ANNUAL REPORT 2014

Pursuing Excellence
...Inspiring Positive Growth

BankofStVincent
&theGrenadines

Theme

St Vincent and the Grenadines is a country of Top achievers. From Academics to Arts and Sports to Science our people continue to make a positive mark on our shores, regionally and further afield. Some of these brilliant stars shone brightly on our 2015 Calendar and many not even having reached 20 years of age.

The fact that a country of our small size can boast this level of achievement is no mean feat and a real credit to our culture. This pursuit of excellence in spite of the challenges of our size and economy serves as an inspiration for others.

At Bank of St. Vincent and the Grenadines we too have a passion for excellence in all that we do as we serve our customers with innovative and relevant products that enrich their lives and bring real value to our shareholders. In this pursuit of excellence, we make a significant contribution to the growth and development and longterm success of our nation cementing ourselves as a real partner in progress and the nation's preferred financial institution.

BankofStVincent
&theGrenadines
The Bank That Gives Me more

Contents

Rodney Michael Small, Musician, Arranger and Producer is one of St. Vincent's top arrangers and through his skills; the Sion Hill Euphonium won 3 consecutive Junior Panorama titles, in the years 2010, 2011 and 2012.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the 29th Annual Meeting of the Shareholders of the Bank of St. Vincent and the Grenadines Ltd. will be held at the Methodist Church Building, Grenville St., Kingstown, June 2, 2015 at 5:00 pm, for the following purposes:

1. To consider and adopt the Report of the Auditors and Audited Financial Statements of the Company for the year ended December 31, 2014

2. To consider and adopt the Directors' Report

3. To sanction Dividends of $0.15¢ per share paid for the financial period ended December 31, 2014

4. To appoint Auditors for the Financial period January to December 2015

5. To consider any other business relating to the Company

Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company. A person appointed by proxy need not be a shareholder. A proxy is enclosed for the use of shareholders and must reach the Corporate Secretary at least 48 hours prior to the date of the meeting.

By Order of the Board

Nandi Williams
CORPORATE SECRETARY

Jules Snagg, National Squash player of international repute hails from the industrial district of Campden Park.

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

REGISTERED OFFICE & POSTAL ADDRESS:

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

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

Chairman: Sir. Errol Allen
Secretary: Ms. Nandi Williams

LEGAL COUNSELS:

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

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

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

PARENT COMPANY:

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

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

SUBSIDIARY COMPANY:

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

AFFILIATIONS:

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

REGULATORS:

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

EXTERNAL AUDITORS:

Ernst & Young
P.O. Box 261
Worthing
Christ Church
Barbados
Telephone:(246)430-3900
Fax:(246)426-9551

OWNERSHIP IN BANK OF ST.VINCENT AND THE GRENADINES LTD. AS AT 31/12/2014

ECFH 51%
NIS 20%
The Public 15.88%
Gov't of SVG 12.16%
Staff of BOSVG 0.96%

CORRESPONDENT BANKS

REGIONAL

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

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

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

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

Akley Olton is a film maker. He is the founder of iRebel pictures, which seeks to document and preserve the vibrant culture and heritage of the Caribbean.

REGIONAL CONTINUED

National Bank of Dominica
Roseau, Dominica

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

St. Kitts Nevis Anguilla National Bank
P.O. Box 343
Basseterre, St. Kitts
1st National Bank St. Lucia Limited

First Citizens Bank
62 Independence Square, Port of Spain, Trinidad

National Commercial Bank Jamaica
54 King Street
Kingston, Jamaica

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

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

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

National Commercial Bank Jamaica
54 King Street
Kingston, Jamaica

INTERNATIONAL

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

Bank Of Montreal
105 St. James Street West
Quebec H3c 3b1
Canada

Commerzbank
D-6000 Frankfurt/ Main
Postfach 2534
Germany

Lloyds TSB Bank
Monument
International Office
11/15 Monument Street
London England EC3R 8JU
Toronto Dominion Bank
Toronto Data Centre
26 Gerrard Street West
Toronto Ontario M5B, 1G3
Canada

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

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

Criscione C.K. Morgan intends to use her vast knowledge in food preparation and nutrition to start a school feeding program at all primary schools in St. Vincent and the Grenadines.

Chairman's Report

SIR ERROL ALLEN
Chairman

2014 was a particularly challenging year for St. Vincent and the Grenadines. Beyond usual limitations and challenges occasioned by the modest 1.1% economic growth for the year, the Country was badly impacted by the devastating storm of December 24, 2013, which resulted in losses estimated to be in excess of EC $330 million or 17% of GDP. This has hampered the prospects of any near term economic stabilisation as the recovery effort which begun in 2014 will continue well into the immediate years ahead. In addition to this natural disaster, the prolonged drought from January 2014 to May 2014 and debilitating effects of the Chikungunya disease which affected most of the territories of the Eastern Caribbean, negatively impacted output during the year.

Within this context, the overall financial performance of the Bank for the year can be considered as very commendable given the level of profitability and growth in assets. In this regard, I am pleased to report that the Bank recorded a profit before tax of $8.78 million for the year ended December 31, 2014; a slight reduction from the 2013 figure of $9.04 million. Profit after tax for the year was $3.09 million compared to $7.49 million in 2013. The profit after tax for 2014 was impacted by the settlement of $2.70 million reached with the Inland Revenue Department on the computation of the Bank's tax liability relating to the period 2009-2013. Additionally, the computation of taxes in respect of 2014 was also impacted by the application of the methodology that was agreed with the Inland Revenue. This resulted in a reduction in the earnings per share for the year to 0.31, compared to 0.75 in 2013.

Total assets grew from $834.2 million at December 31, 2013 to $909.1 million at the end of the financial year. This represents an increase of $74.9 million or 8.97%. The growth in assets was mainly attributable to the increase in the Bank's deposit portfolio. With respect to the growth in loans, the portfolio remained relatively stable. The Bank sought during the year to pay closer attention to the quality of loan underwriting and administration given the weak economic climate.

Barrouallie FC Inter League Senior Football Champions.

Accordingly, the overall asset quality remained consistent with that of previous years with loan assets reflecting a non performing ratio of approximately 6.5% of the total loan portfolio.

The overall quality of the investment portfolio was also maintained during the year. The capital adequacy ratio at the end of the year was 20.18 % of the total risk-weighted assets for 2014 – well above the regulatory requirement of 8% of the total risk-weighted assets.

During the year, the Bank continued its focus on the other critical issues including, improving the overall efficiency of the operations and advancing the customer service improvements across the branch network. Operating expenses were slightly above the prior year due mainly to the support provided through the Corporate Social Responsibility (CSR) Program. During the year, the Bank, in partnership with the National Insurance Services donated a new CT Scan Machine to the Milton Cato Memorial Hospital to replace the one that was destroyed in the December 24, 2013 floods. This was, and still remains, the only CT Scan facility serving the entire Country. The new machine was installed in October 2014. An allocation of $0.500 million representing 50% of the total estimated cost of the new machine was therefore made during the year. The Bank was supportive of a number of sporting and football community organizations including the Barrouallie Senior Football Team , the three times defending champions of the SVG Football Federation National Inter Community League. Additionally, there was a settlement of withholding taxes on management fees for Head Office services charged in the accounts for the period 2011 to 2013. The taxes amounted to $0.542 million.

The projected growth in operating income for the year was negatively impacted by the reduction in foreign exchange income and recovery income. This was due mainly to the slowdown in foreign currency remittances and the sale of distressed properties respectively. We however continued our effort to streamline the operations of the Bank. During the year, emphasis was placed on reviewing the back office operations, mainly in credit administration and central services, with a view to improving the overall quality and efficiency levels within these critical functions.

The development of the required competences and capabilities to achieve the overall objective of continuous improvement in customer service delivery remains a central pillar of the Bank's overall strategy. To this end, we continued during the year to support the development and advancement of our employees through on-going investment in targeted training programs including, leadership development, customer service delivery and risk management. Also, as noted above, the targeted review and subsequent streamlining of a number of the key functional areas during the year was geared towards improving the capabilities across the entire value chain of the Bank.

Overall, the Bank performed well given the economic conditions that prevailed during the year under review. The continued confidence and trust of the public evidenced by the level of balance sheet growth in 2014 is a noteworthy achievement. Based on the performance trend established over the past four (4) years, it is clear that the Bank remains on a sustainable growth path that will continue to translate into greater value for all of its stakeholders.

In closing, I wish to thank the Directors for their collective contribution to the stewardship of the Bank. On this note, I extend special thanks to former Director, Hildreth Alexander, who retired from the Board in July 2014 having served since November 2010. Director Alexander represented ECFH and made an invaluable contribution during his tenure. We also welcomed Director Lisle Chase to the Board in July 2014. I also wish on behalf of the Board of Directors to extend commendation to the management and staff for their commitment and professionalism in carrying out the daily activities of the Bank and achieving the results for the year. Very importantly, I extend our sincerest gratitude to our loyal customers and to you, our shareholders, for your continued support and guidance.

