East Caribbean Financial Holding Company Limited

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 (EXPRESSED IN EAST CARIBBEAN DOLLARS)

PRICEWATERHOUSECOOPERS

March 31, 2009

Independent Auditor's Report

To the Shareholders of
East Caribbean Financial Holding Company Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of **East Caribbean Financial Holding Company Limited** (the Company) and its subsidiaries (the Group) which comprise the consolidated balance sheet as of December 31, 2008 and the consolidated statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 whether the financial statements are free from material misstatement.

Auditor's Responsibility*...continued*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 accompanying consolidated financial statements present fairly, in all material respect, the financial position of the Group as of December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

East Caribbean Financial Holding Company Limited

Consolidated Balance Sheet

As of December 31, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $
Assets		
Cash and balances with Central Bank (Note 5)	**82,859,456**	58,752,772
Treasury bills (Note 6)	**17,282,033**	–
Deposits with other banks (Note 7)	**137,156,896**	364,010,028
Financial assets held for trading (Note 8)	**86,017,886**	71,255,493
Deposits with non-bank financial institution (Note 9)	**7,857,417**	1,996,786
Loans and receivables - loans and advances to customers (Note 10)	**1,231,688,498**	1,103,302,929
- bonds (Note 12)	**6,158,666**	9,238,001
Investment securities - held-to-maturity (Note 13)	**37,660,726**	46,511,855
- available for sale (Note 13)	**249,668,539**	179,052,412
Pledged assets (Note 14)	**51,843,988**	68,461,583
Due from reinsurers	**2,673,178**	2,431,613
Due from insurance agents, brokers and policyholders	**1,541,830**	1,393,177
Income tax recoverable	**2,992,179**	2,992,179
Investment in associate (Note 15)	**6,866,476**	4,871,761
Property and equipment (Note 16)	**70,585,397**	64,581,354
Investment properties (Note 17)	**10,967,711**	9,882,711
Intangible assets (Note 18)	**910,706**	1,246,248
Other assets (Note 19)	**33,513,008**	15,412,845
Retirement benefit asset (Note 20)	**3,799,580**	3,290,234
Total assets	**2,042,044,170**	2,008,683,981
Liabilities		
Deposits from banks (Note 21)	**3,552,433**	18,439,127
Due to customers (Note 22)	**1,248,394,472**	1,308,042,190
Other funding instruments (Note 14)	**210,178,406**	171,969,489
Due to reinsurers	**1,459,708**	1,880,741
Insurance claims and deferred revenue	**6,205,623**	5,258,093
Dividends payable	**219,161**	306,716
Income tax payable	**4,881,914**	7,327,720
Borrowings (Note 23)	**194,860,539**	133,216,112
Other liabilities (Note 24)	**33,803,825**	42,301,515
Deferred tax liabilities (Note 25)	**2,801,438**	1,651,211
Total liabilities	**1,706,357,519**	1,690,392,914
Equity		
Share capital (Note 26)	**174,231,060**	174,018,525
Contributed capital (Note 27)	**2,643,021**	2,643,021
Reserves (Note 29)	**124,304,102**	102,367,296
Revaluation surplus	**13,855,322**	13,463,277
Unrealized loss on investments	**(8,704,686)**	(2,856,369)
Retained earnings	**28,573,268**	27,900,614
Attributable to the Company's equity holders	**334,902,087**	317,536,364
Minority interest in equity (Note 28)	**784,564**	754,703
Total equity	**335,686,651**	318,291,067
Total liabilities and equity	**2,042,044,170**	2,008,683,981

Approved by the Board of Directors on March 23, 2009

Director

Director

East Caribbean Financial Holding Company Limited

Consolidated Statement of Changes in Equity

For the year ended December 31, 2008

(expressed in Eastern Caribbean dollars)

	Ordinary shares $	Preference shares $	Contributed capital $	Reserves $	Retained Earnings $	Unrealised loss on investments $	Revaluation surplus $	Total $	Minority Interest $	Total Equity $
Balance at December 31, 2006, as restated	58,297,419	9,150,000	2,643,021	82,357,029	22,003,252	(1,246,153)	–	173,204,568	770,045	173,974,613
Profit/(loss) for the year	–	–	–	–	44,259,492	–	–	44,259,492	(15,342)	44,244,150
Net unrealised loss on investments	–	–	–	–	–	(1,610,216)	–	(1,610,216)	–	(1,610,216)
Revaluation surplus (Note 16)	–	–	–	–	–	–	13,463,277	13,463,277	–	13,463,277
Total recognised for the year	–	–	–	–	44,259,492	(1,610,216)	13,463,277	56,112,553	(15,342)	56,097,211
Issuance of ordinary shares	106,571,106	–	–	–	–	–	–	106,571,106	–	106,571,106
Conversion of preference shares	1,250,000	(1,250,000)	–	–	–	–	–	–	–	–
Transfers to reserves	–	–	–	20,010,267	(20,010,267)	–	–	–	–	–
Dividends paid on ordinary shares (Note 30)	–	–	–	–	(17,798,863)	–	–	(17,798,863)	–	(17,798,863)
Dividends paid on preference shares	–	–	–	–	(553,000)	–	–	(553,000)	–	(553,000)
Balance at December 31, 2007	166,118,525	7,900,000	2,643,021	102,367,296	27,900,614	(2,856,369)	13,463,277	317,536,364	754,703	318,291,067
Profit for the year	–	–	–	–	46,855,628	–	–	46,855,628	29,861	46,885,489
Net unrealised loss on investments	–	–	–	–	–	(5,848,317)	–	(5,848,317)	–	(5,848,317)
Revaluation surplus (Note 16)	–	–	–	–	–	–	392,045	392,045	–	392,045
Total recognised for the year	–	–	–	–	46,855,628	(5,848,317)	392,045	41,399,356	29,861	41,429,217
Issuance of ordinary shares	212,535	–	–	–	–	–	–	212,535	–	212,535
Conversion of preference shares	1,250,000	(1,250,000)	–	–	–	–	–	–	–	–
Transfers to reserves	–	–	–	21,936,806	(21,936,806)	–	–	–	–	–
Dividends paid on ordinary shares (Note 30)	–	–	–	–	(23,780,668)	–	–	(23,780,668)	–	(23,780,668)
Dividends paid on preference shares	–	–	–	–	(465,500)	–	–	(465,500)	–	(465,500)
Balance at December 31, 2008	**167,581,060**	**6,650,000**	**2,643,021**	**124,304,102**	**28,573,268**	**(8,704,686)**	**13,855,322**	**334,902,087**	**784,564**	**335,686,651**

East Caribbean Financial Holding Company Limited

Consolidated Statement of Income

For the year ended December 31, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $
Interest income (Note 32)	**136,414,141**	126,874,001
Interest expense (Note 32)	**(52,385,295)**	(53,565,014)
Net interest income	**84,028,846**	73,308,987
Net fee and commission income (Note 33)	**16,938,749**	17,941,774
Net foreign exchange trading income (Note 34)	**8,863,192**	8,712,723
Fair value gains (Note 17)	**901,951**	383,682
Other operating income (Note 35)	**3,635,766**	2,741,697
Net insurance premium revenue (Note 36)	**2,963,493**	2,645,406
Net insurance claims (Note 37)	**(2,184,625)**	(1,984,737)
Impairment losses on loans and advances (Note 11)	**(1,007,610)**	(1,396,713)
Operating expenses (Note 38)	**(62,605,075)**	(53,034,088)
Operating profit	**51,534,687**	49,318,731
Share of loss of associate (Note 15)	**(88,515)**	(75,867)
Profit for the year before income tax	**51,446,172**	49,242,864
Income tax expense (Note 40)	**(4,560,683)**	(4,998,714)
Profit for the year	**46,885,489**	44,244,150
Attributable to:		
- Equity holders of the Company	**46,855,628**	44,259,492
- Minority interest (Note 28)	**29,861**	(15,342)
Profit for the year	**46,885,489**	44,244,150
Earnings per share for profit attributable to the equity holders of the Company during the year		
- basic	**1.94**	2.25
- diluted	**1.84**	2.11

