Schedule 1

FORM ECSRC – K

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

For the financial year ended **December, 2017**

Issuer Registration number **BOSL30062001SL**

BANK OF SAINT LUCIA LIMITED
(Exact name of reporting issuer as specified in its charter)

SAINT LUCIA
(Territory of incorporation)

NO. 1 BRIDGE STREET, CASTRIES ST LUCIA
(Address of principal office)

REPORTING ISSUER'S:

Telephone number (including area code): 1-758-456-6000

Fax number: 1-758-456-6702

Email address: info@bankofsaintlucia.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 ** 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 SHARES	1,478,875

SIGNATURES

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

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

Name of Chief Executive Officer:
Bernard La Corbiniere

B La Corbiniere

Signature

07/05/18

Date

Name of Director: **Llewellyn Gill**

Signature

07/05/18

Date

Name of Chief Financial Officer:

KETTHA AUGUSTE

Signature

07/05/18

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 economies of the ECCU continue to face many challenges although the local economy is showing some signs of improvement. In the local economy unemployment rates, although still high, are slowly stabilizing and there is an increase in foreign business and investment. Moderate growth was recorded in the construction industry as well as tourism due to increased cruise ship arrivals. This has led to higher revenue intake reflected in a small rise in monetary liabilities for local banks.

In 2017, Bank of Saint Lucia Limited (BOSL) continued with its restructuring and consolidation initiatives, which commenced in 2017. This included the sale of the offshore bank BOSLIL, which was completed in March 2017 as well as the divestment of the 31% shareholding interest in Bank of Saint Vincent and the Grenadines (BOSVG), which was completed in June 2017. These initiatives were undertaken in an effort to improve operational efficiency, mitigate risks and address capital adequacy challenges.

The decisive approach to provisioning and write-offs adopted in 2016 has strengthened the institution, reducing the levels of NPLs and improving the level of provisions. The Group also adopted a policy in 2017 to set aside a contingency reserve to act as a buffer against potential loan losses over and above the requirements of International Financial Reporting Standards.
Despite continued challenges, BOSL was able to report an encouraging profit for the financial year ending December 2017. The aforementioned initiatives, as well as increased loan recovery efforts and continued cost containment strategies have assisted in returning the bank to profitability.

The Bank's strategic plan for the years 2018-2020 guides the way to further stabilization and prosperity for the organization. The four strategic priorities include: (1) Return to profitability; (2) Enhancing customer value; (3) Operational intelligence and (4) Intangible asset development.

2. Properties.

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

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

3. Legal Proceedings.

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

There were no legal proceedings during the financial year.

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

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

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

N/A

(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.

N/.A

(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.

N/A

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

N/A

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

N/A.

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

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

There were no equity securities sold by BOSL during the period covered by the report.

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

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

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

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

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

7. Disclosure about Risk Factors.

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

BOSL employed the "Three Lines of Defence" model for effective risk management and control. In this model, management control is the first line of defense in risk management, the various risk management and compliance oversight functions established by management are the second line of defense and independent assurance by internal auditors is the third. Risk management continued to play a dominant role in the Bank's priorities, with heavy focus on mitigating risk whilst creating increased value for all stakeholders. The mitigation of risk included adherence to the Risk Appetite of the Bank and continuous strengthening of the Bank's risk management culture.

The Board of Directors oversees the Bank's strategic direction, the implementation of an effective risk management culture and the internal control framework across the organisation. It accomplishes its risk management mandate both directly and indirectly through its subcommittees of the Board. The Board reviewed and actioned timely and comprehensive reports on risk assessments, risk monitoring, risk modification, risk avoidance and risk sharing. The Bank remains steadfast in enhancing its performance in risk oversight and, therefore, included this as one of the main initiatives of its 2018-2020 Strategic Plan.

The main risks to the Bank over the financial year were credit, operational, market, legal and regulatory risks. However, with the exception of credit risk, which was deemed high, the level of risk in all the other categories was generally assessed as moderate with adequate risk management controls remaining within the Bank's risk parameters.

Credit Risk

BOSL continued to adopt the credit risk treatment and measurement approaches outlined by the Regulator as well as global best practice. In 2017, Credit risk remained high due to the level of inherent risk, coupled with the weak performance of the economy. Credit risk levels were evidenced by the value of non-performing credits and were further challenged by the outdated foreclosure legislation of Saint Lucia, which significantly affected efforts towards resolution. However, the Bank adopted a comprehensive strategic approach towards reducing and mitigating against this risk exposure and was successful in recording a significant amount of recoveries. This approach ensured that the Bank remained on par with the ECCU industry average NPL ratio.

The Bank continued to apply a prudent level of loan loss provisions, guided by industry best practice, under which early signs of impairment and deterioration in circumstances are translated to an adequate level of provisioning. This practice was supported by a revision of the Bank's Loan Impairment Provisioning and Write-off Policy. As this approach to prudent provisioning was adopted from 2016, the required level of loan loss provisions for 2017 was not extensive and curtails the extent of its impact on the future performance of BOSL

Operational Risk

The Bank remained exposed to a broad range of operational risk embedded in all of the business activities associated with operating a financial institution. However, operational risk management formed part of an independent function within the bank's enterprise-wide risk management framework. This framework included governance processes, policies and practices to identify, assess, measure, control, monitor, escalate and report operational risk. It is also designed to ensure the existence of and adherence to robust internal controls and to mitigate against losses, which would result from failed internal processes, people, systems or external events. Correspondent banking risks remained the largest operational risk faced by the Bank as the practice of de-risking persisted globally by international banks. Despite ongoing advocacy from the level of the Regulator and other stakeholders both global and regional, the threat of de-risking continues to be ever present and is being managed and monitored. However, the Bank was able to retain all correspondent banking relationships by implementing enhanced compliance oversight to ensure that these critical relationships remain stable.

Further, the Bank continued to maintain and improve its comprehensive business continuity and Crisis/ Incident Management programme, to ensure that the Bank could recover and resume its business and provide customers access to products and service following the occurrence of any disaster. Operational Risk Management also included oversight of the effective use of insurance, aligned with the Bank's risk management strategy and risk appetite.

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.

The rights of the holders of no class of registered securities was materially modified during the year ended 31st December, 2017.

(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)
  N/A

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

- Name and address of underwriter(s)
  N/A

- Amount of expenses incurred in connection with the offer N/A

- Net proceeds of the issue and a schedule of its use
  N/A

- Payments to associated persons and the purpose for such payments
  N/A

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

This is not applicable. Repurchase agreements do not pay dividends but are issued at one price and repurchased at a higher price. The difference represents the return to the investor. No restrictions were encountered in repurchasing the instruments held by the investors in this product during the Financial Year ended 31st December, 2017.

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 the securities issued by Bank of Saint Lucia for the Financial Year ended 31st December, 2017.

(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.

This is not applicable to the repurchase agreements issued neither is there any arrears in the payments of dividends or material delinquency in respect of the Bank of Saint Lucia's issued shares.

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

Despite the moderate economic growth experienced locally and regionally in 2017, local banks were still faced with stagnant loan balance sheets and increased competition from international and micro finance institutions. The Bank however reported strong results for 2017 with net income $28.4 million. The Bank's results included a $3.56 million increase in interest income and a $4.88 million decline in operating expenses. Interest income rose $3.56 million or 4.65% when compared to 2016, driven by an 18.68% increase in investment income. Fee was commission income was $31.37 million, up 1.23% driven by credit related fees and commissions.

The decisive approach to provisioning and write-offs adopted in 2016 has strengthened the institution, reducing the levels of NPLs and improving the level of provisions. The Bank also adopted a policy in 2017 to set aside a contingency reserve to act as a buffer against potential loan losses over and above the requirements of International Financial Reporting Standards.

The Bank's outlook for 2018 should be viewed against the backdrop of the regional and local economic and geopolitical environment, financial market activity, its competitive and regulatory environments. All of these factors can affect the financial performance of the Bank. Once these factors remain favourable the financial condition of the Bank will likely remain intact. The Bank's continues to a have a disciplined approach towards managing expenses, while looking for innovative ways to grow and this is expected to continue beyond 2018.

The Bank's strategic plan for the years 2018-2020 guides the way to further stabilization and prosperity for the organization. The four strategic priorities include: (1) Return to profitability; (2) Enhancing customer value; (3) Operational intelligence and (4) Intangible asset development.

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

Commercial bank liquidity levels in the region continue to be high. BOSL's liquidity remains well in excess of the prudential requirements. The continuous rise in deposits amidst a tightening loan portfolio has warranted the investment of surplus funds on regional and international markets to earn a better return on the excess cash. The Group is careful to monitor these investments to ensure that they are of a high quality and that regional deposits are within policy limits. A portfolio of readily traded instruments is maintained to ensure that these investments can be readily liquidated should adverse changes in market conditions arise.

Off Balance Sheet Arrangements

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

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

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

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

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

Off-Balance Sheet assets under management as at December 2017 amounted to $94.68 million. This comprised investment securities managed on behalf of clients. Under such arrangements, BOSL advises the client in the formulation of an investment policy and is given a discretionary investment management mandate to act in accordance with the approved policy. It is important to note that although BOSL has a fiduciary responsibility to these clients, there are adequate disclaimers and indemnifications against possible claims related to investment losses that may arise.

More than two thirds of these off-balance sheet funds comprise company retirement funds while the balance comprises statutory reserves of insurance companies and other corporate entities. Investments include all the major asset classes of fixed income, equity and money market facilities with at least 85% invested in fixed income. In addition, there is a predominance of investments in Commonwealth Caribbean sovereign and corporate entities to as much as 80% in keeping with existing restrictions in legislation governing the investment of pension and insurance assets.

Results of Operations

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

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

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

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

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

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

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

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

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

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

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

In 2017, BOSL's Net interest income rose by $6,909,277 or 16.77% when compared to the prior corresponding period. This increase was due to an increase in interest income by 4.65% and a decline in interest expense by 9.43%. Fee and commission income also showed a marginal increase in 2017 over the same period.

Operating expenses also showed a decline in 2017 when compared to the prior corresponding period. Operating expenses declined by 7.25% or $4,885,310 in 2017, due primarily to reduction in employee benefit expenses.

BOSL recorded a net profit of $28,402,576 compared to the net loss of $110,977,392 experienced in 2016. The net profit for 2017 was due to the 87.82% decline in impairment losses followed by a rise in net interest income and a decline in operating expenses.

Impairment losses on loans declined from $128.8M (2016) to 15.7M. The loan loss provisions and write-offs from the previous year addressed the high level of non- productive loans thereby improving the quality of the loan portfolio. Provisions as a percentage of impaired loans stand at 59%, well ahead of international benchmarks. The Bank expects to benefit from the disciplined approach to managing its loan portfolio and to return to normal levels of provisioning.

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

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

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

12. Directors and Executive Officers of the Reporting Issuer. (*See Appendix 1 and 1(a)*)

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

13. Other Information.

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

14. List of Exhibits

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

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: See Attached Position: ____________________

Mailing Address: ____

____

____

Telephone No.:

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

Give brief description of **current** responsibilities

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: **See Attached** Position: ____________________

Mailing Address: ____

____

____

Telephone No.: ____________________

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

Give brief description of **current** responsibilities.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Jacqueline Emmanuel-Flood

Position: Director

Age: 55 years

Mailing Address: c/o PO BOX 1860, Castries, St. Lucia

758-285-4767(c); 758-453-5486(h)

Telephone No.:

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

Chief Executive Officer, Trade Export Promotion Agency, Government of Saint Lucia (2012- March 2017)

Director, Office of Private Sector Relations, Government of Saint Lucia (2004-2012)

Give brief description of **current** responsibilities

Responsible for positioning and managing the Saint Lucia Trade Export Promotion Agency (TEPA), to market and promote Saint Lucia as an attractive and viable source of products for the export market, and of services by means of the several modes in GATS.

Prime responsibility is to return value to the Stakeholders and Saint Lucia and lead the management team in the formulation of the overall vision, and the execution of the business and operational strategy. Also, direct the development of the senior management, manage key relationships, enable operational excellence and report to the Supervisory Board/Directors.

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

B.Sc. Economics, University of the West Indies (Barbados), 1988

M.Sc. Project Analysis, Finance and Investment, University of York (UK), 1992

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Marcus Joseph

Position: Director

Age: 47 years

Mailing Address: c/o PO BOX 1860, Castries, St. Lucia

758 456-6000

Telephone No.:

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

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

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

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

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

Give brief description of **current** responsibilities

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

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

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

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

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

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

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

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

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

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: MARTIN DORVILLE

Position: DIRECTOR

Age: 49

Mailing Address: P.O. Box Choc 8033
Castries
St. Lucia

Telephone No.: 1-758-285-2447; 1-758-457-2447

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

2013 – Current MANAGING DIRECTOR, Massy Stores SLU Ltd. and Massy Stores SVG Ltd.