Kishore is a global Information Systems Expert of Vincentian origin. He is the Caribbean Technical Specialist with Populus Global Solutions.

PROFILE OF DIRECTORS

NAME:	**Sir. Errol N. Allen**
PROFESSION:	**Economist - Retired**
SUBSTANTIVE POSITION: (BOSVG)	Chairman of the Board of Directors Chairman of the Executive Committee Chairman of Human Resources Committee Chairman of Credit Committee
APPOINTED:	First Appointment: October 28, 2005 Last Appointment: July 25, 2013
APPOINTED BY:	East Caribbean Financial Holdings Company Ltd.
QUALIFICATION:	BSc. Economics, MSc. International Economics

NAME:	**Mrs. Judith G. Veira**
PROFESSION:	**Consulting Actuary**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of Executive Committee Member of the Audit Committee
APPOINTED:	First Appointment: August 15, 2008 Last Appointment: July 26, 2013
APPOINTED BY:	Government of St. Vincent and the Grenadines
QUALIFICATION:	BA Hons. Actuarial Science Fellow of the Society of Actuaries

NAME:	**Mr. Andre' Iton**
PROFESSION:	**Financial Consultant**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Credit Committee
APPOINTED:	First Appointment: 2003 -2006 & November 18, 2010 Last Appointment: July 25, 2013
APPOINTED BY:	East Caribbean Financial Holdings Company Ltd.
QUALIFICATION:	Bsc. Economics

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

Richard John, top male CSEC Performer, aspiring Electrical Engineer a student at the St. Vincent and the Grenadines Community College- Division of Arts, Sciences and General Studies.

NAME:	**Mr. Godwin Daniel**
PROFESSION:	**Agricultural Economist - Retired**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Chairman of the Audit Committee Member of Executive Committee
APPOINTED:	First Appointment: July 1, 2002 Last Appointment: October 30, 2014
APPOINTED BY:	National Insurance Services
QUALIFICATION:	BSc. Agriculture, MSc. Agricultural Economics

NAME:	**Mrs. Esther Brown- Weekes**
PROFESSION:	**Bank Executive**
SUBSTANTIVE POSITION: (BOSVG)	Director of the Board Member of the Executive Committee
APPOINTED:	First Appointment: January 16, 2013 Last Appointment: July 25, 2013
APPOINTED BY:	East Caribbean Financial Holdings Company Ltd.
QUALIFICATION:	MSC Finance, Accredited Director

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

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

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

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

Bernadette Camille Warren, Entrepreneur – Manufacturer co-owner of Brio Ché, an eco-friendly business which offers an array of natural, handmade, coconut products.

Board of Directors

Clockwise:
SIR. ERROL N. ALLEN
Chairman
MR. LENNOX BOWMAN
MR. GODWIN DANIEL
DR. TIMOTHY PROVIDENCE
MRS. JUDITH G. VEIRA
MR. OMAR DAVIS
MR. LISLE CHASER
MRS. ESTHER BROWN-WEEKES
MR. ANDRE ITON

DIRECTORS REPORT

The Directors of the Bank of St. Vincent and the Grenadines are pleased to present the report of the Directors for the period January 2014 to December 2014:

Directors

During the financial year January 2014 to December 2014, one (1) director ceased to hold office and another was appointed to fill the vacancy. Mr. Hildreth Alexander who was appointed by the ECFH ceased to hold office on 15th July 2014. Mr. Alexander served on the Board for two years. Mr. Lisle Chase, current Chairman of the Board of Directors, ECFH was appointed on 15th July 2014.

Director Godwin Daniel who was previously appointed by the Government of St. Vincent and the Grenadines was appointed by the National Insurance Services (NIS) as at October 30, 2014 upon the NIS acquisition of an additional One Million (1,000,000) Bank of St. Vincent and the Grenadines Ltd. shares from the Government of St. Vincent and the Grenadines. The NIS now has two (2) representatives and the Government one (1) representative on the Board of Directors.

There are no directors elections/appointments for the 2015 Annual Meeting of the Shareholders. Directors will now serve the final year in their three (3) year term and elections/appointments will be held at the 2016 Annual Meeting of the Shareholders.

As at the close of the financial year the following directors held office:

- Errol Allen - Chairman /Appointed by ECFH
- Esther Brown-Weekes - Appointed by ECFH
- Lisle Chase - Appointed by ECFH
- Andre Iton - Appointed by ECFH
- Omar Davis - Appointed by ECFH
- Judith Veira - Appointed by the Government of SVG
- Godwin Daniel - Appointed by the NIS
- Timothy Providence - Elected by the Public
- Lennox Bowman - Appointed by the NIS
- Derry Williams - Managing Director

Directors' Interest

Directors' interest as at December 2014 in the Ordinary Shares of the Company were as follows:

Director	**Beneficial Interest**
Errol Allen	- 3,550
Judith Veira	- 31,000
Timothy Providence	- 60,000
Godwin Daniel	- 3,500
Omar Davis	- 3110
Derry Williams	- 3,650

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

CARIBBEAN YOUTH ENVIRONMENT NETWORK (SVG) is a non-profit, civil society, charitable body that focuses on empowering young people and their communities to develop programmes and actions to address socio-economic and environmental issues.

Governance

TThe Board of Directors meets at least every other month and convened eight (8) meetings of the Board of Directors for the 2014 financial year. There were in total twelve (12) Committee meetings of the Board: One (1) Executive Committee Meeting, three (3) Credit Committee Meetings, two (2) Human Resources Committee Meetings and six (6) Audit Committee Meetings.

Executive Committee: Errol Allen (Chairman), Godwin Daniel, Judith Veira and Esther Brown-Weekes
Credit Committee: Errol Allen (Chairman), Lennox Bowman, Andre Iton and Timothy Providence
Human Resources Committee: Errol Allen (Chairman), Lisle Chase and Timothy Providence
Audit Committee: Godwin Daniel (Chairman), Lennox Bowman, Judith Veira and Omar Davis

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT DECEMBER 31, 2014

The substantial shareholders of the company as at December 31, 2014 are:

SHAREHOLDER	**NO. OF COMMON SHARES**	**PERCENTAGE**
East Caribbean Financial Holding Company Ltd.	5,100,000	51%
The National Insurance Services	2,000,000	20%
The Public inclusive of employees of the Bank	1,683,750	16.84%
Government of St. Vincent and the Grenadines	1,216,250	12.16%

Significant Transactions

There were no significant transactions for the period under review.

Dividends

A final dividend in the amount of 0.15 cents per share was declared by the Board to all shareholders on record as at May 04, 2015. This dividend payment will be tabled at the 29th Annual Meeting of the Shareholders for sanction.

Auditors

The Auditors, Ernst & Young retire and offer themselves for re-appointment. The Board of Directors recommends to the shareholders at the 29th Annual Meeting their re-appointment for the financial year ending December 31, 2015.

Delight Ollivierre, top female CSEC performer, aspiring Marine Biologist received the George Phillip award in 2013 for her school, and was named valedictorian at her graduation in 2014.

PROFILE OF SENIOR MANAGEMENT

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

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

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

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

NAME:	Wendell Davis
POSITION:	Manager Information Systems
QUALIFICATION:	MBA Information Technology, BSc. Computer & Management Studies
APPOINTED:	August 2005

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

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

Shernicia M. Mayers-Moore, Fashion Designer. In 2013, her designs hit the runway at Labo Ethnic in Paris, France – one of the biggest fashion trade shows in Europe.

Senior Management Team

Clockwise:

DERRY WILLIAMS
Managing Director

LA FLEUR HALL
Risk and
Compliance

WENDELL DAVIS
Information Technology

BENNIE STAPLETON
Chief Financial Officer

NANDI WILLIAMS
Corporate Secretary

CERLIAN RUSSELL
Business & Operations

BERNARD HAMILTON
Credit Administration

MANAGEMENT DISCUSSION & ANALYSIS

Economic Review of 2014

Despite the weaker-than-expected global and domestic activity in the first half of 2014, the recovery trend which began in 2012 continued though at a slow pace. The World Bank forecasts St. Vincent & the Grenadines' 2014 GDP growth to be 1.5%, a marginal reduction from 1.7% in 2013. Domestically, the output for the initial months of 2014 was affected by the social and financial impact associated with the devastating floods which accompanied the December 24, 2013 storm.

Performance Summary

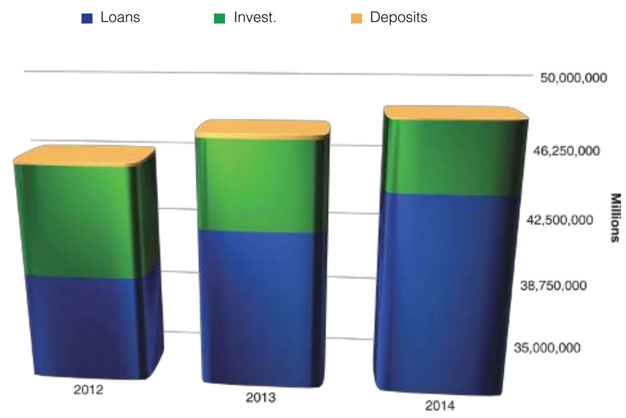
The Bank recorded profit before tax of $8.78 million and profit after tax of $3.09 million for 2014 compared to $9.04 million $7.49 million respectively for the 2013 financial year. Profit before tax decreased marginally by $0.260 million while profit after tax for the year decreased by $4.40 million or 59%. After tax profit was impacted by the settlement of outstanding tax liability relating to the 2009 – 2013 financial years.