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $)
Cash flows from operating activities		
Profit for the year before income tax	**51,446,172**	49,242,864
Adjustments for:		
Interest income (Note 32)	**(136,414,141)**	(126,874,001)
Interest expense (Note 32)	**52,385,295**	53,565,014
Depreciation (Note 16)	**3,886,818**	3,855,918
Provision for impairment losses on loans and advances (Note 11)	**1,007,610**	1,396,713
Fair value gains on investment properties (Note 17)	**(901,951)**	(383,682)
Amortisation of intangible assets (Note 18)	**1,246,024**	1,058,690
Unrealised exchange gain (Note 34)	**702,885**	519,558
Gain on disposal of property and equipment (Note 35)	**(9,349)**	(2,293)
Share of loss of associate (Note 15)	**88,515**	75,867
Cash flows before changes in operating assets and liabilities	**(26,562,122)**	(17,545,352)
Increase in mandatory deposits with Central Bank	**(27,010,920)**	(6,099,528)
Increase in loans and advances to customers	**(107,686,979)**	(214,689,570)
Increase in other assets	**(18,402,132)**	(7,138,552)
(Decrease)/increase in due to customers	**(61,662,077)**	143,401,493
Increase in other funding instruments	**38,208,917**	115,779,740
(Decrease)/increase in deposits from banks	**(14,886,694)**	15,286,565
(Decrease)/increase in other liabilities	**(8,480,839)**	13,390,704
Cash (used in)/from operations	**(226,482,846)**	42,385,500
Income tax paid	**(5,944,268)**	(1,686,878)
Interest received	**117,574,804**	124,215,453
Interest paid	**(50,370,936)**	(52,023,349)
Net cash (used in)/generated from operating activities	**(165,223,246)**	112,890,726
Cash flows from investing activities		
Increase in investment securities net	**(68,103,726)**	(28,913,463)
Increase in pledged assets	**16,617,595**	–
(Increase)/decrease in treasury bills	**(8,161,438)**	2,947,700
Purchase of property and equipment (Note 16)	**(9,737,709)**	(6,311,516)
Purchase of investment in associated company	**(2,083,230)**	–
Purchase of intangible assets (Note 18)	**(910,482)**	(606,479)
Proceeds from disposal of property and equipment	**248,242**	122,212
Purchase of investment properties	**(183,049)**	–
Net cash used in investing activities	**(72,313,797)**	(32,761,546)
Cash flows from financing activities		
Proceeds from issuance of shares	**212,535**	99,663,647
Dividends paid	**(24,333,668)**	(13,270,654)
Proceeds from/(repayment of) borrowings, net	**61,644,427**	(6,003,575)
Net cash generated from financing activities	**37,523,294**	80,389,418
(Decrease)/increase in cash and cash equivalents	**(200,013,749)**	160,518,598
Cash and cash equivalents at beginning of year	**451,688,366**	291,169,768
Cash and cash equivalents at end of year (Note 42)	**251,674,617**	451,688,366

(expressed in Eastern Caribbean dollars)

1 General information

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

In addition to compliance with the Companies Act of Saint Lucia, the East Caribbean Financial Holding Company Limited Group (the Group) is subject to the provisions of the Banking Act, 1991, Insurance Act, 1995 and International Business Companies Act, 1999.

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

The Company is listed on the Eastern Caribbean Securities Exchange.

2 Summary of significant accounting policies

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

Basis of preparation
East Caribbean Financial Holding Company Limited's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 balance sheet as trading financial assets and land and buildings classified as property, plant and equipment and investment properties.

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

(d) Interpretations effective in 2008
The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2008:

- *IFRIC 14, 'IAS 19 Employee benefits* – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements, as the company has a pension asset and is not subject to any minimum funding requirements.

(expressed in Eastern Caribbean dollars)

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

(b) Interpretations effective in 2008 but not relevant
The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2008 but are not relevant to the Group.

- *IFRIC 12, 'Service concession arrangements'* and
- *IFRIC 11, 'IFRS 2 – Company and treasury share transactions'*.

(c) Standards and amendments not yet effective and relevant to the Group
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods,

- *IFRS 8, 'Operating segments'*, replaces IAS 14, 'Segment reporting', 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

- *IAS 1 (Revised), 'Presentation of financial statements'* (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The company will apply IAS 1 (Revised) from 1 January 2009. The revised standard is expected to affect the presentation of the Group's financial statements but will have no impact on the recognition or measurement of any of its transactions or balances.

- *IAS 36 (Amendment), 'Impairment of assets'* (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

(expressed in Eastern Caribbean dollars)

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

(c) Standards and amendments not yet effective and relevant to the Group...*continued*

- *IAS 38 (Amendment), 'Intangible assets'*(effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Company will apply the IAS 38 (Amendment) from 1 January 2009. IAS 38 (Amendment), 'Intangible assets', (effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the company's operations as all intangible assets are amortised using the straight line method.

- *IAS 19 (Amendment), 'Employee benefits'* (effective from 1 January 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- *IAS 27 (Revised), 'Consolidated and separate financial statements'* (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- *IFRS 3 (Revised), 'Business combinations'* (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

(expressed in Eastern Caribbean dollars)

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

(c) Standards and amendments not yet effective and relevant to the Group...*continued*

- *IAS 37, 'Provisions, contingent liabilities and contingent assets'*, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent. The Company will apply the IAS 19 (Amendment) from 1 January 2009.

- *IAS 27 (Amendment), 'Consolidated and separate financial statements'* (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement' is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the group's operations because it is the group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of the entity.

- *IAS 40 (Amendment), 'Investment property'* (and consequential amendments to IAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

(d) Standards and amendments not yet effective and not relevant to the Group

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant to the Group's operations:

- *IFRS 2 (Amendment), 'Share-based payment'* (effective from 1 January 2009).
- *IAS 32 (Amendment), 'Financial instruments*: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- *IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'*(effective from 1 January 2009).
- *IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations'* (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- *IAS 23 (Amendment), 'Borrowing costs'* (effective from 1 January 2009).
- *IAS 39(Amendment), 'Financial instruments: Recognition and measurement'* (effective from 1 January 2009).
- *IAS 16 (Amendment), 'Property, plant and equipment'* (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- *IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'* (effective from 1 January 2009).
- *IAS 31 (Amendment), 'Interests in joint ventures* (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- *IFRIC 16, 'Hedges of a net investment in a foreign operation'* (effective from 1 October 2008).
- *IFRIC 13, 'Customer loyalty programmes'* (effective from 1 July 2008).

(expressed in Eastern Caribbean dollars)

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

(d) Standards and amendments note yet effective and not relevant to the Group*...continued*

- *IAS 41 (Amendment), 'Agriculture'* (effective from 1 January 2009).
- *IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'* (effective from 1 January 2009).
- The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance' and IAS 29, 'Financial reporting in hyperinflationary economies'
- *IFRIC 15, 'Agreements for construction of real estates'* (effective from 1 January 2009).

Consolidation

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates
Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate is accounted for by the equity method of accounting and initially recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in reserves recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(expressed in Eastern Caribbean dollars)

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

Consolidation...*continued*

Transactions and minority interests
The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the statement of income.

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 institution and other short-term securities.

Financial assets
The Group classifies its financial assets into the following 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 investments at initial recognition and re-evaluates this designation at each reporting date.

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.

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.

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. 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.

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Available for sale
Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available for sale are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the statement of income in the period in which they arise. Gain and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in the statement of income. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted entities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Impairment of financial assets

Assets carried at amortised cost
The Group assesses at each balance sheet 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. Objective evidence that a financial asset or group of asset is impaired includes observable data that comes to the attention of the Group about the following loss events:

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets...*continued*

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.

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

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 consolidated statement of income.

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

<u>Assets classified as available for sale</u>
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income 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 any. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the consolidated statement of income, if any.

(expressed in Eastern Caribbean dollars)

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

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Sale and repurchase agreements
Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right to contract or custom to sell or repledge the collateral; the counterparty liability is included in other funding instruments in the balance sheet. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Property and equipment
Land and buildings comprise mainly of branches and offices occupied by the Group. Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are reviewed annually by quantity surveyors. Valuations were performed on December 31,2008 by the external independent valuers based on open market value. The valuation indicated that the market value was above the carrying amount of the respective assets in the books of the Group. As a result, the carrying amounts were increased by $787,070, with a corresponding addition in the revaluation surplus in equity. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other 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 costs 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. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of income and depreciation based on the asset's original cost is transferred from "revaluation surplus" to "retained earnings.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

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

(expressed in Eastern Caribbean dollars)

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

Investment properties
Investment property, principally comprising freehold land and building, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external 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 Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by quantity surveyors. Changes in fair values are recorded in the statement of income.

Property that is being constructed or developed for future use as investment property is classified as work-in-progress in property and equipment and stated at cost until construction or development is complete at which time it is reclassified and subsequently accounted for as investment property.

Intangible assets - computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years).

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

Insurance contracts

Recognition and measurement
The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contracts issued are classified as short-term insurance contracts. Short-term insurance contracts are classified as general contracts or casualty contracts. General insurance contracts mainly compensate the Group's customers for damages suffered to their property or for the value of the property lost. Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

(expressed in Eastern Caribbean dollars)

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

Insurance contracts...*continued*

For these contracts, premiums are recognised as revenue (earned premiums) over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before the deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts that are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance assets to its recoverable amount and recognises that impairment loss in the statement of income. The Group assesses impairment for these financial assets using the same process for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Claims provision and related reinsurance recoveries

Provisions are made at the year end for the estimated cost of claims incurred but not yet settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling the claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(expressed in Eastern Caribbean dollars)

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

Insurance contracts...*continued*

Premiums and unearned premiums
Premiums are earned over the term of the related insurance contracts in proportion to the period of risk. The reserve for unearned premiums is established for the portion of premiums written which relate to unexpired risks at the end of the period.

Premiums ceded are expensed over the term of the related insurance contracts in proportion to the period of risk, coterminous with the related gross premiums. The provision for deferred premiums is established for the portion of premiums ceded which relate to unexpired risks at the end of the period.

Deferred acquisition costs
Acquisition costs on premiums written vary with and are directly related to the production of business. These costs are deferred and recognised over the period of the policies to which they relate.

