Schedule 1

FORM ECSRC – K

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

For the financial year ended **December 31st, 2016**

Issuer Registration number **BOSVG01061977SV**

Bank of St. Vincent and the Grenadines

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

St. Vincent and the Grenadines

(Territory of incorporation)

Reigate Building, Granby Street, Kingstown, St. Vincent

(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): **1784-457-1844**

Fax number: **1784-456-2612**

Email address: **info@bosvg.com**

(Provide information stipulated in paragraphs 1 to 14 hereunder)

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

Yes **X** No______

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

CLASS	NUMBER
Common	**14,999,844**

SIGNATURES

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

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

Name of Country Manager:

Bernard Hamilton

Signature

April 28, 2017

Date

Name of Director:

Lennox Bowman

BANK OF ST. VINCENT & THE GRENADINES

Signature

April 28, 2017

Date

Name of Chief Financial Officer:

Bennie Stapleton

Signature

April 28, 2017

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

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

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

For most of the year, the Bank expended a lot of its time and energies in pursuit of the Group’s new strategic initiative to forge ahead with the closer integration of its constituent subsidiaries with Bank of St. Lucia Ltd (BOSL), EC Global Investments Ltd. and Bank of St. Vincent and the Grenadines Ltd. (BOSVG). It was out of this initiative that the Group sought to rationalize its management structure by appointing Country Managers for both BOSL and BOSVG. Two of the Bank’s senior executives, Mr. Derry Williams and Mr. Bennie Stapleton were transferred to BOSL, as Country Manager and Group’s Chief Financial Officer respectively.

The idea behind the creation of one-amalgamated Bank was driven by the urgent imperative of creating a common shield to protect small indigenous banks against external adversities and shocks posed through derisking by international correspondent banks; the introduction of rigorous IFRS reporting standards and the tightening of regulatory and compliance rules. It was also seen as the most pragmatic approach towards the longer term sustainability and enhanced competitiveness of stand-alone indigenous banks in the sub-region. Unfortunately, this amalgamation initiative floundered towards the end of the financial period.

Although the Bank continues on its path of stable growth performance over the past six years, there are growing concerns that its future sustainability as a stand-alone indigenous commercial bank is under increasing threat. As the dark clouds of derisking and heightened correspondent banking risks beckon on the horizons, the bank has very little choice but to continue to vigorously pursue alternative modes of strategic alliances and partnerships with stronger regional financial institutions in the very near term if it is to remain viable and competitive.

BOSVG introduced two new banking products from the lending side of the portfolio: Get More: Mass Market and Get More: Student Loan Portfolio in 2016.

The Bank’s approach to this campaign was to leverage its existing data base in developing marketing strategies, by using simple techniques such as telephone calls, one and one meeting with current and potential customers and direct advertisement to our customers. Our approach is targeted and focuses on exploiting opportunities among our current customers.

2. Properties.

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

Properties	Date of Acquistion	Size	Purpose of Acquistion/Productive Capacity
BOSVG Bedford Street Branch	30-Jul-10	5255 sq.ft land with three storey building 14,236 sq.ft	To conduct banking business
BOSVG Reigate Branch	21-Nov-11	18,090 sq.ft land with four storey building 42,660 sq. ft	To conduct banking business
BOSVG Georgetown Branch	30-Jul-10	7,200 sq. ft with two storey buildibg 4,294 sq ft	To conduct banking business
BOSVG Canouan Branch	30-Jul-10	7,663 sq. ft land with two storey building 2,963 sq. ft	To conduct banking business
BOSVG Bequia Branch	30-Jul-10	26,349 sq. ft land with two story building 4,200 sq. ft	To conduct banking business
BOSVG Union Island Branch	30-Jul-10	15,191 sq. ft land with two story building 5,510 sq.ft	To conduct banking business
BOSVG Barrouallie Branch	30-Jul-10	1,705 sq. ft land	Acquired for the purpose of building a branch to conduct banking business.
Lands at Rillian Hill	19-Aug-09	9,814 Sq.ft land	Transfer of land from mortgage customer to bank.Land was sold to customer by the bank for the purpose of constructing dwelling house. However, land was unsuitable for construction as a result of water pipe running through the middle of the land. Productive capacity - Agriculture
Property Holdings SVG Ltd. (the "Subsidiary")			
Real Estate	26-Oct-11	23,851sq.ft land	Temporary acquistion of distressed properties for future investment
Real Estate	26-Oct-11	11,885sq.ft land	Temporary acquistion of distressed properties for future investment
Real Estate	26-Oct-11	11,885sq.ft land	Temporary acquistion of distressed properties for future investment
Real Estate	26-Oct-11	11,885sq.ft land	Temporary acquistion of distressed properties for future investment
Real Estate	26-Oct-11	2A1R24P/105,544sq.ft land	Temporary acquistion of distressed properties for future investment
Real Estate	26-Oct-11	39,454sqft land	Temporary acquistion of distressed properties for future investment

Note: There were no additions or disposal during the reporting period.

3. Legal Proceedings.

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

There are currently High Court claims against the bank but no arbitration proceedings. These claims are not expected to have a significant effect on the Bank's financial position. These are High Court of Justice cases in the Eastern Caribbean Supreme Court which have not been prosecuted further to date: Claim # 122 of 2011, Claim No. 75/2011, Claim No. 78 of 2008, Claim No. 469 of 2007 and claim No.28/2017.

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

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

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

There were no matters to a Vote of Security Holders through the solicitation of proxies submitted during the reporting period.

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

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

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

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

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

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

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

The 2016 Financial Statements are attached.

Acrobat Document

7. Disclosure about Risk Factors.

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

The management of risks continues to be a major challenge. The Bank has taken up this challenge and has placed significant emphasis on the management of risks through the systematic development of tools and strategies to mitigate these risks. Risks are continuously being evaluated in terms of the level of impact they can have on the sustainability of the Bank While the Bank places strong emphasis on the management of risks, it does so with the objective of balancing risk taking with expected returns to shareholders.

Disclosures about Risk Factors for the reporting period are detailed on pages 31 to 58 of the 2016 Financial Statement attached.

8. Changes in Securities and Use of Proceeds.

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

There were no changes in securities and use of proceeds during the period.

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

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

  Not applicable

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

  Not applicable

- Name and address of underwriter(s)

  Not applicable

- Amount of expenses incurred in connection with the offer

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

  Not applicable

- Payments to associated persons and the purpose for such payments

  Not applicable

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

Not applicable

9. Defaults upon Senior Securities.

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

There were no defaults upon Senior Securities.

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

Not applicable

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

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

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

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

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

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

General Discussion and Analysis of Financial Condition

The Bank of St. Vincent and the Grenadines Ltd. ended the year in a relatively strong position with modest profitability, adequate capital and high levels of liquidity. This performance is highly commendable in the context of the ongoing economic challenges where overall economic growth is still very much subdued and the recovery process is still stuttering amidst global financial and political uncertainties.

Profit before tax was $7.635M, a slight reduction of $0.430M from the prior year's result. Net interest income was impacted positively by the reduction in the minimum savings rate to 2%. The profit after tax however, recorded a significant reduction from $5.859M to $4.936M primarily as a result of the increased levels of provisioning which was $2.552M higher than the previous year. The more aggressive provisioning adopted in 2016 was commensurate with the rise in nonperforming loans in 2016 and a slight deterioration in the asset quality with the non-performing loans (NPL) ratio increasing from 6.36% to 7.78%.

Total assets grew from $899.2M in 2015 to $971.3M in 2016, representing an increase of 8.02% over the period stemming mainly from increased customers deposits ($59.9M). The growth in deposit was mainly fueled by the introduction of punitive measures adopted by some foreign commercial banks which led to a significant migration of savings deposits from these institutions to the indigenous banking and nonbanking sectors.

The Bank's capital position remained strong and ended the period with a Capital Adequacy Ratio (CAR) of 20.51% which is comfortably above the regulatory requirement of 8%. This level of capitalization is critical as the Bank prepares for the inevitable adoption of the new and more rigorous international accounting standards – the International Financial Reporting Standard 9 (IFRS 9) to be introduced in January 2018.

Interest expense continued its downward trend in 2016 declining by 9.1% from $19.4M to $17.6M. This was attributed largely to the effective treasury management practices by the finance and investment arm of the Bank.

Operating expenses remained relatively flat for the period at $30.9M although it was worthy of note that the Bank was able to reduce its staff cost by 3.6%.

The consistent and modest performance of the bank remains rooted in the Group's strategic focus of a "Safe and Sound/ Cautious Profitable Growth" which is realistically aligned with the economic realities of St. Vincent and the Grenadines and by extension the other territories of the Currency Union.

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

Discussion of Liquidity and Capital Resources

During the year, cash and cash equivalents increased by $ 76.1 million or 49.5% to $229.7 million from $153.9 million in 2015. Increases in cash flows indicate that the Bank has significant flexibility to take advantage of a number of investment and other opportunities. Financial assets and financial liabilities maturing within 1 year totaled $133.7 million and $684.4 million, respectively in 2016 compared to $136.5 million and $620.7 million respectively, in 2015. The Bank remains well within the guidelines set out by ECFH Group Investment Committee, which monitors liquidity on an ongoing basis to ensure that the Bank will be able to meet its obligations as they fall due.

Equity attributed to Shareholders' increased by $1.9 million or 1.9% to $105.8 million in 2016 from $103.9 million in 2015 derived from the retention of profits. There was no change in the value of the shareholding composition during the period.

The Bank is cognizant of the need to become compliant with respect to the new Banking Act and will seek to improve its capital base to address the potential impact of the new accounting standard (IFRS 9) which will result in a higher level of provisioning for loan losses during 2017.

Off Balance Sheet Arrangements

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

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

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

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

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

There was no material off balance sheet arrangements at reporting period.

Results of Operations

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

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

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

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

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

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

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

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

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

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

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

Profitability

Profit before tax decreased by 5% over the previous year, from $8.065 million to $7.635 million. This was due to a significant increase (70.7%) in loan loss provisioning which also impacted on the taxation charge resulting in an after tax profit of $4.936 million compared to $5.859 million in 2015.

Revenue

Total revenue recorded for 2016 was $44.786 million increasing by 4.3% over 2015. This is a positive result relative to the economic conditions. Interest income from loans and advances contributed 75% of this total, investment income 5%, fee and commission and foreign exchange income 12% and 8% respectively.

