

**CARIBBEAN COMMERCIAL INVESTMENT
BANK LIMITED**

Financial Statements

October 31, 2014

Draft - July 22, 2015



CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

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Draft - July 22, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

We have audited the accompanying financial statements of Caribbean Commercial Investment Bank Limited (the Bank), which comprise the statement of financial position as at October 31, 2014, the statements of loss and other comprehensive income, changes in shareholder's deficiency and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT *(cont'd)*

To the Shareholders of
CARIBBEAN COMMERCIAL INVESTMENT BANK IMITED

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 of the financial statements. As at October 31, 2014, the Bank had negative Shareholder's equity of \$1,748,548 and an accumulated deficit of EC\$ 15,638,548 (2013: \$12,680,074) and net cash outflows from operating activities amounting to \$24,022,435 which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We draw attention to Note 23 of the financial statements which describes the instructions received from the Anguilla Financial Services Commission to the Bank to cease writing new business. This may pose challenges to the Bank's ability to generate sufficient profits and cash flows and meets its obligations as they become due.

Chartered Accountants
DATE

Antigua and Barbuda

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Statement of Financial Position

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and equivalents		\$ 20,697	24,145,165
Loan to parent company	8	101,171,859	82,220,221
Investment securities – net	9	5,992,686	5,874,180
Loans and advances to customers – net	10	4,665,126	6,441,004
Accrued interest receivables – net	11	668,242	675,904
Equipment and software costs – net	12	14,125	21,923
Other assets		22,718	28,903
Total Assets		\$ 112,555,453	119,407,300
Liabilities and Shareholder’s Deficiency			
Liabilities			
Deposits from customers	13	\$ 112,807,162	116,026,643
Accrued interest payable	14	939,868	1,342,213
Accrued pension liability	15	396,801	674,075
Other liabilities		160,170	154,443
Total Liabilities		114,304,001	118,197,374
Shareholder’s Deficiency			
Share capital	16	8,090,000	8,090,000
Statutory reserve		5,800,000	5,800,000
Accumulated deficit		(15,638,548)	(12,680,074)
Total Shareholder’s Deficiency		(1,748,548)	1,209,926
Total Liabilities and Shareholder’s Deficiency		\$ 112,555,453	119,407,300

Approved on: _____

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Conservator

.....
Eastern Caribbean Central Bank

The notes on pages 8 to 50 are an integral part of these financial statements.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Statement of Loss and Other Comprehensive Income

Year ended October 31, 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	2014	2013
Interest income			
Loan to parent company	\$	3,132,205	4,856,280
Loans and advances to customers		403,087	323,316
Investment securities		157,883	1,225,474
		<u>3,693,175</u>	<u>6,405,070</u>
Interest expense			
Savings		(190,823)	(322,293)
Demand		-	(14,938)
Time		(2,633,517)	(4,247,962)
		<u>(2,824,340)</u>	<u>(4,585,193)</u>
Net interest income	\$	<u>868,835</u>	<u>1,819,877</u>
Other income/(expenses)			
Fees, charges and commissions	\$	31,438	38,098
Foreign exchange (loss)/gain – net		(85,073)	4,155
Net realized market loss on available-for-sale securities		(19,459)	(1,930,576)
		<u>(73,094)</u>	<u>(1,888,323)</u>
Operating expenses			
Salaries, bonuses and other allowances	18	(172,509)	(201,978)
Directors' fees		-	(267,000)
Occupancy and equipment-related expenses	19	(222,450)	(282,628)
Taxes, licenses and professional fees		(103,677)	(179,144)
Other	20	(88,294)	(161,945)
		<u>(586,930)</u>	<u>(1,092,695)</u>
Operating income/(loss) before impairment and recoveries	\$	<u>208,811</u>	<u>(1,161,141)</u>
Impairment losses and recoveries			
Impairment losses		(3,549,072)	(4,879,608)
		<u>(3,549,072)</u>	<u>(4,879,608)</u>
Net loss	\$	<u>(3,340,261)</u>	<u>(6,040,749)</u>
Attributable to shareholder	\$	<u>(3,340,261)</u>	<u>(6,040,749)</u>