Claims and claims expenses
Claims and claims expenses are shown gross with amounts due under reinsurance contracts shown as reinsurance assets. Reserves for claims are recorded as incurred and represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the balance sheet date. Reinsurance claims recoveries are estimated at the same time as the reserve for a claim is recorded. The provision reflects management's best estimate of the Group's ultimate liabilities and management believes that the provision is adequate.

Income tax

(a) Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

(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. 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 is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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.

The principal temporary differences arise from depreciation of property and equipment and investment property, amortisation of intangible assets and their tax base, unutilised tax losses and pension gains.

(expressed in Eastern Caribbean dollars)

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

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

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

Employee benefits

Pension obligations
The Group operates a defined benefit plan. The scheme is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government securities which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income at the rate of 20%. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining service for a specified period of time (the vesting period).

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

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. Guarantees and letters of credit are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

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

(expressed in Eastern Caribbean dollars)

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

Share capital

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

(ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent event note (Note 46).

(iii) Preference shares
Preference shares which are convertible to ordinary shares and are not redeemable on a specific date or at the option of the shareholder are classified as equity. The resulting dividends are recognised in the period they fall due.

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

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

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

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

Premium income
Insurance premiums are charged to customers at inception. The consideration received is deferred as a liability and recognised over the life of the contract on a straight line basis.

Dividend income
Dividend income from available-for-sale equities is recognised when the right to receive payment is established.

(expressed in Eastern Caribbean dollars)

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

Foreign currency translation

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Group companies
The results and financial position of the Group entity with a functional currency of United States dollars is translated into the presentation currency using the pegged rate of EC$2.70 = US$1.00.

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange difference is recognised as a separate component of equity.

Leases

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

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

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

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

Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.

(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 Risk Department under policies approved by the Board of Directors. Management 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 and credit risk. In addition, the Asset Liability Committee is responsible for the independent review of risk management.

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

Credit risk

Loans and advances
The Group takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet 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 balance sheet date. Management therefore carefully manages its exposure to credit risk.

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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is 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. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Insurance
The Group is also exposed to credit risk as follows:
- reinsurer's share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance contract holders, and
- amounts due from insurance intermediaries.

The Group structures the level of credit risk it accepts by monitoring and reviewing credit risk by category and location.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policy holder. The credit worthiness of the reinsurer is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Credit risk measurement – loans and advances
The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed based on the East Caribbean Central Bank prudential guidelines. Customers of Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

Rating	**Description of the grade**
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

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

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.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored.

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.

(a) 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*

Risk limit control and mitigation policies...*continued*

(a) Collateral
Longer-term finance and lending to corporate entities are generally secured; individual credit facilities 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.

(b) 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 collateralised 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 described under "credit risk measurement" 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 balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*
Impairment and provisioning policies*...continued*

The impairment provision shown in the balance sheet at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom three gradings. The table below shows the percentage of the Group's on-balance sheet items relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

Rating	2008		2007	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1 Pass	77.44	0.16	76.42	0.64
2 Special mention	17.00	1.57	17.56	6.95
3 Sub-standard	4.40	51.30	4.32	28.70
4 Doubtful	0.86	28.30	1.04	31.99
5 Loss	0.30	18.67	0.66	31.72

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet 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 before collateral held or other credit enhancements

	Maximum exposure 2008 $	2007 $
Credit risk exposures relating to on-balance sheet financial assets:		
Treasury bills	**17,282,033**	–
Deposits with other banks	**137,156,896**	364,010,028
Deposits with non bank financial institutions	**7,857,417**	1,996,786
Loans and advances to customers:		
– Large Corporate loans	**544,225,457**	478,222,311
– Term Loans	**388,997,815**	341,605,326
– Mortgages	**208,763,321**	214,455,250
– Overdrafts	**89,701,905**	69,020,042
Trading assets		
– Debt securities	**86,017,886**	71,255,493
Investment securities		
– Debt securities	**284,898,434**	222,830,329
Pledged assets	**51,843,988**	68,461,583
Other assets	**32,553,963**	14,646,106
	1,849,299,115	1,846,503,254
Credit risk exposures relating to on-balance sheet financial assets:		
Loan commitments	**125,122,054**	125,436,001
Financial guarantees and other financial facilities	**16,104,390**	17,892,314
Other contingent liabilities	**51,598,726**	22,580,635
	192,825,170	165,908,950
At December 31	**2,042,124,285**	2,012,412,204

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances...*continued*

The above table represents a worse case scenario of credit risk exposure to the Group at December 31, 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 60% (2007 - 55%) of the total maximum exposure is derived from loans and advances to banks and customers; 18% (2007 - 15%) represents investments in debt securities.

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

- 95% (2007 - 76%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- Large corporate customer loans, which represents the biggest group in the portfolio, are backed by collateral;
- 74% (2007 - 76%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- 13% of the investments in debt securities and other bills have at least an A- credit rating.

Loans and advances are summarised as follows:

	2008 $	2007 $
Loans and advances to customers		
Neither past due nor impaired	**933,101,139**	857,928,081
Past due but not impaired	**250,933,255**	201,908,842
Impaired	**71,224,935**	70,535,158
Gross	**1,255,259,329**	1,130,372,081
Less allowance for impairment losses on loans and advances	**(23,570,831)**	(27,069,152)
Net	**1,231,688,498**	1,103,302,929

The total allowance for impairment losses on loans and advances is $23,570,831 (2007 - $27,069,152) of which $17,501,408 (2007 - $21,459,851) represents the individually impaired loans and the remaining amount of $6,069,422 (2007 - $5,609,301) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances...*continued*

(a) Loans and advances neither past due nor impaired

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

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate loans $	Total Loans and advances to customers $
December 31, 2008					
Loans and advances to customers					
Ratings:					
1. Pass	59,159,374	199,265,722	138,194,183	382,828,916	779,448,195
2. Special monitoring	32,165,880	72,058,707	19,283,317	29,981,528	153,489,432
3. Sub-standard	–	–	163,512	–	163,512
	91,325,254	**271,324,429**	**157,641,012**	**412,810,444**	**933,101,139**
December 31, 2007					
Loans and advances to customers					
Ratings:					
1) Pass	28,323,858	216,778,541	150,068,900	331,692,135	726,863,434
2) Special monitoring	21,115,074	63,484,045	14,915,844	30,414,787	129,929,750
3) Substandard	–	–	–	1,134,897	1,134,897
	49,438,932	**280,262,586**	**164,984,744**	**363,241,819**	**857,928,081**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances...*continued*

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

	Term Loans $	Mortgages $	Large Corporate loans $	Total $
At December 31, 2008				
Past due up to 30 days	61,377,828	36,121,668	96,711,733	194,211,229
Past due 30 – 60 days	11,896,043	4,411,951	13,626,446	29,934,440
Past due 60 – 90 days	5,504,909	1,092,913	407,692	7,005,514
Over 90 days	8,132,607	1,617,842	10,031,623	19,782,072
	86,911,387	**43,244,374**	**120,777,494**	**250,933,255**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets.

	Term loans $	Mortgages $	Large Corporate Loans $	Total $
At December 31, 2007				
Past due up to 30 days	52,706,961	28,123,772	69,169,824	150,000,557
Past due 30 – 60 days	12,143,178	6,027,746	12,076,865	30,247,789
Past due 60 – 90 days	4,574,849	4,153,906	3,154,266	11,883,021
Over 90 days	3,868,080	3,059,394	2,850,001	9,777,475
	73,293,068	**41,364,818**	**87,250,956**	**201,908,842**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances...*continued*

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held and unearned interest on discount loans is $71,224,935 (2007 - $70,535,158).

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

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate loans $	Total $
December 31, 2008					
Individually impaired loans	4,939,442	31,737,238	14,753,617	19,794,638	71,224,935
December 31, 2007					
Individually impaired loans	5,405,686	25,455,988	19,369,782	20,303,702	70,535,158

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled $10,847,109 at December 31, 2008 (2007 - $17,731,946).

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

Debt securities, treasury bills and other eligible bills
The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2008, based on Standard & Poor's and Caricris ratings:

	Financial assets held for trading $	Investment Securities $	Loans and receivables - bonds $	Total $
AA- to AA+	622,380	8,009,504	–	8,631,884
A- to A+	37,391,263	50,603,401	–	87,994,664
Lower than A-	13,541,298	62,292,981	–	75,834,279
Unrated	34,462,945	181,274,581	6,158,666	221,896,192
	86,017,886	302,180,467	6,158,666	394,357,019

Repossessed collateral
At the end of 2008 and 2007 the Group had no repossessed collateral.

Concentrations of assets
The Group operates the following business segments; retail and corporate banking, investment banking, private banking, real estate and insurance. The Group has only one segment meeting the 10% threshold requirements.

(a) Geographical sectors
The Group operates primarily in Saint Lucia and the exposure to credit risk is concentrated in this area.

(b) Industry sectors
Economic sector risk concentrations within the customer loan portfolio were as follows:

	2008 ($'000)	%	2007 ($'000)	%
Tourism	**358,811**	**28**	279,947	24
Residential housing	**215,639**	**17**	221,979	19
Infrastructural, utilities and transportation	**149,790**	**12**	82,869	7
Distribution and commerce	**74,105**	**6**	82,013	7
Professional services	**71,833**	**6**	69,908	6
Education	**73,938**	**6**	64,707	6
Agriculture	**26,103**	**2**	18,793	2
Manufacturing	**27,295**	**2**	17,920	2
Government	**11,782**	**1**	9,031	1
Financial services	**8,716**	**1**	4,993	1
Other consumer	**237,247**	**19**	278,212	25
Total before deduction of allowance for impairment losses on loans and advances	**1,255,259**	**100**	1,936,068	100

(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 exposures to market risks arise from its non-trading portfolios.