Increases were recorded in most categories of income over 2015 except for interest income and other gains. Income derived from foreign exchange earnings and fee and commission income increased by 7.9% and 8.7% respectively. Foreign exchange earnings were driven by favourable exchange rates against the US dollar.

Net interest income

Interest income slightly declined in 2016 as a result of reduced yields on interest earning assets due to market competition to reduce interest rates to maintain existing relationships. This decline was supported by a reduction in interest expense of $1.770 million or 9.1% although customers' deposits expanded by $59.900 million or 9.1%. This was attributed to the application of measures to effectively manage the rates on deposit accounts and the reduction in the minimum interest rate mandated by the ECCB. Consequently, the weighted effective interest rate on loans and advances to customers and deposits fell by 4 basis points and 25 basis points respectively.

Non-interest expenses

As stated above, overall performance was impacted by an increase in impairment charge for loan losses of $2.552 million or 70.1%. The Bank ensures that its provision is adequate, particularly in light of the impending new International Financial Reporting Standard 9 (IFRS 9) in 2018. The high provision is a reflection of the economic condition throughout the region relative to the demand for credit. The Bank continues to boast a provision ratio of approximately 27.2%, against the nonperforming loans and advances portfolio and continues to aggressively pursue impaired loans. These efforts realized an increase in recovery income of $0.485 million in 2016.

Total non-interest expenses without provision increased by $0.129 million over the audited position for 2015. The key drivers for the increase were recorded in legal and professional fees, bank charges, property related expenses and subscriptions and donations. Worthy of note was the management of staff expenses and other operating expenses which reduced by $0.365 million or 3.6% and $0.163 million or 6.2% respectively.

Key Performance Indicators

The financial highlights indicate that return on assets fell from 0.65% in 2015 to 0.51% in 2016. The return on equity fell from 5.64% to 4.66%, largely due to the conservative approach to provisioning compounded by an expanded balance sheet. Earnings per share (EPS) is stable at $0.49 and the capital adequacy ratio is at 20.51%, above the current requirement of 8% stipulated by the Eastern Caribbean Central Bank. The book value per share increased to $10.58

Financial Position

At $971.3 million, the Bank surpassed the highest asset growth recorded in the 2014 financial year funded via the activity within the deposit portfolio. With the continued high levels of liquidity in the system most of the deposits was held in cash and bank balances.

Loans and Advances to Customers

Net loans and advances to customers in 2016 was $578.8 million, which is $7.2 million or 1.2% lower than total loans and advances to customers of $586.0 million in 2015. Lending to customers comprises loans (87.1%), overdrafts (12.5%) and credit cards (0.40%). The composition of the portfolio remained the same, when compared to that held in 2015, with corporate loans and mortgages comprising the greater percentage of the portfolio. Mortgage loans formed the largest component of loans to customers at 49.9% (2015 - 47%), followed by Corporate loans at 21.9% (2015 - 23.6%).

The non-performing loan (NPL) position deteriorated. The ratio of non-performing loans to total loans stood at 7.78% at year end, up from 6.36% in 2015. This ratio exceeds the ECCB's guideline of 5%. Management has been actively working to reduce the NPL ratio to more acceptable levels. The ratio of total provision for loan losses to total loans and advances is 2.12%.

The concentration of lending to various industry sectors together with investments and other assets remained relatively unchanged compared to 2015. Increases over the prior year were reported in several sectors, with the exception of lending to Government, Tourism and Other Industries. An increasing amount of credit was extended to the financial institutions sector. Management considered the risk associated with these assets to be in the low to medium range.

Deposits

Customer deposits grew by $59.9 million or 9.1 % to $715.8 million in 2016 when compared with $655.9 million in 2015. The loans to deposits ratio fell from 89.4% in 2015 to 80.6%, reflecting lower loans and advances but higher deposit balances.

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

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

There were no changes in and disagreements with Auditors on Accounting and Financial disclosure.

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

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

13. Other Information.

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

14. List of Exhibits

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

1. Appendix 1- Biographical Data Forms –Directors of the Company
2. Appendix 1a-Biographical Data Forms – Executive Officers
3. Audited Financial Statements 2016

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Sir Errol Allen

Position: Chairman of the Board of Directors and Credit Committee

Mailing Address: Upper Villa, P.O. Box 2453, Kingstown , St. Vincent and the Grenadines

T**elephone No**: (784) 457-1844

List jobs held during the past five years. Give brief description of responsibilities. Include names of employers.

- 1983 – 2005: Former Deputy Governor of the Eastern Caribbean Central Bank
- 1996 – Present: President of the Eastern Caribbean Institute of Banking and Financial Services (ECIB)
- 2000- Present: Chairman of the Caribbean Association of Banking and Financial Institutes (CABFI)
- 2010 – Present: Chairman of the Eastern Caribbean Securities Regulatory Commissions (ECSRC)
- 2011 – Present: Chairman of the Turks & Caicos Island Regulatory Commissions

Give brief description of **current** responsibilities.

Chairman of the Board of Directors and Credit Committee

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

Acc. Dir – Caribbean Governance Training Institute – March 2015
Acc. Dir – ICSA Jan 2013
BSc. Economics – London University, UK 1967
MSc. International Economics – University of Surrey, UK 1970

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Godwin Daniel

Position: Director/ Chairman of the Audit Committee

Mailing Address: Dorsetshire Hill, P.O. Box 757, Kingstown, St. Vincent

Telephone No: (784) 457-1844

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

- 1986-1992: Manager/Owner – Banana Producing Farm
- 1996-Present: Chairman – National Irrigation Authority
- 2007-2010: Director – National Properties Ltd
- 2007-Present: Chairman of Vincy Fresh

Give brief description of **current** responsibilities.

Director/ Chairman of the Audit Committee

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

Acc. Dir – ICSA Jan 2013
BSc. Agriculture – UWI, St. Augustine, Trinidad - 1969
MSc. Agricultural Economics – University of Guelph, Canada – 1975

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Judith Veira

Position: Director/Member of the Audit Committee

Mailing Address: Cane Garden, P.O. Box 131, Kingstown , St. Vincent and the Grenadines

Telephone No.: (784) 457-1844

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

- 1997 – Present: Consulting Actuary for Private & Statutory Corporation for St. Vincent, British Virgin Islands, St. Lucia and Trinidad
- 2003-2008: Chairman, SVG Postal Corporation)
- 2009-Present: Director, SVG Publishers Inc.

Give brief description of **current** responsibilities.

Director/Member of the Audit Committee

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

BA Hons Actuarial Science – London University, UK - 1986
Fellow of the Society of Actuaries – 1994

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Lennox Bowman

Position: Director/Member of the Credit Committee, Audit Committee & ECFH Risk Committee

Mailing Address: Sion Hill, , Kingstown , St. Vincent and the Grenadines

Telephone No: (784) 457-1844

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

- CEO - General Employees Co-operative Credit Union Ltd. – 1994 – present
- Chairman – National Insurance Services – April 2001- present
- Local Director – FIT Management Ltd. – 2005 – present
- Local Director - B2B Ltd. – 2012 – present

Give brief description of **current** responsibilities.

Director/Member of the Credit Committee, Audit Committee & ECFH Risk Committee

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

MAAT- Association of Accounting Technicians UK - 1989
ACIB - Chartered Institute of Bankers UK – 1994

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Dr.Timothy Providence

Position: Director/Member of the Credit Committee

Mailing Address: Pembroke, P.O. Box 1085 , Kingstown , St. Vincent and the Grenadines

Telephone No: (784) 457-1844

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Current Director for the following Companies:

- Irie Investments Ltd.
- Caribbean Reference Laboratory Ltd
- Victoria Medical Centre Inc.
- Consultant OB/SYN – Milton Cato Memorial Hospital – 18 years
- Medical Director - Milton Cato Memorial Hospital – 1993-1996

Give brief description of **current** responsibilities.

Director/Member of the Credit Committee

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

- MBBS (UWI) 1974
- MRCOG (LON) 1981
- FRCOG (LON) 1998

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Omar Davis

Position: Director/Member of the Audit Committee and ECFH Governance Committee

Mailing Address: C/O East Caribbean Financial Holding Company Ltd., P.O. Box 1860, Bridge Street, Castries, St. Lucia

Telephone No: 758-456-6000

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

- Director FMC Professional Services Inc. 2009 – Present
- Manager /Consultant – The Windward Islands (WINORA) Packaging Co. Ltd.- 30 years

Give brief description of **current** responsibilities.

Director/Member of the Audit Committee and ECFH Governance Committee

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

Chartered Accountant – Fellow of the Association of Chartered Certified Accountants 1975
Accredited Director and Member –ICSA - January 2013

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Andre Iton **Position:** Director

Mailing Address: C/O East Caribbean Financial Holding Company Ltd., P.O. Box 1860, Bridge Street, Castries, St. Lucia

Telephone No: 758-456-6000

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Current Director for the following Companies:

- Present Managing Director East Caribbean Financial Holding Company Ltd. June 2015 – April 2016
- Consultant East Caribbean Financial Holding Company Limited, 2000-2013
- Managing Director Financial Integrated Services Limited, Grand Cayman

Give brief description of **current** responsibilities.

Director

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

- Bsc. Economics

Use additional sheets if necessary.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Andre Chastanet **Position:** Director

Mailing Address: C/O East Caribbean Financial Holding Company Ltd., P.O. Box 1860, Bridge Street, Castries, St. Lucia

Telephone No: 758-456-6000

List jobs held during past five years. Give brief description of responsibilities. Include names of employers.

Current Director for the following Companies:

- 2004 – 2013 Managing Director – Consolidated Foods Ltd
- 2013 – 2016 Member – National Competitveness & Productivity Council
- 2012 -2015 – Director St. Lucia Electricity Services
- May - December 2015 Chairman National Insurance Corporation

Give brief description of **current** responsibilities.

Director

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

- FCCA

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Bernard Hamilton Position: Country Manager

Mailing Address: **Reigate, P.O. Box 880 , Kingstown, St. Vincent and the Grenadines**

Telephone No.: **(784) 457-1844 ext.111**

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

February 2005 – 2016 Manager Credit Administration Ltd.

May 2016– present Country Manager

Give brief description of **current** responsibilities.