The notes on pages 8 to 50 are an integral part of these financial statements

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Statement of Loss and Other Comprehensive Income

Year ended October 31, 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Net loss		\$ (3,340,261)	(6,040,749)
Other comprehensive income/(loss)			
Fair value reserve of available-for-sale investment securities			
Net change in fair value		-	674,980
Actual gain on deferred benefit plan		381,787	-
		<u>381,787</u>	<u>674,980</u>
Total comprehensive loss for the year		\$ (2,958,474)	(5,365,769)
Attributable to shareholder		\$ (2,958,474)	(5,365,769)

The notes on pages 8 to 50 are an integral part of these financial statements

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Statement of Changes in Shareholder's Deficiency

Year ended October 31, 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Share Capital</u>	<u>Statutory Reserve</u>	<u>Net unrealized market loss on available-for-sale securities</u>	<u>Unrealized loss on foreign exchange</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at October 31 2012	\$ 8,090,000	5,800,000	(674,980)	(25,945)	(6,639,325)	6,549,750
Net change in fair value during the year	-	-	674,980	-	-	674,980
Net loss	-	-	-	-	(6,040,749)	(6,040,749)
Net change in unrealised loss during the year	-	-	-	25,945	-	25,945
Balance at October 31, 2013	8,090,000	5,800,000	-	-	(12,680,074)	1,209,926
Total comprehensive loss	-	-	-	-	(2,958,474)	(2,958,474)
Balance at October 31, 2014	\$ 8,090,000	5,800,000	-	-	(15,638,548)	(1,748,548)

The notes on pages 8 to 50 are an integral part of these financial statements

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Statement of Cash Flows

Year ended October 31, 2014

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	2014	2013
Cash flows from operating activities			
Net loss		\$ (3,340,261)	(6,040,749)
Adjustments for:			
Impairment losses		3,549,072	4,879,608
Interest expense		2,824,340	4,585,193
Actuary pension adjustment		277,274	-
Pension cost		104,513	-
Depreciation and amortization expense	12	10,784	10,972
Net realized market (gain)/loss on AFS		(19,459)	1,930,576
Interest income		(3,693,175)	(6,405,070)
		(286,912)	(1,039,470)
Change in:			
Loan to parent company		(18,951,638)	(3,567,665)
Loans and advances to customers	10	(1,765,532)	367,148
Other assets		6,185	5,315
Deposits from customers		(3,621,826)	1,257,609
Other liabilities		5,727	23,165
Accrued pension Liability		(277,274)	-
Cash used in operations		(24,891,270)	(2,953,898)
Interest received		3,693,175	6,261,230
Interest paid		(2,824,340)	(5,216,287)
Net cash used in operating activities		\$ (24,022,435)	(1,908,955)
Cash flows from investing activities			
Net proceeds from sale/exchange of investment securities		19,459	26,055,426
Acquisition of equipment		(2,986)	(1,306)
Acquisition of investment		(118,506)	-
Net cash (used in)/provided by investing activities		\$ (102,033)	26,054,120
Net (decrease)/increase in cash		(24,124,468)	24,145,165
Cash at beginning of year		\$ 24,145,165	-
Cash at end of year		\$ 20,697	24,145,165

The notes on pages 8 to 50 are an integral part of these financial statements.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

1. Reporting Entity:

Caribbean Commercial Investment Bank Limited (the “Bank”) is incorporated in Anguilla under the Trust Companies and Offshore Bank Act, 2000, R.S.A.c.T60. The Bank is a wholly-owned subsidiary of the Caribbean Commercial Bank (Anguilla) Limited (CCB), which is required to carry on offshore banking business separate to its domestic operations. The Bank commenced offshore banking operations on 1 November 2004.