Financial Highlights			
	2014 ($000)	2013 ($000)	2012 ($000)
Interest Income	48,641	47,825	46,347
Interest Expense	(22,245)	(21,884)	(20,268)
Loan Impairment Charges	77	1,196	1,312
Impairment Losses Investments	-	(771)	(1,264)
Dividend	66	49	114
Net Fee & Commission Income	12,989	12,038	10,514
Operating Expenses	(30,748)	(29,415)	(29,817)
Net Income (Loss)	8,780,	9,038	6,938
Cost of Funds	3.19%	3.47%	3.24%
Spread	2.90%	3.11%	3.35%
Efficiency Ratio	77.79%	76.50%	81.12%

Financial Highlights			
	2014 ($000)	2013 ($000)	2012 ($000)
Loans & Advances	577,998	564,082	526,815
Investments	43,078	51,241	63,806
Total Assets	909,103	834,251	778,618
Total Deposits	651,342	589,139	594,990
Total Shareholders' Equity	99,467	100,216	92,882
Profit After Tax	3,095	7,491	5,634

Financial Highlights			
	2014 ($000)	2013 ($000)	2012 ($000)
Return on Assets	0.34%	0.89%	0.72%
Return on Equity	3.11%	7.47%	6.07%
Tier 1 Capital	20.18%	20.28%	21%

Interest Income



Elleann Bailey, top female CPEA Performer, aspiring Cardiologist and Laron Jones, top male CPEA Performer, aspiring Attorney .

There was an increase in interest income from loans and advances of approximately $2.0 million during the year. However, the interest income on investments reduced by approximately $1.0 million when compared to 2013. This has contributed to a 2% increase in overall interest income for the year from $47.8 million in 2013 to $48.6 million in 2014. The investment portfolio was reduced due mainly to amortisation. At the same time, there were limited opportunities for new placements in the market given the prevailing conditions.

Non-interest income also increased during the year by $0.951 million or 7.90% to reach $12.9 million.

Interest Expense

There was an increase in the Bank's total interest expense of approximately $0.360 million due mainly to the growth in deposits. The increase in the deposit base provides for a greater level of diversification thereby reducing the volatility in the overall portfolio. Notwithstanding the growth in deposits, there was an overall reduction in the cost of funds during the year as we sought to re-price a number of products in the portfolio.

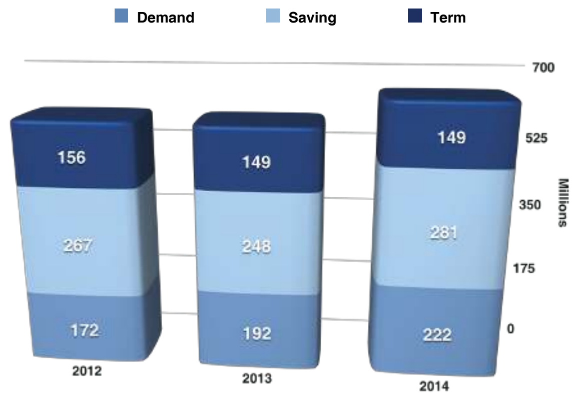
Operating Expenses

Total expenses increased by approximately $1.30M compared to the previous year, mainly due to expenditure relating to the donation of $0.500 million towards the purchase of the new CT scan machine for the Milton Cato Memorial Hospital as replacement for the machine damaged during the December 24, 2013 storm. The other one-off expenditure of $0.542 million relates to the settlement of withholding taxes on management fees charged in the accounts for the period 2011 to 2013.

Assets

Total assets grew by $74.9 million or 8.9% to reach $909.1 million at the end of the year. The growth in assets was funded mainly by a 10.5% increase in the deposit portfolio to $651.3 million compared to $589.1 million in 2013. Asset quality within the loan portfolio was consistent with previous years as the non-performing loan ratio remained just under 7% of total loans. The loan portfolio represents 63% of the total assets.

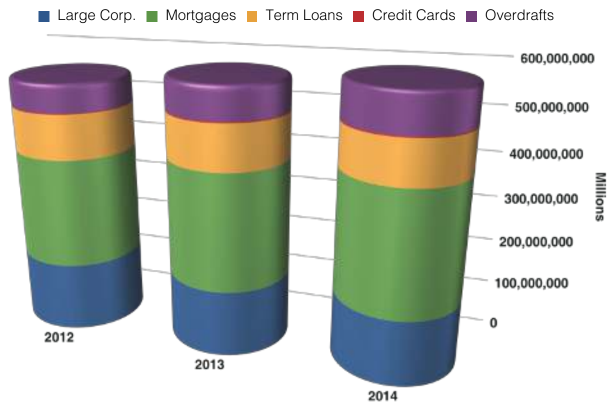
Due to Customers



Total customer deposits increased by $62.0 million over the year. The growth was mainly in savings deposits and demand deposits.

Loans & Advances

Growth in the Loans and Advances portfolio was due mainly to the increase in mortgages and overdrafts.



We managed during 2014 to maintain the focus on some of the critical aspects of the operations of the Bank. Asset quality, particularly in the loan and investment portfolios, remained an important priority throughout the year.

Nikolas Sylvester, National Swimmer who broke the OECS record in the 11-12 age group in the 50m and 100m Breaststroke in St. Lucia in 2013. 2014 Junior Sportsman of the year.

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

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

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+758 458 4730
Fax: +758 458 4710

www.ey.com

Building a better working world

INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying consolidated financial statements of Bank of St. Vincent and the Grenadines Limited and its subsidiary (the Bank), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

CHARTERED ACCOUNTANTS
St. Lucia
27 March 2015

Consolidated Statement of Financial Position

As at 31 December 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Assets		
Cash and balances with Central Bank (Note 5)	**117,771,589**	63,027,459
Treasury bills (Note 6)	**-**	5,981,449
Deposits with other banks (Note 7)	**90,164,941**	69,426,904
Financial assets held for trading (Note 8)	**40,502**	45,518
Investment Securities (Note 12)	**43,077,581**	51,240,589
Loans and receivables - loans and advances to customers (Note 9)	**577,997,867**	564,081,530
- bonds (Note 11)	**10,032,877**	10,032,877
Property and equipment (Note 14)	**58,002,725**	58,639,831
Investment property (Note 15)	**4,331,000**	4,331,000
Other assets (Note 16**)**	**5,914,212**	5,084,321
Income tax recoverable	**1,769,363**	2,359,150
Total assets	**909,102,657**	834,250,628
Liabilities		
Deferred tax liability (Note 17)	**652,890**	244,563
Deposits from banks (Note 18)	**40,212,066**	42,788,717
Due to customers (Note 19)	**651,341,735**	589,139,473
Borrowings (Note 20)	**71,650,451**	66,289,814
Other liabilities (Note 21)	**45,778,459**	35,572,347
Total liabilities	**809,635,601**	734,034,914
Equity		
Share capital (Note 22)	**14,753,306**	14,753,306
Reserves (Note 23)	**14,753,306**	14,753,306
Unrealised gains on investments	**1,560,610**	1,703,817
Retained earnings	**68,399,834**	69,005,285
Total equity	**99,467,056**	100,215,714
Total liabilities and equity	**909,102,657**	834,250,628

Approved by the Board of Directors on 27 March 2015:

_______________ Director _______________ Director

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

Consolidated Statement of Changes in Equity

As at 31 December 2014

(expressed in Eastern Caribbean dollars)

	Share Capital (Note 22) $	Reserves (Note 23) $	Unrealised Gains/(Losses) On Available For Sale Investments $	Retained Earnings $	Total $
Balance at 1 January 2013	**14,753,306**	**14,753,306**	**1,860,347**	**61,514,550**	**92,881,509**
Total comprehensive income	**-**	**-**	**(156,530)**	**7,490,735**	**7,334,205**
Balance at 31 December 2013	**14,753,306**	**14,753,306**	**1,703,817**	**69,005,285**	**100,215,714**
Balance at 1 January 2014	**14,753,306**	**14,753,306**	**1,703,817**	**69,005,285**	**100,215,714**
Total comprehensive income	**-**	**-**	**(143,207)**	**3,094,549**	**2,951,342**
Dividend paid (Note 36)	**-**	**-**	**-**	**(3,700,000)**	**(3,700,000)**
Balance at 31 December 2014	**14,753,306**	**14,753,306**	**1,560,610**	**68,399,834**	**99,467,056**