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

- Review and set work programme strategies, targets and periodic performance monitoring indicators for the various departments;
- Review credit and other financial proposals above specified limits to ensure that they are feasible, bankable and mutually beneficial to the Bank and borrower;
- Manage the risk profile of the bank's credit and investment portfolios;
- Spearhead the development , communication and implementation of effective growth strategies and processes;
- Collaborates with the Executive Management Team to develop and implement plans for operational infrastructure of systems, processes and personnel designed to accommodate the growth objectives of the bank.

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

2004 – MBA UWI Cave Hill

1982 – 1988 - MSc. Economics – University of Pinar Del Rio, Cuba

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

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Bennie Stapleton Position: Chief Financial Officer

Mailing Address: **Reigate, P.O. Box 880 , Kingstown, St. Vincent and the Grenadines**

Telephone No.: **(784) 457-1844 ext.111**

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

September 2009– present Chief Financial Officer

Give brief description of **current** responsibilities.

The Chief Financial Officer is responsible for the Bank's fiscal operating results. He engages in strategic planning, prepares, presents and interprets financial reports and provides guidance to senior management on fiscal control and profitability. The CFO assists the Managing Director in finance and accounting policy formulation, attaining the bank's financial goals and ensuring compliance with Bank policies, procedures, legal and regulatory requirements;

- Overall responsibility for finance and accounting for finance and accounting functions;
- Develop and execute strategies to achieve the bank' fiscal goals, including capital-raising strategies and market initiatives to support growth and profitability;
- Develop budget targets and oversees budget preparation and implementation;
- Analyse projections, trends and actual performance to identify opportunities for improvement; provides direction to ensure compliance with budget;

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

2010 – Certificate in Executive Management, Columbia Business Graduate School of Business

June 2008 – Certified Internal Auditor, the Institute of Internal Auditors NY

2002 - ACCA

1994 – 1997 – UWI Cave Hill Campus, BSc. Accounting

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

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Nandi Williams Morgan Position: Corporate Secretary

Mailing Address: **Reigate, P.O. Box 880 , Kingstown, St. Vincent and the Grenadines**

Telephone No.: **(784) 457-1844 ext.111**

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

December 2004 – Present Corporate Secretary

Give brief description of **current** responsibilities.

To provide support to Directors and Senior Executive Management in areas of corporate governance and corporate legal and administrative matters.

- Ensuring compliance with the statutes and regulations that govern the operations of the bank;
- Executing documents as a signing office and keeping proper records of documents;
- Dealing with matters related to the issue, transfer and transmission of shares and other securities;
- Ensure that the proper procedure for the declaration and payment of dividends is carried out;
- Arranging and maintaining insurance coverage;
- Coordinating arrangements for attending and recording the minutes of shareholders', directors' and other company meetings, and dealing with matters that arise there from;
- Conveying decisions arising from company meetings, and directing and assisting in the implementation of these decisions;
- Directing , coordinating and organizing the flow of information to the board of directors and sub-committees of the board;
- Obtaining from directors and maintaining information required for legal and regulatory compliance;
- Keeping custody of the corporate seal, statutory books and other corporate documents;
- Directing and assisting in the preparation and distribution of reports and other material/communication to the shareholders;
- Coordinating and assisting in orientation of new directors to the Bank and to the Board;

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

Jan 2011 – Sept 2011	BPP Law School, UK – Graduate Diploma in Law (GDL)
2003 – 2004	Brunel University, UK - LLM International Trade Law
2001	ECSRC Exam Certificate
June 2001	ECSE System Certificate
1995 – 1998	UWI, Cave Hill, BSc. Economic with Law

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

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: La Fleur Hall Position: Manager Risk & Compliance

Mailing Address: **Reigate, P.O. Box 880 , Kingstown, St. Vincent and the Grenadines**

Telephone No.: **(784) 457-1844 ext.111**

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

February 2011 – Present Manager Risk & Compliance

Give brief description of **current** responsibilities.

Responsibilities include the following among others:
To ensure compliance with Bank policies and procedures, and associated regulatory requirements. The Manager is further responsible for ensuring that the Bank remains in compliance with all applicable laws, rules and regulations, governing operations and products;

- Analyze large transaction report daily, scrutinizing Declaration of Source of Funds forms where necessary, to ensure that compliance issues/concerns within the bank are being identified, appropriately evaluated, investigated and resolved;
- Investigate suspicious transactions and submit Suspicious Activity Reports to the Financial Intelligence Unit in accordance with relevant laws and regulations, and ensure a log of such reporting is properly maintained;
- Ensure compliance with certification and reporting requirements of foreign authorities and correspondent banks with respect to matters relating to money laundering control;
- Develop, coordinate and conduct a comprehensive training programme that focuses on all elements of risk and compliance.
- Review compliance related policies and procedures annually to ensure that policies are adequate and in compliance with relevant laws and regulations and make recommendations for changes where applicable.
- Develop, implement, review and revise compliance risk management programmes, procedures and systems throughout the bank to prevent illegal, unethical or improper conduct.
- Identify potential areas of compliance vulnerability and risk, develop/implement corrective action plans for resolution of problematic issues and provide general guidance on how to avoid or handle similar situations in the future.

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

2010 – Certified Anti Money Laundering Specialist – Accreditation Association of Certified Anti-Money Laundering Specialist

2010 – MSc. Audit Management and Consultancy – Birmingham City University

2008 – Anti Money Laundering Certified Associate – Florida International Banker's Association

2007 - Certified Forensic Financial Analyst

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

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Cerlian Russell Position: Senior Manager Business and Operations

Mailing Address: **Reigate, P.O. Box 880 , Kingstown, St. Vincent and the Grenadines**

Telephone No.: **(784) 457-1844 ext.111**

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

March 2010 – Present Senior Manager Business and Operations

Give brief description of **current** responsibilities.

Responsibilities include the following among others:

The Senior Manager Business and Operations leads and directs the operations and compliance functions of the Bank, setting goals and formulating procedures to meet and/or surpass the Bank's objectives for shareholder return, customer service and public expectations. The incumbent is responsible for ensuring the highest level of customer service;

- Develop long-term strategic initiatives and annual business plans establishing goals and targets for the operations function, and developing and executing strategies for the achievement of these goals and targets.

- Responsible for the Deposits Portfolio and to set, monitor, and implement initiatives for the achievement of and reports on the budgeted targets and actual performance.

- Responsible for Operations Integrity and following through and implementing agreed Best Practice recommendations, including the Central Bank's Code of Best Practice for financial institutions licensed under the Banking Act.

- Manage the Staff in the operations function, working closely with the Human Resource Department to provide training, development and career growth opportunities to adequately plan for succession and manpower requirements and to manage disciplinary issues.

- Ensure appropriate initiatives are in place to develop the leadership pipeline throughout the Operations Network and to ensure staff rotation in accordance with Risk Management guidelines.

- Lead the formulation, implementation and management of sales strategies for the various units in the Retail function, initiating the development of individual sales performance reporting for staff within the Operations function, and monitoring Branches' sales performance through working together with Branch Managers and to ensure sales targets are achieved.

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

2007 – Masters in Business Administration – UWI

Sept 2005 - Diploma in Management – UWI

Oct 2004 - Certified Residential Underwriter – Real Estate Institute of Canada

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

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

Use additional sheets if necessary.

Bank of St. Vincent and the Grenadines Limited

Consolidated Financial Statements

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

Bank of St. Vincent and the Grenadines Limited

Index to the Consolidated Financial Statements

For the Year ended 31 December 2016

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Ernst & Young
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St. Lucia, W.I.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BANK OF ST. VINCENT AND THE GRENADINES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bank of St. Vincent and the Grenadines Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT…*CONTINUED*

TO THE SHAREHOLDERS OF BANK OF ST. VINCENT AND THE GRENADINES LIMITED

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters	How our audit addressed the key audit matter
Estimates used in the allowance for impairment on loans to customers	
Areas of focus Refer to Notes 2, 8 and 31 to the consolidated financial statements. The allowance for impairment losses on loans and advances to customers is considered to be a significant matter as it requires the application of judgement and use of subjective assumptions by management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty and the timing and amount of expected future cash flows. The Group records both collective and specific allowances of loans and advances to customers. In accordance with IAS 39 Financial Instruments: Recognition and Measurement, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. The recoverable amount of impairment loans are assessed on an individual basis and is primarily based on the realization of the underlying collateral security. An assessment is made on the market value of the collateral and the time and cost to collect in determining the expected cash flows. Management is continuously assessing the assumptions used in the allowance for loan losses process, and estimates are changed to account for current market and economic conditions, including the state of the real estate market and their historical experience in foreclosing and realizing the underlying collateral security.	We assessed and tested the design and operating effectiveness of controls over: - Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of the loan portfolio. - Data used to determine the provisions for loan impairment, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. In addition, we assessed the adequacy of the provision for loan losses by testing the key assumptions used in the Bank's specific and collective loan loss allowance calculations, including the identification of impairment and forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We involved our internal valuation specialists in the review of third party valuations of the underlying collateral security. -We reviewed the accounting for the allowance for loan impairment policy and assessed the reasonableness of the estimates based on the Group's historical experience of the realization of security, actual collection of cash flows and the current market conditions. We assessed the model and inputs and assumptions for the inherent risk provisions. In addition, we assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT …*CONTINUED*

TO THE SHAREHOLDERS OF BANK OF ST. VINCENT AND THE GRENADINES LIMITED

Report on the Audit of the Consolidated Financial Statements

Key Audit Matters	**How our audit addressed the key audit matter**
Fair Value of Investments	
Refer to Notes 2, 11, and 14 to the consolidated financial statements. The Group invests in various investment securities for which no published prices in active markets are available and have been classified as Level 2 assets within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.	We reviewed the reasonableness of the methods and assumptions used in determining the fair value of investment securities. We considered whether the methodology remains appropriate given current market conditions. We independently assessed the fair value of investments by performing independent valuations on the investment portfolio as well as recalculating the unrealized gain (loss) recognized. We verified that the required IFRS disclosures have been included in the financial statements at year end. We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded.