The Bank’s registered office and principal place of business is at St. Mary’s Street, The Valley, Anguilla, British West Indies (B.W.I.).

2. Going Concern:

These financial statements are prepared on the going concern basis which assumes that the Bank will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at October 31, 2014, the Bank had negative Shareholder’s equity of \$1,748,548 and reported an accumulated deficit of (\$15,638,548) (2013: (\$12,680,074)). In addition, the Bank has significant concentration risk with the parent company arising from its upstreamed deposits amounting to \$(101,171,859). These represent 87.10% of the Bank’s total assets and 89.59% of the Bank’s total customer deposits. This poses a risk to the Bank in the event that the parent company becomes unable to pay such deposits on demand.

Further, the directive issued by the Anguilla Financial Services Commission that the Bank should not accept new business may pose challenges to its ability to generate sufficient profits and cash flows to support its operations.

The Bank’s ability to continue as a going concern is therefore dependent on both its ability, and the ability of its parent company, Caribbean Commercial Bank (Anguilla) Limited, to sustain operating profits, along with maintaining adequate liquidity reserves, thus allowing both entities to meet financial obligations as they fall due.

The former Board of Directors of the Bank and the parent company devised the following operational and strategic plans to address the existing threats to profitability and liquidity:

- Continue to implement the five-year investment divestment plan which aims to diversify the Bank’s investment portfolio mix and manage exposures
- Devise and implement a capital augmentation plan
- Implement a plan to reduce non-performing loans
- Maintain the existing credit line with Smith Barney for alternative source of funding
- Continue dialogue with significant depositors to manage threats to liquidity
- Reduce discretionary spending
- Constant dialogue with the Anguilla Financial Services Commission in respect of the existing directive to cease and desist from doing new business with customers.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

2. **Going Concern:** (*cont'd*)

Management is of the opinion that these initiatives currently under way will allow the Bank and the parent company to achieve the profitability that will allow the Bank to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate, then adjustments would be necessary to update the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

3. **Basis of Preparation:**

(a) *Statement of Compliance:*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank's financial statements as at and for the year ended October 31, 2014, were approved and authorized for issue by the Conservator on _____.

(b) *Basis of Measurement:*

The financial statements of the Bank have been prepared on the historical cost basis except for available-for-sale (AFS) securities which are measured at fair value.

(c) *Functional and Presentation Currency:*

These financial statements are presented in Eastern Caribbean Dollars (EC Dollars), which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presented in EC Dollars has been rounded to the nearest dollar.

(d) *Use of Estimate and Judgements:*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

3. **Basis of Preparation:** (*cont'd*)

(d) *Use of Estimate and Judgements:* (*cont'd*)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 6.

(e) *Change in Accounting Policies and Disclosures:*

The accounting policies adopted are consistent with those of the previous financial year except that the Bank has adopted the following amendments to standards:

- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* effective 1 July 2013

The adoption of these amendments to standards were considered in the preparation of the Bank's financial statements as at and for the year ended October 31, 2014.

4. **Summary of Significant Accounting Policies:**

The accounting policies set out below have been applied consistently by the Bank to all periods presented in these financial statements.

(a) *Foreign Currency Transactions:*

Transactions in foreign currencies are translated to Eastern Caribbean Dollars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Eastern Caribbean Dollars at the foreign exchange rate ruling at that date. Translation gains or losses of assets and liabilities are recognized in the profit or loss.

Outstanding non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Eastern Caribbean Dollars at the foreign exchange rates ruling at the date of the acquisition.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(b) *Interest Income and Expenses:*

Interest income and expense are recognized in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees, discounts or premiums and directly related transaction costs that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset.

Interest income presented in the profit or loss includes:

- interest on deposits to CCB;
- interest on loans and advances to customers valued at amortized cost on an effective interest rate basis; and
- interest on investment securities on an effective interest rate basis.

Interest expense presented in the profit or loss pertains to interest paid to depositors.

(c) *Service Charge, Fees and Commissions:*

Service charges, fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the determination of the effective interest rate.