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

Consolidated Statement of Income

For the year ended December 31, 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Interest income (Note 25)	**48,640,918**	47,825,394
Interest expense (Note 25)	**(22,244,978)**	(21,884,437)
Net interest income	**26,395,940**	25,940,957
Other operating income (Note 26,28,29)	**12,988,563**	12,038,029
Dividend Income (Note 27)	**66,096**	49,414
Impairment losses – investments	**-**	(770,900)
Recoveries of loans and advances, net (Note 32)	**77,150**	1,195,762
Operating expenses (Note 30)	**(30,748,138)**	(29,415,268)
Profit before income tax	**8,779,611**	9,037,994
Income tax expense (Note 33)	**(5,685,062)**	(1,547,259)
Profit for the year	**3,094,549**	7,490,735
Earnings Per Share (Note 34)	**0.31**	0.75

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Profit for the year	**3,094,549**	7,490,735
Other comprehensive income		
Other comprehensive income to be reclassified to Profits or loss in subsequent periods:		
Unrealised losses on available-for-sale securities	**(143,207)**	(156,530)
Total comprehensive income for the year	**2,951,342**	7,334,205

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Cash flows from operating activities		
Profit before income tax	**8,779,611**	9,037,994
Adjustments to reconcile net profit before tax to net cash flows:		
Interest income	**(3,482,409)**	(4,681,619)
Interest expense	**2,094,453**	2,041,189
Impairment on investments	**-**	770,900
Depreciation	**3,021,297**	2,888,364
Impairment losses on loans and advances	**716,220**	99,779
Fair value gains on investment property	**-**	-
Loss on disposal of investment property	**-**	15,750
Gain on disposal of property and equipment	**(40,457)**	(105,505)
Cash flows before changes in operating assets and liabilities	**11,088,715**	10,066,852
Increase in mandatory deposits with Central Bank	**(3,732,135)**	(764,559)
Increase in loans and advances to customers	**(13,311,975)**	(13,448,689)
Increase in other assets	**(829,891)**	(1,407,957)
(Increase)/decrease in due to customers	**62,202,262**	(5,850,408)
Decrease in deposits from banks	**(2,576,651)**	2,384,103
Increase in other liabilities	**9,861,724**	16,081,260
Net cash from operations	**62,702,049**	7,060,602
Interest received	**3,482,888**	4,684,064
Interest paid	**(2,066,767)**	(1,922,110)
Income tax paid	**(4,342,560)**	-
Net cash from operating activities	**59,775,610**	9,822,556
Cash flows from investing activities		
Movement in short term investments and fixed deposits	**(81,737)**	(3,122,637)
Proceeds from sale of investment property	**-**	90,250
Proceeds from disposal and redemption of treasury bills	**5,981,449**	(1,348,101)
Proceeds from disposal and redemption of investment securities	**8,363,610**	17,313,515
Purchase of investment securities	**(344,287)**	(5,678,151)
Purchase of property and equipment	**(2,397,399)**	(1,584,831)
Proceeds from disposal of property and equipment	**53,665**	117,529
Net cash from investing activities	**11,575,301**	5,787,574

Consolidated Statement of Cash Flows *(continued)*

For the Year ended 31 December 2014

(expressed in Eastern Caribbean dollars)

	2014 $	2013 $
Cash flows from financing activities		
Dividends paid	**(3,700,000)**	-
Repayment of borrowings	**(2,375,145)**	(2,793,584)
Proceeds from borrowings	**6,387,513**	14,195,921
Net cash from financing activities	**312,368**	11,402,337
Net increase in cash and cash equivalents	**71,663,279**	27,012,467
Cash and cash equivalents at beginning of year	**94,028,875**	67,016,408
Cash and cash equivalents at end of year	**165,692,154**	94,028,875

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

(expressed in Eastern Caribbean dollars)

1 General information

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

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

The Bank and the Subsidiary together "the Group" is a 51% subsidiary of ECFH. Of the remaining 49%, 12.19% is owned by the Government, 20% owned by the National Insurance Services and 16.81% owned by the public as at 31 December 2014.

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

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

2 Summary of significant accounting policies

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

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

Basis of preparation
The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets held at fair value through profit or loss, classified in the consolidated statement of financial position as trading financial assets and 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New and amended standards and interpretations

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2014:

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

(a) New and amended standards and interpretations*...continued*
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 *Levies*
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

(a) New and amended standards and interpretations*...continued*

Annual Improvements *2010-2012 Cycle*

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements *2011-2013 Cycle*

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

(b) Standards issued but not yet effective

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

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 *Regulatory Deferral Accounts*

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

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

Annual improvements *2010-2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 *Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

IFRS 3 *Business Combinations*

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

IFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarifies that:

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

(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 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*

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

Annual improvements *2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 *Business Combinations*

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

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

IFRS 13 *Fair Value Measurement*

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

IAS 40 *Investment Property*

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

IFRS 15 *Revenue from Contracts with Customers*

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

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

Amendments to IFRS 11 ***Joint Arrangements: Accounting for Acquisitions of Interests***

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

Amendments to IAS 16 and IAS 38: ***Clarification of Acceptable Methods of Depreciation and Amortisation***

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

Amendments to IAS 16 and IAS 41 ***Agriculture: Bearer Plants***

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

Amendments to IAS 27: ***Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

(expressed in Eastern Caribbean dollars)

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

Consolidation

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

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all subsidiaries as of 31 December 2014.

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Consolidation*...continued*

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

Consolidation*...continued*

(a) Transactions and non-controlling interests

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

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

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

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for by the equity method of accounting and initially recognised at cost.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in reserves recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(expressed in Eastern Caribbean dollars)

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

Basis of preparation*...continued*

Consolidation*...continued*
Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Cash and cash equivalents...*continued*
For the purposes of the statement of cash flow, 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.

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Financial assets*...continued*

(c) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:
(i) those that the Group upon initial recognition designates as at fair value through profit or loss.
(ii) those that the Group designates as available for sale; and (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 consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income as finance costs.

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets*...continued*

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets…*continued*

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

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

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

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

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

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

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

significantly different the Group derecognises the original financial asset and recognises a new one at fair value with any difference recognized in the statement of income.

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

Impairment of financial assets…*continued*

Offsetting financial instruments

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

Property and equipment

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

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

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

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

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

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

Investment properties

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

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the cost can be measured reliably. This is usually the day when all risks are transferred. Investment properties are measured initially at cost, including

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

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

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

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

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

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

Income tax

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

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

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

(b) Deferred tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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.

(expressed in Eastern Caribbean dollars)

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

Income tax ...*continued*

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

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

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

Share capital

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

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

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

Interest income and expense
Interest income and expense are recognised in the consolidated 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 or, when appropriate a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

(expressed in Eastern Caribbean dollars)

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

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

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

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

Foreign currency translation

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

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

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

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

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

3 Financial risk management

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

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk

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

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

Loans and advances

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

Debt securities and other bills

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

Cash and balances with Central Bank

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

Risk limit control and mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk *...continued*

Collateral

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

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

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

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

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

Credit-related commitments

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

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

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

Impairment and provisioning policies

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

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

	Maximum exposure	
	2014	**2013**
	$	**$**
Cash and balances with Central Bank	**117,771,589**	63,027,459
Treasury bills	**-**	5,981,449
Deposits with other banks	**90,164,941**	69,426,904
Financial assets held for trading		
− Debt securities	**40,502**	45,518
Held to maturity debt securities	**38,136,192**	46,155,993
Available for sale equity securities	**4,941,389**	5,084,596
Loans and advances to customers:		
− Overdrafts	**80,694,410**	69,904,137
− Term loans	**90,119,156**	95,821,234
− Corporate loans	**140,530,459**	141,958,912
− Mortgage loans	**263,628,315**	253,559,825
− Credit cards	**3,025,527**	2,837,422
Loans and advances – Bonds	**10,032,877**	10,032,877
Other assets	**4,704,057**	3,886,138
Total Credit Exposure	**843,789,414**	767,722,464
Credit risk exposures relating to off-statement of financial position items:		
Loan commitments	**7,314,450**	7,713,000
Guarantees and letters of credit	**1,511,291**	1,412,665
	8,825,741	9,125,665
	852,615,153	776,848,129

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2014 and December 2013, without taking account of any collateral held or other credit enhancements attached. For assets included "on" statement of financial position, the exposures set out above are based on net amounts.

As shown above 67.79% (2013 - 72.61%) of the total maximum exposure is derived from loans and advances to customers; 6.23% (2013 – 8.66%) represents investments in debt securities.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances to customers are summarised as follows:

	2014 $	2013 $
Neither past due nor impaired	**476,297,243**	444,191,270
Past due but not impaired	**70,260,242**	86,810,323
Impaired	**36,634,578**	39,307,137
Gross	**583,192,063**	570,308,730
Less allowance for impairment losses on loans and advances to customers (Note 10)	**(5,194,196)**	(6,227,200)
Net	**577,997,867**	564,081,530

The total impairment provision for loans and advances to customers is $5,194,196 (2013 - $6,227,200) of which $4,269,818 (2013 - $5,063,325) represents the individually impaired loans and the remaining amount of $924,378 (2013 - $1,163,875) represents the collective provision. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 9 and 10.