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INDEPENDENT AUDITOR'S REPORT…*CONTINUED*

TO THE SHAREHOLDERS OF BANK OF ST. VINCENT AND THE GRENADINES LIMITED

Report on the Audit of the Consolidated Financial Statements

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

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

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

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT…*CONTINUED*

TO THE SHAREHOLDERS OF BANK OF ST. VINCENT AND THE GRENADINES LIMITED

Report on the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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INDEPENDENT AUDITOR'S REPORT …*CONTINUED*

TO THE SHAREHOLDERS OF BANK OF ST. VINCENT AND THE GRENADINES LIMITED

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

Ernst + Young

Castries
St. Lucia
27 March 2017

Bank of St. Vincent and the Grenadines Limited

Consolidated Statement of Financial Position

As at 31 December 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Assets		
Cash and balances with Central Bank (Note 5)	**124,258,997**	93,097,701
Treasury bills (Note 6)	**10,173,836**	10,167,671
Deposits with other banks (Note 7)	**140,704,027**	92,330,982
Investment securities (Note 11)	**42,715,267**	39,250,294
Loans and receivables - loans and advances to customers (Note 8)	**578,813,735**	586,006,095
-bonds (Note 10)	**10,033,904**	10,032,877
Property and equipment (Note 13)	**55,558,417**	56,741,507
Investment properties (Note 14)	**2,780,000**	2,565,000
Other assets (Note 15)	**5,653,131**	7,816,946
Income tax recoverable	**589,788**	1,179,575
Total assets	**971,281,102**	899,188,648
Liabilities		
Deferred tax Liability (Note 16)	**297,527**	433,585
Deposits from banks (Note 17)	**40,040,805**	38,841,463
Due to customers (Note 18)	**715,812,152**	655,935,277
Borrowings (Note 19)	**46,350,975**	51,064,175
Other liabilities (Note 20)	**62,947,985**	49,015,269
Total liabilities	**865,449,444**	795,289,769
Equity		
Share capital (Note 21)	**14,753,306**	14,753,306
Reserves (Note 22)	**14,753,306**	14,753,306
Unrealised gain on investments	**1,529,887**	1,633,479
Retained earnings	**74,795,159**	72,758,788
Total equity	**105,831,658**	103,898,879
Total liabilities and equity	**971,281,102**	899,188,648

Approved by the Board of Directors on 27 March 2017:

Director

Director

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

Bank of St. Vincent and the Grenadines Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

(expressed in Eastern Caribbean dollars)

	Share Capital (Note 21) $	Other Reserves (Note 22) $	Unrealised loss (gain)on investments $	Retained Earnings $	Total $
Balance at January 1, 2015	14,753,306	14,753,306	1,560,610	68,399,834	99,467,056
Total comprehensive income	-	-	72,869	5,858,954	5,931,823
Dividend Paid	-	-	-	(1,500,000)	(1,500,000)
At December 31, 2015	14,753,306	14,753,306	1,633,479	72,758,788	103,898,879
Balance at January 1, 2016	**14,753,306**	**14,753,306**	**1,633,479**	**72,758,788**	**103,898,879**
Total comprehensive income	**-**	**-**	**(103,592)**	**4,936,371**	**4,832,779**
Dividend Paid	**-**	**-**	**-**	**(2,900,000)**	**(2,900,000)**
At December 31, 2016	**14,753,306**	**14,753,306**	**1,529,887**	**74,795,159**	**105,831,658**

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

Bank of St. Vincent and the Grenadines Limited

Consolidated Statement of Income

For the year ended 31 December 2016

(expressed in Eastern Caribbean dollars)

	2016	**2015**
	$	**$**
Interest income (Note 24)	**49,887,423**	50,068,147
Interest expense (Note 24)	**(17,642,436)**	(19,412,837)
Net interest income	**32,244,987**	30,655,310
Fee and commission income (Note 25,27,28)	**12,422,596**	12,215,449
Dividend income (Note 26)	**117,954**	74,604
Impairment losses on investment securities	**-**	(410,408)
Impairment losses on loans and advances, net (Note 31)	**(6,159,722)**	(3,607,851)
Operating expenses (Note 29)	**(30,990,513)**	(30,861,766)
Profit before income tax	**7,635,302**	8,065,338
Income tax expense (Note 32)	**(2,698,931)**	(2,206,384)
Profit for the year	**4,936,371**	5,858,954
Earnings per share (Note 33)	**0.49**	0.58

The accompanying notes form an integral part of these financial statements

Bank of St. Vincent and the Grenadines Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Profit for the year	**4,936,371**	5,858,954
Other comprehensive (loss) income that will be reclassified to the income statement:		
Unrealised(loss) gain on available for sale investments	**(103,592)**	72,869
Other comprehensive (loss) income for the year, net of tax	**(103,592)**	72,869
Total comprehensive income for the year, net of tax	**4,832,779**	5,931,823

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

Bank of St. Vincent and the Grenadines Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Cash flows from operating activities		
Profit before income tax	**7,635,302**	8,065,338
Adjustments to reconcile net profit before tax to net cash flows:		
Interest income – investment securities & deposits	**(3,090,255)**	(3,123,790)
Interest expense - borrowings	**1,906,703**	2,068,405
Impairment on loans and advances	**6,918,280**	3,599,630
Impairment on investment	**-**	410,408
Depreciation	**2,851,220**	2,941,254
Dividend income	**(117,954)**	(74,604)
Foreign exchange translation loss	**292,998**	57,814
Fair value gain on investment property	**(215,000)**	-
Loss on disposal of investment property	**-**	45,010
Gain on disposal of property and equipment	**(43,261)**	(14,837)
Net cash flows from operating income before changes in operating assets and liabilities	**16,138,033**	13,974,628
Changes in operating Assets and Liabilities		
Increase in mandatory deposits with Central Bank	**(3,592,613)**	(275,612)
Decrease in loans and advances to customers	**(307,515)**	(14,409,746)
Decrease (increase) in other assets	**2,163,815**	(1,548,556)
Increase in due to customers	**59,876,875**	4,593,542
Increase/(Decrease) in deposits from banks	**1,199,342**	(1,370,603)
Increase in other liabilities	**13,796,370**	3,236,810
Net cash generated from operations	**89,274,307**	4,200,463
Dividends received	**117,954**	74,604
Interest received	**3,090,255**	3,123,791
Interest paid	**(1,939,605)**	(2,089,978)
Income tax paid	**(2,108,855)**	(2,190,079)
Net cash generated from operating activities	**88,434,056**	3,118,801
Cash flows from investing activities		
Movement in short term investments and fixed deposits	**(59,759)**	814,217
Proceeds from sale of investment property	**-**	1,720,990
Proceeds from disposal and redemption of investment securities	**9,113,403**	10,045,474
Purchase of investment securities	**(12,682,995)**	(6,555,726)
Purchase of property and equipment	**(1,688,869)**	(1,685,199)
Proceeds from disposal of property and equipment	**64,000**	20,000
Net cash (used in)/generated from investing activities	**(5,254,220)**	4,359,756

Bank of St. Vincent and the Grenadines Limited

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

(expressed in Eastern Caribbean dollars)

	2016 $	2015 $
Cash flows from financing activities		
Dividends paid	**(2,900,000)**	(1,500,000)
Repayment of borrowings	**(8,355,808)**	(21,002,816)
Proceeds from borrowings	**4,257,105**	3,240,000
Net cash used in financing activities	**(6,998,703)**	(19,262,816)
Effects of exchange rate changes on cash and cash equivalents	**(292,998)**	(57,814)
Net increase (decrease) in cash and cash equivalents	**76,181,133**	(11,842,073)
Cash and cash equivalents at beginning of year	**153,850,081**	165,692,154
Cash and cash equivalents at end of year (Note 34)	**229,738,216**	153,850,081

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

(expressed in Eastern Caribbean dollars)

1 General information

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

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

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

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

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

2 Summary of significant accounting policies

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

Statement of compliance

Bank of St. Vincent and the Grenadines Limited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) as at 31 December 2016 (the reporting date).

Basis of preparation

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies …*continued*

Basis of preparation…*continued*

(a) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

IAS 1 Disclosure Initiative (Amendments) (effective January 1, 2016)
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify the following:
• The materiality requirements in IAS 1
• That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated.
• That entities have flexibility as to the order in which they present the notes to financial statements.
• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.
Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and other comprehensive income.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments) (effective January 1, 2016)
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Amendments) (effective January 1, 2016)
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies …*continued*

Basis of preparation…*continued*

IFRS 10 and IAS 28 –Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) (effective January 1, 2016)
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective January 1, 2016)
The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation. Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

IFRS 14 Regulatory Deferral Accounts (effective January 1, 2016)
The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

(b) Standards issued but not yet effective

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies …*continued*

Basis of preparation…*continued*

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 *Financial Instruments*, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. In 2015 the Bank set up a multidisciplinary implementation team ('the Team') with members from its Global Risk, Finance and Operations teams to prepare for IFRS 9 implementation ('the Project'). The Project is sponsored by the Chief Risk and Financial officers, who regularly report to the Bank's Supervisory Board and is managed within the Bank's transformation framework. Training session on IFRS 9 and its implications have been held with team members and work has commenced on strategies to gather the relevant information. The Project timeline will become clearer by the end of the first quarter in 2017 when the analysis phase will be completed. Therefore the design, build, testing and parallel run will be completed before the end of 2017 and go live in 2018.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories will be replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

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

Impairment

The impairment requirements are based on expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with customers and lease receivables under IAS 17 Leases. Entities are generally required to recognize 12 month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognize lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are recognized.

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies …*continued*

Basis of preparation…*continued*

Standards issued but not yet effective…*continued*

IFRS 9 Financial instruments …*continued*

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

Basis of preparation*…continued*

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

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

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all subsidiaries as of 31 December 2016.

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

Basis of preparation*…continued*

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

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

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

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

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

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

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting methods.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Consolidation…*continued*

(a) Transactions with non-controlling interests

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

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

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

Fair value measurement

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

➢ Disclosures for valuation methods, significant estimates and assumptions	Notes 2 and 4
➢ Quantitative disclosures of fair value measurement hierarchy	Note 3
➢ Investment properties	Note 14
➢ Financial instruments (including those carried at amortised cost)	Note 11

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Fair value measurement…*continued*

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

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Financial assets*…continued*

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

(b) Loans and receivables

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

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

(c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

(i) those that the Group upon initial recognition designates as at fair value through profit or loss.

(ii) those that the Group designates as available for sale; and

(iii) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs are measured subsequently at amortised cost, using the effective interest method less impairment. Interest on held-to-maturity investments is included in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income as impairment losses on investments.