Other service fees and commissions that relate to the execution of a significant act are recognized when the significant act has been completed. Fees charged for providing ongoing services are recognized as income over the period the service is provided.

(d) *Leases:*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the profit or loss on a straight-line basis over the term of the lease.

(e) *Financial Assets and Liabilities:*

(i) *Recognition:*

The Bank initially recognized held-to-maturity investment securities, loans and advances to bank and customers, deposit liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(e) Financial Assets and Liabilities: (*cont'd*)

(ii) Derecognition:

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

Derecognition also takes place for certain assets when the Bank writes off balances pertaining to the assets deemed to be uncollectible.

The Bank derecognizes a financial liability when its contractual obligations have been discharged, cancelled or expire.

(iii) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iv) Amortized Cost Measurement:

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Fair Value Measurement:

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method and comparison to similar instruments for which market observable prices exist.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(e) Financial Assets and Liabilities: (*cont'd*)

(vi) Identification and Measurement of Impairment:

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the profit or loss and reflected in an allowance account against loans and advances to customers.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit or loss

Impairment losses on available-for-sale securities are recognized by transferring the difference between the amortized acquisition cost and current fair value out of equity to the profit or loss. When a subsequent event causes the amount of impairment loss on available-for-sale debt security to decrease, the impairment loss is reversed through the profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(f) *Loan to Parent Company:*

This includes cash deposits with Caribbean Commercial Bank (Anguilla) Limited, the parent company which are subject to significant risk of changes in their fair value.

(g) *Loans and Advances to Customers:*

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method except when the Bank chooses to carry the loans and advances at fair value through profit or loss.

(h) *Investment Securities:*

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) *Held-to-Maturity Investments:*

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investment securities are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investment securities not close to their maturity would result in the reclassification of all held-to-maturity investment securities as available-for-sale, and prevent the Bank from classifying securities as held-to-maturity for the current and the following two financial years.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(h) Investment Securities: (*cont'd*)

(ii) Available-for-Sale Securities:

Available-for-sale securities are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale securities are carried at fair value.

Interest income is recognized in the profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale securities are recognized in the profit or loss.

Other fair value changes are recognized directly in equity until the investment is sold or impaired and the balance in equity is recognized in the profit or loss.

(iii) Other Non-derivative Financial Assets:

Other non-derivative financial instruments are measured at cost less any impairment losses.

(i) Equipment and Software Costs:

(i) Recognition and Measurement:

Items of equipment and software costs are stated at cost less accumulated depreciation and amortization and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of equipment and software costs have different useful lives, they are accounted for as separate items (major components) of equipment and software costs.

Gains and losses on disposal of an item of equipment and software costs are determined by comparing the proceeds from disposal with the carrying amount of equipment and software costs and are recognized net within "Other" in the profit or loss.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(i) *Equipment and Software Costs:*

(ii) *Subsequent Costs:*

The cost of replacing part of an item of equipment and software costs is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of equipment and software costs are recognized in the profit or loss as incurred.

(iii) *Depreciation and Amortization:*

Depreciation and amortization are charged to the profit or loss on the straight line basis over the estimated useful lives of each part of an item of equipment and software costs. The estimated useful lives for the current and comparative years are as follows:

Equipment	3 years
Software costs	4 years

Depreciation and amortization methods, useful lives and residual values are reviewed at each reporting date.

(j) *Investment of Non-financial Assets:*

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) *Deposits from Customers:*

Deposits from customers are the Bank's sources of debt funding.

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except, where the Bank chooses to carry the liabilities at fair value through profit or loss.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(l) *Provisions:*

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(m) *Employee Benefits:*

(i) *Defined Benefit Plan:*

On 1 July, 1998, CCB, the parent company, introduced a defined benefit plan for its employees. Each employee both male and female in the active permanent employment of CCB and CCIB as of the effective date shall be eligible to join the plan. Each employee shall be given the option to join the plan with a two (2) year grace period. After the effective date and the two (2) year grace period, new employees of less than fifty (50) years of age shall be required to join the plan. Every member shall contribute to the plan each month until he ceases to be a member or has attained the age of sixty (60), whichever first occurs. The amount payable to the fund by a member shall be five (5%) of his pensionable salary. CCB and CCIB shall contribute eight (8%) of the pensionable salary. Pensionable salary is defined as the average salary of the last three (3) years preceding retirement.

