745,840,915**	**745,840,915**
31 December 2014		
Deposits from Banks	40,212,066	40,212,066
Due to customers	651,341,735	651,341,735
Borrowings	71,650,451	71,650,451
Total financial liabilities	763,204,252	763,204,252

The fair value of financial instruments that are not traded in an active market is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, deal, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones debt securities classified as trading securities or available-for-sale.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

Fair value hierarchy…*continued*
Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2.

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

	Financial assets Held for trading	Financial assets Available for sale	Total
	Debt Securities $	Equity Securities $	$
31 December 2015			
At the beginning of the year	**40,502**	**3,051,931**	**3,092,433**
Currency revaluation	**(4,191)**	**(3,732)**	**(7,923)**
At the end of the year	**36,311**	**3,048,199**	**3,084,510**

	Financial assets Held for trading	Financial assets Available for sale	Total
	Debt securities $	Equity securities $	$
31 December 2014			
At the beginning of year	45,518	3,051,931	**3,097,449**
Currency revaluation	(5,494)	**-**	**(5,494)**
Additions	478	**-**	**478**
At the end of the year	**40,502**	**3,051,931**	**3,092,433**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

- To comply with the capital requirements of the Banking Act 2006.
- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

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

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale and fixed asset revaluation reserves (limited to 50% of Tier 1 capital).

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended 31 December 2015 and 2014. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Capital management...*continued*

Fair value hierarchy...*continued*

	2015 $	2014 $
Tier 1 capital		
Share capital	**14,753,306**	14,753,306
Statutory reserve	**14,753,306**	14,753,306
Retained earnings	**72,758,788**	68,399,834
Total qualifying Tier 1 capital	**102,265,400**	97,906,446
Tier 2 capital		
Revaluation reserve – available-for-sale investments	**1,633,479**	1,560,610
Collective impairment allowance	**1,938,148**	924,378
Total qualifying Tier 2 capital	**3,571,627**	2,484,988
Total regulatory capital	**105,837,027**	100,391,434
Risk-weighted assets:		
On-statement of financial position	**478,145,888**	460,900,076
Off-statement of financial position	**39,848,078**	36,520,955
Total risk-weighted assets	**517,993,966**	497,421,031
Basel capital adequacy ratio	**20.43%**	20.18%

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

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

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

Impairment losses on loans and advances to customers
The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated at $305,219/$389,485 (2014- $358,069/$549,107) lower/higher respectively.

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

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

Held-to-maturity investments
The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value would increase by $1,524,511 (2014 - $1,132,273) with a corresponding entry in the fair value reserve in equity.

(expressed in Eastern Caribbean dollars)

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

Fair value of financial instruments

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

Deferred taxes

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

Revaluation of investment property

The Group measures its investment properties at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

The Group engages independent valuation specialists to determine fair value of its investment properties. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

Corporate income taxes

Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2015 have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

5 Cash and balances with Central Bank

	2015 $	2014 $
Cash in hand	**17,904,562**	16,775,138
Balances with Central Bank other than mandatory reserve deposits	**35,837,023**	61,915,947
Included in cash and cash equivalents (Note 35)	**53,741,585**	78,691,085
Mandatory reserve deposits with Central Bank	**39,356,116**	39,080,504
	93,097,701	117,771,589

Pursuant to the Banking Act of 2006, the Banking institutions are required to maintain in cash and deposits with the Central Bank reserve balances in relation to the deposit liabilities of the institution.

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

(expressed in Eastern Caribbean dollars)

6 Treasury bills

	2015 $	2014 $
Treasury bills less than 90 days to maturity	**10,167,671**	-

Treasury bills are debt securities issued by the Governments of Saint Lucia. The weighted average effective interest rate on treasury bills at 31 December 2015 was 4.50% (2014 - nil).

7 Deposits with other banks

	2015 $	2014 $
Items in the course of collection with other banks (Note 35)	**2,169,412**	7,396,343
Placements with other banks (Note 35)	**87,735,102**	79,098,714
Interest bearing deposits (more than 3 months)	**2,390,157**	3,669,884
Included in cash and cash equivalents	**92,294,671**	90,164,941

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2015 was 2.75% (2014 -2.36%).