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

(d) Available-for-sale financial assets

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Available for Sale Financial Assets*….continued*

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

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

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

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

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

- significant financial difficulty of the issuer or obligor;

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Impairment of Financial Assets…*continued*

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Impairment of Financial Assets*….continued*

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Impairment of Financial Assets….*continued*

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

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

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

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred
Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold improvements	20%
Motor vehicles	25%
Property	2%
Computer Software	20%

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

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

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

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

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

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

Income tax

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

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

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

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

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

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

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

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

Employee benefits

Pension
The Group operates a defined contribution pension scheme. The scheme is generally funded through payments to trustee-administered funds, determined by the provisions of the plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Employee benefits…*continued*

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

Share capital

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

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

Dividends for the year that are declared after the reporting date are dealt in the subsequent events note.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. 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.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Fee and commission income

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

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

Dividend income

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies*…continued*

Foreign currency translation*…continued*

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

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

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

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

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

3 Financial risk management

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

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

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Group’s Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units.

(expressed in Eastern Caribbean dollars)

3. Financial risk management…..*continued*

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment.

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

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

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

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

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

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

<u>Risk limit control and mitigation policies</u>
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.

(expressed in Eastern Caribbean dollars)

3. Financial risk management*…..continued*

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

Some other specific control and mitigation measures are outlined below.

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

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

3. Financial Risk Management*…..continued*

Consolidation*…continued*

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

Management determines whether objective evidence of impairment exists based on the following criteria set out by the Group:

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

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

	Maximum exposure	
	2016	**2015**
	$	**$**
Cash and balances with Central Bank	**124,258,997**	93,097,701
Treasury bills	**10,173,836**	10,167,671
Deposits with other banks	**140,704,027**	92,330,982
Loans and advances to customers:		
− Overdrafts	**72,561,345**	79,779,110
− Term loans	**87,983,004**	88,522,737
− Large Corporate loans	**125,438,011**	138,110,017
− Mortgage loans	**290,074,557**	276,819,452
− Credit Cards	**2,756,818**	2,774,779
− Bonds	**10,033,904**	10,032,877
Investment Securities	**37,804,601**	34,236,036
Other assets	**4,432,579**	6,166,622
	906,221,679	832,037,984
Credit risk exposures relating to off-statement of financial position items		
Guarantees and letters of credit	**40,000**	140,500
Loan commitments	**11,900,700**	11,624,068
	11,940,700	11,764,568
	918,162,379	843,802,552

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2016 and December 2015, without taking account of any collateral held or other credit enhancements attached. For assets included "on" statement of financial position, the exposures set out above are based on net amounts.

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

As shown above 63% (2015 – 69%) of the total maximum exposure is derived from loans and advances to customers; 5% (2015 – 5%) represents investments in debt securities.

Loans and advances to customers are summarised as follows:

	2016 $	2015 $
Neither past due nor impaired	**453,995,302**	470,645,970
Past due but not impaired	**91,331,631**	84,676,624
Impaired	**45,995,529**	37,702,505
Gross	**591,322,462**	593,025,099
Less allowance for impairment losses on loans and advances to customers	**(12,508,727)**	(7,019,004)
Net	**578,813,735**	586,006,095

The total impairment provision for loans and advances to customers is $12,508,727 (2015 - $7,019,004) of which $6,980,274 (2015 - $5,080,856) represents the individually impaired loans and the remaining amount of $5,528,453 (2015 - $1,938,148) represents the collective provision. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 8 and 9.

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

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
31 December 2016	**72,105,974**	**65,123,461**	**232,694,047**	**81,444,066**	**2,627,754**	**453,995,302**
31 December 2015	79,530,513	67,318,120	226,908,306	94,825,905	2,063,126	470,645,970

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Loans and advances to customers past due but not impaired

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

	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
At 31 December 2016					
Past due up to 30 days	**11,660,172**	**38,433,083**	**20,576,902**	**153,660**	**70,823,817**
Past due 30 - 60 days	**2,607,119**	**5,453,636**	**3,661,959**	**2,608**	**11,725,322**
Past due 60 - 90 days	**1,118,224**	**3,135,770**	**4,528,498**	**-**	**8,782,492**
	15,385,515	**47,022,489**	**28,767,359**	**156,268**	**91,331,631**
At 31 December 2015					
Past due up to 30 days	10,487,653	24,251,984	14,467,215	572,134	49,778,986
Past due 30 - 60 days	2,218,780	9,311,858	8,828,038	119,009	20,477,685
Past due 60 - 90 days	1,167,492	3,745,923	9,467,419	39,119	14,419,953
	13,873,925	37,309,765	32,762,672	730,262	84,676,624

Loans and advances to customers individually impaired:

	Over -drafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
31 December 2016	**1,529,246**	**10,180,466**	**15,031,37**	**19,128,680**	**125,764**	**45,995,529**
31 December 2015	910,252	9,564,202	14,481,17	12,290,027	456,850	37,702,505

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Credit risk…*continued*

Debt securities and other eligible bills

The table below presents an analysis of debt securities, treasury bills and deposits with banks by rating agency designation at 31 December 2016 and 2015, based on Standard & Poor's and Caricris ratings:

	Treasury Bills $	Financial Assets held-to-maturity $	Financial Assets Available-for- sale $	Deposits with other banks $	Loans and Receivables – Bonds $	Total $
At 31 December 2016						
Lower than A-	**10,173,836**	**12,873,455**	**-**	**-**	**10,033,904**	**33,081,195**
Unrated	**-**	**24,931,146**	**4,910,666**	**140,704,027**	**-**	**170,545,839**
	10,173,836	**37,804,601**	**4,910,666**	**140,704,027**	**10,033,904**	**203,627,034**
At 31 December 2015						
Lower than A-	10,167,671	17,056,686	-	-	10,032,877	37,257,234
Unrated	-	17,179,350	5,014,258	92,330,982	-	114,524,590
	10,167,671	34,236,036	5,014,258	92,330,982	10,032,877	151,781,824

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors

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

(b) Industry sectors

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

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

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	Other Industries $	Total $
Cash and balances with Central Bank	**124,258,997**	**-**	**-**	**-**	**-**	**-**	**-**	**124,258,997**
Treasury Bills	**-**	**-**	**-**	**10,173,836**	**-**	**-**	**-**	**10,173,836**
Deposits with other banks	**140,704,027**	**-**	**-**	**-**	**-**	**-**	**-**	**140,704,027**
Investment securities:								
- Held to maturity	**26,529,955**	**-**	**-**	**9,600,662**	**-**	**-**	**1,673,984**	**37,804,601**
Loans and receivables:								
- Loans and advances to customers								
- Large Corporate Loans	**-**	**2,354,748**	**14,008,217**	**27,493,341**	**11,788,551**	**7,873,408**	**61,919,746**	**125,438,011**
- Term Loans	**117,027**	**363,300**	**724,674**	**-**	**229,903**	**85,639,008**	**909,092**	**87,983,004**
- Mortgages Loans	**-**	**-**	**-**	**-**	**651,274**	**288,830,519**	**592,764**	**290,074,557**
- Overdrafts	**148,098**	**2,345,906**	**387,301**	**55,623,952**	**2,391,717**	**3,201,637**	**8,462,734**	**72,561,345**
- Credit cards	**62,294**	**-**	**8,389**	**1,012**	**1,702**	**2,644,472**	**38,949**	**2,756,818**
- Bonds	**-**	**-**	**-**	**10,033,904**	**-**	**-**	**-**	**10,033,904**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**4,432,579**	**4,432,579**
At 31 December 2016	**291,820,398**	**5,063,954**	**15,128,581**	**112,926,707**	**15,063,147**	**388,189,044**	**78,029,849**	**906,221,679**
Guarantees, letters of credit, loan commitments and other credit related obligations	**-**	**850,000**	**2,432,000**	**-**	**40,000**	**8,528,700**	**90,000**	**11,940,700**

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

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

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	Other Industries $	Total $
Cash and balances with Central Bank	93,097,701	-	-	-	-	-	-	93,097,701
Treasury Bills	-	-	-	10,167,671	-	-	-	10,167,671
Deposits with other banks	92,330,982	-	-	-	-	-	-	92,330,982
Investment securities:								
- Held to maturity	19,220,287	-	-	12,573,033	-	-	2,442,716	34,236,036
Loans and receivables:								
- Loans and advances to customers								
- Large Corporate Loans	-	2,272,918	14,838,936	33,631,410	12,836,217	5,975,852	68,554,684	138,110,017
- Term Loans	449,477	385,872	811,436	-	320,302	85,632,935	922,715	88,522,737
- Mortgages Loans	-	-	420,199	-	-	275,669,339	729,914	276,819,452
- Overdrafts	289,585	2,286,873	304,520	60,073,952	3,431,128	3,507,467	9,885,585	79,779,110
- Credit cards	11,892	-	664	1,963	7,195	2,731,311	21,754	2,774,779
- Bonds	-	-	-	10,032,877	-	-	-	10,032,877
Other assets	-	-	-	-	-	-	6,166,622	6,166,622
At 31 December 2015	205,399,924	4,945,663	16,375,755	126,480,906	16,594,842	373,516,904	88,723,990	832,037,984
Guarantees, letters of credit, loan commitments and other credit related obligations	-	850,000	-	-	-	8,044,068	2,870,500	11,764,568

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Market risk

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

Non-trading portfolios market risk primarily arises from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's available-for-sale investments.