The defined benefit plan pools assets contributed by CCB, the parent company, and CCIB. Based on stated policy, CCIB is required to contribute to the plan and recognize pension expense in its separate financial statements, at amounts determined by the actuary.

The Bank's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to CCB and CCIB, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit or loss.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(m) Employee Benefits: (*cont'd*)

(i) Defined Benefit Plan: (*cont'd*)

In respect of actuarial gains and losses that arise in calculating CCB's and CCIB's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten (10) percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

When the calculation results in a benefit to CCB and CCIB, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(n) Dividends:

Dividends are recognized as liabilities in the period in which they are sanctioned by the shareholder.

(o) Borrowing Costs:

Borrowing costs are expensed as incurred, except for borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets which are capitalized as part of such assets.

(p) Share Capital and Reserves:

(i) Ordinary Shares:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

(ii) Statutory reserves:

Section 14 (1) of the Banking Ordinance of 1991 states that every licensed financial institution shall maintain a reserve fund and shall, out of its net income of each year and before any dividend is declared, transfer to "Statutory reserve" a sum equal to not less than twenty percent of such income whenever the amount of the "Statutory reserve" is less than a hundred percent of the paid-up or, as the case may be, assigned capital of the financial institution.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(q) *Related Party Transactions:*

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

(r) *Events after Reporting Date:*

Post year-end events that provide additional information about the Bank's financial position at reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

(s) *New Standards, Amendments to Standards and Interpretations not yet Adopted:*

A number of new standards, amendments to standards and interpretations that have been issued, not yet effective as at October 31, 2014 and are relevant to the Bank's operations follows:

- Amended IAS 27 *Separate Financial Statements (2011)* effective for annual reporting periods beginning on or after 1 January 2014. This amended standard now only deals with the requirements of separate financial statements. This standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly-controlled entities are accounted for either at cost, or in accordance with IFRS 9, *Financial Instruments*.
- IAS 28 *Investments in Associates and Joint Ventures (2011)* effective for annual reporting periods beginning on or after 1 January 2014. This standard superseded IAS 28, *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- IFRS 9 *Financial Instruments (2009)* effective on or after 1 January 2015. This standard introduces new requirements for classifying and measuring financial assets, as follows: (a) debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortized cost; (b) investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognized in profit or loss; (c) all other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss; and (d) the concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the aforementioned guidelines.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

4. Summary of Significant Accounting Policies: (*cont'd*)

(s) New Standards, Amendments to Standards and Interpretations not yet Adopted: (*cont'd*)

- IFRS 9 *Financial Instruments (2010)* effective on or after 1 January 2015. This revised standard incorporates revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39, *Financial Instruments: Recognition and Measurement*.
- IFRS 10 *Consolidated Financial Statements* effective on or after 1 January 2014. This standard requires a parent company to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*.
- IFRS 11 *Joint Arrangements* effective on or after 1 January 2014. This standard replaces IAS 31 *Interests in Joint Ventures*. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- IFRS 12 *Disclosure of Interests in Other Entities* effective on or after 1 January 2014. It requires the extensive disclosure of information that enable users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 *Fair Value Measurement* effective on or after 1 January 2014. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- IAS 19 *Employee Benefits (2011)* effective on or after 1 January 2014. The amended IAS 19 includes the following requirements: (a) actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and (b) expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:**

(a) *Introduction and Overview:*

The Bank has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk Management Framework

The Conservator has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Conservator has established the Investment and Loan Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees have executive members and report regularly to the Conservator on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) *Credit Risk:*