2008 - 2013 - DEPUTY MANAGING DIRECTOR - Consolidated Foods Ltd

Give brief description of **current** responsibilities

Responsible for developing and implementing the strategy of all companies within the group inclusive of Massy Stores SVG Ltd
Revenue performance, control of the resources and expenditures of the organization
Building and maintaining a "healthy organization" focusing on people, values and culture,
Ensuring process design, implementation, review and control in alignment with organizational requirements
Training and development of the company's human resource
Maintaining a strong Customer Service philosophy and practice
Engendering and maintaining a high standard of Governance

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

QUALIFICATIONS

- Executive Diploma in Leadeship Development - Saint Mary's University - 1996
- MBA Marketing & Finance: Warwick Business - 1999
- BSc. Management, (First Class Honors): University of the West-Indies - 1989-92

COURSES
- Root Cause Analysis
- The 5 Choices to Extra Ordinary Productivity - Covey
- The 7 Habits of Highly Effective People - Covey
- Creating Winners in the Workplace – Arnold Mol
- The Four Disciplines of a Healthy Organization – Table Group Inc.
- Director Certification - Bank Director.Com - 2018

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Trevor Louisy

Position: Director

Age: 55 years

Mailing Address: PO BOX 230, Castries, St. Lucia

(758)-457-4400

Telephone No.:

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

St. Lucia Electricity Services Limited - Managing Director 2004 to present

Give brief description of **current** responsibilities

Responsible for the management of the business operations and strategic positioning of LUCELEC

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

B. Sc. Electrical Engineering, University of the West Indies 1982 - 1985

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: ANDRE CHASTANET

Position: CHAIRMAN, BOSL

Age: 59

Mailing Address: P.O.BOX 1665
CASTRIES
ST.LUCIA

Telephone No.:

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

MANAGING DIRECTOR-CONSOLIDATED FOODS LED-DECEMBER 1994-SEPTEMBER 2013

Give brief description of **current** responsibilities

DIRECTOR & CHAIRMAN OF ECFH/BOSL

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

CHARTERED ACCOUNTANT(FCCA)-1988

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Mr. Farid Antar

Position: General Manager

Age: 55 years

Mailing Address: 35 Aquamarine Drive, Diamond Vale Diego Martin

Telephone No.: 868-792-2569

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

October 2017 - date: Republic Bank Limited General Manager - Enterprise Risk Management / Republic Financial Holdings - Chief Risk Officer

June 2011 - September 2017: Republic Bank Limited General Manager - Corporate Operations & Process Improvement

Chief Compliance Officer for Republic Bank Group (to December 2013)

Enterprise Risk Management (ERM) initiative - Sponsor for the introduction of a revised ERM Framework for the Group (May to October 2015)

Give brief description of **current** responsibilities

Responsible for Oversight and Governance of the Enterprise Wide Risk Framework and direct Risk Owner for Operational Risk and Portfolio Management for the Republic Financial Holdings Limited Group

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

Fellow of the Institute of Chartered Secretaries and Administrators, UK - 2000

Diploma from the School of Bank Marketing and Management - American Bankers Association 2000

Certificate in International Marketing - UWI Institute of Business, Trinidad - 1997

Associate of the Chartered Institute of Bankers, UK (ACIB) - ifs School of Finance - 1986

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: John Tang Nian

Position: Director

Age: 68

Mailing Address: Lot 2, Pearl Gardens Extension,
Petit Valley
Trinidad

Telephone No.: 868-682-9264

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

Retired from permanent employment since 2010.

Give brief description of **current** responsibilities

Not Applicable.

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

Diploma in Business Management - 2010 (ALJ School of Business/UWI)

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Llewellyn Gill

Position: Director

Age: 59 Years

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

Telephone No.:

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

March 1992 to Present -

G.LLEWELLYN GILL & CO
Chartered Accountants, Castries, St. Lucia

Give brief description of **current** responsibilities

Sole Practitioner - providing accounting, auditing, internal auditing, financial and management, business advisory services as well as secretarial services. Specific services provided include: Team Leader with World Bank on Financial Management Audit of the Ministry of Education in St. Lucia as part of World Bank-funded Basic Education Project; consultant with World Bank Expert on financial management component of Basic Education Project; consultant for Technical Assistance Project, financed through the Eastern Caribbean Organization of Development Foundations (ECODEF), conducted a review of operations and implemented a new plan of activities in recipient organization.

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

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

CGA Certified General Accountants of Canada (CGA) 1987

FCGA Fellow of the Certified General Accountants of Canada (1996)

FCIS Fellow of the Institute of Chartered Secretaries and Administrators in Canada (1997)

FCCA Fellow of the Association of Chartered Certified Accountants (UK) (2007)

Acc. Dir Accredited Director, Institute of Chartered Secretaries Canada (2009)

HONOURS

SLMM St. Lucia Medal of Merit Gold – Order of St. Lucia (February, 2009)

The "Augusto Pinaud Award" – Order of Honour to Merit, Venezulan Red Cross (February, 2008)

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Omar Davis

Position: Director

Age: 66 years

Mailing Address: P.O. Box 389
Vieux Fort
Saint Lucia

Telephone No.: 758-484-1180

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

Consultant
Self Employed

Give brief description of **current** responsibilities

Provision of Financial and Management Advisory Services

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

Chartered Certified Accountant (1975)

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Baldwin Anthony Taylor

Position: Senior Manager - Retail Banking

Age: 49

Mailing Address: P.O. Box RB2467

Rodney Bay, Gros Islet

Saint Lucia

Telephone No.: (758) 456-6193

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

Bank of Saint Lucia / East Caribbean Financial Holding Company Ltd.

Senior Manager - Customer Insight Unit (January 14, 2013 - December 31, 2014)
Senior Manager - Retail Banking (January 01, 2015 - Present)

Managing the overall operations of the Retail Division of Bank of Saint Lucia and the EC Global Insurance Agency.
Driving sales of core banking products and insurance products through the five (5) Bank of Saint Lucia Branches and EC Global Insurance Agency.

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

Bachelor of Commerce - Saint Mary's University, Halifax, Nova Scotia Canada (1991 - 1995)
Masters of Business Administration - Durham University, Durham, United Kingdom (2003 - 2006)

Also a Director of the company ☐ Yes ☑ No

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

N/A

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Bernard La Corbiniere   Position: Managing Director

Age: 62 Years

Mailing Address: C/o P.O. Box 1860
Castries
St Lucia

Telephone No.: 1-758-456-6800/6802

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

2013 – 2018 - Managing Director of the government-owned development bank – Saint Lucia Development Bank, January, 2013 to February, 2018

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

1998 Doctor of Philosophy (Ph.D), Economics - University of Kent at Canterbury, U.K.
1993 Master of Science (MSc), Computer Science - University of Kent at Canterbury, U.K.
1977 Bachelor of Science (BSc), Economics (Hons.) - University of the West Indies, Barbados

Short Courses
1990 Capital Markets - International Law Institute, Washington, D.C.
1985 Financial Programming and Policy - International Monetary Fund (Institute), Washington, D.C.

Also a Director of the company ☑ Yes ☐ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Cecilia Ferdinand

Position: Senior Manager Credit Administratic

Age: 56 Years

Mailing Address: c/o Bank of Saint Lucia Limited

PO Box 1860, Bridge Street

Castries

Telephone No.: 1758456-6881

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

Bank of Saint Lucia Limited for the past 36 years

Senior Manager Credit Administration - 2013 - Present

Current Responsibilities:-

Create oversight for the credit administration f the bank
Ensuring all administration functions are executed in accordance with credit policies, credit procedures and compliance standards
responsible for the custody of collateral security documentation for credit facilities
Ensuring that security documentations is in proper form based on credit arrangements and approvals
Responsible for the disbursement of credit facilities ensuring the funds are disbursed in accordance with approval conditions, ppolicy guidelines and compliance standards
Contributes to the Bank's strategic planning and directs the execution of the Bank's operations strategy
Make recommendations where necessary with respect to changes in credit policies, credit procedures and credit processes
Set goals, policies and procedures to meet and/or surpass the Bank's objectives for shareholder return, customer service and public expectations
Responsible for the development and training of staff int he Credit Administration Unit.

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

The Chartered Institute of Bankers (UK) 1989-1991
University of Wales - Online Programme - 2013
MBA Masters Business Administration

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Cynthia Laurent

Position: Senior Manager Operations

Age: 57

Mailing Address: c/o Bank of Saint Lucia Limited

PO Box 1860, Bridge Street

Castries

Telephone No.: 17584523563

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

The position is responsible for the efficient operations of the Bank of Saint Lucia Limited by effectively monitoring and providing guidance to branches and units in achieving maximum compliance with bank procedural guidelines in operational functions and recommending changes where necessary.

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

Graduate School of Banking – Wisconsin (2006-2008)
Graduation Date - 2008

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Estherlita Cumberbatch

Position: Corporate Secretary

Age: 51 Years

Mailing Address: c/o Bank of Saint Lucia Limited

PO Box 1860, Bridge Street

Castries

Telephone No.: 1758456-6832

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

Corporate Secretary

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

ACIS
LLB

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Joanna Charles

Position: Deputy Managing Director

Age: 50 Years

Mailing Address: c/o Bank of Saint Lucia Limited

PO Box 1860, Bridge Street

Castries

Telephone No.: 1758456-6822

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

Deputy Managing Director (Acting) - April 2017 - Present
Chief Operating Officer - 2016 - 2017
General Manager - Corporate Services - 2013 to 2015
Prior Assistant General Manager - BOSL - 2005 to 2015

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

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

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ketha Auguste Position: Chief Financial Officer

Age: 41 Years

Mailing Address: c/o Bank of Saint Lucia Limited

PO Box 1860, Bridge Street

Castries

Telephone No.: 1758456-6818

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

Group Finance Manager- ECFH- September 2010- September 2017
• Maintain proper financial accounting systems within the ECFH parent company and its subsidiaries and provide guidance and support on accounting related matters.
• Preparation and analysis of financial reports for all Group subsidiaries, including the preparation of annual Group consolidated financial statements and the financial statements for Bank of Saint Lucia Limited in accordance with IFRS
• Co-ordinate and execute regulatory and other statutory assignments involving the preparation and presentation of financial statements and other related information for all Group subsidiaries.
• Responsible for the general administration of the financial transaction processing.
• Oversight in managing the Group's credit risk and ensure that adequate provisioning is in place. .

Chief Financial Officer- BOSL-October 2017 to present
• Co-ordinate annual budgeted and workplans
• Responsible for tax planning and compliance with laws
• Responsible for asset liability management
• Responsible for treasury management
• Responsible for Procurement and inventory management
• Oversee the investment function

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

FCCA- Association of Certified Chartered Accountants- 2005
Professional Diploma in Banking- Graduate School of Banking –University of Wisconsin- 2012-2014

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Lyndon Arnold

Position: Senior Manager IMTS

Age: 52

Mailing Address: P.O. Box 1277, Castries, Saint Lucia

Telephone No.: 1-758-456-6858 / 1-758-718-4074

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

ECFH/BOSL February 2006 to present

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

MBA, Australian Institute of Business 2013
High Honors Diploma, Seneca College of Applied Arts & Technology, 1985-1988

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Medford Francis Position: Senior Manager

Mailing Address: P.O. Box 1862, Castries

P.O. Box 1862, Castries

Telephone No.: 1-758-457-7231

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

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

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

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

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

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

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Melissa Simon

Position: Senior Manager - Internal Audit

Age: 41

Mailing Address: c/o East Caribbean Financial Holding Company Limited
#1 Bridge Street
P.O. Box 1862, Castries, St. Lucia

Telephone No.: (758) 456-6121

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

Senior Manager - Internal Audit
East Caribbean Financial Holding (ECFH) Company Limited
January 2006 - Present

Current responsibilities include:
- Performing advanced level professional internal auditing work as part of the Company's governance structure.
- Directing the identification and evaluation of the Company’s risk areas and overseeing the development and implementation of the annual Audit Plan.
- Performing consulting and advisory services related to governance, risk management and control as required.
- Directing the overall performance of audit procedures, including identifying and defining issues, developing criteria, reviewing and analyzing evidence, and documenting client processes and procedures.
- Providing internal training for audit staff at the ECFH.
- Ensuring that the Audit function and its activities comply with the IIA standards.
- Communicating the results of audit and consulting projects via written reports and oral presentations to management and the Board of Directors.