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

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
31 December 2014	**80,468,496**	**65,775,126**	**214,074,588**	**113,667,212**	**2,311,821**	**476,297,243**
31 December 2013	70,016,014	64,363,042	204,863,565	102,810,133	2,138,516	444,191,270

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances to customers past due but not impaired

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

	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
At 31 December 2014					
Past due up to 30 days	**10,752,606**	**25,110,846**	**4,159,659**	**614,234**	**40,637,345**
Past due 30 - 60 days	**2,630,181**	**6,216,518**	**635,479**	**62,582**	**9,544,760**
Past due 60 - 90 days	**1,831,240**	**5,011,180**	**13,191,787**	**43,930**	**20,078,137**
	15,214,027	**36,338,544**	**17,986,925**	**720,746**	**70,260,242**
At 31 December 2013					
Past due up to 30 days	15,745,959	28,673,289	11,616,773	531,178	56,567,199
Past due 30 - 60 days	2,299,453	6,520,165	3,655,224	57,317	12,532,159
Past due 60 - 90 days	1,203,452	2,076,140	14,374,585	56,788	17,710,965
	19,248,864	**37,269,594**	**29,646,582**	**645,283**	**86,810,323**

Loans and advances to customers individually impaired:

	Over -drafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
31 December 2014	**557,864**	**11,336,273**	**14,754,353**	**9,852,166**	**133,922**	**36,634,578**
31 December 2013	340,973	14,309,783	12,861,689	11,654,369	140,323	39,307,137

(expressed in Eastern Caribbean dollars)

3 Financial risk management*…continued*

Credit risk*…continued*

Repossessed collateral
At the end of 31 December 2014 and 31 December 2013, the Group had repossessed collateral of $26,600.

Debt securities and other eligible bills
The table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2014 and 2013, based on Standard & Poor's and Caricris ratings:

	Treasury Bills $	Financial Assets held-to-maturity $	Financial Assets Available-for- sale $	Financial Assets held-for-trading $	Loans and Receivables – Bonds $	Total $
At 31 December 2014						
A- to A+	-	**4,685,991**	-	-	-	**4,685,991**
Lower than A-	-	**17,288,638**	-	-	**10,032,877**	**27,321,515**
Unrated	-	**16,161,563**	**4,941,389**	**40,502**	-	**21,143,454**
	-	**38,136,192**	**4,941,389**	**40,502**	**10,032,877**	**53,150,960**
At 31 December 2013						
AA- to AA+	-	8,269,742	-	-	-	8,269,742
Lower than A-	-	11,415,386	-	-	-	11,415,386
Unrated	5,981,449	26,470,865	5,084,596	45,518	10,032,877	47,615,305
	5,981,449	**46,155,993**	**5,084,596**	**45,518**	**10,032,877**	**67,300,433**

Concentrations of risks of financial assets with credit exposure

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management…*continued*

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	Other Industries $	Total $
Cash and balances with Central Bank	63,027,459	-	-	-	-	-	-	63,027,459
Treasury bills	-	-	-	5,981,449	-	-	-	5,981,449
Deposits with other banks	69,426,904	-	-	-	-	-	-	69,426,904
Financial assets held for trading	45,518	-	-	-	-	-	-	45,518
Investment securities:								
- Held to maturity	22,199,772	-	-	20,781,645	-	-	3,174,576	46,155,993
- Available for sale	4,057,681	-	-	-	-	-	1,026,915	5,084,596
Loans and receivables:								
- Loans and advances to customers								
- Corporate	-	3,528,871	14,515,867	42,717,295	13,375,525	8,265,173	59,556,181	141,958,912
- Term	2,610,809	434,002	575,163	-	300,244	90,016,266	1,884,750	95,821,234
- Mortgages	-	11,042	-	-	-	252,671,086	877,697	253,559,825
- Overdrafts	304,713	1,202,485	1,228,438	51,656,866	3,343,116	2,966,795	9,201,724	69,904,137
- Credit cards	142,020	-	2,607	2,644	6,842	2,656,569	26,740	2,837,422
- Bonds	-	-	-	10,032,877	-	-	-	10,032,877
Other assets	-	-	-	-	-	-	3,886,138	3,886,138
At 31 December 2013	**161,814,876**	**5,176,400**	**16,322,075**	**131,172,776**	**17,025,727**	**356,575,889**	**79,634,721**	**767,722,464**
Guarantees, letters of credit, loan commitments and other credit related obligations	-	-	350,000	890,865	974,800	6,810,000	100,000	9,125,665

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Market risk

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

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

Currency risk

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

Concentrations of financial assets and financial liabilities

As at 31 December 2014

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Currency risk*...continued*

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Currency risk*...continued*

Concentrations of financial assets and financial liabilities

As at 31 December 2013

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
Financial assets								
Cash and balances with Central Bank	58,703,405	2,303,211	377,731	687,260	487,134	468,413	305	63,027,459
Treasury bills	5,981,449	-	-	-	-	-	-	5,981,449
Deposit with other banks	23,060,127	38,519,584	205,786	5,024,945	928,631	1,573,582	114,249	69,426,904
Financial assets held for trading	-	-	-	45,518	-	-	-	45,518
Investment securities:								
– held-to-maturity	29,778,431	16,377,562	-	-	-	-	-	46,155,993
– available-for-sale	3,047,833	1,026,915	1,005,750	4,098	-	-	-	5,084,596
Loans and receivables:								
– loans and advances to customers	564,081,530	-	-	-	-	-	-	564,081,530
– bonds	10,032,877	-	-	-	-	-	-	10,032,877
Other assets	3,886,138	-	-	-	-	-	-	3,886,138
Total financial assets	**698,571,790**	**58,227,272**	**1,589,267**	**5,761,821**	**1,415,765**	**2,041,995**	**114,554**	**767,722,464**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Currency risk*...continued*

Concentrations of financial assets and financial liabilities	**ECD**	**USD**	**BDS**	**EURO**	**GBP**	**CAD**	**Other**	**Total**
As at 31 December 2013								
Financial liabilities								
Deposits from banks	42,788,717	-	-	-	-	-	-	42,788,717
Due to customers	562,788,493	19,893,379	-	5,006,337	42,338	1,408,926	-	589,139,473
Borrowed funds	46,644,413	19,645,401	-	-	-	-	-	66,289,814
Other liabilities	35,572,347	-	-	-	-	-	-	35,572,347
Total financial liabilities	**687,793,970**	**39,538,780**	**-**	**5,006,337**	**42,338**	**1,408,926**	**-**	**733,790,351**
Net assets/(liabilities)	**10,777,820**	**18,688,492**	**1,589,267**	**755,484**	**1,373,427**	**633,069**	**114,554**	**33,932,113**
Commitments, guarantees letters of credit and other credit related obligations	**9,125,665**	-	-	-	-	-	-	**9,125,665**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Interest rate risk

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

(expressed in Eastern Caribbean dollars)

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

Interest rate risk ...*continued*

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk ...*continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 2013							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	63,027,459	63,027,459
Treasury bills	5,981,449	-	-	-	-	-	5,981,449
Deposits with other banks	10,002,192	451,143	3,122,636	-	-	55,850,933	69,426,904
Financial assets held for trading	45,518	-	-	-	-	-	45,518
Investment securities:							
– held-to-maturity	10,926,018	-	7,267,785	20,119,565	7,842,625	-	46,155,993
– available for sale	-	-	-	-	-	5,084,596	5,084,596
Originated loans:							
– loans and advances to customers	20,311,370	59,405,942	11,638,651	56,896,058	415,829,509	-	564,081,530
– bonds	-	-	-	-	10,032,877	-	10,032,877
Other assets	-	-	-	-	-	3,886,138	3,886,138
Total financial assets	47,266,547	59,857,085	22,029,072	77,015,623	433,705,011	127,849,126	767,722,464
Financial liabilities							
Deposits from banks	14,330,669	8,647,592	17,264,274	-	-	2,546,182	42,788,717
Due to customers	346,161,472	26,042,758	102,788,436	-	-	114,146,807	589,139,473
Borrowed funds	573,118	246,067	3,378,246	12,384,994	49,707,389	-	66,289,814
Other liabilities	-	-	-	-	-	35,572,347	35,572,347
Total financial liabilities	361,065,259	34,936,417	123,430,956	12,384,994	49,707,389	152,265,336	733,790,351
Net interest re-pricing gap	**(313,798,712)**	**24,920,668**	**(101,401,884)**	**64,630,629**	**383,997,622**	**(24,416,210)**	**33,932,113**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

	EC$ %	USD %	BDS %	EURO %	GBP %	CAD %	OTHER %
As at 31 December 2014							
Assets							
Deposits with other banks	**3.60**	**0.25**	-	-	-	-	-
Investment securities:							
- held-to-maturity	**4.62**	**6.75**	-	-	-	-	-
Loans and receivables:							
- loans and advances to customers	**8.50**	-	-	-	-	-	-
- bonds	**7.50**	-	-	-	-	-	-
Liabilities							
Due to customers	**3.01**	**2.15**	-	**1.17**	-	-	-
Deposits from banks	**2.95**	-	-	-	-	-	-
Borrowed funds	**7.13**	**3.62**	-	-	-	-	-

	EC$ %	USD %	BDS %	EURO %	GBP %	CAD %	OTHER %
As at 31 December 2013							
Assets							
Treasury bills	4.41	-	-	-	-	-	-
Deposits with other banks	4.12	0.30	-	-	-	-	-
Investment securities:							
- held-to-maturity	5.06	6.95	-	-	-	-	-
Loans and receivables:							
- loans and advances to customers	8.69	-	-	-	-	-	-
- bonds	7.50	-	-	-	-	-	-
Liabilities							
Due to customers	3.17	1.54	-	1.28	-	-	-
Deposits from banks	3.56	-	-	-	-	-	-
Borrowed funds	7.03	3.42	-	-	-	-	-

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Interest rate risk

Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At 31 December 2014, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $2,889,989 (2013 - $2,820,408) higher/lower interest income on variable rate loans.