Currency risk

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
Concentrations of financial assets and financial liabilities								
As at 31 December 2016								
Financial assets								
Cash and balances with Central Bank	121,325,269	1,672,294	326,105	272,312	168,414	494,336	267	124,258,997
Treasury bills	10,173,836	-	-	-	-	-	-	10,173,836
Deposit with other banks	22,349,803	113,020,187	767,451	4,080,868	351,200	66,501	68,017	140,704,027
Investment securities:								
– held-to-maturity	33,213,373	4,591,228	-	-	-	-	-	37,804,601
– available-for-sale	3,047,833	1,153,729	708,750	354	-	-	-	4,910,666
Loans and receivables:								
– loans and advances to customers	578,813,735	-	-	-	-	-	-	578,813,735
– bonds	10,033,904	-	-	-	-	-	-	10,033,904
Other assets	4,432,579	-	-	-	-	-	-	4,432,579
Total financial assets	783,390,332	120,437,438	1,802,306	4,353,534	519,614	560,837	68,284	911,132,345

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

Concentrations of financial assets and financial liabilities	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
As at 31 December 2016								
Financial liabilities								
Deposits from banks	39,729,242	-	-	-	-	311,563	-	40,040,805
Due to customers	692,973,583	20,295,951	-	2,252,230	287,759	2,629	-	715,812,152
Borrowings	19,492,708	26,858,267	-	-	-	-	-	46,350,975
Other liabilities	62,947,985	-	-	-	-	-		62,947,985
Total financial liabilities	815,143,518	47,154,218	-	2,252,230	287,759	314,192	-	865,151,917
Net (liabilities) assets	(31,753,186)	73,283,220	1,802,306	2,101,304	231,855	246,645	68,284	45,980,428
Guarantees, letters of credit, loan commitments and other credit related obligations	11,940,700	-	-	-	-	-	-	11,940,700

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

Concentrations of financial assets and financial liabilities	**ECD**	**USD**	**BDS**	**EURO**	**GBP**	**CAD**	**Other**	**Total**
As at 31 December 2015								
Financial assets								
Cash and balances with Central Bank	90,552,400	1,568,619	193,252	455,471	152,135	175,550	274	93,097,701
Treasury bills	10,167,671	-	-	-	-	-	-	10,167,671
Deposit with other banks	18,448,009	70,849,286	168,548	1,024,469	563,309	1,186,036	91,325	92,330,982
Investment securities:								
– held-to-maturity	27,331,585	6,904,451	-	-	-	-	-	34,236,036
– available-for-sale	3,047,833	1,324,809	641,250	366	-	-	-	5,014,258
Loans and receivables:								
– loans and advances to customers	586,006,095	-	-	-	-	-	-	586,006,095
– bonds	10,032,877	-	-	-	-	-	-	10,032,877
Other assets	6,166,622	-	-	-	-	-	-	6,166,622
Total financial assets	751,753,092	80,647,165	1,003,050	1,480,306	715,444	1,361,586	91,599	837,052,242

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Currency risk…*continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
Concentrations of financial assets and financial liabilities								
As at 31 December 2015								
Financial liabilities								
Deposits from banks	38,841,463	-	-	-	-	-	-	38,841,463
Due to customers	634,082,343	18,866,317	-	1,470,702	173,375	1,342,540	-	655,935,277
Borrowings	25,670,842	25,393,333	-	-	-	-	-	51,064,175
Other liabilities	49,015,269	-	-	-	-	-	-	49,015,269
Total financial liabilities	747,609,917	44,259,650	-	1,470,702	173,375	1,342,540	-	794,856,184
Net assets	4,143,175	36,387,515	1,003,050	9,604	542,069	19,046	91,599	42,196,058
Guarantees, letters of credit, loan commitments and other credit related obligations	11,764,568	-	-	-	-	-	-	11,764,568

(expressed in Eastern Caribbean dollars)

3 Financial risk management*…continued*

Interest rate risk *…continued*

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

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 2016							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	124,258,997	124,258,997
Treasury Bills	-	10,173,836	-	-	-	-	10,173,836
Deposits with other banks	35,158	-	2,449,915	-	-	138,218,954	140,704,027
Investment securities:							
– held-to-maturity	1,048,523	-	18,305,063	7,198,737	11,252,278	-	37,804,601
Loans and receivables:							
– loans and advances to customers	82,506,156	7,023,444	12,174,666	83,514,720	393,594,749	-	578,813,735
– bonds	-	-	-	10,033,904	-	-	10,033,904
Other assets	-	-	-	-	-	4,432,579	4,432,579
Total financial assets	83,589,837	17,197,280	32,929,644	100,747,361	404,847,027	266,910,530	906,221,679
Financial liabilities							
Deposits from banks	3,346,678	16,717,263	17,833,632	-	-	2,143,232	40,040,805
Due to customers	475,732,832	22,943,642	93,991,577	-	-	123,144,101	715,812,152
Borrowings	571,355	702,155	3,235,611	14,904,559	26,937,295	-	46,350,975
Other liabilities	49,362,619	-	-	-	-	13,585,366	62,947,985
Total financial liabilities	529,013,484	40,363,060	115,060,820	14,904,559	26,937,295	138,872,699	865,151,917
Net interest re-pricing gap	(445,423,647)	(23,165,780)	(82,131,176)	85,842,802	377,909,732	128,037,831	41,069,762

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Interest rate risk …*continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 2015							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	93,097,701	93,097,701
Treasury Bills	10,167,671	-	-	-	-	-	10,167,671
Deposits with other banks	36,311	-	2,390,157	-	-	89,904,514	92,330,982
Investment securities:							
– held-to-maturity	756,583	291,686	18,161,156	10,901,084	4,125,527	-	34,236,036
Loans and receivables:							
– loans and advances to customers	77,749,440	8,532,917	18,370,049	103,848,531	377,505,158	-	586,006,095
– bonds	-	-	-	10,032,877	-	-	10,032,877
Other assets	-	-	-	-	-	6,166,622	6,166,622
Total financial assets	88,710,005	8,824,603	38,921,362	124,782,492	381,630,685	189,168,837	832,037,984
Financial liabilities							
Deposits from banks	3,342,392	16,553,428	17,659,995	-	-	1,285,648	38,841,463
Due to customers	420,633,519	32,743,259	92,907,818	-	-	109,650,681	655,935,277
Borrowings	585,451	802,605	3,162,841	15,679,010	30,834,268	-	51,064,175
Other liabilities	32,352,807	-	-	-	-	16,662,462	49,015,269
Total financial liabilities	456,914,169	50,099,292	113,730,654	15,679,010	30,834,268	127,598,791	794,856,184
Net interest re-pricing gap	(368,204,164)	(41,274,689)	(74,809,292)	109,103,482	350,796,417	61,570,046	37,181,800

(expressed in Eastern Caribbean dollars)

3 Financial risk management*…continued*

Interest rate risk

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

Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At 31 December 2016, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $2,894,069 (2015 -$2,935,030) higher/lower interest income on variable rate loans.

Liquidity risk

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

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

Liquidity risk management process

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*…continued*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 2016						
Financial liabilities						
Deposits from banks	**5,545,683**	**16,877,487**	**18,112,043**	**-**	**-**	**40,535,213**
Due to customers	**597,830,022**	**23,086,431**	**95,495,205**	**-**	**-**	**716,411,658**
Borrowings	**571,356**	**1,049,552**	**4,641,138**	**20,869,635**	**30,277,516**	**57,409,197**
Other liabilities	**62,947,985**	**-**	**-**	**-**	**-**	**62,947,985**
Total financial liabilities	**666,895,046**	**41,013,470**	**118,248,386**	**20,869,635**	**30,277,516**	**877,304,053**

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 2015						
Financial liabilities						
Deposits from banks	4,682,705	17,107,781	18,133,715	-	-	39,924,201
Due to customers	530,390,837	32,939,081	93,717,993	-	-	657,047,911
Borrowings	585,451	1,159,963	4,654,381	22,087,271	35,249,747	63,736,813
Other liabilities	49,015,269	-	-	-	-	49,015,269
Total financial liabilities	584,674,262	51,206,825	116,506,089	22,087,271	35,249,747	809,724,194

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Assets held for managing liquidity risk

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

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

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

Off-statement of financial position items

(a) Loan commitments

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

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 24) are also included below based on the earliest contractual maturity date.

	1 Year $	Total $
At 31 December 2016		
Loan commitments	**11,900,700**	**11,900,700**
Guarantees and letters of credit	**40,000**	**40,000**
Total	**11,940,700**	**11,940,700**
At 31 December 2015		
Loan commitments	11,624,068	11,624,068
Guarantees and letters of credit	140,500	140,500
Total	11,764,568	11,764,568

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

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

The fair values of cash resources, other assets and liabilities, deposits with other banks and due from other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-statement of financial position commitments is also assumed to approximate the amounts disclosed in Note 23 due to their short term nature.

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

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

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

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

	Carrying value		**Fair value**	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers:				
− Term loans	**87,983,004**	88,522,737	**79,033,146**	78,785,050
− Large corporate loans	**125,438,011**	138,110,017	**100,960,666**	112,731,358
− Mortgage loans	**290,074,557**	276,819,452	**212,039,478**	201,178,435
− Overdrafts	**72,561,345**	79,779,110	**72,582,088**	79,779,110
Credit Cards	**2,756,818**	2,774,779	**2,757,637**	2,774,779
− Bonds	**10,033,904**	10,032,877	**9,794,695**	9,646,182
Investment securities:				
− Held-to-maturity	**37,804,601**	34,236,036	**38,044,639**	35,261,755
Financial liabilities				
Borrowings	**46,350,975**	51,064,175	**46,199,923**	50,452,563

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

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

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

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

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

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

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

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

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

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

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

	Level 2 $
31 December 2016	
Investment properties	
- Lands	**2,780,000**
Financial assets available for sale	
- Equity securities	**1,862,479**
Total financial assets	**4,642,479**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

	Level 2 $
31 December 2015	
Investment properties	
-Lands	2,565,000
Financial assets available for sale	
- Equity securities	1,966,059
Total financial assets	4,531,059

Assets for which fair values are disclosed

	Level 2 $	Level 3 $
31 December 2016		
Loans and Advances to customers	**-**	**578,813,735**
Bonds	**10,033,904**	**-**
Held to maturity investments	**37,804,601**	**-**
Total financial assets	**47,838,505**	**578,813,735**
31 December 2015		
Loans and Advances to customers	-	586,006,095
Bonds	10,032,877	-
Held to maturity investments	34,236,036	-
Total financial assets	44,268,913	586,006,095

Liabilities for which fair values are disclosed

	Level 2 $
31 December 2016	
Borrowings	**46,350,975**
31 December 2015	
Borrowings	51,064,175

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

Capital management

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

- To comply with the capital requirements of the Banking Act 2015.
- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

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

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

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended 31 December 2016 and 2015. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*…continued*

Capital management*…continued*

	2016 $	2015 $
Tier 1 capital		
Share capital	**14,753,306**	14,753,306
Statutory reserve	**14,753,306**	14,753,306
Retained earnings	**74,795,158**	72,758,788
Total qualifying Tier 1 capital	**104,301,770**	102,265,400
Tier 2 capital		
Revaluation reserve – available-for-sale investments	**1,529,888**	1,633,479
Collective impairment allowance	**5,528,453**	1,938,148
Total qualifying Tier 2 capital	**7,058,341**	3,571,627
Total regulatory capital	**111,360,111**	105,837,027
Risk-weighted assets:		
On-statement of financial position	**491,868,285**	478,145,888
Off-statement of financial position	**41,566,840**	39,848,078
Total risk-weighted assets	**533,435,125**	517,993,966
Basel capital adequacy ratio	**20.88%**	20.43%

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

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

Going Concern

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

Impairment losses on loans and advances to customers

The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated at $801,084/$969,885(2015 - $305,219/$389,485) lower/higher respectively.