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

EDUCATION

August 1996 – May 1999	University of the West Indies, St. Augustine Campus, Trinidad W.I. BSc Management Studies -Upper Second Class Honours

PROFESSIONAL QUALIFICATIONS

March 2018	Certified Risk Management Auditor (CRMA)
November 2015	Certified Internal Auditor (CIA)
December 2012	Certified Information Systems Auditor (CISA)
June 2008	Certified Fraud Examiner (CFE)

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Minelva Oculien-Moses

Position: Senior Manager Human Resources

Age: 42 Years

Mailing Address: C/o P.O. Box 1860
Castries
St Lucia

Telephone No.: 1-758-457-7218

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

HR Manager - St Jude's Hospital - August 2013 - February 2017
HR Strategy
Industrial Relations
Compensation
Employee RElations
Training & Development
Recruitment

HR Manager - Ti Kaye Resort & Spa - February - September 2017
HR Administration
Employee Relations
Training & Development
Recruitment

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

University of the West Indies - 2016 - Master of Human Resource Management
University of the West Indies - 2009 - Bachelor of Education - Educational Administration
Sir Arthur Lewis Community College - 2005 - Associate Degree - Primary Education
University of the West Indies - 2005 - Certificate in Primary Education

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Shanta Louis

Position: Senior Manager - Risk and Compliar

Age: 38

Mailing Address: P.O. Box GR5067, Grande Riviere, Gros Islet, Saint Lucia

Telephone No.: 1-758-456-6105

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

1. Unit Head, Banking Supervisory Unit, ECCB 2009-2014
2. Compliance Manager, BOSLIL, 2014-2015
3. Senior Manager - Credit Risk, BOSL, 2015-2016
4. Senior Manager - Risk and Compliance, BOSL, 2016-present

• Responsible for effectively ensuring that security measures are met, controls are in place and risk mitigated
• Responsible for identifying, analyzing and mitigating internal and external events that could threaten the bank
• Develop, enhance and maintain risk management framework, (including charter) covering credit, market, operational, investment, liquidity, reputational and legal risk;
• Regularly review and update the Bank's overall risk landscape, ensuring early detection of emerging risks that could materially impact the Bank;
• Assist in discharging risk management and asset/liability management responsibilities and obligations as per approved guidelines;
• Ensure that management and staff are suitably equipped to cope with growing complexity of risk across the Bank. Establish focus groups to drive the awareness and management of significant risks in the Bank;
Maintain general oversight of the compliance function throughout the Bank.
• Develop and implement proactive compliance programmes for the Bank.
• Ensure compliance with applicable banking and insurance regulations and other statutory requirements.

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

April 2017 Bangor University - Chartered Banker MBA (In Progress)
2002 – 2005 University of the West Indies, St Augustine, Trinidad - BSc Economics with Finance & Accounting (2nd Class Honours)
2002 University of the West Indies School of Continuing Studies and the National Research and Development Foundation of St Lucia Certificate in Human Resource Management (Grade A)
2017 Certified Information Security - Certificate - Enterprise Risk Management Framework
2015 Florida International Bankers Association (FIBA) and Florida International University - Certificate - AML/CFT Risk Assessment
2012 United States Federal Reserve - Certificate – Risk Management and Internal Controls
2011 International Monetary Fund (IMF)& Association of Supervisors of Banks of the Americas - Certificate Regulatory SelfAssessments

Also a Director of the company ☐ Yes ☑ No

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

Use additional sheets if necessary.

Bank of Saint Lucia Limited

Financial Statements

For the year ended 31 December 2017
(Expressed in Eastern Caribbean Dollars)

Bank of Saint Lucia Limited

Index to the Financial Statements
For the year ended 31 December 2017

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

Tel: 758 458 4720/30
758458 4316
758 458 4997
Fax: 758 458 4710
www.ey.com

Street Address
2nd Floor, Mardini Building
Rodney Bay, Gros Islet
St. Lucia, W.I.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF BANK OF SAINT LUCIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Saint Lucia Limited (the Bank), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017 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 Financial Statements* section of our report. We are independent of the Bank 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.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the bank audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the 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.

Ernst & Young Ltd.

Ernst & Young

CHARTERED ACCOUNTANTS
Castries
St. Lucia
22 March 2018

Bank of Saint Lucia Limited

Statement of Financial Position

As at 31 December 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Assets		
Cash and balances with Central Bank (Note 5)	**347,950,065**	242,615,038
Deposits with other banks (Note 6)	**96,111,567**	95,603,876
Deposits with non-bank financial institutions (Note 7)	**5,412,488**	8,729,733
Treasury bills (Note 8)	**23,131,699**	23,006,088
Financial assets held for trading (Note 9)	**19,641,853**	18,599,712
Investment securities (Note 12)	**525,518,983**	458,558,435
Financial instruments-pledged assets (Note 13)	**10,710,269**	21,366,983
Due from related parties (Note 14)	**82,418,108**	84,137,685
Loans and receivables - loans and advances to customers (Note 10)	**874,051,040**	898,627,332
Property and equipment (Note 15)	**46,978,181**	78,772,529
Other assets (Note 16)	**55,208,882**	65,504,927
Investment in associates (Note 18)	**4,800,000**	4,800,000
Investment properties (Note 19)	**37,454,500**	6,547,711
Retirement benefit asset (Note 20)	**13,614,949**	10,626,569
Income tax recoverable	**5,458,514**	4,482,139
Deferred tax asset (Note 21)	**819,894**	-
Total assets	**2,149,280,992**	2,021,978,757
Liabilities		
Deposits from banks (Note 22)	**43,297,719**	54,511,798
Due to customers (Note 23)	**1,805,267,133**	1,748,686,109
Repurchase agreements (Note 13)	**13,702,747**	13,838,910
Borrowings (Note 24)	**79,181,457**	93,629,412
Dividends payable	**290,500**	566,415
Preference shares (Note 25)	**4,150,000**	4,150,000
Other liabilities (Note 26)	**29,201,111**	30,157,005
Total liabilities	**1,975,090,667**	1,945,539,649
Equity		
Share capital (Note 27)	**265,102,745**	198,718,745
Reserves (Note 28)	**162,787,969**	149,583,770
Revaluation surplus	**13,855,322**	13,855,322
Unrealised gains/(loss) on investments	**1,437,172**	(1,006,930)
Accumulated deficit	**(268,992,883)**	(284,711,799)
Total equity	**174,190,325**	76,439,108
Total liabilities and equity	**2,149,280,992**	2,021,978,757

The accompanying notes form part of these financial statements.

Approved by the Board of Directors on 22nd March 2018.

________________ Director　　________________ Director

Bank of Saint Lucia Limited
Statement of Changes in Equity
For the year ended 31 December 2017

(expressed in Eastern Caribbean dollars)

	Share capital (Note 27) $	Reserves (Note 28) $	Revaluation Surplus $	Unrealised Gain/ (Loss) on Available for sale investments $	Accumulated Deficit $	Total $
Balance at 1 January 2016	198,718,745	146,854,341	13,855,322	(2,899,994)	(171,599,133)	184,929,281
Total comprehensive loss for the year	-	-	-	1,893,064	(110,383,237)	(108,490,173)
Transfers from reserves	-	2,729,429	-	-	(2,729,429)	-
Balance at 31 December 2016	198,718,745	149,583,770	13,855,322	(1,006,930)	(284,711,799)	76,439,108
Balance at 1 January 2017	**198,718,745**	**149,583,770**	**13,855,322**	**(1,006,930)**	**(284,711,799)**	**76,439,108**
Total comprehensive income for the year	**-**	**-**	**-**	**2,444,102**	**28,923,115**	**31,367,217**
Additional share issue	**66,384,000**	**-**	**-**	**-**	**-**	**66,384,000**
Transfers to reserves	**-**	**13,204,199**	**-**	**-**	**(13,204,199)**	**-**
Balance at 31 December 2017	**265,102,745**	**162,787,969**	**13,855,322**	**1,437,172**	**(268,992,883)**	**174,190,325**

The accompanying notes form part of these financial statements.

Bank of Saint Lucia Limited
Statement of Comprehensive Income
For the year ended 31 December 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Interest income (Note 30)	**80,247,459**	76,683,324
Interest expense (Note 30)	**(32,144,962)**	(35,490,104)
Net interest income	**48,102,497**	41,193,220
Fee and commission income (Note 31)	**31,372,943**	30,990,964
Dividend income (Note 32)	**475,445**	1,663,616
Net foreign exchange trading income (Note 33)	**11,469,224**	9,997,188
Other income (Note 34)	**10,808,999**	8,389,940
Other gains/(losses) (Note 35)	**2,978,306**	(1,008,588)
Impairment losses on loans and advances (Note 11)	**(15,696,102)**	(128,782,213)
Impairment losses on investments (Note 12)	**(318,339)**	-
Operating expenses (Note 36)	**(62,519,254)**	(67,404,564)
Profit/(loss) before income tax and preference shares	**26,673,719**	(104,960,437)
Dividends on preference shares (Note 25)	**(290,500)**	(290,500)
Profit/(loss) before income tax	**26,383,219**	(105,250,937)
Income tax recovery/(expense) (Note 38)	**2,019,357**	(5,726,455)
Net profit/(loss) for the year	**28,402,576**	(110,977,392)

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Net profit/(loss) for the year	**28,402,576**	(110,977,392)
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealised gain on available for sale investments	**2,845,243**	2,686,352
Realised gain transferred to statement of income	**(401,141)**	(793,288)
	2,444,102	1,893,064
Other comprehensive income not to be reclassified to profit or loss in subsequent period:		
Re-measurement gains on defined benefit pension scheme	**743,628**	848,793
Income tax effect	**(223,089)**	(254,638)
	520,539	594,155
Total other comprehensive income	**2,964,641**	2,487,219
Total comprehensive income/(loss) for the year	**31,367,217**	(108,490,173)

The accompanying notes form part of these financial statements.

Bank of Saint Lucia Limited

Statement of Cash Flows

For the year ended 31 December 2017

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Cash flows from operating activities		
Profit/(loss) before income tax	**26,673,719**	(104,960,437)
Adjustments to reconcile net profit before tax to net cash flows:		
Interest income from investments, treasury bills and deposits with banks	**(19,073,592)**	(16,086,734)
Impairment losses on loans and advances	**15,696,102**	128,782,213
Impairment losses on investments	**318,339**	-
Fair value gain on investment property	**(812,745)**	1,530,000
Depreciation	**4,508,279**	5,171,116
Retirement benefit contributions	**(3,053,950)**	(2,410,838)
Retirement benefit expense	**809,198**	530,202
Unrealised gain on investments held for trading	**24,556**	17,329
Gain on disposal of investments	**(2,154,993)**	(504,083)
Amortised premium on investments	**(519,385)**	(367,841)
(Gain)/loss on disposal of property and equipment	**(51,632)**	48,154
Cash flows before changes in operating assets and liabilities	**22,363,896**	11,749,081
Increase in mandatory deposits with Central Bank	**(16,824,076)**	(1,562,395)
Decrease in loans and advances to customers	**8,880,190**	41,772,457
Decrease/(increase) in pledged assets	**10,508,932**	(2,909,315)
Increase in financial assets held for trading	**(1,064,289)**	(3,493,841)
Decrease/(increase) in other assets	**10,296,040**	(21,878,902)
Decrease in treasury bills	**1,109,132**	2,121,118
Increase in due to customers	**56,581,024**	13,044,919
(Decrease)/increase in deposits from banks	**(11,214,079)**	1,767,182
Decrease in repurchase agreements	**(136,163)**	(6,097,113)
Decrease in advances from related parties	**1,719,577**	-
(Decrease)/increase in other liabilities	**(941,066)**	12,877,921
Net cash generated from operations	**81,279,118**	47,391,112
Income tax paid	**-**	(2,652,338)
Interest received	**17,960,358**	14,230,142
Net cash generated from operating activities	**99,239,476**	58,968,916
Cash flows from investing activities		
Purchase of investment securities	**(230,328,617)**	(216,768,401)
Net proceeds from disposal and redemption of investment securities	**169,126,515**	147,811,230

(expressed in Eastern Caribbean dollars)

	2017 $	2016 $
Purchase of investment properties	**(65,257)**	-
Purchase of property and equipment	**(2,741,386)**	(2,067,356)
Proceeds from disposal of property and equipment	**50,300**	61,571
Net cash used in investing activities	**(63,958,445)**	(70,962,956)
Cash flows from financing activities		
Proceeds from share issue	**66,384,000**	-
Dividends paid	**(581,240)**	-
Repayments of borrowings	**(14,447,955)**	(24,546,987)
Proceeds from borrowings	**-**	51,100,137
Cash generated from financing activities	**51,354,805**	26,553,150
Net increase in cash and cash equivalents	**86,635,836**	14,559,110
Cash and cash equivalents at beginning of year	**263,888,760**	249,329,650
Cash and cash equivalents at end of year (Note 39)	**350,524,596**	263,888,760

The accompanying notes form part of these financial statements.

(expressed in Eastern Caribbean dollars)

1 General information

Bank of Saint Lucia Limited (the Bank) was incorporated in Saint Lucia on 30 June 2001. The Bank provides retail, corporate banking and investment banking services. The Bank is domiciled in St. Lucia and is a wholly owned subsidiary of East Caribbean Financial Holding Company Limited (the "Parent Company), a limited liability company incorporated and domiciled in Saint Lucia.

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

The Bank is subject to the Companies Act, 1996 and the provisions of the Banking Act of Saint Lucia, 2015.

The Bank's principal place of business and registered office is located at No.1 Bridge Street, Castries, Saint Lucia.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 Saint Lucia Limited's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31 December 2017 (the reporting date).