Liquidity risk

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

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

Liquidity risk management process

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

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

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

Funding approach

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

Non derivative cash flows

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 2013						
Financial liabilities						
Deposits from banks	16,942,742	8,807,952	17,786,194	-	-	43,536,888
Due to customers	460,308,279	65,047,580	63,783,614	-	-	589,139,473
Borrowed funds	746,054	595,051	5,064,232	19,046,730	55,879,004	81,331,071
Other liabilities	35,572,347	-	-	-	-	35,572,347
Total financial liabilities	**513,569,422**	**74,450,583**	**86,634,040**	**19,046,730**	**55,879,004**	**749,579,779**
Financial assets						
Cash and balances with Central Bank	63,027,459	-	-	-	-	63,027,459
Treasury Bills	6,000,000	-	-	-	-	6,000,000
Deposit with other Banks	65,886,001	450,224	3,143,401	-	-	69,479,626
Financial Assets Held for Trading	45,518	-	-	-	-	45,518
Investment Securities (Held to Maturity)	10,962,258	51,947	9,245,344	24,756,785	9,852,714	54,869,048
Investment Securities (Available for Sale)	-	-	-	1,026,915	4,057,681	5,084,596
Loans and advances to customers	19,901,031	19,695,535	75,055,269	323,055,574	482,248,827	919,956,236
Bonds	-	-	750,000	3,000,000	10,719,178	14,469,178
Other Assets	5,251,831	-	-	-	-	5,251,831
Total financial assets held for managing liquidity	**171,074,098**	**20,197,706**	**88,194,014**	**351,839,274**	**506,878,400**	**1,138,183,492**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

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

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

Off-statement of financial position items

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

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

	<1 Year $	1-5 Years $	Total $
At 31 December 2014			
Loan commitments	7,314,450		7,314,450
Guarantees and letters of credit	1,490,791	20,500	1,511,291
Total	**8,805,241**	**20,500**	**8,825,741**
At 31 December 2013			
Loan commitments	7,713,000	-	7,713,000
Guarantees and letters of credit	1,412,665	-	1,412,665
Total	**9,125,665**	**-**	**9,125,665**

(c) Capital
Capital commitments are within one year see (Note 24)

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Fair values of financial assets and liabilities

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

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

Due to customers

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

Investment securities

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

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

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

	Carrying value		Fair value	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers:				
− Term loans	90,119,156	95,821,234	75,269,669	79,659,241
− Large corporate loans	140,530,459	141,958,912	112,782,526	114,440,781
− Mortgage loans	263,628,314	253,559,825	189,284,960	180,798,812
− Overdrafts	80,694,410	69,904,137	80,694,410	69,390,444
Credit Cards	3,025,526	2,837,422	3,025,526	2,628,326
− Bonds	10,032,877	10,032,877	9,468,919	9,238,884
Investment securities:				
− Held-to-maturity	38,136,192	46,155,993	39,268,465	51,036,545
Financial liabilities				
Borrowings	71,650,450	66,289,814	66,801,060	60,493,541

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

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

The following methods and assumptions were used to estimate the fair values of assets and liabilities:

- The Group's interest-bearing borrowings and loans are determined by using DCF method using the discount rate that reflects the average rates at the end of the period.

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

Fair value hierarchy

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

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

	Level 2 $	Level 3 $	Total $
31 December 2014			
Assets measured at Fair Value:			
Investment properties			
Financial assets held for trading			
- Debt securities	-	40,502	**40,502**
Financial assets available for sale			
- Equity securities	1,889,458	3,051,931	**4,941,389**
Total financial assets	**1,889,458**	**3,092,433**	**4,981,891**
31 December 2013			
Investment properties			
Financial assets held for trading			
- Debt securities	-	45,518	**45,518**
Financial assets available for sale			
- Equity securities	2,032,665	3,051,931	**5,084,596**
Total financial assets	**2,032,655**	**3,097,449**	**5,130,114**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

Assets for which fair values are disclosed

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2014				
Loans and receivable (Note 3)	-	577,997,867	-	577,997,867
Bonds	-	10,032,877	-	10,032,877
Held to maturity investments	-	38,136,192	-	38,136,192
Total financial assets		626,166,936		626,166,936
31 December 2013				
Loans and receivable				
Bonds	-	564,081,530	-	564,081,530
Held to maturity investments	-	10,032,877	-	10,032,877
	-	46,155,993	-	46,155,993
Total financial assets	-	620,270,400	-	620,270,400

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

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

Liabilities for which fair values are disclosed

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2014				
Deposit from Banks	-	40,212,066	-	**40,212,066**
Due to customers	-	651,341,735	-	**651,341,735**
Borrowings	-	71,650,451	-	**71,650,451**
Total financial liabilities	-	**763,204,252**	-	**763,204,252**
31 December 2013				
Deposits from Banks	-	42,788,717	-	**42,788,717**
Due to customers	-	589,139,473	-	**589,139,473**
Borrowings	-	66,289,814	-	**66,289,814**
Total financial liabilities	-	**698,218,004**	-	**698,218,004**

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

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

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

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2014 and 2013.

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

	Financial assets Held for trading	**Financial assets Available for sale**	**Total**
	Debt securities $	**Equity securities $**	**$**
31 December 2013			
At the beginning of year	41,109	3,051,931	**3,093,040**
Currency revaluation	1,964	-	**1,964**
Additions	2,445	-	**2,445**
At the end of the year	**45,518**	**3,051,931**	**3,097,449**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Capital management

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

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

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

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

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

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the "years" ended 31 December 2014 and 2013. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Capital management*...continued*

Fair value hierarchy*...continued*

	2014 $	2013 $
Tier 1 capital		
Share capital	14,753,306	14,753,306
Statutory reserve	14,753,306	14,753,306
Retained earnings	68,399,834	69,005,285
Total qualifying Tier 1 capital	97,906,446	98,511,897
Tier 2 capital		
Revaluation reserve – available-for-sale investments	1,560,610	1,703,817
Collective impairment allowance	924,378	1,163,874
Total qualifying Tier 2 capital	2,484,988	2,867,691
Total regulatory capital	100,391,434	101,379,588
Risk-weighted assets:		
On-statement of financial position	460,900,076	461,181,730
Off-statement of financial position	36,520,955	38,828,226
Total risk-weighted assets	497,421,031	500,009,956
Basel capital adequacy ratio	20.18%	20.28%

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

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

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

Impairment losses on loans and advances to customers
The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated at $358,069/$549,107 (2013 - $226,850/$562,658) lower/higher respectively.

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

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

Held-to-maturity investments
The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value would increase by $1,132,273 (2013 - $4,880,552) with a corresponding entry in the fair value reserve in equity.

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

(expressed in Eastern Caribbean dollars)

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

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

Revaluation of land and buildings and investment property
The Group measures its land and buildings at revalued amounts with changes in fair value being recognized in the comprehensive income statement. The Group 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.

Corporate income taxes
Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2014 have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

5 Cash and balances with Central Bank

	2014 $	2013 $
Cash in hand	**16,775,138**	13,546,695
Balances with Central Bank other than mandatory reserve deposits	**61,915,947**	14,132,395
Included in cash and cash equivalents (Note 35)	**78,691,085**	27,679,090
Mandatory reserve deposits with Central Bank	**39,080,504**	35,348,369
	117,771,589	63,027,459

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

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

(expressed in Eastern Caribbean dollars)

6 Treasury bills

	2014 $	2013 $
Treasury bills more than 90 days to maturity	-	5,981,449

Treasury bills are debt securities issued by the Governments of Saint Lucia and St. Vincent. The weighted average effective interest rate on treasury bills at 31 December 2014 was nil (2013 - 4.41%).

7 Deposits with other banks

	2014 $	2013 $
Items in the course of collection with other banks	**7,396,344**	7,386,437
Placements with other banks	**79,098,714**	48,464,496
Interest bearing deposits	**3,669,883**	13,575,971
Included in cash and cash equivalents (Note 35)	**90,164,941**	69,426,904

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2014 was 2.36% (2013 -3.74%).