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's 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. The following table summarises the Group's exposure to foreign currency exchange rate risk at December 31.

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Currency risk...*continued*

	EC	US	BDS	EURO	GBP	CAD	Other	Total
Concentrations of assets and liabilities								
At December 31, 2008								
Assets								
Cash and balances with Central Bank	78,960,702	2,541,991	273,987	752,241	172,289	158,246	–	82,859,456
Treasury bills	9,474,226	–	–	–	–	–	7,807,807	17,282,033
Deposits with other banks	14,353,112	56,372,313	1,827,952	29,705,757	14,548,195	3,463,968	16,885,599	137,156,896
Financial assets held for trading	15,163,244	19,938,429	4,128,288	–	–	–	46,787,925	86,017,886
Deposits with non-bank financial institution	–	7,647,713	–	–	209,704	–	–	7,857,417
Loans and receivables:								
– loans and advances to customers	992,718,679	238,633,436	–	–	–	–	336,383	1,231,688,498
– bonds	6,158,666	–	–	–	–	–	–	6,158,666
Investment securities:								
– held-to-maturity	23,502,326	11,634,175	2,217,375	–	–	–	306,850	37,660,726
– available for sale	75,490,635	171,341,718	–	2,836,186	–	–	–	249,668,539
Pledged assets	51,843,988	–	–	–	–	–	–	51,843,988
Due from reinsurers	2,673,178	–	–	–	–	–	–	2,673,178
Due from insurance agents, brokers and policyholders	1,541,830	–	–	–	–	–	–	1,541,830
Other assets	24,619,214	1,828,672	–	850	36,121	127	6,068,979	32,553,963
Total financial assets	1,296,499,800	509,938,447	8,447,602	33,295,034	14,966,309	3,622,341	78,193,543	1,944,963,076

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

Concentrations of assets and liabilities	EC	US	BDS	EURO	GBP	CAD	Other	Total
At December 31, 2008								
Liabilities								
Deposits from banks	3,234,241	318,192	–	–	–	–	–	3,552,433
Due to customers	960,848,334	183,308,644	–	23,637,061	14,460,171	3,438,399	62,701,863	1,248,394,472
Other funding instruments	147,284,390	62,894,016	–	–	–	–	–	210,178,406
Borrowed funds	68,344,687	117,687,194	–	8,817,149	–	–	11,509	194,860,539
Due to reinsurers	1,459,708	–	–	–	–	–	–	1,459,708
Insurance claims and deferred revenue	6,205,623	–	–	–	–	–	–	6,205,623
Other liabilities	26,178,409	28,112	–	–	17,726	–	80,583	26,304,830
Total financial liabilities	1,213,555,392	364,236,158	–	32,454,210	14,477,897	3,438,399	62,793,955	1,690,956,011
Net on balance sheet financial position	82,944,408	145,702,289	8,447,602	840,824	488,412	183,942	15,399,588	254,007,065
Credit commitments	191,726,174	1,098,996	–	–	–	–	–	192,825,170
At December 31, 2007								
Total financial assets	1,107,677,629	597,778,074	6,537,138	149,963,916	18,912,437	5,764,297	34,419,264	1,921,052,755
Total financial liabilities	1,163,137,420	275,132,218	–	129,589,711	15,569,206	5,530,000	85,316,594	1,674,275,149
Net on balance sheet financial position	(55,459,791)	322,645,856	6,537,138	20,374,205	3,343,231	234,297	(50,897,330)	246,777,606
Credit commitments	138,410,575	4,917,740	–	–	–	–	–	143,328,315

(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 fair value and cash flows risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

	1 $	2-5 Years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2008					
Financial assets					
Cash and balances with Central Bank	11,668,401	–	–	71,191,055	82,859,456
Treasury bills	17,282,033	–	–	–	17,282,033
Deposits with other banks	122,358,250	–	–	14,798,646	137,156,896
Financial assets held for trading	57,543,157	17,258,856	11,215,873	–	86,017,886
Deposits with non-bank financial institution	7,647,713	–	–	209,704	7,857,417
Loans and receivables:					
- loans and advances to customers	230,569,405	207,267,830	793,851,263	–	1,231,688,498
- bonds	–	6,158,666	–	–	6,158,666
Investment securities:					
- held-to-maturity	8,290,019	23,018,385	6,312,322	40,000	37,660,726
- available for sale	189,385,270	44,445,241	13,407,197	2,430,831	249,668,539
Pledged assets	9,891,296	17,230,554	24,722,138	–	51,843,988
Due from reinsurers	–	–	–	2,673,178	2,673,178
Due from insurance agents, brokers and policy holders	–	–	–	1,541,830	1,541,830
Other assets	751,868	–	–	31,802,095	32,553,963
Total financial assets	655,387,412	315,379,532	849,508,793	124,687,339	1,944,963,076
Financial liabilities					
Deposits from banks	318,192	–	–	3,234,241	3,552,433
Due to customers	1,241,529,561	6,864,911	–	–	1,248,394,472
Other funding instruments	197,375,984	12,802,422	–	–	210,178,406
Borrowings	38,617,290	130,358,989	25,884,260	–	194,860,539
Due to reinsurers	–	–	–	1,459,708	1,459,708
Insurance claims and deferred revenue	–	–	–	6,205,623	6,205,623
Other liabilities	4,373,727	–	–	21,931,103	26,304,830
Total financial liabilities	1,482,214,754	150,026,322	25,884,260	32,830,675	1,690,956,011
Total interest repricing gap	(826,827,342)	165,353,210	823,624,533	91,856,664	254,007,065
As at December 31, 2007					
Total financial assets 2007	711,001,536	268,399,436	805,984,617	135,666,166	1,921,051,755
Total financial liabilities 2007	1,383,987,812	111,391,346	1,069,708	177,826,283	1,674,275,149
Total interest repricing gap	(672,986,276)	157,008,090	804,914,909	(42,160,117)	246,776,606

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

	EC$	US$	EURO	GBP	CAD	Others
	%	%	%	%	%	%
At December 31, 2008						
Assets						
Treasury bills	5.75	–	–	–	–	–
Deposits with other banks	–	0.36	2.39	2.82	1.4	–
Deposits with non-bank financial institution	–	1.57	–	–	–	–
Loans and receivables:						
- loans and advances to customers	9.42	7.05	–	–	–	–
- bonds	7.2	–	–	–	–	–
Investment securities:						
- held-to-maturity	5.3	5.86	–	–	–	–
- available for sale	5.77	4.2	–	–	–	–
Liabilities						
Due to customers	3.2	2.8	1.37	2.25	1.62	–
Borrowings	7.9	5.74	2.4	–	–	–

The Group's fair value interest rate risk arises from debt securities classified as available for sale. At December 31, 2008 if market interest rates had been 0.5% higher/lower with all variables held constant, equity for the year would have been $1,289,547 higher/lower as a result of the decrease/increase in fair value of available-for-sale debt securities.

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At December 31, 2008 if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $3,112,368 higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

Liquidity risk

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

Liquidity risk management

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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Liquidity risk management...*continued*

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.

Non-derivative cashflows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet 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.

	1 Year $	2-5 Years $	Over 5 years $	Total $
At December 31, 2008				
Deposits from banks	3,552,433	–	–	3,552,433
Due to customers	1,307,130,726	9,664,581	–	1,316,795,307
Other funding instruments	202,503,257	9,138,580	–	211,641,837
Borrowings	29,872,117	107,123,715	86,905,939	223,901,771
Due to reinsurers	1,459,708	–	–	1,459,708
Insurance claims and deferred revenue	6,039,288	–	–	6,039,288
Other liabilities	25,036,698	–	–	25,036,698
Total financial liabilities	1,575,594,227	125,926,876	86,905,939	1,788,427,042
At December 31, 2007				
Deposits from banks	18,439,127	–	–	18,439,127
Due to customers	1,431,118,013	15,387,484	–	1,446,505,497
Other funding instruments	56,679,827	4,371,324	–	61,051,151
Borrowings	26,632,771	87,627,912	67,363,509	181,624,192
Due to reinsurers	1,880,741	–	–	1,880,741
Insurance claims and deferred revenue	5,300,631	456,775	–	5,757,406
Other liabilities	22,141,548	791,554	–	22,933,102
Total financial liabilities	1,562,192,658	108,635,049	67,363,509	1,738,191,216

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 43), are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 43), are also included below based on the earliest contractual maturity date.

	1 Year $	2-5 Years $	Total $
As at December 31, 2008			
Loan commitments	44,590,077	80,531,977	125,122,054
Financial guarantees and other financial facilities	56,820,965	10,882,151	67,703,116
Total	101,411,042	91,414,128	192,825,170
At December 31, 2007			
Loan commitments	110,302,479	15,133,522	125,436,001
Financial guarantees and other financial facilities	17,892,314	–	17,892,314
Total	128,194,793	15,133,522	143,328,315

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-balance sheet commitments are also assumed to approximate the amounts disclosed in Note 43 due to their short term nature.