Basis of preparation
The 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 statement of financial position as financial assets held for trading and land and buildings classified as property and equipment and investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank'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) Changes in accounting policies and disclosures:

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Bank 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 were applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Bank. The nature and the impact of each new standard or amendment are described below:

IAS 7 Disclosure Initiative – Amendments to IAS 7
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. This amendment is effective for annual periods beginning on or after January 1, 2017 and did not have a significant impact on the Bank.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. This amendment is effective for annual periods beginning on or after January 1, 2017 and did not have a significant impact on the Bank.

IFRS 12 – Disclosure of Interests in Other Entities - Amendments resulting from Annual Improvements 2014-2016 Cycle (Clarifying Scope)
The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, joint venture or an associate that is classified as held for sale. This amendment is effective for annual periods beginning on or after January 1, 2017 and did not have a significant impact on the Bank.

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

(b) Standards issued but not yet effective

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

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. In 2015 the Group set up a multidisciplinary implementation team ('the Team') with members from its various subsidiaries, Risk, Finance, Information Technology and Operations to prepare for the IFRS 9 implementation ('the Project'). The Project is sponsored by the Chief Financial Officer, who regularly reports to the Group's Supervisory Board. The Project's expected credit loss model is expected to run parallel with the present IAS 39 model by the first quarter of 2018 and thereafter fully implemented before the end of the second quarter.

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

The Bank does not expect an adverse impact from the application of the impairment requirements of IFRS 9.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Basis of preparation...*continued*

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

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

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The Bank 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 Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

IFRS 2 Classification and Measurement of Share-based Payment Transactions Amendments to IFRS 2 (effective January 1,2018) .
These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies…*continued*

Basis of preparation...*continued*

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

***IAS 40 Investment Property**: **Transfers of Investment Properties** – Amendments to IAS 40 (effective January 1, 2018)*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions, for the use of the property does not provide evidence of a change in use.

(c) Fair value measurement
The Bank measures financial instruments such as investment securities and non- financial instruments 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 3
Quantitative disclosures of fair value measurement hierarchy	Note 3
Financial instruments (including those carried at amortised cost)	Note 12,9
Land and buildings	Note 15
Investment properties	Note 19

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.

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

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

(expressed in Eastern Caribbean dollars)

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

(c) 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.

The Bank 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 non-bank financial institutions and other short-term securities.

Investment in associates

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

Financial assets

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

(c) Fair value measurement...*continued*

Financial assets...*continued*

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

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the 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 Bank's management has the positive intention and ability to hold to maturity, other than: (a) those that the Bank upon initial recognition designates as at fair value through profit or loss; (b) those that the Bank designates as available for sale; and (c) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs are measured subsequently at amortised cost, using the effective interest method less impairment. Interest on held-to-maturity investments is included in the statement of income. The losses arising from impairment are recognised in the statement of income as impairment losses on investments.

If the Bank 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*

Financial assets*...continued*

(d) 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 other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. Management makes judgements at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the 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 Bank’s right to receive payment is established. Where fair value cannot be determined cost is used to value investments.

Recognition/Derecognition
The Bank 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 statement of financial position as ‘Assets pledged as collateral’, if the transferee has the right to sell or repledge them.

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

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

(expressed in Eastern Caribbean dollars)

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

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets*...continued*

Assets classified as available-for-sale
The Bank makes judgments at each reporting date of 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 in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the 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 “Bank” and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment, the Bank 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 bank derecognises the original financial asset and recognises a new one at fair value with any difference recognized in the statement of income.

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

Sale and repurchase agreements
Securities sold subject to linked repurchase agreements (repos) are retained in the financial statements as investments securities and the counterparty liability is included in repurchase agreement on the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest method.

(expressed in Eastern Caribbean dollars)

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

Property and equipment
Land and building comprise mainly branches and offices occupied by the Bank. Land and buildings are shown at their fair value less subsequent depreciation for buildings.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income, all other decreases are charged to the statement of income.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	2%
Leasehold improvements	10%
Office furniture and equipment	10%-15%
Computer equipment	33 1/3%
Motor vehicles	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 carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use

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

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

(expressed in Eastern Caribbean dollars)

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

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, are classified as investment properties. Investment property comprises freehold land and buildings which are leased out under operating leases. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Company's statement of comprehensive income in the year in which they arise.

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

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

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

Impairment of other non-financial assets

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

(expressed in Eastern Caribbean dollars)

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

Income tax

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

Where the Bank 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 periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

(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 statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment and tax losses. 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 Bank'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.

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

(expressed in Eastern Caribbean dollars)

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

Provisions
Provisions are recognised when the bank has a present of 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 obligations
Certain of the Bank's employees are covered by the defined benefit plan of the Bank. The contributions to the plan are allocated to the group companies based on employee membership in the plan. Contributions paid on behalf of employees of the Bank are charged to the statement of income in the period in which the contributions are paid.

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

The pension obligation valuations are undertaken annually. The asset recognised in the statement of financial position of the Bank in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur.

Re-measurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognised in the Bank's statement of income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Bank recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.
The Bank recognises the following changes in the net defined benefit obligation under 'operating expenses' in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

(expressed in Eastern Caribbean dollars)

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

Employee benefits*...continued*

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

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

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

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

Share capital
Ordinary shares are classified as equity. 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.

Reserves
The Bank allocates reserves in accordance with the Banking Act of Saint Lucia of 2015.

Dividend on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

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

(expressed in Eastern Caribbean dollars)

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

Interest income and expense
Interest income and expense are recognised in the statement of comprehensive 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 Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

Fee and commission income
Fees and commissions are generally recognised on an accruals basis when the service has been provided.

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

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

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

Rental income
Rental income from operating leases is recognised on a straight-line basis over the lease term.

(expressed in Eastern Caribbean dollars)

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

Foreign currency translation

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Bank'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.

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 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 amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the other comprehensive income.

Financial instruments

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management

Strategy in using financial instruments

The Bank'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 Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

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

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

Credit risk

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

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

<u>Loans and advances to customers</u>
The Bank 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 Bank'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 treasury bills</u>
For debt securities and treasury bills, external ratings such as Standard & Poor's and Caricris ratings or their equivalents are used by Bank Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Risk limit control and mitigation policies
The Bank manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries.

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

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

Some other specific control and mitigation measures are outlined below.

Collateral
The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for fund advanced, which is common practice. The Bank 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 Bank'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 Bank'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 Bank 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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank 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 Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

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

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

- 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 Bank'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
Maximum credit risk exposures relating to the financial assets in the statement of financial position:

	Maximum exposure	
	2017	**2016**
	$	**$**
Balances with Central Bank	**315,533,843**	214,788,486
Deposits with other banks	**96,111,567**	95,603,876
Deposits with non-bank financial institutions	**5,412,488**	8,729,733
Treasury Bills	**23,131,699**	23,006,088
Loans and advances to customers:		
Overdrafts	**29,291,085**	40,952,769
Term loans	**208,447,377**	212,546,519
Large corporate loans	**280,564,996**	291,131,009
Mortgages	**355,747,582**	353,997,035
Financial Assets held for trading	**19,641,853**	18,599,712
Investment securities	**512,537,679**	443,679,166
Due from related parties	**82,418,108**	84,137,685
Financial instruments -pledged assets	**10,710,269**	21,366,983
Other assets	**52,452,945**	63,097,613
	1,992,001,491	1,871,636,674

	Maximum exposure	
	2017	**2016**
	$	**$**
Credit risk exposures relating to financial assets off- the statement of financial position:		
Loan commitments	**69,837,704**	72,455,496
Guarantees and letters of credit	**23,764,807**	27,141,676
	93,602,511	99,597,172
	2,085,604,002	1,971,233,846

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

Maximum exposure to credit risk*…continued*
The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2017 and 31 December 2016, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 43% (2016 – 48%) of the total maximum exposure is derived from loans and advances to customers and 25% (2016 – 23%) represents investments in debt securities.

Loans and advances
Loans and advances to customers are summarised as follows:

	2017 **$**	**2016** **$**
Neither past due nor impaired	**523,198,846**	539,217,292
Past due but not impaired	**104,238,220**	96,363,115
Impaired	**342,229,229**	363,209,695
Gross	**969,666,295**	998,790,102
Less allowance for impairment losses on loans and advances to customers	**(95,615,255)**	(100,162,770)
Net	**874,051,040**	898,627,332

The total impairment provision for loans and advances to customers is $95,615,255 (2016 – $100,162,770) of which $71,524,294 (2016 – $67,461,756) represents the individually impaired loans and the remaining amount of $24,090,961 (2016 – $32,701,014) represents the collective provision. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

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 Bank.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances...*continued*

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate Loans $	Total $
31-Dec-17	**24,622,610**	**125,549,174**	**264,707,964**	**108,319,098**	**523,198,846**
31-Dec-16	30,154,828	129,043,866	262,997,508	117,021,090	539,217,292

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. 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 $	Total $
At 31 December 2017				
Past due up to 30 days	**19,556,899**	**33,099,995**	**18,897,494**	**71,554,388**
Past due 30 - 60 days	**4,777,630**	**5,641,585**	**10,576,919**	**20,996,134**
Past due 60 - 90 days	**4,422,558**	**2,802,642**	**4,462,498**	**11,687,698**
At 31 December 2017	**28,757,087**	**41,544,222**	**33,936,911**	**104,238,220**
At 31 December 2016				
Past due up to 30 days	18,909,778	35,954,682	17,654,488	72,518,948
Past due 30 - 60 days	4,834,539	7,087,674	3,069,971	14,992,184
Past due 60 - 90 days	3,826,174	4,721,750	304,059	8,851,983
At 31 December 2016	27,570,491	47,764,106	21,028,518	96,363,115

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk *...continued*

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

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Total $
31 December 2017	**9,655,219**	**70,933,310**	**61,151,044**	**200,489,656**	**342,229,229**
31 December 2016	12,285,137	72,950,430	56,479,703	221,494,425	363,209,695

Debt securities and treasury bills
The table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2017 and 2016, based on Standard & Poor's and Moody's ratings:

	Financial Assets Held For Trading $	Investment Securities $	Pledged Assets $	Treasury Bills $	Total $
At 31 December 2017					
AA- to A+	–	**125,659,378**	–	–	**125,659,378**
Lower than A+	–	**248,654,889**	–	–	**248,654,889**
Unrated	**19,641,853**	**138,223,412**	**10,710,269**	**23,131,699**	**191,707,233**
Total	**19,641,853**	**512,537,679**	**10,710,269**	**23,131,699**	**566,021,500**
At 31 December 2016					
AA- to A+	–	100,307,319	–	–	100,307,319
Lower than A+	586,049	235,789,348	–	23,006,088	259,381,485
Unrated	18,013,663	107,582,499	21,366,983	–	146,963,145
Total	18,599,712	443,679,166	21,366,983	23,006,088	506,651,949

Deposits with other banks and non-bank financial institutions are held with reputable financial institutions as such credit risk is deemed to be minimal.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors
The Bank operates primarily in Saint Lucia.