8 Financial assets held for trading

	2014 $	2013 $
Debt securities (Note 3)	**40,502**	45,518

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

(expressed in Eastern Caribbean dollars)

9 Loans and advances to customers

	2014 $	2013 $
Large corporate loans	**141,506,303**	144,112,084
Mortgage loans	**265,167,485**	254,994,848
Term loans	**92,325,426**	97,921,689
Credit cards	**3,166,489**	2,924,122
Overdrafts	**81,026,360**	70,355,987
Gross	**583,192,063**	570,308,730
Less allowance for impairment losses on loans and advances (Note 10)	**(5,194,196)**	(6,227,200)
Net	**577,997,867**	564,081,530
Current	**98,797,452**	91,355,963
Non-current	**479,200,415**	472,725,567
	577,997,867	564,081,530

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2014 was 8.47% (2013 - 8.69%) and productive overdrafts stated at amortised cost was 9.59% (2013 – 9.62%).

Included in loans and advances (Note 9) and borrowed funds (Note 20) are $25,238,136 of mortgage loans held by the Eastern Caribbean Home Mortgage Bank 2013 - $23,917,556.

(expressed in Eastern Caribbean dollars)

10 Allowance for impairment losses on loans and advances

The movement on the provision by class was as follows:

	2014 $	2013 $
Large corporate loans		
At beginning of year	**2,153,172**	2,007,722
Specific provision for loan impairment	**(429,747)**	319,365
Collective provision for loan impairment	**69,908**	(177,770)
Written-back /(off) during the year as uncollectible	**(817,449)**	3,855
At end of year	**975,884**	2,153,172
Mortgages		
At beginning of year	**1,435,023**	1,651,074
Specific provision for loan impairment	**91,928**	(188,602)
Collective provision for loan impairment	**100,102**	173,140
Written-back /(off) during the year as uncollectable	**(87,882)**	(200,589)
At end of year	**1,539,171**	1,435,023
Term loans		
At beginning of year	**2,100,455**	2,038,531
Specific provision for loan impairment	**896,136**	(56,750)
Collective provision for loan impairment	**53,571**	106,492
Written-back /(off) during the year as uncollectible	**(843,893)**	12,182
At end of year	**2,206,269**	2,100,455
Overdrafts		
At beginning of year	**451,850**	496,000
Specific provision for loan impairment	**(134,935)**	(92,005)
Collective provision for loan impairment	**15,035**	46,530
Written-back /(off) during the year as uncollectible	**-**	1,325
At end of year	**331,950**	451,850
Credit Cards		
At beginning of year	**86,700**	110,047
Specific provision for loan impairment	**53,280**	(24,621)
Collective provision for loan impairment	**982**	(6,000)
Written-back /(off) during the year as uncollectible	**-**	7,274
At end of year	**140,962**	86,700
Total	**5,194,196**	6,227,200

(expressed in Eastern Caribbean dollars)

11 Loans and receivables – bonds

	2014 $	2013 $
Government bonds	**10,032,877**	10,032,877

Government bonds are purchased from and issued directly by the Government of Saint Vincent and the Grenadines. The weighted average effective interest rate at 31 December 2014 on Government bonds at amortised cost was 7.50% (2013 – 7.50 %).

12 Investment securities

	2014 $	2013 $
Securities held-to-maturity		
Debt securities at amortised costs		
- Unlisted	**29,661,468**	32,703,704
- Listed	**11,560,361**	16,537,926
	41,221,829	49,241,630
Less allowance for impairment	**(3,085,637)**	(3,085,637)
	38,136,192	46,155,993
Securities available for sale		
Listed equity securities	**1,889,458**	2,032,665
Unlisted equity securities	**3,051,931**	3,051,931
	4,941,389	5,084,596
Total investment securities	**43,077,581**	51,240,589
Current	**18,881,633**	18,193,803
Non-current	**24,195,948**	33,046,786
	43,077,581	51,240,589

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at 31 December 2014 was 5.80% (2013 -5.72%).

(expressed in Eastern Caribbean dollars)

12 Investment securities...*continued*

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

	Held-to-maturity $	Available for sale $	Held for trading $	Loans and receivables -bonds $	Total $
At 1 January 2014	**46,155,993**	**5,084,596**	**45,518**	**10,032,877**	**61,318,984**
Additions	**310,932**	**-**	**478**	**32,877**	**344,287**
Currency revaluation	**-**	**-**	**(5,494)**	**-**	**(5,494)**
Disposals (sale and redemption)	**(8,330,733)**	**-**	**-**	**(32,877)**	**(8,363,610)**
Losses from change in fair value	**-**	**(143,207)**	**-**	**-**	**(143,207)**
At 31 December 2014	**38,136,192**	**4,941,389**	**40,502**	**10,032,877**	**53,150,960**
At 1 January 2013	58,564,702	5,241,126	41,109	10,032,877	73,879,814
Additions	5,675,706	-	2,445	-	5,678,151
Currency revaluation	-	-	1,964	-	1,964
Disposals (sale and redemption)	(17,313,515)	-	-	-	(17,313,515)
Impairment loss	(770,900)	-	-	-	(770,900)
Losses from change in fair value	-	(156,530)	-	-	(156,530)
At 31 December 2013	**46,155,993**	**5,084,596**	**45,518**	**10,032,877**	**61,318,984**

13 Related parties balances and transactions

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

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

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

(expressed in Eastern Caribbean dollars)

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

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

	2014 $	2013 $
Bank of Saint Lucia Limited		
Due from banks	**1,853,163**	11,759,202
Due to banks	**6,398,048**	6,147,592
	8,251,211	17,906,794
Eastern Caribbean Amalgamated Bank Limited		
Due from banks	**465,510**	448,825
Due to banks	**7,456,108**	7,112,500
Available for sale investments	**1,920,000**	1,920,000
	9,841,618	9,481,325
East Caribbean Financial Holding Company Limited		
Held to maturity investment	**811,775**	1,080,000
Government of St. Vincent and the Grenadines		
Held to maturity investment	**24,272,074**	30,035,644

Transactions carried out with related parties:

	2014 $	2013 $
Income		
Interest income	**2,096,512**	2,387,145
Expenses		
Interest expense	**516,278**	455,007
Management fees	**1,661,935**	1,146,162

(expressed in Eastern Caribbean dollars)

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

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

Other related parties balances with the Group:

	2014		2013	
	Loans $	**Deposits $**	**Loans $**	**Deposits $**
Government of St. Vincent and the Grenadines	**98,816,273**	**33,539,580**	92,294,692	41,277,795
Statutory bodies	**6,684,893**	**79,710,610**	7,520,307	65,740,644
	105,501,166	**113,250,190**	99,814,999	107,018,439
Directors and key management	**2,527,608**	**1,614,665**	1,751,549	920,289
	108,028,774	**114,864,855**	101,566,548	107,938,728

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

The loans issued to directors and other key management personnel are repayable monthly over an average of eight years and have a weighted average effective interest rates of 4.85% (2013 - 5.03%).

Interest income and interest expense with other related parties:

	2014		2013	
	Income $	**Expenses $**	**Income $**	**Expenses $**
Government of St. Vincent and the Grenadines	**8,257,487**	**1,499,813**	6,978,138	2,312,735
Statutory bodies	**551,824**	**2,720,270**	444,856	2,465,320
Directors and key management	**104,220**	**51,032**	62,034	34,708
	8,913,531	**4,271,115**	7,485,028	4,812,763

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

	2014 $	2013 $
Salaries and other short-term benefits	**1,286,763**	1,162,875
Pension cost	**49,282**	42,880
	1,336,045	1,205,755

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2014

(expressed in Eastern Caribbean dollars)