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Fair values of financial assets and liabilities*...continued*
The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	Carrying value		Fair value	
	2008	2007	2008	2007
	$	$	$	$
Financial assets				
Loans and advances to customers				
– Large Corporate loans	544,225,457	478,222,311	618,606,169	485,850,922
– Term loans	388,997,895	341,605,326	458,765,301	346,956,986
– Mortgages	208,763,321	214,455,250	208,721,898	214,611,875
–Overdrafts	89,701,905	69,020,042	91,254,595	70,835,842
Held to maturity	37,660,726	46,511,855	38,075,078	45,847,223
Financial liabilities				
Due to customers	1,248,394,472	1,308,042,190	1,307,878,359	1,308,042,190
Borrowings	194,860,539	133,216,112	238,986,950	147,566,054
Other funding instruments	210,178,406	171,969,489	211,590,672	172,207,690

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

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

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

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

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, unrealised gains arising on the fair valuation of equity instruments held as available for sale and fixed asset revaluation reserves (limited to 20% on Tier 1 capital).

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Capital management...*continued*
Investment in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of - and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet 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 years ended December 31, 2008 and 2007. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

	2008 $	2007 $
Tier 1 capital		
Share capital	**167,581,060**	166,118,525
General bank reserves	**52,457,878**	46,323,064
Statutory reserve	**70,408,294**	56,044,242
Retained earnings	**28,573,268**	27,900,614
Minority interests	**784,564**	754,703
Total qualifying Tier 1 capital	**321,242,994**	297,141,148
Tier 2 capital		
Revaluation reserve	**13,855,322**	13,463,277
Redeemable preference shares	**6,650,000**	7,900,000
Unrealised loss on available-for-sale investments	**(8,704,686)**	(2,856,369)
Collective impairment allowance	**23,570,831**	27,069,152
Total qualifying Tier 2 capital	**35,371,467**	45,576,060
Less investments in associates	**(6,433,246)**	(4,871,761)
Total regulatory capital	**350,181,215**	337,845,447
Risk-weighted assets:		
On-balance sheet	**1,316,360,376**	1,692,964,039
Off-balance sheet	**50,811,151**	115,921,653
Total risk-weighted assets	**1,367,171,527**	1,808,885,692
Basel capital adequacy ratio	**26%**	19

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Fiduciary activities

The Group provides investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of maladministration or under-performance. At the balance sheet date, the Group had financial assets under administration amounting to $39,161,242 (2007 - $35,155,671).

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceeds the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and the amount of claims and benefits will vary from year to year from the estimate established.

Experience shows that the larger the portfolio of similar contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographic location and type of industry covered.

<u>General insurance contracts</u>

(a) Frequency and severity of claims

For general insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims).

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payments limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group has reinsurance cover for such damage to limit losses.

General insurance contracts are subdivided into four risk groups: fire, business interruption, weather and property damage and theft. The Group does not underwrite property insurance contracts outside of St. Lucia.

(b) Source of uncertainty in the estimation of future claim payments

The development of large losses/catastrophes is analysed separately. The Group's estimation process reflects all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Group to achieve a higher certainty about the estimated cost of claims.

(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.

Impairment losses on loans and advances
The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of 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 cashflows differs by +/-5%, the provision would be estimated at $3,772,031 (2007- $1,942,833) lower or higher.

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.

Had all the declines in fair value below cost been considered significant or prolonged, the Group would suffer an additional $8,704,686 (2007 – $2,856,369) loss in its financial statements, being the transfer of the fair value reserve to the 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 fair value would decrease by $414,352 (2007 - $664,632) with a corresponding entry in the fair value reserve in equity.

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank

	2008 $	2007 $
Cash in hand	**23,393,525**	10,147,324
Balances with Central Bank other than mandatory deposits	**(11,871,702)**	4,278,735
Included in cash and cash equivalents (Note 42)	**11,521,823**	14,426,059
Mandatory deposits with Central Bank	**71,337,633**	44,326,713
	82,859,456	58,752,772

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

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

6 Treasury bills

	2008 $	2007 $
Treasury bills		
Cash and cash equivalents (Note 42)	**9,120,595**	–
More than 90 days to maturity	**8,161,438**	–
	17,282,033	–

Treasury bills are debt securities issued by the Government of Saint Lucia, St. Vincent, Grenada and United States of America. The weighted average effective interest rate was 6.45%.

7 Deposits with other banks

	2008 $	2007 $
Items in the course of collection	**9,955,392**	12,620,434
Placements with other banks	**4,842,312**	13,276,603
Interest bearing deposits	**122,359,192**	338,112,991
Included in cash and cash equivalents (Note 42)	**137,156,896**	364,010,028

The weighted average effective interest rate of interest-bearing deposits at December 31, 2008 was 3% (2007 - 3.25%).

(expressed in Eastern Caribbean dollars)

8 Financial assets held for trading

	2008 $	2007 $
Debt securities		
Bonds	**58,811,960**	67,979,413
Credit linked notes	**27,205,926**	3,276,080
	86,017,886	71,255,493

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 (Note 42). The weighted average interest rate earned on held-for-trading investments was 6.48% (2007 – 3.11%).

Credit link notes pertain to notes issued by government of Jamaica, Panama, Trinidad and Bahamas which bears a floating interest rate of 3.05% to 5.2% at December 31 plus six months LIBOR.

9 Deposits with non-bank financial institutions

	2008 $	2007 $
Interest bearing deposits		
Included in cash and cash equivalents (Note 42)	**7,857,417**	1,996,786

The weighted average effective interest rate in respect of interest-bearing deposits at December 31, 2008 was 3.0% (2007 – 3.11%).

10 Loans and advances to customers

	2008 $	2007 $
Large Corporate loans	**551,409,565**	486,451,506
Term loans	**396,640,326**	351,105,176
Mortgage loans	**215,638,993**	221,979,557
Overdrafts	**91,570,445**	70,835,842
Gross	**1,255,259,329**	1,130,372,081
Less allowance for impairment losses on loans and advances (Note 11)	**(23,570,831)**	(27,069,152)
Net	**1,231,688,498**	1,103,302,929

(expressed in Eastern Caribbean dollars)

10 Loans and advances to customers...*continued*

	2008 $	2007 $
Current	**231,376,635**	192,063,510
Non-current	**1,000,311,863**	911,239,419
	1,231,688,498	1,103,302,929

The weighted average effective interest rate on productive loans stated at amortised cost at December 31, 2008 was 9.26% (2007 - 8.54%) and productive overdrafts stated at amortised cost were 14.4% (2007 - 12.50%).

11 Allowance for impairment losses on loans and advances

	2008 $	2007 $
Large corporate loans		
At beginning of year	**8,229,195**	10,801,689
Write-off of provision for impairment losses	**–**	(1,000,000)
Amounts recovered during the year	**2,000**	685,427
Written-off during the year as uncollectible	**(1,047,087)**	(2,257,921)
At end of year	**7,184,108**	8,229,195
Term loans		
At beginning of year	**9,499,850**	10,871,471
Provision for impairment losses	**752,129**	2,001,255
Amounts recovered during the year	**362,202**	310,807
Written-off during the year as uncollectible	**(2,971,670)**	(3,683,683)
At end of year	**7,642,511**	9,499,850
Mortgage loans		
At beginning of year	**7,524,307**	7,581,688
Written-off during the year as uncollectible	**(648,635)**	(57,381)
At end of year	**6,875,672**	7,524,307
Overdrafts		
At beginning of year	**1,815,800**	2,148,255
Provision for impairment losses	**255,481**	395,458
Written-off during the year as uncollectible	**(202,741)**	(727,913)
At end of year	**1,868,540**	1,815,800
Total	**23,570,831**	27,069,152

(expressed in Eastern Caribbean dollars)

12 Loans and receivables - bonds

	2008 $	2007 $
Government bonds	**6,158,666**	9,238,001

Government bonds are purchased from and issued directly by the Government of Saint Lucia. The weighted average effective interest rate at December 31, 2008 in respect of Government bonds at amortised cost was 7.00% (2007 - 7.00%).

13 Investment securities

	2008 $	2007 $
Securities held-to-maturity		
Debt securities at amortised cost		
- Listed	**1,498,374**	6,916,616
- Unlisted	**36,162,352**	39,595,239
	37,660,726	46,511,855
Securities available for sale		
Securities at fair value		
- Listed	**99,576,744**	50,932,907
- Unlisted	**147,660,964**	125,385,567
	247,237,708	176,318,474
Equities securities		
- Unlisted	**2,430,831**	2,733,938
	249,668,539	179,052,412
Total investment securities	**287,329,265**	225,564,267

	2008 $	2007 $
Current	**198,522,519**	142,040,638
Non-current	**88,806,746**	83,523,629
	287,329,265	225,564,267

The weighted average effective interest rate on held-to-maturity securities at amortised cost at December 31, 2008 was 6.36% (2007 - 6.25%).

The weighted average effective interest rate on available-for-sale securities at fair value at December 31, 2008 was 6.47% (2007 - 5.98%).