(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 Bank's counterparties.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

Industry concentrations of risks of financial assets with credit exposure *...continued*

At 31 December 2017	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	* Other Industries $	Total $
Financial assets								
Balances with central bank	315,533,843	–	–	–	–	–	–	315,533,843
Deposits with other banks	96,111,567	–	–	–	–	–	–	96,111,567
Deposits with non-bank financial Institutions	5,412,488	–	–	–	–	–	–	5,412,488
Treasury Bills	–	–	–	23,131,699	–	–	–	23,131,699
Loans and advances to customers net:								
Overdrafts	81,064	381,382	4,389,537	80,184	2,258,851	6,838,761	15,261,306	29,291,085
Term loans	186,912	2,029,297	2,718,134	53,631	18,018,394	161,163,422	24,277,587	208,447,377
Large corporate loans	2,231,467	3,206,390	61,493,865	41,144,908	56,807,706	9,847,249	105,833,411	280,564,996
Mortgage loans	–	–	–	–	–	355,747,582	–	355,747,582
Financial assets held for trading-debt securities	–	–	–	19,641,853	–	–	–	19,641,853
Investment securities	198,482,590	–	–	116,328,863	–	–	197,726,226	512,537,679
Due from related parties	82,418,108	–	–	–	–	-	–	82,418,108
Financial instruments - pledged assets	–	–	–	10,710,269	–	–	–	10,710,269
Other assets	–	–	–	–	–	–	52,452,945	52,452,945
At 31 December 2017	700,458,039	5,617,069	68,601,536	211,091,407	77,084,951	533,597,014	395,551,475	1,992,001,491
Guarantees and letters of credit	–	193,300	15,000	31,000	169,000	18,812,507	4,544,000	23,764,807
Loan commitments and other credit related obligations	1,049,389	4,596,132	2,396,541	30,000,894	936,330	420,935	30,437,483	69,837,704

* Other industries include construction and land development.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Industry concentrations of risks of financial assets with credit exposure*...continued*

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	* Other Industries $	Total $
At 31 December 2016								
Financial assets								
Balances with central bank	214,788,486	–	–	–	–	–	–	214,788,486
Deposits with other banks	95,603,876	–	–	–	–	–	–	95,603,876
Deposits with non-bank financial Institutions	8,729,733	–	–	–	–	–	–	8,729,733
Treasury Bills	–	–	–	23,006,088	–	–	–	23,006,088
Loans and advances to customers net:								
Overdrafts	6,504,602	1,337,686	5,750,804	5,739	4,255,172	698,622	22,400,144	40,952,769
Term loans	215,910	1,995,231	9,140,851	2,744	22,980,184	152,042,346	26,169,253	212,546,519
Large corporate loans	45,106,435	5,716,206	60,916,964	13,083,784	62,098,380	15,112,636	89,096,604	291,131,009
Mortgage loans	–	55,253	–	–	1,817,943	351,793,412	330,427	353,997,035
Financial assets held for trading-debt securities	–	–	–	18,013,663	–	–	586,049	18,599,712
Investment securities	154,942,003	–	–	104,533,117	–	–	184,204,046	443,679,166
Due from related parties	84,137,685	–		–	–	–	–	84,137,685
Financial instruments - pledged assets	–	–	–	21,366,983	–	–	–	21,366,983
Other assets	–	–	–	–	–	–	63,097,613	63,097,613
At 31 December 2016	**610,028,730**	**9,104,376**	**75,808,619**	**180,012,118**	**91,151,679**	**519,647,016**	**385,884,136**	**1,871,636,674**
Guarantees and letters of credit	–	193,300	15,000	31,000	169,000	22,195,776	4,537,600	27,141,676
Loan commitments and other credit related obligations	1,050,000	4,229,641	1,371,498	32,500,000	562,189	376,202	32,365,966	72,455,496

* Other industries include construction and land development.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Market risk

The Bank 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 Bank exposures to market risks arise from its non-trading portfolios. Senior management of the bank monitors and manages market risk through the Asset Liability Committee which advises on financial risks and assigns risk limits for the bank.

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

Currency risk

The Bank 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 Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The following table summarises the Bank's exposure to foreign currency exchange rate risk at 31 December.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
At 31 December 2017								
Financial assets								
Cash and balances with Central Bank	342,755,875	4,089,735	150,601	472,131	268,734	212,989	-	347,950,065
Deposits with other banks	56,870,671	20,549,378	1,759,986	14,561,888	753,946	210,643	1,405,055	96,111,567
Deposits with non-bank financial institution	-	5,388,885	-	-	23,603	-	-	5,412,488
Treasury bills	23,131,699	-	-	-	-	-	-	23,131,699
Financial assets held for trading	19,641,853	-	-	-	-	-	-	19,641,853
Loans and receivables:								
loans and advances to customers	836,408,008	37,643,032	-	-	-	-	-	874,051,040
Investment securities:								
held-to-maturity	4,915,974	115,132,542	-	-	-	-	-	120,048,516
Available-for-sale	87,914,231	317,556,236	-	-	-	-	-	405,470,467
Financial instruments - pledged assets	10,710,269	-	-	-	-	-	-	10,710,269
Due from related parties	82,418,108	-	-	-	-	-	-	82,418,108
Other assets	52,452,945	-	-	-	-	-	-	52,452,945
Total financial assets	1,517,219,633	500,359,808	1,910,587	15,034,019	1,046,283	423,632	1,405,055	2,037,399,017
Financial liabilities								
Deposits from banks	43,297,719	-	-	-	-	-	-	43,297,719
Due to customers	1,662,249,257	133,708,403	-	9,309,473	-	-	-	1,805,267,133
Repurchase agreements	10,484,621	3,218,126	-	-	-	-	-	13,702,747
Borrowings	51,231,507	27,949,950	-	-	-	-	-	79,181,457
Other liabilities	29,201,111	-	-	-	-	-	-	29,201,111
Total financial liabilities	1,796,464,215	164,876,479	-	9,309,473	-	-	-	1,970,650,167
Net assets/ (liabilities)	(279,244,582)	335,483,329	(1,910,587)	5,724,546	1,046,283	423,632	1,405,055	66,748,850
Loan commitments, guarantees and letters of credit	93,602,511	-	-	-	-	-	-	93,602,511

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
At 31 December 2016								
Financial assets								
Cash and balances with Central Bank	236,631,117	4,783,814	145,414	646,308	206,632	201,753	–	242,615,038
Deposits with other banks	75,821,882	17,092,432	1,524,782	–	529,414	287,824	347,542	95,603,876
Deposits with non-bank financial institution	–	8,708,170	–	–	21,563	–	–	8,729,733
Treasury bills	23,006,088	–	–	–	–	–	–	23,006,088
Financial assets held for trading	18,013,663	586,049	–	–	–	–	–	18,599,712
Loans and receivables:								
loans and advances to customers	859,396,227	39,231,105	–	–	–	–	–	898,627,332
Investment securities:								
held-to-maturity	7,740,154	86,183,889	–	–	–	–	–	93,924,043
Available-for-sale	66,097,080	298,537,312	–	–	–	–	–	364,634,392
Financial instruments - pledged assets	21,366,983	–	–	–	–	–	–	21,366,983
Due from related parties	84,137,685	–	–	–	–	–	–	84,137,685
Other assets	63,097,613	–	–	–	–	–	–	63,097,613
Total financial assets	**1,455,308,492**	**455,122,771**	**1,670,196**	**646,308**	**757,609**	**489,577**	**347,542**	**1,914,342,495**
Financial liabilities								
Deposits from banks	51,283,204	3,228,594	–	–	–	–	–	54,511,798
Due to customers	1,584,776,521	161,478,540	–	2,431,048	–	–	–	1,748,686,109
Repurchase agreements	10,659,562	3,179,348	–	–	–	–	–	13,838,910
Borrowings	56,998,800	36,630,612	–	–	–	–	–	93,629,412
Other liabilities	30,157,005	–	–	–	–	–	–	30,157,005
Total financial liabilities	**1,733,875,092**	**204,517,094**	**–**	**2,431,048**	**–**	**–**	**–**	**1,940,823,234**
Net assets/ (liabilities)	**(278,566,600)**	**250,605,677**	**1,670,196**	**(1,784,740)**	**757,609**	**489,577**	**347,542**	**(26,480,739)**
Loan commitments, guarantees and letters of credit	**99,597,172**	**–**	**–**	**–**	**–**	**–**	**–**	**99,597,172**

(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 Bank 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 repricing that may be undertaken.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Interest rate risk *...continued*

Concentrations of financial assets and financial liabilities

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest Bearing $	Total $
At 31 December 2017							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	347,950,065	347,950,065
Deposits with other banks	709,843	-	11,804,788	-	-	83,596,936	96,111,567
Deposits with non-bank financial Institution	-	-	-	-	-	5,412,488	5,412,488
Treasury Bills	11,676,659	10,403,150	1,051,890	-	-	-	23,131,699
Financial assets held for trading	-	-	1,204,279	10,962,843	7,474,731	-	19,641,853
Loans and receivables:							
-Loans and advances to customers	36,767,886	11,931,123	14,428,078	169,447,161	641,476,792	-	874,051,040
Investment securities:							
-Held-to-maturity	2,234,778	1,763,118	7,325,888	50,402,178	58,322,554	-	120,048,516
-Available-for-sale	10,416,304	12,063,406	73,388,755	183,408,947	113,211,751	-	392,489,163
Financial instruments - pledged assets	-	-	659,071	1,985,304	8,065,894	-	10,710,269
Due from related parties	-	-	-	-	-	82,418,108	82,418,108
Other assets	-	-	-	-	-	52,452,945	52,452,945
Total financial assets	61,805,470	36,160,797	109,862,749	416,206,433	828,551,722	571,830,542	2,024,417,713
Financial liabilities							
Deposits from banks	9,161,970	3,123,109	31,012,640	-	-	-	43,297,719
Due to customers	891,764,944	95,400,773	301,582,552	26,299,970	22,328,460	467,890,434	1,805,267,133
Repurchase agreements	-	-	13,702,747	-	-	-	13,702,747
Borrowings	2,196,938	1,231,507	5,695,045	22,382,501	47,675,466	-	79,181,457
Other liabilities	-	-	-	-	-	29,201,111	29,201,111
Total financial liabilities	903,123,852	99,755,389	351,992,984	48,682,471	70,003,926	497,091,545	1,970,650,167
Net interest repricing gap	(841,318,382)	(63,594,592)	(242,130,235)	367,523,962	758,547,796	74,738,997	53,767,546

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk...*continued*

Concentrations of financial assets and financial liabilities

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest Bearing $	Total $
At 31 December 2016							
Financial assets							
Cash and balances with Central Bank	–	–	–	–	–	242,615,038	242,615,038
Deposits with other banks	3,910,391	11,582,065	–	–	–	80,111,420	95,603,876
Deposits with non-bank financial Institution	8,729,733	–	–	–	–	–	8,729,733
Treasury Bills	11,009,263	10,136,107	1,860,718	–	–	–	23,006,088
Financial assets held for trading	–	–	–	10,950,785	7,648,927	–	18,599,712
Loans and receivables:							
-Loans and advances to customers	53,225,766	8,890,889	34,867,846	158,730,973	642,911,858	–	898,627,332
Investment securities:							
-Held-to-maturity	5,636,827	3,167,265	4,519,358	44,904,564	35,696,029	–	93,924,043
-Available-for-sale	6,027,419	16,295,571	68,805,269	168,140,689	90,486,175	–	349,755,123
Financial instruments - pledged assets	–	–	–	6,980,953	14,386,030	–	21,366,983
Due from related parties	–	–	–	–	–	84,137,685	84,137,685
Other assets	–	–	–	–	–	63,097,613	63,097,613
Total financial assets	**88,539,399**	**50,071,897**	**110,053,191**	**389,707,964**	**791,129,019**	**469,961,756**	**1,899,463,226**
Financial liabilities							
Deposits from banks	–	3,075,749	44,761,333	–	–	6,674,716	54,511,798
Due to customers	886,809,170	99,158,178	363,107,492	36,928,641	25,590,422	337,092,206	1,748,686,109
Repurchase agreements	–	–	13,838,910	–	–	–	13,838,910
Borrowings	4,822,145	899,195	16,568,648	38,756,335	32,583,089	–	93,629,412
Other liabilities	–	–	–	–	–	30,157,005	30,157,005
Total financial liabilities	**891,631,315**	**103,133,122**	**438,276,383**	**75,684,976**	**58,173,511**	**373,923,927**	**1,940,823,234**
Net interest repricing gap	**(803,091,916)**	**(53,061,225)**	**(328,223,192)**	**314,022,988**	**732,955,508**	**96,037,829**	**(41,360,008)**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Sensitivity analysis
Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At 31 December 2017, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit/(loss) for the year would have been $840,509 (2016 – $880,415) lower/higher, mainly as a result of higher/lower interest income on variable rate loans.

Liquidity risk
Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

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

Liquidity risk management process
The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. 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 Bank 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 Bank 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 Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Liquidity risk management...*continued*

	Up to 1 month $	1-3 Months $	3-12 Months $	1-5 Years $	Over 5 years $	Total $
As at 31 December 2017						
Financial liabilities						
Deposits from banks	**9,162,179**	**3,134,799**	**31,259,882**	–	–	**43,556,860**
Due to customers	**1,362,073,838**	**95,766,111**	**304,437,493**	**26,328,853**	**22,328,460**	**1,810,934,755**
Repurchase Agreements	–	–	**13,809,619**	–	–	**13,809,619**
Borrowings	**1,945,765**	**1,827,397**	**8,246,193**	**49,609,922**	**43,396,813**	**105,026,090**
Other liabilities	**9,076,901**	**16,744,021**	**3,837,200**	–	–	**29,658,122**
Total financial liabilities	**1,382,258,683**	**117,472,328**	**361,590,387**	**75,938,775**	**65,725,273**	**2,002,985,446**

	Up to 1 month $	1-3 Months $	3-12 Months $	1-5 Years $	Over 5 years $	Total $
As at 31 December 2016						
Financial liabilities						
Deposits from banks	6,676,787	3,092,197	45,228,027	–	–	54,997,011
Due to customers	1,233,100,450	99,550,718	366,873,390	37,515,921	25,590,422	1,762,630,901
Repurchase Agreements	–	–	13,987,935	–	–	13,987,935
Borrowings	4,268,097	2,899,162	18,850,589	75,424,271	50,529,921	151,972,040
Other liabilities	7,734,251	22,250,832	–	171,922	–	30,157,005
Total financial liabilities	**1,251,779,585**	**127,792,909**	**444,939,941**	**113,112,114**	**76,120,343**	**2,013,744,892**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Liquidity risk management*...continued*

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

The Bank's assets held for managing liquidity risk comprise cash and balances with central banks, certificate of deposits, 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 Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

The table below includes the expected undiscounted cash flows arising from the assets and liabilities used to manage liquidity.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 29), are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 29) are also included below based on the earliest contractual maturity date.