8 Financial assets held for trading

	2015 $	2014 $
Debt securities	**36,311**	40,502

Trading financial assets were acquired for the purpose of selling in the near term and would otherwise have been classified as held-to-maturity investments and are non-interest bearing.

(expressed in Eastern Caribbean dollars)

9 Loans and advances to customers

	2015 $	2014 $
Large corporate loans	**139,878,604**	141,506,303
Mortgage loans	**278,699,245**	265,167,485
Term loans	**90,756,247**	92,325,426
Credit cards	**3,250,238**	3,166,489
Overdrafts	**80,440,765**	81,026,360
Gross	**593,025,099**	583,192,063
Less allowance for impairment losses on loans and advances (Note 10)	**(7,019,004)**	(5,194,196)
Net	**586,006,095**	577,997,867
Current	**104,652,406**	98,797,452
Non-current	**481,353,689**	479,200,415
	586,006,095	577,997,867

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2015 was 8.47% (2014 - 8.43%) and productive overdrafts stated at amortised cost was 9.72% (2014 - 9.59%).

Included in loans and advances (Note 9) and borrowed funds (Note 20) are $5,034,767 of mortgage loans held by the Eastern Caribbean Home Mortgage Bank (2014 - $25,238,136).

(expressed in Eastern Caribbean dollars)

10 Allowance for impairment losses on loans and advances

The movement on the provision by class was as follows:

	2015 $	2014 $
Large corporate loans		
At beginning of year	**975,844**	2,153,172
Specific provision for loan impairment	**659,783**	(429,747)
Collective provision for loan impairment	**232,865**	69,908
Written off during the year as uncollectible	**(99,905)**	(817,489)
At end of year	**1,768,587**	975,844
Mortgages		
At beginning of year	**1,539,171**	1,435,023
Specific provision for loan impairment	**316,533**	91,928
Collective provision for loan impairment	**490,557**	100,102
Written off during the year as uncollectable	**(466,469)**	(87,882)
At end of year	**1,879,792**	1,539,171
Term loans		
At beginning of year	**2,206,269**	2,100,455
Specific provision for loan impairment	**939,458**	896,136
Collective provision for loan impairment	**150,275**	53,571
Written off during the year as uncollectible	**(1,062,492)**	(843,893)
At end of year	**2,233,510**	2,206,269
Overdrafts		
At beginning of year	**331,950**	451,850
Specific provision for loan impairment	**610,132**	(134,935)
Collective provision for loan impairment	**(134,470)**	15,035
Written off during the year as uncollectible	**(145,956)**	-
At end of year	**661,656**	331,950
Credit Cards		
At beginning of year	**140,962**	86,700
Specific provision for loan impairment	**5,604**	53,280
Collective provision for loan impairment	**328,893**	982
At end of year	**475,459**	140,962
Total	**7,019,004**	5,194,196

(expressed in Eastern Caribbean dollars)

11 Loans and receivables – bonds

	2015 $	2014 $
Government bonds	**10,032,877**	10,032,877

Government bonds are purchased from and issued directly by the Government of Saint Vincent and the Grenadines. The weighted average effective interest rate at 31 December 2015 on Government bonds at amortised cost was 7.50% (2014 – 7.50 %).

12 Investment securities

	2015 $	2014 $
Securities held-to-maturity		
Debt securities at amortised costs		
- Unlisted	**25,784,908**	29,661,468
- Listed	**10,753,379**	11,560,361
	36,538,287	41,221,829
Less allowance for impairment	**(2,302,251)**	(3,085,637)
	34,236,036	38,136,192
Securities available for sale		
Listed equity securities	**1,966,059**	1,889,458
Unlisted equity securities	**3,048,199**	3,051,931
	5,014,258	4,941,389
Total investment securities	**39,250,294**	43,077,581
Current	**19,209,425**	18,881,633
Non-current	**20,040,869**	24,195,948
	39,250,294	43,077,581

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at 31 December 2015 was 5.45% (2014 -5.80%).