Impairment of available-for-sale equity investments

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

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

Impairment of non-financial assets

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

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.

(expressed in Eastern Caribbean dollars)

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

If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value would increase by $240,038 (2015 - $1,025,719) with a corresponding entry in the fair value reserve in equity.

Fair value of financial instruments

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

Deferred taxes

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

Revaluation of investment property

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

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

Corporate income taxes

Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2016 have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank

	2016 $	2015 $
Cash in hand	**19,572,474**	17,904,562
Balances with Central Bank other than mandatory reserve deposits	**61,737,794**	35,837,023
Included in cash and cash equivalents (Note 34)	**81,310,268**	53,741,585
Mandatory reserve deposits with Central Bank	**42,948,729**	39,356,116
	124,258,997	93,097,701

Pursuant to the Banking Act of 2015, the Banking institutions are required to maintain in cash and deposits with the Central Bank reserve balances in relation to the deposit liabilities of the institution.

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

6 Treasury bills

	2016 $	2015 $
Treasury bills less than 90 days to maturity (Note 34)	**10,173,836**	10,167,671

Treasury bills are debt securities issued by the Governments of Saint Lucia. The weighted average effective interest rate on treasury bills at 31 December 2016 was 4.5% (2015-4.5%).

7 Deposits with other banks

	2016 $	2015 $
Items in the course of collection with other banks (Note 34)	**6,915,983**	2,169,412
Placements with other banks (Note 34)	**131,338,129**	87,771,413
Interest bearing deposits (more than 3 months)	**2,449,915**	2,390,157
Total	**140,704,027**	92,330,982

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2016 was 2.35% (2015 -2.75%).

(expressed in Eastern Caribbean dollars)

8 Loans and advances to customers

	2016 $	2015 $
Large corporate loans	**129,340,105**	139,878,604
Mortgage loans	**294,747,909**	278,699,245
Term loans	**90,689,443**	90,756,247
Credit cards	**2,909,786**	3,250,238
Overdrafts	**73,635,219**	80,440,765
Gross	**591,322,462**	593,025,099
Less allowance for impairment losses on loans and advances (Note 9)	**(12,508,727)**	(7,019,004)
Net	**578,813,735**	586,006,095

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2016 was 8.46% (2015 - 8.47%) and productive overdrafts stated at amortised cost was 9.67% (2015 - 9.72%).

(expressed in Eastern Caribbean dollars)

9 Allowance for impairment losses on loans and advances

The movement on the provision by class was as follows:

	2016 $	2015 $
Large corporate loans		
At beginning of year	**1,768,587**	975,844
Specific provision for loan impairment	**1,903,267**	659,783
Collective provision for loan impairment	**752,083**	232,865
Written off during the year as uncollectible	**(521,843)**	(99,905)
At end of year	**3,902,094**	1,768,587
Mortgages		
At beginning of year	**1,879,792**	1,539,171
Specific provision for loan impairment	**1,081,074**	316,533
Collective provision for loan impairment	**1,844,832**	490,557
Written off during the year as uncollectable	**(132,347)**	(466,469)
At end of year	**4,673,351**	1,879,792
Term loans		
At beginning of year	**2,233,510**	2,206,269
Specific provision for loan impairment	**543,165**	939,458
Collective provision for loan impairment	**551,270**	150,275
Written off during the year as uncollectible	**(621,506)**	(1,062,492)
At end of year	**2,706,439**	2,233,510
Overdrafts		
At beginning of year	**661,656**	331,950
Specific provision for loan impairment	**139,541**	610,132
Collective provision for loan impairment	**425,538**	(134,470)
Written off during the year as uncollectible	**(152,861)**	(145,956)
At end of year	**1,073,874**	661,656
Credit Cards		
At beginning of year	**475,459**	140,962
Specific provision for loan impairment	**(339,072)**	5,604
Collective provision for loan impairment	**16,582**	328,893
At end of year	**152,969**	475,459
Total	**12,508,727**	7,019,004

(expressed in Eastern Caribbean dollars)

10 Loans and receivables – bonds

	2016 $	2015 $
Government bonds	**10,033,904**	10,032,877

Government bonds are purchased from and issued directly by the Government of Saint Vincent and the Grenadines. The weighted average effective interest rate at 31 December 2016 on Government bonds at amortised cost was 7.50% (2015 – 7.50 %).

11 Investment securities

	2016 $	2015 $
Securities held-to-maturity		
Debt securities at amortised costs		
- Unlisted	**35,627,024**	25,784,908
- Listed	**4,479,828**	10,753,379
	40,106,852	36,538,287
Less allowance for impairment	**(2,302,251)**	(2,302,251)
	37,804,601	34,236,036
Securities available for sale		
Listed equity securities	**1,862,479**	1,966,059
Unlisted equity securities	**3,048,187**	3,048,199
	4,910,666	5,014,258
Total investment securities	**42,715,267**	39,250,294

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at 31 December 2016 was 5.74% (2015 -5.45%).

(expressed in Eastern Caribbean dollars)

11 Investment securities...*continued*

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

	Held-to-maturity $	Available for sale $	Loans and receivables -bonds $	Total $
At 1 January 2016	**34,236,036**	**5,014,258**	**10,032,877**	**49,283,171**
Additions	**12,649,091**	**-**	**33,904**	**12,682,995**
Disposals (sale and redemption)	**(9,080,526)**	**-**	**(32,877)**	**(9,113,403)**
Losses from change in fair value	**-**	**(103,592)**	**-**	**(103,592)**
At 31 December 2016	**37,804,601**	**4,910,666**	**10,033,904**	**52,749,171**
At 1 January 2015	38,136,192	4,941,389	10,032,877	53,110,458
Additions	6,522,849	-	32,877	6,555,726
Disposals (sale and redemption)	(10,012,597)	-	(32,877)	(10,045,474)
Impairment Loss	(410,408)	-	-	(410,408)
Losses from change in fair value	-	72,869	-	72,869
At 31 December 2015	34,236,036	5,014,258	10,032,877	49,283,171

12 Related parties balances and transactions

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

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

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

(expressed in Eastern Caribbean dollars)

12 Related parties balances and transactions…*continued*

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

	2016 $	2015 $
Bank of Saint Lucia Limited		
Due from banks	**1,965,575**	1,914,168
Due to banks	**6,751,223**	6,600,754
	8,716,798	8,514,922
Eastern Caribbean Amalgamated Bank Limited		
Due from banks	**484,341**	475,988
Due to banks	**7,907,152**	7,861,595
Held to maturity investment	**1,920,000**	1,920,000
	10,311,493	10,257,583
East Caribbean Financial Holding Company Limited		
Held to maturity investment	**270,592**	541,184
Government of St. Vincent and the Grenadines		
Held to maturity investment	**16,903,125**	19,841,478

Transactions carried out with related parties:

	2016 $	2015 $
Income		
Interest income	**2,425,342**	2,727,233
Expenses		
Interest expense	**339,359**	464,861
Management fees	**909,340**	909,340

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

(expressed in Eastern Caribbean dollars)

12 Related parties balances and transactions*…continued*

Other related parties balances with the Group:

	2016		2015	
	Loans $	**Deposits $**	**Loans $**	**Deposits $**
Government of St. Vincent and the Grenadines	**84,550,790**	**38,463,630**	93,705,362	24,289,898
Statutory bodies	**3,630,089**	**86,050,607**	5,355,467	72,029,804
	88,180,879	**124,514,237**	99,060,829	96,319,702
Directors and key management	**3,376,145**	**1,216,657**	3,003,200	869,953
	91,557,024	**125,730,894**	102,064,029	97,189,655

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

The loans issued to directors and other key management personnel are repayable monthly over an average of eleven years and have a weighted average effective interest rates of 4.59% (2015 - 5%).

Interest income and interest expense with other related parties:

	2016		2015	
	Income $	**Expenses $**	**Income $**	**Expenses $**
Government of St. Vincent and the Grenadines	**8,564,124**	**1,244,736**	8,995,734	868,016
Statutory bodies	**343,319**	**2,004,684**	500,886	2,234,853
Directors and key management	**129,662**	**22,903**	136,296	23,652
	9,037,105	**3,272,323**	9,632,916	3,126,521

Key management compensation

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

	2016 $	**2015 $**
Salaries and other short-term benefits	**1,262,766**	1,507,079
Pension cost	**43,436**	52,368
	1,306,202	1,559,447

(expressed in Eastern Caribbean dollars)

13 Property and equipment

	Land and building $	Leasehold Improvements $	Office Furniture and Equipment $	Work in Progress $	Computer Equipment and Software $	Motor Vehicles $	Total $
Year ended 31 December 2015							
Opening net book amount	47,810,549	61,859	6,758,738	719,592	2,345,745	306,242	58,002,725
Additions	-	-	384,814	815,031	485,354	-	1,685,199
Disposals	-	(58)	(5,097)	-	(7)	(1)	(5,163)
Depreciation charge	(587,910)	(29,079)	(1,327,294)	-	(881,652)	(115,319)	(2,941,254)
Closing net book amount	47,222,639	32,722	5,811,161	1,534,623	1,949,440	190,922	56,741,507
At 31 December 2015							
Cost	50,220,878	1,114,878	15,745,004	1,534,623	9,815,481	646,390	79,077,254
Accumulated depreciation	(2,998,239)	(1,082,156)	(9,933,843)	-	(7,866,041)	(455,468)	(22,335,747)
Net book amount	47,222,639	32,722	5,811,161	1,534,623	1,949,440	190,922	56,741,507
Year ended 31 December 2016							
Opening net book amount	**47,222,639**	**32,722**	**5,811,161**	**1,534,623**	**1,949,440**	**190,922**	**56,741,507**
Additions	**933,274**	**-**	**591,778**	**(499,220)**	**443,109**	**219,928**	**1,688.869**
Disposals	**-**	**(7,904)**	**-**	**-**	**(1)**	**(12,834)**	**(20,739)**
Depreciation charge (Note 29)	**(602,910)**	**(24,818)**	**(1,256,007)**	**-**	**(831,896)**	**(135,589)**	**(2,851,220)**
Closing net book amount	**47,553,003**	**-**	**5,146,932**	**1,035,403**	**1,560,652**	**262,427**	**55,558,417**
At 31 December 2016							
Cost	**51,154,152**	**-**	**16,336,782**	**1,035,403**	**10,251,095**	**631,677**	**79,409,109**
Accumulated depreciation	**(3,601,149)**	**-**	**(11,189,850)**	**-**	**(8,690,443)**	**(369,250)**	**(23,850,692)**
Net book amount	**47,553,003**	**-**	**5,146,932**	**1,035,403**	**1,560,652**	**262,427**	**55,558,417**