	1 Year $	Total $
At 31 December 2017		
Loan commitments	**69,837,704**	**69,837,704**
Guarantees and letters of credit	**23,764,807**	**23,764,807**
Total	**93,602,511**	**93,602,511**
At 31 December 2016		
Loan commitments	72,455,496	72,455,496
Guarantees and letters of credit	27,141,676	27,141,676
Total	99,597,172	99,597,172

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

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-balance sheet commitments is also assumed to approximate the amounts disclosed in Note 29 due to their short term nature.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Due to customers

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

Investment securities

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

Pledged assets

The estimated fair value of pledged assets are derived from market prices or broker/dealer quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Loans and advances to customers

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

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

	Carrying value		Fair value	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers:				
-Term loans	**208,447,377**	212,546,519	**214,664,163**	229,160,932
-Large corporate loans	**280,564,996**	291,131,009	**406,844,223**	332,077,135
-Overdrafts	**29,291,085**	40,952,769	**29,291,085**	40,981,664
-Mortgages	**355,747,582**	353,997,035	**366,178,993**	369,001,722
Investment securities:				
-Held to maturity	**120,048,516**	93,924,043	**113,547,739**	98,286,047
Financial liabilities				
Borrowings	**79,181,457**	93,629,412	**73,747,815**	101,459,850

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

The Bank'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 year.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as the Luxembourg Stock Exchange and New York Stock Exchange.

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

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

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

Assets measured at fair value

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2017				
Investment properties	-	37,454,500	-	37,454,500
Land and buildings	-	-	39,503,809	39,503,809
Financial assets held for trading				
− Debt securities	-	19,641,853	-	19,641,853
Financial assets available for sale				
− debt securities	-	359,980,698	32,508,465	392,489,163
− equity securities	3,042,115	8,940,869	-	11,982,984
Financial instruments-pledged	-	10,710,269	-	10,710,269
Total financial assets	3,042,115	435,682,424	73,058,039	511,782,578

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

	Level 1 $	Level 2 $	Level 3 $	Total $
Investment properties	-	6,547,711	-	6,547,711
Land and buildings	-	-	71,350,078	71,350,078
Financial assets held for trading				
− Debt securities	-	18,599,712	-	18,599,712
Financial assets available for sale				
− debt securities	2,636,009	338,105,072	9,014,042	349,755,123
− equity securities	5,803,125	5,229,407	-	11,032,532
Financial instruments-pledged	-	21,366,983	-	21,366,983
Total financial assets	8,439,134	389,848,885	80,364,120	478,652,139

Assets for which fair values are disclosed

	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017			
Loans and receivable	**-**	**1,016,978,464**	**1,016,978,464**
Held to maturity investments	**113,547,739**	**-**	**113,547,739**
Total financial assets	**113,547,739**	**1,016,978,464**	**1,130,526,203**
31 December 2016			
Loans and receivable	-	971,221,453	971,221,453
Held to maturity investments	99,286,047	-	99,286,047
Total financial assets	99,286,047	971,221,453	1,070,507,500

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Liabilities for which fair values are disclosed:

	Level 3 $'000	Total $'000
31 December 2017		
Borrowings	**73,747,815**	**73,747,815**
31 December 2016		
Borrowings	101,459,850	101,459,850

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones debt securities classified as trading securities or available-for-sale.

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between level 1 and level 2 financial assets during the reporting period or any transfers to level 3.

The following table presents the change in level 3 instruments for the year ended 31 December 2017:

			Available-for-Sale	
	Debt Securities 2017 $'000	**Equity Securities 2017 $'000**	**Total 2017 $'000**	**Debt Securities 2016 $'000**
31 December 2017				
At beginning of year	**9,014,042**	**-**	**9,014,042**	704,252
Purchases	**23,494,423**	**1,045,765**	**24,540,188**	8,309,790
At end of year	**32,508,465**	**1,045,765**	**33,554,230**	9,014,042

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Fiduciary activities
The Bank provides investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank's care. At the reporting date, the Bank had financial assets under administration amounting to $94,689,511 (2016 – $67,159,749).

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

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;

- To safeguard the Bank'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 Bank's management, employing techniques based on the guidelines developed by the East Caribbean Central Bank (ECCB) for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

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

The Bank'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 revaluation of fixed assets (limited to 50% of Tier 1 capital).

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Capital management...*continued*

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2017 and 2016. During those two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2017 $	2016 $
Tier 1 capital		
Share capital	**265,102,745**	198,718,745
Reserves	**162,787,969**	149,583,770
Accumulated deficit	**(268,992,883)**	(284,711,799)
Total qualifying Tier 1 capital	**158,897,831**	63,590,716
Tier 2 capital		
Revaluation reserve – available-for-sale investments	**1,437,172**	(1,006,930)
Revaluation reserve- property plant and equipment	**13,855,322**	13,855,322
Collective impairment allowance (limited to 1.25% of risk weighted assets)	**18,052,000**	17,002,000
Redeemable preference shares	**4,150,000**	4,150,000
Subordinated debt (limited to 50% of tier 1 capital)	**50,000,000**	31,795,358
Total qualifying Tier 2 capital	**87,494,494**	65,795,750
Total regulatory capital	**246,392,325**	129,386,466
Risk-weighted assets:		
On-balance sheet	**1,347,877,000**	1,257,134,600
Off-balance sheet	**18,720,400**	19,919,400
Total risk-weighted assets	**1,366,597,400**	1,277,054,000
Basel capital adequacy ratio	**18.03%**	10.13%

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

The Bank 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 Bank reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the statement of income, the Bank 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 $3,539,944/$2,716,548 (2016 – $3,643,800/$3,375,534) higher/lower.

Impairment of assets carried at fair value
The Bank determines that available-for-sale and held for trading equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank 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 Bank individually assesses available-for-sale debt securities for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the 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 Bank 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 Bank evaluates its intention and ability to hold such investments to maturity. If the Bank 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 were tainted, the fair value would increase by $6,500,777 (2016 – decrease by $4,362,004) with a corresponding entry in the fair value reserve in equity.

(expressed in Eastern Caribbean dollars)

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

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

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

Corporate income taxes
Significant estimates are required in determining the provision for income taxes. The Bank 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 2017 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.

The Bank has obtained legal advice that the reassessment is based on a fundamental misinterpretation of the relevant provisions of the Income Tax Act.

Adjustments arising, if any, will be reflected in the period in which agreement is reached.

Revaluation of land and buildings and investment property
The Company measures its land and buildings and investment property at revalued amounts with changes in fair value being recognized in other comprehensive income and the statement of comprehensive income respectively. The Company engages independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

Retirement benefits
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of Government that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Were the discount rate used to increase/(decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated $5,923,123 lower or $8,738,294 higher (2016 - $6,127,347 lower or $8,841,357 higher).

Were the estimated salary increases used to increase/ (decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated $3,375,968 lower or $4,137,031 higher (2016 - $3,459,470 lower or $4,196,962 higher).

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank

	2017 $	2016 $
Cash in hand	**32,416,222**	27,826,552
Balances with Central Bank other than mandatory reserve deposits	**194,504,510**	110,583,229
Included in cash and cash equivalents (Note 39)	**226,920,732**	138,409,781
Mandatory reserve deposits with Central Bank	**121,029,333**	104,205,257
	347,950,065	242,615,038

Pursuant to the Banking Act of Saint Lucia of 2015, the Bank is 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 Bank's day-to-day operations. The balances with the Central Bank are non-interest bearing.

6 Deposits with other banks

	2017 $	2016 $
Items in the course of collection with other banks	**8,152,443**	9,393,935
Placements with other banks	**75,444,493**	70,717,485
Interest bearing deposits	**12,514,631**	15,492,456
Included in cash and cash equivalents (Note 39)	**96,111,567**	95,603,876

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2017 was 1.25% (2016 – 0.31%).

7 Deposits with non-bank financial institutions

	2017 $	2016 $
Deposits (Note 39)	**5,412,488**	8,729,733

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2017 and 2016 was nil. Interest rate on deposits depends on the value of deposits held.

(expressed in Eastern Caribbean dollars)

8 Treasury bills

	2017 $	2016 $
Treasury bills – cash and cash equivalents (Note 39)	**22,079,809**	21,145,370
Treasury bills – more than 90 days to maturity	**1,051,890**	1,860,718
	23,131,699	23,006,088

The weighted average interest rate on treasury bills was 4.5% (2016-3.30%).

9 Financial assets held for trading

	2017 $	2016 $
Debt securities	**19,641,853**	18,599,712

Financial assets held for trading were acquired for the purpose of selling in the near term and would otherwise have been classified as held-to-maturity investments. The weighted average interest rate on debt securities was 6.98 % (2016-7.1%).

10 Loans and advances to customers

	2017 $	2016 $
Large corporate loans	**342,745,665**	359,544,033
Mortgage loans	**367,403,230**	367,241,317
Term loans	**225,239,571**	229,564,787
Overdrafts	**34,277,829**	42,439,965
Gross	**969,666,295**	998,790,102
Less allowance for impairment losses on loans and advances (Note 11)	**(95,615,255)**	(100,162,770)
Net	**874,051,040**	898,627,332

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2017 was 7.60% (2016 – 7.05%) and productive overdrafts stated at amortised cost was 14.66% (2016 – 15.14%).

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment losses on loans and advances

The movement on the provision by class was as follows:

	2017 $	2016 $
Large corporate loans		
At beginning of year	**68,413,024**	65,303,582
Provision for individual loan impairment	**20,263,235**	76,433,934
Provision for collective loan impairment	**(8,564,325)**	5,055,820
Written-off during the year as uncollectible	**(17,931,265)**	(78,380,312)
At end of year	**62,180,669**	68,413,024
Term loans		
At beginning of year	**17,018,268**	29,487,948
Provision for individual loan impairment	**1,202,442**	18,946,460
Provision for collective loan impairment	**1,649**	188,031
Written-off during the year as uncollectible	**(1,430,165)**	(31,604,171)
At end of year	**16,792,194**	17,018,268
Mortgage loans		
At beginning of year	**13,244,282**	15,026,436
Provision for individual loan impairment	**(726,175)**	14,875,691
Provision for collective loan impairment	**(721,761)**	2,146,400
Written-off during the year as uncollectible	**(140,698)**	(18,804,245)
At end of year	**11,655,648**	13,244,282
Overdrafts		
At beginning of year	**1,487,196**	15,952,480
Provision for individual loan impairment	**3,566,653**	13,159,922
Provision for collective loan impairment	**674,384**	(2,024,045)
Written-off during the year as uncollectible	**(741,489)**	(25,601,161)
At end of year	**4,986,744**	1,487,196
	95,615,255	100,162,770

(expressed in Eastern Caribbean dollars)

12 Investment securities

	2017 $	2016 $
Securities held-to-maturity		
Debt securities at amortised cost		
- Unlisted	**3,615,939**	6,218,333
-Listed	**120,938,754**	92,017,864
Less allowance for impairment	**(4,506,177)**	(4,312,154)
Total securities held- to- maturity	**120,048,516**	93,924,043
Securities available-for-sale		
Debt securities at fair value		
- Unlisted	**29,090,962**	39,129,054
- Listed	**363,923,956**	311,027,507
	393,014,918	350,156,561
Less allowance for impairment	**(525,755)**	(401,438)
	392,489,163	349,755,123
Equity securities:		
-Unlisted	**998,320**	3,846,737
-Listed	**11,982,984**	11,032,532
Total securities available- for- sale	**405,470,467**	364,634,392
Total investment securities	**525,518,983**	458,558,435

All debt securities have fixed interest rates.

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at 31 December 2017 was 3.32% (2016- 3.42%).

The weighted average effective interest rate on available-for-sale securities at 31 December 2017 was 3.5% (2016 – 3.1%).

(expressed in Eastern Caribbean dollars)

12 Investment securities …..*continued*

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

	Held-to-maturity $	Available-for-sale $	Held for trading $	Total $
At 31 December 2016	**93,924,043**	**364,634,392**	**18,599,712**	**477,158,147**
Additions	**48,572,744**	**181,755,873**	**1,785,658**	**232,114,275**
Movement in interest accrued	**312,046**	**646,260**	**4,053**	**962,359**
Disposals (sale and redemption)	**(23,085,679)**	**(143,885,844)**	**(723,014)**	**(167,694,537)**
Unrealised gain from changes in fair value	**-**	**2,444,102**	**(24,556)**	**2,419,546**
Decrease in provision	**(194,023)**	**(124,316)**	**-**	**(318,339)**
Amortisation of premium/discount	**519,385**	**-**	**-**	**519,385**
At 31 December 2017	**120,048,516**	**405,470,467**	**19,641,853**	**545,160,836**
At 31 December 2015	61,787,293	323,711,759	15,625,329	401,124,381
Additions	39,466,060	177,957,876	6,481,618	223,905,554
Movement in interest accrued	290,296	391,395	176,649	858,340
Disposals (sale and redemption)	(7,987,447)	(139,319,702)	(3,701,213)	(151,008,362)
Unrealised loss from changes in fair value	-	1,893,064	17,329	1,910,393
Amortisation of premium/discount	367,841	-	-	367,841
At 31 December 2016	93,924,043	364,634,392	18,599,712	477,158,147

(expressed in Eastern Caribbean dollars)

13 Financial instruments - pledged assets and repurchase agreements

The following assets are pledged against other funding instruments and as collateral on borrowings on behalf of the parent company, East Caribbean Financial Holding Company Limited.