(expressed in Eastern Caribbean dollars)

12 Investment securities...*continued*

Movements of the Group's financial assets are summarised as follows:

	Held-to-maturity $	Available for sale $	Held for trading $	Loans and receivables -bonds $	Total $
At 1 January 2015	**38,136,192**	**4,941,389**	**40,502**	**10,032,877**	**53,150,960**
Additions	**6,522,849**	**-**	**-**	**32,877**	**6,555,726**
Currency revaluation	**-**	**-**	**(4,191)**	**-**	**(4,191)**
Disposals (sale and redemption)	**(10,012,597)**	**-**	**-**	**(32,877)**	**(10,045,474)**
Impairment Loss	**(410,408)**	**-**	**-**	**-**	**(410,408)**
Losses from change in fair value	**-**	**72,869**	**-**	**-**	**72,869**
At 31 December 2015	**34,236,036**	**5,014,258**	**36,311**	**10,032,877**	**49,319,482**
At 1 January 2014	46,155,993	5,084,596	45,518	10,032,877	61,318,984
Additions	310,932	-	478	32,877	344,287
Currency revaluation	-	-	(5,494)	-	(5,494)
Disposals (sale and redemption)	(8,330,733)	-	-	(32,877)	(8,363,610)
Losses from change in fair value	-	(143,207)	-	-	(143,207)
At 31 December 2014	38,136,192	4,941,389	40,502	10,032,877	53,150,960

13 Related parties balances and transactions

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

The Group is controlled by East Caribbean Financial Holding Company Limited which owns 51% of the ordinary shares and is related to the companies listed below by common ownership and control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits.

(expressed in Eastern Caribbean dollars)

13 Related parties balances and transactions...*continued*

The following accounts maintained by related parties are included under investment securities, due fror banks and due to banks:

	2015 $	2014 $
Bank of Saint Lucia Limited		
Due from banks	**1,914,168**	1,853,163
Due to banks	**6,600,754**	6,398,048
	8,514,922	8,251,211
Eastern Caribbean Amalgamated Bank Limited		
Due from banks	**475,988**	465,510
Due to banks	**7,861,595**	7,456,108
Available for sale investments	**1,920,000**	1,920,000
	10,257,583	9,841,618
East Caribbean Financial Holding Company Limited		
Held to maturity investment	**541,184**	811,775
Government of St. Vincent and the Grenadines		
Held to maturity investment	**19,841,478**	24,272,074

Transactions carried out with related parties:

	2015 $	2014 $
Income		
Interest income	**2,727,233**	2,096,512
Expenses		
Interest expense	**464,861**	516,278
Management fees	**909,340**	1,661,935

(expressed in Eastern Caribbean dollars)

13 Related parties balances and transactions...*continued*

Other related parties
A number of banking transactions are entered into with other related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and at market rates.

Other related parties balances with the Group:

	2015		2014	
	Loans $	Deposits $	Loans $	Deposits $
Government of St. Vincent and the Grenadines	**93,705,362**	**24,289,898**	98,816,273	33,539,580
Statutory bodies	**5,355,467**	**72,029,804**	6,684,893	79,710,610
	99,060,829	**96,319,702**	105,501,166	113,250,190
Directors and key management	**3,003,200**	**869,953**	2,527,608	1,614,665
	102,064,029	**97,189,655**	108,028,774	114,864,855

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

The loans issued to directors and other key management personnel are repayable monthly over an average of eleven years and have a weighted average effective interest rates of 5% (2014 - 4.85%).