(expressed in Eastern Caribbean dollars)

14 Investment properties

	2016 $	2015 $
Cost at 1 January	**2,565,000**	3,809,400
Fair value at 1 January	**2,565,000**	4,331,000
Disposal	**-**	(1,766,000)
Fair value gain	**215,000**	-
Fair value at 31 December	**2,780,000**	2,565,000

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

15 Other assets

	2016 $	2015 $
Other receivables	**4,432,579**	6,166,622
Prepaid expenses	**1,220,552**	1,650,324
	5,653,131	7,816,946

16 Deferred tax liability

The movement on the deferred tax liability is as follows:

	2016 $	2015 $
At beginning of year	**(433,585)**	(652,890)
Current year recovery (Note 32)	**136,058**	219,305
At end of year	**(297,527)**	(433,585)

The deferred tax liability account is detailed below:

	2016 $	2015 $
Temporary differences on capital assets	**(297,527)**	(433,585)
	(297,527)	(433,585)

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

(expressed in Eastern Caribbean dollars)

17 Deposits from banks

	2016 $	2015 $
Deposits from other banks	**40,040,805**	38,841,463

Interest rates range from 1.75% to 2.50% (2015 -1.75% to 3%).

18 Due to customers

	2016 $	2015 $
Term deposits	**134,552,065**	151,055,580
Saving deposits	**334,216,294**	287,625,132
Demand deposits	**247,043,793**	217,254,565
	715,812,152	655,935,277

The weighted average effective interest rate of customers' deposits at 31 December 2016 was 1.98% (2015 - 2.23%).

19 Borrowings

	Due	Interest Rate %	2016 $	Interest Rate %	2015 $
Caribbean Development Bank	**2016 – 2029**	**2.87**	**26,858,267**	3.18	25,393,333
National Insurance Scheme	**2016 – 2025**	**6.12**	**19,492,708**	6.14	20,636,075
ECHMB	**2016 - 2039**	**-**	**-**	7.82	5,034,767
			46,350,975		51,064,175

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

The ECHMB borrowings represent the value of loans sold to ECHMB. Under the terms of the agreement, Bank of St. Lucia Limited and Bank of St. Vincent Limited remain obligated to indemnify ECHMB with respect to any default, loss or title deficiency occurring during the life of the loans secured by the purchase of mortgages. An equal amount is included within loans and advances.

(expressed in Eastern Caribbean dollars)

19 Borrowings*...continued*

Fees earned on the administration of the loans are reported in other income. There have not been any defaults of principal, interest or other breaches with respect to borrowings during the year.

The Group had undrawn facilities at the end of the financial reporting period of $2,093,309 (2015 - $6,350,414) with the Caribbean Development Bank.

20 Other liabilities

	2016 $	2015 $
Managers' cheques outstanding	**1,741,836**	3,653,754
Trade and other payables	**11,843,530**	11,863,543
Customers Security Deposits	**49,362,619**	33,497,972
	62,947,985	49,015,269

21 Share capital

	2016 $	2015 $
Issued and fully paid:		
10,000,000	**14,753,306**	14,753,306

22 Reserves

	2016 $	2015 $
At beginning and end of year	**14,753,306**	14,753,306

Pursuant to Section 45 (1) of the Banking Act of 2015, the Group shall, maintain a general reserve fund and shall, out of its net profits of each year transfer to that fund a sum equal to not less than twenty per cent of profits whenever the amount of the reserve fund is less than a hundred per cent of the issued Share Capital. The reserve is not available for distribution as dividends or any form of appropriation.

23 Contingent liabilities and commitments

Commitments

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

	2016 $	2015 $
Loan commitments	**11,900,700**	11,624,068
Guarantees and letters of credit	**40,000**	140,500
	11,940,700	11,764,568

(expressed in Eastern Caribbean dollars)

24 Net interest income

	2016 $	2015 $
Interest income		
Loans and advances	**46,797,168**	46,944,357
Treasury bills and investment securities	**3,074,997**	3,119,035
Deposits with banks	**15,258**	4,755
	49,887,423	50,068,147
Interest expense		
Savings deposits	**7,678,937**	7,442,977
Time deposits	**4,815,160**	6,392,396
Demand deposits	**3,138,092**	3,403,574
Other borrowed funds	**1,906,703**	2,068,405
Correspondent banks	**103,544**	105,485
	17,642,436	19,412,837
Net interest income	**32,244,987**	30,655,310

25 Net fee and commission income

	2016 $	2015 $
Credit relates fees and commissions	**7,487,166**	6,934,381

26 Dividend income

	2016 $	2015 $
Investment available for sale	**117,954**	74,604

27 Net foreign exchange trading income

	2016 $	2015 $
Foreign exchange		
Net realized gains	**4,970,166**	4,359,030
Net unrealized gains	**(292,988)**	(57,814)
	4,677,169	4,301,216

(expressed in Eastern Caribbean dollars)

28 Other gains

	2016 $	2015 $
Gain from disposal of fixed asset	**43,261**	14,837
Fair value gain on sale of Investment Properties	**215,000**	-
Recovery of impairment on Investment	**-**	965,015
	258,261	979,852

29 Operating expenses

	2016 $	2015 $
Employee benefit expense (Note 30)	**9,661,973**	10,027,311
Interest levy expense	**4,282,163**	4,060,066
Rent	**263,308**	260,213
Audit and accounting fees	**263,000**	312,076
Director fees	**345,373**	329,452
Computer expense	**67,192**	105,162
Insurance	**569,777**	648,215
Repairs and maintenance	**472,366**	376,371
Subscription and donations	**222,823**	113,474
Commission and fees	**1,462,504**	1,096,913
Depreciation (Note 13)	**2,851,220**	2,941,254
Utilities	**2,142,765**	2,183,852
Credit card expenses	**1,504,282**	1,404,237
Management fees	**909,340**	909,340
Advertisement and sponsorship	**460,091**	549,949
Legal and professional fees	**744,729**	446,371
Postage and stationary	**700,573**	896,926
Bank and other licences	**1,166,628**	1,061,287
Security	**421,053**	452,047
Loss on disposal of investment property	**-**	45,010
Other expenses	**2,479,353**	2,642,240
	30,990,513	30,861,766

(expressed in Eastern Caribbean dollars)

30 Employee benefit expense

	2016 $	2015 $
Wages and salaries	**7,523,888**	7,459,171
Other staff cost	**1,803,118**	2,235,472
Pensions	**334,967**	332,668
	9,661,973	10,027,311

31 Impairment losses on loans

	2016 $	2015 $
Provision against profit for the year	**(6,918,280)**	(3,599,630)
Amounts written off during the year as uncollectible	**(166,424)**	(448,683)
Recoveries of amounts previously written off	**924,982**	440,462
	(6,159,722)	(3,607,851)

32 Income tax expense

	2016 $	2015 $
Current tax	**2,834,989**	2,425,689
Deferred tax	**(136,058)**	(219,305)
	2,698,931	2,206,384

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

	2016 $	2015 $
Profit before income tax	**7,635,302**	8,065,338
Tax calculated at the applicable tax rate of 32.5%	**2,481,473**	2,621,235
Tax effect of exempt income	**(3,672,863)**	(4,561,216)
Tax effect of expenses not deductible for tax purposes	**3,867,658**	4,108,326
Other differences	**22,663**	38,039
	2,698,931	2,206,384

(expressed in Eastern Caribbean dollars)

33 Earnings per share

Earnings per share (EPS) are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The EPS calculated for 2016 was $0.49 (2015 - $0.58).

34 Cash and cash equivalents

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

	2016 $	2015 $
Cash and balances with Central Bank (Note 4)	**81,310,268**	53,741,585
Treasury Bills (Note 6)	**10,173,836**	10,167,671
Items in the course of collection with banks (Note 7)	**6,915,983**	2,169,412
Placement with other banks (Note 7)	**131,338,129**	87,771,413
	229,738,216	153,850,081

35 Dividends

A final dividend of $0.17 per share was approved for the year ended 31 December 2016 (2015 - $0.29). These dividends have not been paid nor recorded as at the date of approval of these statements.

36 Events after the Reporting Period

a) The new Banking Act 2015 came into effect by Proclamation on November 12, 2015. The Act has increased the minimum capital requirement for licensed financial institutions from EC$5 million to EC$20 million giving an allowance of Four Hundred and Fifty (450) days from the Act's effective date to achieve compliance. Bank of St. Vincent and the Grenadines Ltd. paid up capital at December 31, 2016 was $14,753,306 and as part of the strategy to ensure compliance with the Act, the Board of Directors on February 3, 2017 approved the transfer of Six Million Dollars from retained earnings to issued capital upon approval of the Eastern Caribbean Central Bank. To facilitate this transaction, the Board approved an interim stock dividend in the amount of $6,000,000 to all shareholders on record as at February 3, 2017.

(expressed in Eastern Caribbean dollars)

36 Events after the Reporting Period *continued*

The stock dividend issue comprised the allotment of 4,999,844 new shares with entitlements to fractional remainders equivalent to a total of 156 shares payable in cash to the affected shareholders.

This represents 1 for 2 Stock Dividend to shareholders on record date at February 3, 2017. A total of $1,182 was paid to Shareholders with fractional shares from 28th March to 30 March 2017.

Effective February 6, 2017, the total issued and outstanding shares of Bank of St. Vincent and the Grenadines Ltd. is 14,999,844.

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