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's investment securities, loans and advances to banks and customers and cash. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(b) *Credit Risk:* (*cont'd*)

Management of Credit Risk:

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. The Conservator has delegated responsibility for the management of credit risk to its Loan Committee. The Loan Committee is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with the Conservator and staff, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to the Credit Manager, Senior Manager by the Loans Committee and the Board of Directors, as appropriate.
- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances to customers) and by issuer, credit rating band, market liquidity.
- Developing and maintaining the Bank's risk gradings in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of four grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Loan Committee.
- Reviewing compliance with agreed exposure limits, including those for selected industries, country risk and product type. Regular reports are provided to the Loan Committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to departments to promote best practice throughout the Bank in the management of credit risk.

The credit department is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Loan Committee. The credit department has a Credit Manager who reports on all credit related matters to top management and the Loan Committee. The credit department is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Audits of the credit department processes are undertaken by Internal Audit.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(b) *Credit Risk:* (*cont'd*)

Exposure to Credit Risk:

(i) *Loans and Advances to Customers:*

	2014	2013
Carrying amount	\$ 4,665,126	6,441,004
Individually impaired		
Rating 1: Pass	-	-
Rating 2: Special mention	-	-
Rating 3: Sub-standard	-	-
Rating 4: Doubtful	7,817,763	7,589,544
Gross amount	7,817,763	7,589,544
Allowance for impairment	(6,642,136)	(6,109,277)
Carrying amount	1,175,627	1,480,267
Collectively impaired		
Rating 1: Pass	6,505,712	4,960,737
Rating 2: Special mention	-	-
Rating 3: Sub-standard	-	-
Rating 4: Doubtful	-	-
Gross amount	6,505,712	4,960,737
Allowance for impairment	(3,016,213)	-
Carrying amount	3,489,499	4,960,737
Past due but not impaired		
Rating 1: Pass	-	-
Rating 2: Special mention	-	-
Rating 3: Sub-standard	-	-
Rating 4: Doubtful	-	-
Carrying amount	-	-
Total carrying amount	\$ 4,665,126	6,441,004

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(b) *Credit Risk:* (*cont'd*)

Exposure to Credit Risk: (*cont'd*)

(ii) *Investment Securities:*

The credit quality of the Bank's investment securities based on Standard and Poor's organizational credit ratings are presented as follows:

	2014	2013
Carrying amount	\$ 5,992,686	5,874,180
Impaired		
AAA - AA	-	-
A	-	-
BBB – BB	-	-
CCC and below	-	-
Unrated	-	-
Carrying amount	-	-
Unimpaired		
AAA - AA	-	-
A	-	-
BBB – BB	-	-
B	-	-
CCC and below	-	-
Unrated	5,992,686	5,874,180
Carrying amount	5,992,686	5,874,180
Total carrying amount	\$ 5,992,686	5,874,180

(iii) *Loan to Parent Company:*

This refers to the cash deposits with Caribbean Commercial Bank (Anguilla) Limited, the parent company. Management believes that the parent company has sufficient assets to pay off this amount upon demand of the Bank. Thus, no related impairment is necessary.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(b) *Credit Risk:* (*cont'd*)

Exposure to Credit Risk: (*cont'd*)

Impaired Loans and Securities:

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past Due but not Impaired Loans:

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Loans and Securities with Renegotiated Terms:

Loans and securities with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowance for Impairment:

The Bank establishes allowance for impairment losses that represents its estimate of incurred losses in its loan and investment securities portfolio. The main component of this allowance is the specific loss component that relates to individually significant exposures, and a collective loan loss allowance for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off Policy:

The Bank writes off a loan balance (and any related allowances for impairment losses) when the credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on product specific past due status.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(b) *Credit Risk:* (*cont'd*)

Exposure to Credit Risk: (*cont'd*)

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Investment Securities		Loans and advances to Customers	
	Gross	Net	Gross	Net
October 31, 2014				
Unrated	\$ 4,425,036	-	7,817,763	1,509,675
October 31, 2013				
Unrated	\$ 4,425,036	-	7,589,544	1,480,267

The Bank holds collateral against loans and advances to customers. Collateral is usually in the form of land and buildings, other real estate properties, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated periodically. Collateral is not usually held against investment securities and no such collateral was held as at October 31, 2014 and 2013.