Interest income and interest expense with other related parties:

	2015		2014	
	Income $	Expenses $	Income $	Expenses $
Government of St. Vincent and the Grenadines	**8,995,734**	**868,016**	8,257,487	1,499,813
Statutory bodies	**500,886**	**2,234,853**	551,824	2,720,270
Directors and key management	**136,296**	**23,652**	104,220	51,032
	9,632,916	**3,126,521**	8,913,531	4,271,115

Key management compensation
Key management includes the Executive Management team. The compensation paid or payable to key management for employee services is shown below:

	2015 $	2014 $
Salaries and other short-term benefits	**1,507,079**	1,286,763
Pension cost	**52,368**	49,282
	1,559,447	1,336,045

(expressed in Eastern Caribbean dollars)

14 Property and equipment

	Land and building $	Leasehold Improvements $	Office Furniture and Equipment $	Work in Progress $	Computer Equipment and Software $	Motor Vehicles $	Total $
Year ended 31 December 2014							
Opening net book amount	47,822,038	116,849	7,768,311	216,148	2,467,214	249,271	58,639,831
Additions	566,164	-	485,977	548,465	687,277	146,980	2,434,863
Transfers	-	-	7,557	(45,021)	-	-	(37,464)
Disposals	-	-	(7,624)	-	(5,581)	(3)	(13,208)
Depreciation charge	(577,653)	(54,990)	(1,495,483)	-	(803,165)	(90,006)	(3,021,297)
Closing net book amount	47,810,549	61,859	6,758,738	719,592	2,345,745	306,242	58,002,725
At 31 December 2014							
Cost	50,220,878	1,495,810	15,826,719	719,592	9,354,559	782,441	78,399,999
Accumulated depreciation	(2,410,329)	(1,433,951)	(9,067,981)	-	(7,008,814)	(476,199)	(20,397,274)
Net book amount	47,810,549	61,859	6,758,738	719,592	2,345,745	306,242	58,002,725
Year ended 31 December 2015							
Opening net book amount	**47,810,549**	**61,859**	**6,758,738**	**719,592**	**2,345,745**	**306,242**	**58,002,725**
Additions	**-**	**-**	**384,814**	**815,031**	**485,354**	**-**	**1,685,199**
Disposals	**-**	**(58)**	**(5,097)**	**-**	**(7)**	**(1)**	**(5,163)**
Depreciation charge (Note 30)	**(587,910)**	**(29,079)**	**(1,327,294)**	**-**	**(881,652)**	**(115,319)**	**(2,941,254)**
Closing net book amount	**47,222,639**	**32,722**	**5,811,161**	**1,534,623**	**1,949,440**	**190,922**	**56,741,507**
At 31 December 2015							
Cost	**50,220,878**	**1,114,878**	**15,745,004**	**1,534,623**	**9,815,481**	**646,390**	**79,077,254**
Accumulated depreciation	**(2,998,239)**	**(1,082,156)**	**(9,933,843)**	**-**	**(7,866,041)**	**(455,468)**	**(22,335,747)**
Net book amount	**47,222,639**	**32,722**	**5,811,161**	**1,534,623**	**1,949,440**	**190,922**	**56,741,507**

(expressed in Eastern Caribbean dollars)

15 Investment property

	2015 $	2014 $
Cost at 1 January	**3,809,400**	3,809,400
Fair value at 1 January	**4,331,000**	4,331,000
Disposal	**(1,766,000)**	-
Fair value at 31 December	**2,565,000**	4,331,000

The investment properties are valued annually based on open market value by an independent, professionally qualified valuator.

16 Other assets

	2015 $	2014 $
Other receivables	**6,166,622**	4,704,057
Prepaid expenses	**1,650,324**	1,210,155
	7,816,946	5,914,212

17 Deferred tax liability

The movement on the deferred tax liability is as follows:

	2015 $	2014 $
At beginning of year	**(652,890)**	(244,563)
Current year recovery (charge) (Note 33)	**219,305**	(408,327)
At end of year	**(433,585)**	(652,890)

The deferred tax liability account is detailed below:

	2015 $	2014 $
Temporary differences on capital assets	**(433,585)**	(652,890)
	(433,585)	(652,890)

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

(expressed in Eastern Caribbean dollars)

18 Deposits from banks

	2015 $	2014 $
Deposits from other banks	**38,841,463**	40,212,066

Interest rates range from 1.75% to 3% (2014 - 2.50% to 3.85%).