14 Property and equipment

	Land and building $	Leasehold Improvements $	Office Furniture and Equipment $	Work in Progress $	Computer Equipment and Software $	Motor Vehicles $	Total $
Year ended 31 December 2013							
Opening net book amount	48,048,294	218,664	7,673,032	1,496,175	2,433,923	85,300	59,955,388
Additions	348,576	-	1,605,031	-	696,483	214,768	2,864,858
Transfers	-	-	-	(1,280,027)	-	-	(1,280,027)
Disposals	-	-	(11,879)	-	(142)	(3)	(12,024)
Depreciation charge	(574,832)	(101,815)	(1,497,873)	-	(663,050)	(50,794)	(2,888,364)
Closing net book amount	47,822,038	116,849	7,768,311	216,148	2,467,214	249,271	58,639,831
At 31 December 2013							
Cost	49,654,714	1,495,810	15,906,657	216,148	9,442,525	847,034	77,562,888
Accumulated depreciation	(1,832,676)	(1,378,961)	(8,138,346)	-	(6,975,311)	(597,763)	(18,923,057)
Net book amount	47,822,038	116,849	7,768,311	216,148	2,467,214	249,271	58,639,831
Year ended 31 December 2014							
Opening net book amount	**47,822,038**	**116,849**	**7,768,311**	**216,148**	**2,467,214**	**249,271**	**58,639,831**
Additions	**566,164**	**-**	**485,977**	**548,465**	**687,277**	**146,980**	**2,434,863**
Transfers	**-**	**-**	**7,557**	**(45,021)**	**-**	**-**	**(37,464)**
Disposals	**-**	**-**	**(7,624)**	**-**	**(5,581)**	**(3)**	**(13,208)**
Depreciation charge (Note 30)	**(577,653)**	**(54,990)**	**(1,495,483)**	**-**	**(803,165)**	**(90,006)**	**(3,021,297)**
Closing net book amount	**47,810,549**	**61,859**	**6,758,738**	**719,592**	**2,345,745**	**306,242**	**58,002,725**
At 31 December 2014							
Cost	**50,220,878**	**1,495,810**	**15,826,719**	**719,592**	**9,354,559**	**782,441**	**78,399,999**
Accumulated depreciation	**(2,410,329)**	**(1,433,951)**	**(9,067,981)**	**-**	**(7,008,814)**	**(476,199)**	**(20,397,274)**
Net book amount	**47,810,549**	**61,859**	**6,758,738**	**719,592**	**2,345,745**	**306,242**	**58,002,725**

(expressed in Eastern Caribbean dollars)

15 Investment property

	2014 $	2013 $
Cost at 1 January	**3,809,400**	3,809,400
Book value at 1 January	**4,331,000**	4,437,000
Disposal	**-**	(106,000)
Book value at 31 December	**4,331,000**	4,331,000

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

16 Other assets

	2014 $	2013 $
Other receivables	**4,704,057**	3,886,138
Prepaid expenses	**1,210,155**	1,198,183
	5,914,212	5,084,321

17 Deferred tax liability

The movement on the deferred tax liability is as follows:

	2014 $	2013 $
At beginning of year	**(244,563)**	549,459
Current year charge (Note 33)	**(408,327)**	(794,022)
At end of year	**(652,890)**	(244,563)

The deferred tax asset account is detailed below:

	2014 $	2013 $
Unutilised tax losses	**(652,890)**	539,322
Temporary differences on capital assets	**-**	(783,885)
	(652,890)	(244,563)

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

(expressed in Eastern Caribbean dollars)

18 Deposits from banks

	2014 $	2013 $
Deposits from other banks	**40,212,066**	42,788,717

Interest rates range from 2.50% to 3.85% (2013 - 3.50% to 4.00%).

19 Due to customers

	2014 $	2013 $
Term deposits	**148,798,759**	148,998,191
Saving deposits	**280,928,743**	248,483,119
Demand deposits	**221,614,233**	191,658,163
	651,341,735	589,139,473
Current	**651,341,735**	589,139,473

The weighted average effective interest rate of customers' deposits at 31 December 2014 was 3.06% (2013 - 3.32 %).

20 Borrowings

	Due	Interest Rate %	2014 $	Interest Rate %	2013 $
Caribbean Development Bank	**2013 – 2029**	**3.05**	**24,697,917**	3.15	19,645,401
National Insurance Scheme	**2012 – 2025**	**5.94**	**21,714,398**	5.74	22,726,857
ECHMB		**7.87**	**25,238,136**	8.15	23,917,556
			71,650,451		66,289,814

(expressed in Eastern Caribbean dollars)

20 Borrowings*...continued*

	2014 $	2013 $
Current	**5,232,713**	4,197,431
Non-current	**66,417,738**	62,092,383
	71,650,451	66,289,814

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

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

The Group had undrawn facilities at the end of the financial reporting period of $9,590,549 (2013 $15,978,062) with the Caribbean Development Bank.

21 Other liabilities

	2014 $	2013 $
Managers' cheques outstanding	**1,524,186**	1,284,047
Trade and other payables	**11,219,249**	9,395,635
Customers Security Deposits	**33,035,024**	24,892,665
	45,778,459	35,572,347

22 Share capital

	2014 $	2013 $
Issued and fully paid:		
10,000,000	**14,753,306**	14,753,306

(expressed in Eastern Caribbean dollars)

23 Reserves

	2014 $	2013 $
At beginning and end of year	**14,753,306**	14,753,306

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

24 Contingent liabilities and commitments

Commitments

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

	2014 $	2013 $
Loan commitments	**7,314,450**	7,713,000
Guarantees and letters of credit	**1,511,291**	1,412,665
	8,825,741	9,125,665

25 Net interest income

	2014 $	2013 $
Interest income		
Loans and advances	**45,158,509**	43,143,775
Treasury bills and investment securities	**3,400,191**	4,438,696
Deposits with banks	**82,218**	242,923
	48,640,918	47,825,394
Interest expense		
Savings deposits	**9,282,448**	8,598,612
Time deposits	**7,322,698**	7,957,512
Demand deposits	**3,341,055**	3,078,603
Other borrowed funds	**2,094,453**	2,041,189
Correspondent banks	**204,324**	208,521
	22,244,978	21,884,437
Net interest income	**26,395,940**	25,940,957

(expressed in Eastern Caribbean dollars)

26 Net fee and commission income

	2014 $	2013 $
Credit relates fees and commissions	**7,063,600**	6,623,709

27 Dividend income

	2014 $	2013 $
Investment available for sale	**66,096**	49,414

28 Net foreign exchange trading income

	2014 $	2013 $
Foreign exchange		
Net realized gains	**4,783,843**	5,160,986
Net unrealized gains	**(188,907)**	163,579
	4,594,936	5,324,565

29 Other gains

	2014 $	2013 $
Recovery gain on termination of insurance	**1,289,569**	-
Gain from disposal of fixed asset	**40,458**	105,505
Loss on sale of Investment Properties	**-**	(15,750)
	1,330,027	89,755

(expressed in Eastern Caribbean dollars)

30 Operating expenses

	2014 $	2013 $
Employee benefit expense (Note 31)	**9,677,982**	8,819,051
Interest levy expense	**3,926,720**	3,827,768
Rent	**275,117**	282,908
Audit and accounting fees	**326,029**	314,715
Director fees	**356,780**	254,722
Computer expense	**66,439**	21,418
Insurance	**675,564**	615,380
Repairs and maintenance	**444,428**	669,765
Subscription and donations	**665,684**	137,131
Commission and fees	**949,863**	779,860
Depreciation (Note 14)	**3,021,297**	2,888,364
Utilities	**2,405,120**	2,584,388
Credit card expenses	**1,222,953**	1,018,023
Management fees	**1,661,935**	1,146,162
Advertisement and sponsorship	**355,642**	435,278
Legal and professional fees	**111,992**	996,793
Postage and stationary	**766,194**	880,056
Bank and other licences	**958,162**	1,106,888
Security	**525,073**	503,133
Other expenses	**2,355,164**	2,133,465
	30,748,138	29,415,268

31 Employee benefit expense

	2014 $	2013 $
Wages and salaries	**7,574,952**	7,010,295
Other staff cost	**1,781,709**	1,525,777
Pensions	**321,321**	282,979
	9,677,982	8,819,051

The number of employees at 31 December 2014 was 168 (2013 - 161).

(expressed in Eastern Caribbean dollars)

32 Recoveries of loans and advances, net

	2014 $	2013 $
Provision against profit for the year	**(716,220)**	(99,779)
Amounts written off during the year as uncollectible	**(14,511)**	(134,383)
Recoveries of amounts previously written off	**807,881**	1,429,924
	77,150	1,195,762

33 Income tax expense

	2014 $	2013 $
Prior Year Under Provision	**2,700,000**	-
Current tax	**2,576,735**	753,237
Deferred tax	**408,327**	794,022
	5,685,062	1,547,259

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

	2014 $	2013 $
Profit before income tax	**8,779,611**	9,037,994
Tax calculated at the applicable tax rate of 32.5%	**2,853,373**	2,937,348
Tax effect of exempt income	**(4,706,625)**	(1,446,828)
Tax effect of expenses not deductible for tax purposes	**4,790,088**	56,739
Prior year understatement of income tax	**2,700,000**	-
Other temporary differences	**48,226**	-
	5,685,062	1,547,259

The Group has no unutilised tax losses as at December 31, 2014 (2013 - $1,658,412) for which the deferred tax asset has been recognised as the Group is expected to generate future profits. 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 losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2014

(expressed in Eastern Caribbean dollars)

34 Earnings per share

Earnings per share (EPS) are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The EPS calculated for 2014 was $0.31 (2013 - $0.75).

35 Cash and cash equivalents

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

	2014 $	2013 $
Cash and balances with Central Bank (Note 5)	**78,691,085**	27,679,090
Items in the course of collection with banks (Note 7)	**7,396,344**	7,386,437
Placement with other banks (Note 7)	**79,564,223**	58,917,830
Financial assets held-for-trading (Note 8)	**40,502**	45,518
	165,692,154	94,028,875

36 Dividends

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

Pursuing Excellence...Inspiring Positive Growth

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Annual
Report
2014

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