Estimates of the fair value of collateral and other security enhancements held against loans and advances to customers as at October 31, 2014 and 2013 are shown below:

	2014	2013
Against individually impaired		
Property	\$ 5,980,768	5,872,500
Against collectively impaired		
Property	16,577,728	18,762,481
Cash	3,583,692	115,699
Against past due but not impaired		
Property	-	-
Against neither past due nor impaired		
Property	-	-
Cash	-	-
	\$ 26,142,188	24,750,680

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management: (*cont'd*)

(b) Credit Risk: (*cont'd*)

Exposure to Credit Risk: (cont'd)

The Bank monitors concentrations of credit risk by sector and by geographical location. An analysis of economic sector credit risk concentrations of outstanding loans is presented in the table below:

<i>(In thousand EC Dollars)</i>	Investment Securities		Loans and advances to Customers	
	2014	2013	2014	2013
Gross amount	\$ 10,418	10,299	14,323	12,457
Concentration by sector				
Construction and land development	-	-	4,292	6,596
Distributive trade	-	-	-	-
Financial services	10,418	10,299	-	-
Personal Housing	-	-	3,842	-
Transportation	-	-	5,835	5,835
Personal – other	-	-	354	26
	10,418	10,299	14,323	12,457
Concentration by location				
United States	-	-	4,441	5,494
British Virgin Islands	-	-	6,090	6,110
St. Maarten	-	-	365	567
US Virgin Islands	-	-	206	213
Other	10,418	10,299	3,221	73
	\$ 10,418	10,299	14,323	12,457

Concentration by location for loans and advances to customers is measured based on the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

Settlement Risk:

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a Bank to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Bank risk.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(b) *Credit Risk:* (*cont'd*)

Settlement Risk: (*cont'd*)

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a Bank to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Bank risk.

(c) *Liquidity Risk:*

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of Liquidity Risk:

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Conservator assesses information regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintains a portfolio of short-term liquid assets, largely made up investment securities, to ensure that sufficient liquidity is maintained by the Bank.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Conservator. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Conservator.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(c) *Liquidity Risk:* (*cont'd*)

Exposure to Liquidity Risk:

The Bank has access to a diverse funding base. Funds are raised during a broad range of instruments including deposits, other liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The Conservator addresses the liquidity needs of the Bank to assure that sufficient funds are available to meet credit demand and deposit withdrawals. In assessing liquidity, equal consideration is given to the current position as well as the future outlook. It is the policy of the Bank to monitor the following liquidity measures and keep them within the limits.

- a. Loans to capital ratio
- b. Loans to available deposits
- c. Net liquid assets to net liabilities

The following are the liquidity ratios used by the Bank in measuring and monitoring its liquidity risk as at October 31:

	2014	2013
At 31 October		
Loans to capital ratio	4.80	7.28
Loans to available deposits	0.07	0.06
Net liquid assets to net liabilities	0.89	0.91

The above liquidity measures are reviewed internally on a historical basis and externally when possible with other banks.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management: (*cont'd*)

(c) Liquidity Risk: (*cont'd*)

Residual Contractual Maturities of Financial Liabilities:

(In thousands of EC Dollars)	Notes	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 year	1-5 years	Over 5 years
October 31, 2014						
Deposits from customers	13	112,807	(112,807)	(68,923)	(43,884)	-
Accrued interest payable	14	840	(940)	(464)	(476)	-
Other liabilities		160	(160)	(160)	-	-
		113,907	(113,907)	(69,547)	(44,360)	-