19 Due to customers

	2015 $	2014 $
Term deposits	**151,055,580**	148,798,759
Saving deposits	**287,625,132**	280,928,743
Demand deposits	**217,254,565**	221,614,233
	655,935,277	651,341,735
Current	**655,935,277**	651,341,735

The weighted average effective interest rate of customers' deposits at 31 December 2015 was 2.23% (2014 - 3.06%).

20 Borrowings

	Due	Interest Rate %	2015 $	Interest Rate %	2014 $
Caribbean Development Bank	**2014 – 2029**	**3.18**	**25,393,333**	3.05	24,697,917
National Insurance Scheme	**2014 – 2025**	**6.14**	**20,636,075**	5.94	21,714,398
ECHMB	**2014 - 2039**	**7.82**	**5,034,767**	7.87	25,238,136
			51,064,175		71,650,451

(expressed in Eastern Caribbean dollars)

20 Borrowings...*continued*

	2015 $	2014 $
Current	**4,550,897**	5,232,713
Non-current	**46,513,278**	66,417,738
	51,064,175	71,650,451

Security
The borrowings from the Caribbean Development Bank are guaranteed by the Government of St. Vincent and the Grenadines. Borrowings from the National Insurance Services are secured by property valued at $29,763,045 owned by the Bank of St. Vincent and the Grenadines.The Group has not had any defaults of principal, interest or other breaches with respect to borrowings during the year.

The ECHMB borrowings represent the value of loans sold to ECHMB. Under the terms of the agreement, Bank of St. Lucia Limited and Bank of St. Vincent Limited remain obligated to indemnify ECHMB with respect to any default, loss or title deficiency occurring during the life of the loans secured by the purchase of mortgages. An equal amount is included within loans and advances. Fees earned on the administration of the loans are reported in other income. There have not been any defaults of principal, interest or other breaches with respect to borrowings during the year.

The Group had undrawn facilities at the end of the financial reporting period of $6,350,414 (2014 - $9,590,549) with the Caribbean Development Bank.

21 Other liabilities

	2015 $	2014 $
Managers' cheques outstanding	**3,653,754**	1,524,186
Trade and other payables	**11,863,543**	11,219,249
Customers Security Deposits	**33,497,972**	33,035,024
	49,015,269	45,778,459

22 Share capital

	2015 $	2014 $
Issued and fully paid:		
10,000,000	**14,753,306**	14,753,306

(expressed in Eastern Caribbean dollars)

23 Reserves

	2015 $	2014 $
At beginning and end of year	**14,753,306**	14,753,306

Pursuant to Section 14 (1) of the Banking Act of 2006, the Group shall, maintain a general reserve fund which is not available for distribution by way of dividends equal to 100% of its paid up capital.

24 Contingent liabilities and commitments

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

	2015 $	2014 $
Loan commitments	**11,624,068**	7,314,450
Guarantees and letters of credit	**140,500**	1,511,291
	11,764,568	8,825,741

25 Net interest income

	2015 $	2014 $
Interest income		
Loans and advances	**46,944,357**	45,158,509
Treasury bills and investment securities	**3,119,035**	3,400,191
Deposits with banks	**4,755**	82,218
	50,068,147	48,640,918
Interest expense		
Savings deposits	**7,442,977**	9,282,448
Time deposits	**6,392,396**	7,322,698
Demand deposits	**3,403,574**	3,341,055
Other borrowed funds	**2,068,405**	2,094,453
Correspondent banks	**105,485**	204,324
	19,412,837	22,244,978
Net interest income	**30,655,310**	26,395,940

(expressed in Eastern Caribbean dollars)

26 Net fee and commission income

	2015 $	2014 $
Credit relates fees and commissions	**6,934,381**	7,063,600

27 Dividend income

	2015 $	2014 $
Investment available for sale	**74,604**	66,096

28 Net foreign exchange trading income

	2015 $	2014 $
Foreign exchange		
Net realized gains	**4,359,030**	4,783,843
Net unrealized gains	**(57,814)**	(188,907)
	4,301,216	4,594,936