(expressed in Eastern Caribbean dollars)

13 Investment securities...*continued*

	Held to maturity $	Available for sale $	Held for trading $	Loans and receivables - bonds $	Total $
At January 1, 2008	46,511,855	179,052,412	71,255,493	9,238,001	306,057,761
Exchange differences on monetary assets	–	(119,484)	(12,304,126)	–	(12,423,610)
Additions	29,860,090	428,927,045	46,677,429	26,442	505,491,006
Disposals (sale and redemption)	(38,711,219)	(355,357,285)	(19,610,910)	(3,105,777)	(416,785,191)
Losses from changes in fair value	–	(2,834,149)	–	–	(2,834,149)
At December 31, 2008	37,660,726	249,668,539	86,017,886	6,158,666	379,505,817
At January 1, 2007	83,705,207	127,112,983	30,001,947	9,268,621	250,088,758
Additions	9,529,797	339,298,312	56,305,219	–	405,133,328
Disposals (sale and redemption)	(46,723,149)	(285,715,183)	(14,608,927)	(30,620)	(347,077,879)
Losses from changes in fair value	–	(1,643,700)	(442,746)	–	(2,086,446)
At December 31, 2007	46,511,855	179,052,412	71,255,493	9,238,001	306,057,761

14 Pledged assets and other funding instruments

The details of assets pledged as collateral under repurchase agreements and guaranteed financial instruments under contract with customers follow:

	Pledged assets		Other funding instruments	
	2008 $	2007 $	2008 $	2007 $
Trading financial assets	**51,843,988**	68,461,583	**210,178,406**	171,969,489

The principal and interest payments due in respect of the guaranteed financial instruments are secured by a pool of Government and/or Government Guaranteed Bonds, Treasury Bills, Treasury Notes and other negotiable instruments held at a face value equal to the aggregate amount outstanding.

As at December 31, 2008, investment held to secure other funding instruments of the Group amounted to \$148,634,418 (2007 – \$111,189,140).

(expressed in Eastern Caribbean dollars)

15 Investment in associate

	2008 $	2007 $
At beginning of year	**4,871,761**	4,947,628
Additions	**2,083,230**	–
Share of loss	**(88,515)**	(75,867)
At end of year	**6,866,476**	4,871,761

Included in the above is the Group's 70% interest in Anglewood Limited, a Company incorporated on December 29, 2008, amounting to $433,230.

The Group's interest in its associate, Blue Coral Limited, an unlisted company incorporated in St. Lucia, is as follows:

Year	Assets $	Liabilities $	Revenues $	Interest held %
2008	45,087,366	29,256,266	76,950	33
2007	34,308,186	17,202,861	–	33

(expressed in Eastern Caribbean dollars)

16 Property and equipment

	Land and buildings $	Leasehold improvements $	Motor vehicles $	Office furniture and equipment $	Computer equipment $	Work-in-progress $	Total $
At December 31, 2006							
Cost	45,789,558	2,950,638	933,785	11,736,981	13,322,250	34,116	74,767,328
Accumulated depreciation	(4,940,535)	(2,050,340)	(434,821)	(7,496,021)	(12,143,053)	–	(27,064,770)
Net book amount	40,849,023	900,298	498,964	4,240,960	1,179,197	34,116	47,702,558
Year ended December 31, 2007							
Opening net book amount	40,849,023	900,298	498,964	4,240,960	1,179,197	34,116	47,702,558
Revaluation surplus	13,463,277	–	–	–	–	–	13,463,277
Additions	395,035	1,410,732	258,730	1,594,007	736,041	1,916,971	6,311,516
Disposals	(116,148)	–	–	(3,771)	–	–	(119,919)
Transfers	(20,903)	–	–	–	1,100,743	–	1,079,840
Depreciation charge	(877,055)	(451,436)	(187,598)	(948,571)	(1,391,258)	–	(3,855,918)
Closing net book amount	53,693,229	1,859,594	570,096	4,882,625	1,624,723	1,951,087	64,581,354
At December 31, 2007							
Cost or valuation	59,510,819	4,361,370	1,192,515	13,325,188	15,648,665	1,951,087	95,989,644
Accumulated depreciation	(5,817,590)	(2,501,776)	(622,419)	(8,442,563)	(14,023,942)	–	(31,408,290)
Net book amount	53,693,229	1,859,594	570,096	4,882,625	1,624,723	1,951,087	64,581,354
Year ended December 31, 2008							
Opening net book amount	53,695,268	1,859,594	570,096	4,882,625	1,624,723	1,951,087	64,581,354
Revaluation surplus	392,045	–	–	–	–	–	392,045
Additions	4,262,2768	288,770	513,392	3,708,191	965,080	–	9,737,709
Disposals	–	–	(193,509)	(45,384)	–	–	(238,893)
Transfers	362,972	–	–	–	–	(362,972)	–
Depreciation charge	(825,725)	(474,260)	(228,954)	(1,228,337)	(1,129,542)	–	(3,886,818)
Closing net book amount	57,884,797	1,674,104	661,025	7,317,095	1,460,261	1,588,115	70,585,397
At December 31, 2008							
Cost or valuation	64,528,112	4,650,140	1,429,622	16,797,442	16,508,352	1,588,115	105,501,783
Accumulated depreciation	(6,643,315)	(2,976,036)	(768,597)	(9,480,347)	(15,048,091)	–	(34,916,386)
Net book amount	57,884,797	1,674,104	661,025	7,317,095	1,460,261	1,588,115	70,585,397

(expressed in Eastern Caribbean dollars)

16 Property and equipment...*continued*

In 2008, land and buildings were revalued by an independent valuer based on open market value. The valuation indicated that the market value was above the carrying amount of the respective assets in the books of the Group. As a result, the carrying amounts were increased by $392,045 with a corresponding addition in the revaluation surplus in equity.

The historical cost of land and buildings are:

	2008 $	2007 $
Cost	**46,047,542**	46,047,542
Additions	**4,808,297**	–
Accumulated depreciation based on historical cost	**(6,586,039)**	(5,817,590)
Depreciated historical cost	**44,269,800**	40,229,952

17 Investment properties

	2008 $	2007 $
Opening net book amount	**9,882,711**	9,499,029
Additions	**183,049**	–
Fair value gains	**901,951**	383,682
Closing net book amount	**10,967,711**	9,882,711

The investment properties are composed of land and buildings.

The investment properties are valued annually at fair value by an independent, professionally qualified valuer.

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

	2008 $	2007 $
Rental income	**2,525,656**	2,108,277
Direct operating expenses arising from investment properties that generate rental income	**898,687**	700,818
Direct operating expenses that did not generate rental income	**1,286,122**	1,361,908

(expressed in Eastern Caribbean dollars)

18 Intangible assets

	2008 $	2007 $
At January 1		
Cost	**4,502,423**	5,486,318
Accumulated amortisation	**(3,256,175)**	(2,687,116)
Net book amount	**1,246,248**	2,799,202
Year ended December 31		
Opening net book amount	**1,246,248**	2,799,202
Additions	**910,482**	606,479
Transfers	**–**	(1,100,743)
Amortisation charge for the year	**(1,246,024)**	(1,058,690)
Closing net book amount	**910,706**	1,246,248
At December 31		
Cost	**5,412,904**	4,502,423
Accumulated amortisation	**(4,502,198)**	(3,256,175)
Net book amount	**910,706**	1,246,248

Intangible assets represent computer software acquired by the Group.

19 Other assets

	2008 $	2007 $
Accrued income	**12,747,439**	1,042,498
Prepaid expenses	**1,225,693**	886,885
Stationery and supplies	**959,045**	796,560
Accounts receivable	**835,719**	346,780
Items in transit, net	**358,985**	–
	16,126,881	3,072,723
Others	**20,018,747**	12,340,122
Less provision for impairment	**(2,632,620)**	–
	17,386,127	12,340,122
	33,513,008	15,412,845

As of December 31, 2008, included in Other assets classified as "Other" was an amount of $2,632,620 which was deemed impaired and provided for.

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset

Movement in the asset recognised in the consolidated balance sheet:

	2008 $	2007 $
Net asset at beginning of year	**3,290,234**	1,637,908
Total (expenses)/income	**(841,381)**	516,319
Contributions paid	**1,350,727**	1,136,007
Net asset at end of year	**3,799,580**	3,290,234

The amounts recognised in the consolidated balance sheet are determined as follows:

	2008 $	2007 $
Fair value of plan assets	**25,148,713**	22,617,503
Present value of funded obligation	**(22,720,816)**	(19,346,950)
	2,427,897	3,270,553
Unrecognised pension cost	**–**	(144,695)
Unrecognised actuarial losses	**1,371,683**	164,376
Asset in the balance sheet	**3,799,580**	3,290,234

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

	2008 $	2007 $
Beginning of year	**19,346,950**	19,023,131
Current service cost	**1,998,541**	2,021,007
Interest cost	**1,506,133**	1,319,516
Past service costs non vested benefits	**–**	(289,391)
Past service costs vested benefits	**–**	(1,558,356)
Actuarial gains	**398,092**	(649,882)
Benefits paid	**(528,900)**	(519,075)
End of year	**22,720,816**	19,346,950

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset...*continued*

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

	2008 $	2007 $
Beginning of year	**22,617,503**	20,429,447
Expected return on plan assets	**1,756,927**	1,476,964
Actuarial losses	**(842,090)**	(628,984)
Employer contributions	**1,350,727**	1,136,007
Employee contributions	**794,546**	723,144
Benefits paid	**(528,900)**	(519,075)
End of year	**25,148,713**	22,617,503

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

	2008 $	2007 $
Current service cost	**1,203,995**	1,297,863
Interest cost	**1,506,133**	1,319,516
Expected return on plan assets	**(1,756,927)**	(1,476,964)
Past service cost	**(144,695)**	(1,703,052)
Net actuarial losses recognised in the year	**32,875**	46,318
	841,381	(516,319)

The actual return on plan assets was $914,837 (2007 - $847,980).