	Pledged assets	
	2017	**2016**
	$	**$**
Pledged against repurchase agreements	**10,710,269**	10,822,478
Pledged against Automated Clearing House	**-**	10,544,505
	10,710,269	21,366,983

The value of repurchase agreements on the statement of financial position which are secured by pledged assets is $13,702,747 (2016 - $13,838,910). The variance between investment pledged against repurchase agreements and the value of repurchase agreements represents accrued interest.

14 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 Bank is controlled by East Caribbean Financial Holding Company Limited which owns 100% 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 receivables. Included in amounts due from related parties is an amount of $82,418,108 (2016-$84,137,685) which is non-interest bearing and has no fixed terms of repayment.

	2017	**2016**
	$	**$**
Due from related parties		
East Caribbean Financial Holding Company Limited	**82,418,108**	84,137,685

(expressed in Eastern Caribbean dollars)

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

The following accounts maintained by related parties are included under due to customers and loans and advances:

	2017 $	2016 $
Bank of Saint Lucia International Limited		
Fixed deposits	**-**	17,424,889
Bank account	**-**	1,941,151
Bank of Saint Vincent and the Grenadines Limited		
Current account	**817,564**	853,006
Investments	**6,834,815**	6,717,263
EC Global Insurance Company Limited		
Current account	**1,105,226**	2,209,117
Fixed deposit	**332,491**	96,967
Managed funds	**9,847,996**	6,637,059
East Caribbean Amalgamated Bank		
Current account	**176,062**	199,912
Fixed Deposit	**18,941,733**	18,567,376
Loans	**5,186**	128,094
Student Loan Guarantee Fund		
Current account	**541,381**	71,687
Fixed deposit	**2,864,213**	1,196,752
Productive Equity Funds		
Current account	**2,273,636**	2,273,636

(expressed in Eastern Caribbean dollars)

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

The following transactions were carried out with related companies:

	2017 $	2016 $
Income		
Rent	**-**	584,319
Service and management charges	**576,970**	761,572
Dividend income	**-**	1,479,000
Expenses		
Interest expense	**-**	467,445

The Bank has an agency arrangement with EC Global Insurance Company Limited. The balances and transactions with respect to this arrangement are as follows:

	2017 $	2016 $
Assets	**-**	1,623,892
Liabilities	**709,099**	826,196
Commissions	**1,884,915**	2,101,899
Expenses	**1,516,939**	1,686,898

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. The volumes of related party transactions, outstanding balances at year end, and relating expenses and income for the year are as follows:

Other related parties balances with the Bank:

	2017		2016	
	Loans $	Deposits $	Loans $	Deposits $
Government of Saint Lucia	**25,043,292**	**183,741,876**	4,542	115,660,846
Statutory bodies	**17,710,351**	**469,742,428**	17,241,549	406,009,618
Directors and key management	**14,362,383**	**5,550,840**	9,382,287	4,484,456

(expressed in Eastern Caribbean dollars)

14 Related parties balances and transactions…*continued*

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

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 6 years (2015 – 8 years) and have a weighted average effective interest rates of 5.1% (2016 – 6.5%)

Interest income and interest expense with other related parties:

	2017		2016	
	Income $	**Expenses** $	**Income** $	**Expenses** $
Government of Saint Lucia	**801**	**729,368**	2,173	728,894
Statutory bodies	**966,020**	**6,155,804**	1,306,478	7,618,606
Directors and key management	**661,029**	**99,208**	561,478	102,132

Transactions with related parties were carried out on commercial terms and conditions.

Key management compensation
Key management includes the bank's complete management team. The compensation paid or payable to key management for employee services is shown below:

	2017 $	2016 $
Key management compensation		
Salaries and other short-term benefits	**6,143,000**	7,142,144
Post employment benefit – Pension costs	**494,674**	509,449
	6,637,674	7,651,593

(expressed in Eastern Caribbean dollars)

15 Property and equipment

	Land and Buildings $	Leasehold Improvements $	Office Furniture and Equipment $	Computer Equipment and Software $	Motor Vehicles $	Total $
Year ended 31 December 2016						
Opening net book amount	71,350,078	2,468,149	5,940,700	1,716,255	510,832	81,986,014
Additions	467,758	–	716,318	883,280	–	2,067,356
Disposals at cost	–	–	(652,888)	(4,640)	(465,915)	(1,123,443)
Accumulated depreciation on disposals	–	–	604,773	1,676	407,269	1,013,718
Depreciation charge (Note 36)	(1,587,434)	(691,786)	(1,670,192)	(1,020,127)	(201,577)	(5,171,116)
Closing net book amount	70,230,402	1,776,363	4,938,711	1,576,444	250,609	78,772,529
At 31 December 2016						
Cost	86,727,640	9,316,125	26,679,203	29,865,288	1,525,239	154,113,495
Accumulated depreciation	(16,497,238)	(7,539,762)	(21,740,492)	(28,288,844)	(1,274,630)	(75,340,966)
Net book amount	70,230,402	1,776,363	4,938,711	1,576,444	250,609	78,772,529
Year ended 31 December 2017						
Opening net book amount	**70,230,402**	**1,776,363**	**4,938,711**	**1,576,444**	**250,609**	**78,772,529**
Additions	**428,117**	**71,764**	**608,558**	**1,632,947**	**-**	**2,741,386**
Transfer to investment properties (note 19)	**(30,028,787)**	**-**	**-**	**-**	**-**	**(30,028,787)**
Disposals at cost	**-**	**-**	**(8,363)**	**(3,435)**	**(246,111)**	**(257,909)**
Accumulated depreciation on disposals	**-**	**-**	**8,363**	**10,361**	**240,517**	**259,241**
Depreciation charge (Note 36)	**(1,125,923)**	**(601,940)**	**(1,475,858)**	**(1,187,648)**	**(116,910)**	**(4,508,279)**
Closing net book amount	**39,503,809**	**1,246,187**	**4,071,411**	**2,028,669**	**128,105**	**46,978,181**
At 31 December 2017						
Cost	**57,126,970**	**9,387,889**	**27,279,398**	**31,494,800**	**1,279,128**	**126,568,185**
Accumulated depreciation	**(17,623,161)**	**(8,141,702)**	**(23,207,987)**	**(29,466,131)**	**(1,151,023)**	**(79,590,004)**
Net book amount	**39,503,809**	**1,246,187**	**4,071,411**	**2,028,669**	**128,105**	**46,978,181**

(expressed in Eastern Caribbean dollars)

15 Property and equipment*...continued*

The major component of land and buildings were revalued in 2017 by an independent valuer based on open market value and a management internal specialist performed a review of the remaining buildings. The valuation indicates that the market value does not differ materially from the carrying amount of the respective assets in the books of the Bank.

The historical cost of land and buildings is:

	2017	**2016**
	$	**$**
Cost	**38,452**	68,143
Accumulated depreciation based on historical cost	**(20,345)**	(19,219)
Depreciated historical cost	**18,107**	48,924

(expressed in Eastern Caribbean dollars)

16 Other assets

	2017 $	2016 $
Suspense accounts- credit cards	**38,587,372**	33,821,123
Other receivables	**13,143,561**	30,300,063
Rent receivables	**2,069,808**	850,870
	53,800,741	64,972,056
Less provision for impairment on other receivables	**(1,347,796)**	(1,874,443)
	52,452,945	63,097,613
Stationery and supplies	**526,546**	846,888
Prepaid expenses	**2,229,391**	1,560,426
	2,755,937	2,407,314
	55,208,882	65,504,927

As of 31 December 2017, trade receivables of $306,596 (2016 - $615,863) were past due but not impaired. These relate mainly to receivables from existing customers with some defaults in the past but all amounts due were fully recovered. The aging analysis of these trade receivables is as follows:

	2017 $	2016 $
Greater than 30 days but less than 60 days	**296,801**	142,755
Greater than 60 days but less than 90 days	**307,316**	166,099
Greater than 90 days	**740,499**	640,220
	1,344,616	949,074

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

17 Provision for impairment on other receivables

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

	2017 $	2016 $
At beginning of year	**1,874,443**	3,988,582
Provisions made during the year	**493,494**	827,564
Receipts	**(154,295)**	(2,632,620)
Write offs during the year	**(865,846)**	(309,083)
At end of year	**1,347,796**	1,874,443

(expressed in Eastern Caribbean dollars)

18 Investment in associates

	2017 $	2016 $
At beginning of year	**4,800,000**	5,455,535
Transfer to investment securities	**-**	(655,535)
At end of year	**4,800,000**	4,800,000

The Company's interests in its associates comprise a **20%** holding in East Caribbean Amalgamated Bank Limited, an unlisted company incorporated in St. Kitts. During the year 2016, the company's interest in EC Global Insurance Company Limited was reduced from **20% to 11%.** As a result of the loss of substantial interest in the company, the investment was reclassified to investment securities.

19 Investment properties

	2017 $	2016 $
At beginning of year	**6,547,711**	8,077,711
Additions	**65,257**	-
Transfer from property & equipment (Note 15)	**30,028,787**	-
Fair value gain/(loss) (Note 35)	**812,745**	(1,530,000)
At end of year	**37,454,500**	6,547,711

The investment properties are composed of land and buildings. The investment properties are valued annually at fair value by an independent, professionally qualified valuer. The following amounts have been recognised in the statement of comprehensive income:

	2017 $	2016 $
Rental income	**2,260,290**	6,130,965
Direct operating expenses arising from investment properties that generated rental income	**(736,013)**	(1,947,129)
Direct operating expenses that did not generate rental income	**-**	(343,295)
Profit arising from investment properties carried at fair value	**1,524,277**	3,840,541

(expressed in Eastern Caribbean dollars)

19 Investment properties…*continued*

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis."

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Company is the price per square foot (sq. Ft.).

20 Retired benefit asset

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

	2017 **$**	**2016** **$**
Fair value of plan assets	**62,216,858**	56,423,536
Present value of funded obligation	**(48,601,909)**	(45,796,967)
Asset in the statement of financial position	**13,614,949**	10,626,569

Movement in the asset recognised in the statement of financial position:

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

	2017 **$**	**2016** **$**
Beginning of year	**45,796,967**	44,311,753
Current service cost	**1,381,940**	914,754
Interest cost	**3,549,370**	3,405,744
Employee contribution	**861,634**	960,497
Actuarial gain	**(1,556,785)**	(2,241,618)
Benefits paid	**(1,431,217)**	(1,554,163)
End of year	**48,601,909**	45,796,967

(expressed in Eastern Caribbean dollars)

20 Retired benefit asset*...continued*

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

	2017 $	2016 $
Beginning of year	**56,423,536**	52,208,893
Actual return on plan assets	**3,504,441**	2,583,991
Employer contributions	**3,053,950**	2,410,838
Employee contributions	**861,634**	960,497
Benefits paid	**(1,431,217)**	(1,554,163)
Administrative expenses	**(195,486)**	(186,520)
End of year	**62,216,858**	56,423,536

	2017 $	2016 $
Net asset at beginning of year	**10,626,569**	7,897,140
Net periodic cost (note 37)	**(809,198)**	(530,202)
Contributions paid	**3,053,950**	2,410,838
Effect on statement of other comprehensive income	**743,628**	848,793
Net asset at end of year	**13,614,949**	10,626,569

Benefit cost:

	2017 $	2016 $
Current service cost	**1,381,940**	914,754
Interest on net defined benefit asset	**3,549,370**	3,405,744
Expected return on plan assets	**(4,317,598)**	(3,976,816)
Administrative expenses	**195,486**	186,520
	809,198	530,202

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

	2017 $	2016 $
Gain from experience	**(1,556,785)**	(2,241,618)
Expected return on plan assets	**4,317,598**	3,976,816
Actual return on plan assets	**(3,504,441)**	(2,583,991)
	(743,628)	(848,793)

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset*...continued*

The principal actuarial assumptions used were as follows:

	2017 %	2016 %
Discount rate	**7.50**	7.50
Future promotional salary increases	**3.00-4.5**	3.00-4.50
Future inflationary salary increases	**2.00**	2.00

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

Plan assets allocation is as follows:

	2017 %	2016 %
Debt securities	**87**	90
Equity securities	**10**	6
Other	**3**	4
	100	100

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

The average life expectancy in years of a pensioner retiring at age 60 after the statement of financial position date is as follows:

	2017	2016
Male	**24.69**	24.60
Female	**26.86**	26.81

The assumption adopted for the expected return on assets considers the actual assets the Plan holds and the outlook for returns on various asset classes. This assumption is usually derived by looking at actual asset mix and making assumptions about returns relative to the “baseline” of our discount rate, which are taken to be the returns on corporate and government bonds

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset...*continued*

The major categories of the fair value of the total plan assets are as follows:

	2017 $	2016 $
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	**27,227**	26,751
- Consumer staples	**2,155,050**	1,958,827
- Other	**3,882,193**	1,402,987
Quoted Debt securities		
- Sovereign bonds	**20,700,251**	17,924,750
- Energy	**1,616,634**	2,283,348
- Industrial	**679,270**	276,209
- Consumer staples		
- Other	**15,531,438**	10,915,436
Cash and cash equivalents	**1,815,993**	3,921,414
Unquoted investments		
Unquoted Debt securities		
- Sovereign bonds	**15,758,802**	13,052,916
- Other	**-**	4,660,898
Unquoted equity securities		
- Other	**50,000**	-
Total	**62,216,858**	56,423,536

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

	2017 $	2016 $
Within the next 12 months	**784,360**	619,389
Between 1 and 5 years	**3,958,822**	3,265,604
Between 5 and 10 years	**9,005,170**	9,072,237
Total expected payments	**13,748,352**	12,957,230

The average duration of the defined benefit plan obligation at the end of the reporting period is 17 (2016 - 18)

(expressed in Eastern Caribbean dollars)

21 Deferred tax asset

The movement on the deferred tax asset is as follows:

	2017 $	2016 $
At beginning of year	-	4,329,611
Deferred tax credit/(charge) during the year	**1,042,983**	(4,074,973)
Expense during the year in other comprehensive income	**(223,089)**	(254,638)
At end of year	**819,894**	-

The deferred tax asset account is detailed below:

	2017 $	2016 $
Unutilised tax losses	**6,847,841**	5,109,924
Accelerated capital allowances	**(1,943,462)**	(1,921,953)
Fair value pension gains	**(4,084,485)**	(3,187,971)
	819,894	-

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 30%.

22 Deposits from banks

	2017 $	2016 $
Deposits from other banks	**43,297,719**	54,511,798

The weighted average effective interest rate on deposits from other banks at 31 December 2017 was 1.59% (2016 – 2.28%).

23 Due to customers

	2017 $	2016 $
Term deposits	**418,725,141**	509,239,029
Saving deposits	**630,747,843**	632,147,227
Call deposits	**284,598,124**	270,207,647
Demand deposits	**471,196,025**	337,092,206
	1,805,267,133	1,748,686,109

The weighted average effective interest rate of customers' deposits at 31 December 2017 was 1.43% (2016 – 2.02%).

(expressed in Eastern Caribbean dollars)

24 Borrowings

	Due	Rate %	2017 $	Rate %	2016 $
Caribbean Development Bank	2020	3.8	**27,949,950**	3.7	36,630,612
National Insurance Corporation	2026	7.25	**51,231,507**	6.9	53,144,934
Prodev bond	2017	-	**-**	7.5	3,853,866
Total			**79,181,457**		93,629,412

Security for loans includes a first hypothecary obligation over the building and property known as the Financial Center, which is located at #1 Bridge Street.

The Bank has not had any defaults of principal, interest or other breaches with respect to borrowings during the year.

The Bank had undrawn facilities at the end of the financial reporting period of $24,913,398 (2016 – $24,913,398) with the Caribbean Development Bank.

In August 2016, the Company issued a ten (10) year, EC$50 million unsecured bond via private placement. The bond which qualifies as tier II capital, pays interest semi-annually at the rate of 7.25%. Principal repayments are to be amortized by way of 10 semi-annual payments over the last 5-year term of the instrument. The National Insurance Corporation was the sole purchaser of the bond.

(expressed in Eastern Caribbean dollars)

25 Cumulative preference shares

	No. of shares	2017 $	No. of Shares	2016 $'000
7% Cumulative Preference Shares				
Authorised:				
11,550,000 preference shares				
At beginning and end of year	**830,000**	**4,150,000**	830,000	4,150,000

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

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

Dividends declared on the preference shares during the year amounted to $290,500 (2016 - $290,500).

26 Other liabilities

	2017 $	2016 $
Managers' cheques outstanding	**2,898,887**	6,863,381
Trade and other payables	**26,146,572**	23,157,160
Agency loans	**155,652**	136,464
	29,201,111	30,157,005

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

27 Share capital

	Number of shares	2017 $	Number of shares	2016 $
Authorised:				
Unlimited ordinary shares up to 3,000,000				
Issued and fully paid:				
At beginning of year	**1,478,875**	**198,718,745**	1,478,875	198,718,745
Share issued during the year	**494,034**	**66,384,000**	-	-
At end of year	**1,972,909**	**265,102,745**	1,478,875	198,718,745

(expressed in Eastern Caribbean dollars)

28 Reserves

	2017 $	2016 $
(a) General reserve	**48,952,219**	48,952,219
(b) Statutory reserve	**93,651,365**	87,970,850
(c) Special reserve	**2,034,132**	2,034,132
(d) Retirement benefit reserve	**13,614,949**	10,626,569
(e) Contingency reserve	**4,535,304**	-
	162,787,969	149,583,770

Movements in reserves were as follows:

(a) General reserve

	2017 $	2016 $
At the beginning and end of the year	**48,952,219**	48,952,219

It is the policy of the Bank to maintain a general reserve for reinvestment in banking operations. There were no transfers to general reserves during 2017.

(b) Statutory reserve

	2017 $	2016 $
At the beginning of year	**87,970,850**	87,970,850
Transferred from retained earnings	**5,680,515**	-
At the end of the year	**93,651,365**	87,970,850

Pursuant to Section 45 (1) of the Banking Act of Saint Lucia 2015, the Bank shall, out of its net profits of each year transfer to that reserve a sum equal to not less than twenty percent of such profits whenever the amount of the fund is less than one hundred percent of the paid-up capital of the Bank.

(c) Special reserve

	2017 $	2016 $
At beginning of year	**2,034,132**	2,034,132
At end of year	**2,034,132**	2,034,132

The previous finance contract between the European Investment Bank ("EIB") and the former St. Lucia Development Bank, now assumed by Bank of Saint Lucia Limited, required the Bank to establish and maintain this special reserve.

(expressed in Eastern Caribbean dollars)

28 Reserves……*continued*

(d) Retirement benefit reserve

	2017 $	2016 $
At beginning of year	**10,626,569**	7,897,140
Transferred from retained earnings	**2,988,380**	2,729,429
At end of year	**13,614,949**	10,626,569

The retirement benefit reserve is a non-distributable reserve. It is the Bank's policy to match the amount of fair value of retirement benefit plan assets with the retirement benefit reserve.

(e) Contingency reserve

	2017 $	2016 $
Transfer from retained earnings	**4,535,304**	-
At end of year	**4,535,304**	-

The contingency reserve fund is created as an appropriation from retained earnings to set aside a portion of profits against loan loss provisions. This reserve will be funded annually until the total loan loss provisions and the contingency reserve equates to non-performing loans.

(expressed in Eastern Caribbean dollars)

29 Contingent liabilities and commitments

Commitments

At 31 December the Bank had contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2017 $	2016 $
Loan commitments	**69,837,704**	72,455,496
Guarantees and letters of credit	**23,764,807**	27,141,676
	93,602,511	99,597,172

30 Net interest income

	2017 $	2016 $
Interest income		
Loans and advances	**60,983,699**	60,596,590
Treasury bills and investment securities	**19,073,592**	16,071,826
Deposits with banks	**190,168**	14,908
	80,247,459	76,683,324
Interest expense		
Time deposits	**(12,774,544)**	(16,505,460)
Savings deposits	**(13,230,674)**	(14,214,485)
Other borrowed funds	**(4,932,757)**	(3,159,395)
Demand deposits	**(387,372)**	(355,986)
Correspondent banks	**(819,615)**	(1,254,778)
	(32,144,962)	(35,490,104)
Net interest income	**48,102,497**	41,193,220

(expressed in Eastern Caribbean dollars)

31 Fee and commission income

	2017 $	2016 $
Credit related fees and commissions	**26,151,812**	25,709,873
Brokerage related fees and commissions	**4,887,978**	5,041,959
Asset management and related fees	**333,153**	239,132
	31,372,943	30,990,964

32 Dividend income

	2017 $	2016 $
Available-for-sale financial assets	**211,445**	184,616
Subsidiaries	**-**	1,479,000
Associates	**264,000**	-
	475,445	1,663,616

33 Net foreign exchange trading income

	2017 $	2016 $
Foreign exchange		
- transaction gains, net	**10,108,150**	9,402,196
- translation gains, net	**1,361,074**	594,992
	11,469,224	9,997,188

34 Other income

	2017 $	2016 $
Service and management fees (Note 14)	**576,970**	761,572
Miscellaneous income	**-**	281,598
Rental income	**2,260,290**	2,371,276
Bad debt recovery income	**7,971,739**	4,305,060
Other income	**-**	670,434
	10,808,999	8,389,940

(expressed in Eastern Caribbean dollars)

35 Other gains, net

	2017 $	2016 $
Fair value gains/(losses):		
- Gains on disposal of Available- for- sale investments	**2,225,372**	492,037
- (Loss)/gains on disposal of Held to Maturity investments	**(70,379)**	12,046
- Unrealised (loss)/gains on Held for trading investments	**(24,556)**	17,329
- Gain on Held for trading investment	**35,124**	-
- Fair value gains/(loss) on investment properties (Note 19)	**812,745**	(1,530,000)
	2,978,306	(1,008,588)

36 Operating expenses

	2017 $	2016 $
Employee benefit expense (Note 37)	**25,609,346**	29,216,870
Rent	**1,455,543**	1,366,765
Utilities	**4,055,882**	4,032,216
Security	**1,509,244**	1,835,575
Bank and other licences	**217,375**	133,484
Credit card expenses	**7,182,869**	6,059,912
Advertising and promotions	**469,144**	804,762
Repairs and maintenance	**6,475,002**	5,875,308
Legal and professional	**707,091**	930,029
Other expenses	**10,329,479**	11,978,527
Depreciation (Note 15)	**4,508,279**	5,171,116
	62,519,254	67,404,564

37 Employee benefit expense

	2017 $	2016 $
Wages and salaries	**20,360,452**	23,834,023
Other staff cost	**4,439,696**	5,469,556
Pensions	**809,198**	(86,709)
	25,609,346	29,216,870

(expressed in Eastern Caribbean dollars)

38 Income tax expense

	2017 $	2016 $
Current tax	**969,364**	–
Under provision of prior year tax	**-**	1,651,480
Reversal of overpayment of tax	**(1,945,739)**	-
Deferred tax (credit)/charge during the year	**(1,042,982)**	4,074,975
	(2,019,357)	5,726,455
Income tax expense in other comprehensive income:		
Deferred tax arising from defined benefit	**223,089**	254,638
	(1,796,268)	5,981,093

Tax on the Bank's loss before taxation differs from the theoretical amount that would arise using the statutory tax rate of 30% as follows:

	2017 $	2016 $
Profit/loss before income tax	**26,673,719**	(104,960,437)
Tax calculated at the applicable tax rate of 30%	**8,002,116**	(31,488,131)
Tax effect of exempt income	**(5,047,028)**	(1,859,083)
Tax effect of expenses not deductible for tax purposes	**(321,424)**	2,022,794
Losses utilised	**(969,364)**	-
Overpayment of corporate tax	**(1,945,739)**	-
Deferred tax asset not recognised-losses	**-**	37,050,949
Deferred tax asset recognised-losses	**(1,737,918)**	-
Deferred tax asset not recognised-timing differences	**-**	(74)
	(2,019,357)	5,726,455

The Bank has unutilised tax losses of $22,826,137 (2016 - $17,033,082) for which the deferred tax asset has been recognised due to the certainty of its recoverability. Unutilized tax losses may be carried forward and deducted against 50% of future taxable income within five years following the year in which the losses were incurred. The total tax losses of $248,287,260 (2016 - 259,742,832) are made up as follows; $98,264,730, $24,956,581, $6,366,799, $13,619,552 and $105,079,598 expires in 2018, 2019, 2020, 2021 and 2022 respectively. The Bank has unutilised tax losses $225,461,123 (2016 -$242,709,750) for which no deferred tax asset has been recognized.

(expressed in Eastern Caribbean dollars)

39 Cash and cash equivalents

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

	2017 $	2016 $
Cash and balances with Central Bank (Note 5)	**226,920,732**	138,409,781
Deposits with other banks (Note 6)	**96,111,567**	95,603,876
Deposits with non-bank financial institutions (Note 7)	**5,412,488**	8,729,733
Treasury bills (Note 8)	**22,079,809**	21,145,370
	350,524,596	263,888,760

40 Comparatives

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