29 Other gains

	2015 $	2014 $
Gain from disposal of fixed asset	**14,837**	1,289,570
Gain on sale of Investment Properties	**-**	40,457
Recovery of impairment on Investment	**965,015**	-
	979,852	1,330,027

(expressed in Eastern Caribbean dollars)

30 Operating expenses

	2015 $	2014 $
Employee benefit expense (Note 31)	**10,027,311**	9,677,982
Interest levy expense	**4,060,066**	3,926,720
Rent	**260,213**	275,117
Audit and accounting fees	**312,076**	326,029
Director fees	**329,452**	356,780
Computer expense	**105,162**	66,439
Insurance	**648,215**	675,564
Repairs and maintenance	**376,371**	444,428
Subscription and donations	**113,474**	665,684
Commission and fees	**1,096,913**	949,863
Depreciation (Note 14)	**2,941,254**	3,021,297
Utilities	**2,183,852**	2,405,120
Credit card expenses	**1,404,237**	1,222,953
Management fees	**909,340**	1,661,935
Advertisement and sponsorship	**549,949**	355,642
Legal and professional fees	**446,371**	111,992
Postage and stationary	**896,926**	766,194
Bank and other licences	**1,061,287**	958,162
Security	**452,047**	525,073
Loss on disposal of investment property	**45,010**	-
Other expenses	**2,642,240**	2,355,164
	30,861,766	30,748,138

31 Employee benefit expense

	2015 $	2014 $
Wages and salaries	**7,459,171**	7,574,952
Other staff cost	**2,235,472**	1,781,709
Pensions	**332,668**	321,321
	10,027,311	9,677,982

The number of employees at 31 December 2015 was 166 (2014 - 168).

(expressed in Eastern Caribbean dollars)

32 Recoveries of loans and advances, net

	2015 $	2014 $
Provision against profit for the year	**(3,599,630)**	(716,220)
Amounts written off during the year as uncollectible	**(448,683)**	(14,511)
Recoveries of amounts previously written off	**440,462**	807,881
	(3,607,851)	77,150

33 Income tax expense

	2015 $	2014 $
Prior Year Under Provision	**-**	2,700,000
Current tax	**2,425,689**	2,576,735
Deferred tax	**(219,305)**	408,327
	2,206,384	5,685,062

Tax on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of 32.5% as follows:

	2015 $	2014 $
Profit before income tax	**8,065,338**	8,779,611
Tax calculated at the applicable tax rate of 32.5%	**2,621,235**	2,853,373
Tax effect of exempt income	**(4,561,216)**	(4,706,625)
Tax effect of expenses not deductible for tax purposes	**4,108,326**	4,790,088
Prior year understatement of income tax	**-**	2,700,000
Other temporary differences	**38,039**	48,226
	2,206,384	5,685,062

The Group has no unutilised tax losses as at December 31, 2015 (2014 - Nil) for which the deferred tax asset has been recognised as the Group is expected to generate future profits.

(expressed in Eastern Caribbean dollars)

34 Earnings per share

Earnings per share (EPS) are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The EPS calculated for 2015 was $0.58 (2014 - $0.31).

35 Cash and cash equivalents

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

	2015 **$**	**2014** **$**
Cash and balances with Central Bank (Note 5)	**53,741,585**	78,691,085
Treasury Bills	**10,167,671**	-
Items in the course of collection with banks (Note 7)	**2,169,412**	7,396,344
Placement with other banks (Note 7)	**87,735,102**	79,564,223
Financial assets held-for-trading (Note 8)	**36,311**	40,502
	153,850,081	165,692,154

36 Dividends

A final dividend of $0.29 per share was approved for the year ended 31 December 2015 (2014 - $0.15). These dividends have not been paid nor recorded as at the date of approval of these statements.

NOTES

Produced by: Orange Media Group Inc

BankofStVincent
&theGrenadines
The Bank That Gives Me *more*

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