The principal actuarial assumptions used were as follows:

	2008 %	2007 %
Discount rate	**7.50**	7.00
Expected return on plan assets	**6.00**	7.50
Future promotional salary increases	**3.50**	3.50
Future inflationary salary increases	**3.00**	3.00

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

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset*...continued*

Plan assets allocation is as follows:

	2008 %	2007 %
Debt securities	**70**	88
Equity securities	**5**	9
Other	**25**	3
	100	100

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

The average life expectancy in years of a pensioner retiring at age 65 after the balance sheet date is as follows:

	2008	2007
Male	**21.87**	17.90
Female	**25.63**	21.30

Expected contributions to post-employment benefit plans for the year ending 31 December 2008 are $1,274,686.

	2008 $	2007 $
Fair value of plan assets	**25,148,713**	22,617,503
Present value of defined benefit obligation	**(22,720,816)**	(19,346,950)
Surplus	**2,427,897**	3,270,553

	2008 $	2007 $
Experience adjustments on plan liabilities	**398,093**	162,149
Experience adjustments on plan assets	**(842,090)**	(628,984)

21 Deposits from banks

	2008 $	2007 $
Deposits from banks	**3,552,433**	18,439,127

The weighted average effective interest rate on deposits from banks 5.25% (2007 - 5.50%).

(expressed in Eastern Caribbean dollars)

22 Due to customers

	2008 $	2007 $
Term deposits	**394,742,674**	506,328,443
Savings deposits	**410,493,421**	390,446,605
Call deposits	**39,884,127**	37,741,971
Demand deposits	**403,274,250**	373,525,171
	1,248,394,472	1,308,042,190

	2008 $	2007 $
Current	**1,172,501,595**	1,213,685,779
Non-current	**75,892,877**	94,356,411
	1,248,394,472	1,308,042,190

The weighted average effective interest rate of customers' deposits at December 31, 2008 was 3.44% (2007 - 3.25%).

23 Borrowings

	Interest rate	2008 $	2007 $
Loans			
Caribbean Development Bank	4.65%	**62,235,596**	64,531,669
National Insurance Corporation	6.81%	**23,817,220**	28,156,882
European Investment Bank	4.00%	**15,398,173**	16,353,837
IFAD/Government of Saint Lucia	4.00%	**2,838,198**	2,773,374
Agence Francaise De Development	4.00%	**606,026**	779,196
International Financial Corporation	4.83%	**40,591,506**	–
St. Lucia Rural Enterprise Programmes	4.00%	**187,465**	180,687
Core Technologies		–	47,991
		145,674,184	112,823,636
Bonds	8.13%	**41,506,721**	12,443,843
Redeemable preference shares	5.75%	**7,679,634**	7,948,633
		194,860,539	133,216,112

On December 3, 2007, BOSLIL Finance Limited issued 7,948,633 non-cumulative redeemable preference shares at par which are redeemable on the date that the underlying loans which they support have been repaid.

Dividends are set at 5.75% of the issue price and rank above ordinary dividends and only become payable upon the repayment of the underlying loans for which they act as security.

(expressed in Eastern Caribbean dollars)

23 Borrowings...*continued*

	2008 $	2007 $
Current	**37,996,364**	34,128,161
Non-current	**156,864,175**	99,087,951
	194,860,539	133,216,112

Certain of the above loans are secured by Government of Saint Lucia guarantees as well as securities held with respect to sub-loans made to customers under the various lines of credit. Security for loans issued to Property Holding and Development Company of Saint Lucia Limited includes a first hypothecary obligation over the building and property known as the Financial Center, which is located at #1 Bridge Street.

The bond issue matures in various periods ranging from May 15, 2011 to April 12, 2012.

There have not been any defaults of principal, interest or other breaches with respect to borrowings during the year.

24 Other liabilities

	2008 $	2007 $
Trade and other payables	**18,069,920**	21,212,093
Interest payable	**8,767,127**	10,077,940
Managers' cheques outstanding	**5,669,990**	7,789,916
Agency loans	**1,296,788**	3,221,566
	33,803,825	42,301,515

The agency loans are funds issued to the Group by the Government of Saint Lucia for disbursement to the related projects. The Group earns an agency fee on the amounts disbursed. The funds belong to the Government of Saint Lucia.

25 Deferred tax liabilities

The movements on the deferred tax liabilities are as follows:

	2008 $	2007 $
At beginning of year	**1,651,211**	1,607,421
Current year charge, net (Note 40)	**1,150,227**	43,790
At end of year	**2,801,438**	1,651,211

(expressed in Eastern Caribbean dollars)

25 Deferred tax liabilities*...continued*

The deferred tax account is detailed as follows:

	2008 $	2007 $
Accelerated capital allowances	**1,850,516**	1,199,537
Fair value of pension assets	**950,922**	562,752
Unutilised tax losses	**–**	(111,078)
	2,801,438	1,651,211

26 Share capital

	No. of Shares	2008 $	No. of Shares	2007 $
Ordinary shares				
Authorised:				
50,000,000 (2007 - 50,000,000) ordinary shares				
Issued and fully paid:				
At beginning of year	**23,701,420**	**166,118,525**	14,760,889	58,297,419
Issued during the year	**14,169**	**212,535**	8,690,531	106,571,106
Converted from preference shares	**250,000**	**1,250,000**	250,000	1,250,000
At end of year	**23,965,589**	**167,581,060**	23,701,420	166,118,525
7% Cumulative preference shares				
Authorised:				
11,550,000 (2007 - 11,550,000) preference shares				
At beginning of year	**1,580,000**	**7,900,000**	1,830,000	9,150,000
Converted to ordinary shares	**(250,000)**	**(1,250,000)**	(250,000)	(1,250,000)
At end of year	**1,330,000**	**6,650,000**	1,580,000	7,900,000
Total preference and ordinary shares	**25,295,589**	**174,231,060**	25,295,589	174,018,525

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

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

Dividends due and unpaid on the preference shares at year end amounted to $219,161 (2007 - $306,716).

(expressed in Eastern Caribbean dollars)

27 Contributed capital

The following subsidiaries received total capital contributions as follows:

	2008 $	2007 $
St. Lucia Development & National Commercial Holding Limited	**1,525,472**	1,525,472
Productive Sector Equity Fund Incorporated	**375,000**	375,000
Student Loan Guarantee Fund	**742,549**	742,549
	2,643,021	2,643,021

28 Minority interest

	2008 $	2007 $
At beginning of year	**754,703**	770,045
Share of profit/(loss) of subsidiaries	**29,861**	(15,342)
At end of year	**784,564**	754,703

29 Reserves

	2008 $	2007 $
(a) General reserve	**46,563,917**	0
(b) Statutory reserve	**70,408,294**	56,044,242
(c) Student loan guarantee fund reserve	**1,995,992**	1,748,205
(d) Special reserve	**1,536,319**	1,309,068
(e) Retirement benefit reserve	**3,799,580**	3,290,234
Total reserves at December 31	**124,304,102**	102,367,296

Movements in reserves were as follows:

	2008 $	2007 $
(a) General		
At beginning of year	**39,975,547**	31,884,142
Transferred from retained earnings	**6,588,370**	8,091,405
At end of year	**46,563,917**	39,975,547

(expressed in Eastern Caribbean dollars)

29 Reserves...*continued*

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

	2008 $	2007 $
(b) Statutory		
At beginning of year	**56,044,242**	46,108,311
Transferred from retained earnings	**14,364,052**	9,935,931
At end of year	**70,408,294**	56,044,242

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

	2008 $	2007 $
(c) Student loan guarantee fund		
At beginning of year	**1,748,205**	1,553,633
Transferred from retained earnings	**247,787**	194,572
	1,995,992	1,748,205

This is a non-distributable reserve. Transfers are made to the reserve at an amount equal to the net profit of the subsidiary Student Loan Guarantee Fund Limited of $247,787 (2007 - $194,572).

	2008 $	2007 $
(d) Special		
At beginning of year	**1,309,068**	1,173,035
Transferred from retained earnings	**227,251**	136,033
At end of year	**1,536,319**	1,309,068

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

(expressed in Eastern Caribbean dollars)

29 Reserves...*continued*

	2008 $	2007 $
(e) Retirement benefit		
At beginning of year	**3,290,234**	1,637,908
Transferred from retained earnings	**509,346**	1,652,326
At end of year	**3,799,580**	3,290,234

This is a non-distributable reserve. During the year, $509,346 (2007 - $1,652,326) was transferred to the retirement benefit reserve account.

It is the Group's policy to match the amount of fair value of retirement plan assets with the retirement benefit reserve. Any difference is charged to retained earnings.

30 Dividends

	2008		2007	
	Dividends per share %	$	Dividends per share %	$
On ordinary shares				
Final - relating to 2007	**0.70**	**16,590,994**	–	–
Interim - relating to 2008	**0.30**	**7,189,674**	–	–
Final - relating to 2006	–	–	0.70	10,332,622
Interim - relating to 2007	–	–	0.30	7,466,241
	1.00	**23,780,668**	1.00	17,798,863

(expressed in Eastern Caribbean dollars)

31 Related party transactions and balances

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

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

	2008		2007	
	Income	**Expense**	**Income**	**Expense**
	$	**$**	**$**	**$**
Government of Saint Lucia	**–**	**4,726,382**	42,513	5,716,339
Statutory bodies	**1,804,945**	**9,326,010**	3,022,480	8,210,631
Directors and key management	**320,403**	**56,932**	65,700	117,481

Related party balances with the Group were as follows:

	2008		2007	
	Loans	**Deposits**	**Loans**	**Deposits**
	$	**$**	**$**	**$**
Government of Saint Lucia	**–**	**201,248,334**	676,674	128,359,653
Statutory bodies	**25,868,389**	**181,869,358**	34,065,830	192,631,786
Directors and key management	**5,152,695**	**1,460,884**	708,277	3,122,885

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

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 5 years and have a weighted average effective interest rates of 6.50% (2007 - 6.50%). The secured loans advanced to the directors during the year are collateralised by mortgages over residential properties;

	2008	2007
	$	**$**
Key management compensation		
Salaries and other short-term benefits	**7,463,554**	7,005,074
Pension costs	**336,588**	566,607
	7,800,142	7,571,681

	2008	2007
	$	**$**
Directors remuneration	**559,500**	475,441

(expressed in Eastern Caribbean dollars)

32 Net interest income

	2008 $	2007 $
Interest income		
Loans and advances	102,617,294	89,430,748
Treasury bills and investment securities	24,154,254	30,690,257
Cash and short-term funds	9,642,593	6,752,996
	136,414,141	126,874,001
Interest expense		
Time deposits	28,236,022	26,063,922
Borrowings	8,265,293	6,175,102
Savings deposits	12,990,587	11,384,941
Demand deposits	2,706,176	9,865,972
Correspondent banks	187,217	75,077
	52,385,295	53,565,014
Net interest income	84,028,846	73,308,987

33 Net fee and commission income

	2008 $	2007 $
Fee and commission income		
Credit related fees and commissions	14,560,784	17,319,291
Asset management and related fees	2,946,432	1,145,775
	17,507,216	18,465,066
Commission expense	(568,467)	(523,292)
	16,938,749	17,941,774

34 Net foreign exchange trading income

	2008 $	2007 $
Foreign exchange		
- net realised gains	8,160,307	8,193,165
- net unrealised gains	702,885	519,558
	8,863,192	8,712,723

(expressed in Eastern Caribbean dollars)

35 Other operating income

	2008 $	2007 $
Rental income	**2,525,656**	2,206,838
Management fees	**248,316**	471,005
Gain on disposal of property and equipment	**9,349**	2,293
Other	**852,445**	61,561
	3,635,766	2,741,697

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

	2008 $	2007 $
Not later than 1 year	**8,815,488**	8,859,776
Later than 1 year and not later than 5 years	**2,971,811**	7,735,265
	11,787,299	16,595,041

36 Net insurance premium revenue

	2008 $	2007 $
Insurance premium revenue	**11,023,297**	12,506,084
Insurance premium ceded to reinsurers	**(8,059,804)**	(9,860,678)
	2,963,493	2,645,406

37 Net insurance claims

	2008 $	2007 $
Insurance claims and loss adjustment expenses	**4,507,149**	4,156,039
Insurance claims and loss adjustment expenses recovered from reinsurers	**(2,322,524)**	(2,171,302)
	2,184,625	1,984,737

(expressed in Eastern Caribbean dollars)

38 Operating expenses

	2008 $	2007 $
Employee benefit expense (Note 39)	**30,496,023**	27,970,055
Depreciation and amortisation	**5,132,842**	5,309,642
Utilities	**5,062,642**	5,284,362
Repairs and maintenance	**2,510,917**	1,754,384
Advertising and promotion	**1,668,642**	2,207,757
Bank and other licences	**1,267,731**	538,748
Security	**1,218,164**	925,240
Printing and stationery	**1,138,661**	1,038,203
Legal and professional fees	**1,078,731**	867,662
Insurance	**1,023,519**	786,888
Credit card & IDC visa charges	**1,486,166**	246,834
Borrowing fees	**862,294**	336,397
Other expenses	**9,658,743**	5,767,916
	62,605,075	53,034,088

39 Employee benefit expense

	2008 $	2007 $
Wages and salaries	**23,446,732**	22,410,465
Other staff cost	**5,761,397**	6,075,909
Pensions (Note 20)	**1,287,894**	(516,319)
	30,496,023	27,970,055

(expressed in Eastern Caribbean dollars)

40 Income tax expense

	2008 $	2007 $
Current	**3,410,456**	4,954,924
Deferred (Note 25)	**1,150,227**	43,790
	4,560,683	4,998,714

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

	2008 $	2007 $
Profit for the year before income tax	**51,446,172**	49,242,864
Tax calculated at the applicable tax rate of 30%	**15,433,852**	14,772,859
Tax effect of income not subject to tax	**(11,539,523)**	(10,303,415)
Deferred tax asset (utilised)/ unutilised	**(541,399)**	232,673
Prior year under/(over) provision of deferred tax	**751,975**	(116,683)
Tax effect of expenses not deductible for tax purposes	**455,778**	413,280
	4,560,683	4,998,714

The Group has unutilised tax losses of $4,035,756 (2007 - $2,519,440) for which the deferred tax asset has not been recognised due to the uncertainty of its recoverability. Unutilized tax losses may be carried forward and deducted against 50% of future taxable income within six years following the year in which the losses were incurred. Tax losses expire in 2013. The losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department.

The basis for allocating expenses relating to exempt income of the development operations of the Group had not been finalised with the Inland Revenue Department at the reporting date. Adjustments arising, if any will be reflected in the period in which agreement has been reached.

(expressed in Eastern Caribbean dollars)

41 Earnings per share

Basic

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of $46,390,128 (2007 - $43,706,492) and 23,919,199 (2007 - 19,426,507) shares, being the weighted average number of ordinary shares in issue in each year. For the purpose of calculating basic earnings per share, the profit for the year attributable to ordinary shares is the profit for the year after deducting preference dividends.

Diluted

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of $46,390,128 (2007 - $43,706,492) and 25,249,199 (2007 - 21,006,507) shares, being the weighted average number of shares in issue taking into account the preference shares had they been converted to ordinary shares. For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary shares is the profit for the year after deducting preference dividends.

42 Cash and cash equivalents

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

	2008 $	2007 $
Cash and balances with Central Bank (Note 5)	**11,521,823**	14,426,059
Treasury bills (Note 6)	**9,120,595**	–
Deposits with other banks (Note 7)	**137,156,896**	364,010,028
Financial assets held for trading (Note 8)	**86,017,886**	71,255,493
Deposits with non-bank financial institutions (Note 9)	**7,857,417**	1,996,786
	251,674,617	451,688,366

(expressed in Eastern Caribbean dollars)

43 Contingent liabilities and commitments

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

	2008 $	2007 $
Loan commitments	**125,122,054**	125,436,001
Financial guarantees and other financial facilities	**67,703,116**	17,892,314
	192,825,170	143,328,315

Contingency

Mortgage loans totalling $10.9 million (2007 - $23.4 million) were sold to the Eastern Caribbean Home Mortgage Bank (ECHMB). Under the terms of the agreement, Bank of Saint Lucia Limited is obligated to indemnify ECHMB with respect to any default, loss or title deficiency occurring during the life of the loans secured by the purchased mortgages. Amounts outstanding at December 31, 2008 totalled $40,716,575 (2007 - $22,580,635).

44 Principal subsidiary undertakings

	Holding 2008 %	2007 %
Bank of Saint Lucia Limited	**100**	100
Mortgage Finance Company of St. Lucia Limited	**100**	100
St. Lucia Development & National Commercial Holding Limited	**100**	100
Bank of Saint Lucia International Limited	**100**	100
Property Holding and Development Company of Saint Lucia Limited	**100**	100
ECFH Global Investment Solution Limited	**100**	–
EC Global Insurance Company Limited	**70**	70
Student Loan Guarantee Fund Limited	**	**
Productive Sector Equity Fund Incorporated	**	**

The St. Lucia Development & National Commercial Holding Limited is in the process of being dissolved and currently undertakes no commercial activity.

** While the entities are controlled by the Group, the legal formalities in respect of the allotment of shares have not been completed at the reporting date.

(expressed in Eastern Caribbean dollars)

45 Subsequent events

At the meeting on March 23, 2009, the Board of Directors proposed a final dividend in respect of 2008 of $0.70 per share for ordinary shares held by shareholders on record as of April 14, 2009.

The financial statements at December 31, 2008 do not reflect this resolution which will be accounted for in equity as an appropriation of retained profits in the year ending December 31, 2009.