(In thousands of EC Dollars)	Notes	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 year	1-5 years	Over 5 years
October 31, 2013						
Deposits from customers	13	\$ 116,027	(116,027)	(80,218)	(35,809)	-
Accrued interest payable	14	1,342	(1,342)	(782)	(560)	-
Other liabilities		154	(154)	(154)	-	-
		\$ 117,523	(117,523)	(81,154)	(36,369)	-

(d) Market Risk:

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of Market Risk:

The Bank exposure to market risk relates only to its non-trading portfolios. The overall authority for market risk is vested in the Conservator. The Conservator is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Interest Rate Risk:

The principal risk to which the Bank's non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(d) *Market Risk: (cont'd)*

Interest Rate Risk: (cont'd)

A summary of the Bank's interest rate gap position is as follows:

<i>(In thousands of EC Dollars)</i>	Effective interest rate	2014			
		Total	Up to 1 year	1-5 years	More than 5 Years
Loan to parent company	3%	\$ 101,059	101,059	-	-
Investment securities – gross	2%	10,418	10,418	-	-
Loans and advances to customers – gross	7.5% - 10.5%	14,323	239	953	13,132
		125,800	111,716	953	13,132
Deposits from customers	2.36%	112,807	68,923	43,884	-
		\$ 12,993	42,793	(42,931)	13,132

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(d) *Market Risk: (cont'd)*

Interest Rate Risk: (cont'd)

<i>(In thousands of EC Dollars)</i>	Effective interest rate	2013			
		Total	Up to 1year	1-5 years	More than 5 Years
Loan to parent company	6.00%	\$ 82,220	82,220	-	-
Investment securities – gross	0% - 4.75%	10,299	10,299	-	-
Loans and advances to customers – gross	7.5%-12%	12,550	1,020	907	10,623
		105,069	93,539	907	10,623
Deposits from customers	4.20%	(116,027)	(80,218)	(35,809)	-
		\$ (10,958)	13,321	(34,902)	10,623

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial asset and financial liabilities held. Interest rate risk is managed principally through monitoring interest rate gaps. The Bank does not have financial assets and liabilities carrying floating rates of interest.

The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve. As at October 31, 2014 and 2013, the Bank does not have fixed rate available-for-sale financial assets.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(d) *Market Risk:* (*cont'd*)

Equity Price Risk:

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The non-trading equity price risk exposure arises from the Bank's available-for-sale investment securities. A one point fifteen (1.15%) percent increase in the value of the Bank's available-for-sale investment securities at October 31, 2014 would have increased equity by \$0.118 million (2013: \$2.71 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

Foreign Currency Risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollars. There is no exposure to foreign currency risk in respect of the United States Dollars because the EC Dollar is pegged at EC\$2.70 for US\$1. However, there is an immaterial degree of exposure to foreign currency risk affecting the Bank's statement of profit or loss resulting from the fluctuation of other currencies like the Great Britain Pounds (GBP), Canadian Dollars (CAD), Euros (EUR) and the Dutch Guilder (NLG). Moreover, the Bank does not have any foreign currency exposure affecting its equity as there are no currency swaps and forward foreign exchange contracts used as cash flow hedges.

The table below illustrates the concentration of foreign currency risk as at October 31, 2014 and 2013:

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management: (*cont'd*)

(d) Market Risk: (*cont'd*)

Foreign Currency Risk: (cont'd)

(In thousand EC Dollars)

	2014			2013		
	Net	US\$	Others	Net	US\$	Others
Assets						
Loan to parent company	101,089	98,203	2,886	82,220	80,580	1,640
Investment securities - net	5,874	5,874	-	5,874	5,874	-
Loans and advances to customers - net	4,665	4,665	-	6,441	6,441	-
Accrued interest receivables - net	765	765	-	676	676	-
Equipment and software costs - net	14	14	-	22	22	-
Other assets	23	23	-	35	35	-
	112,430	109,544	2,886	95,268	93,628	1,640
Liabilities						
Deposits from customers	112,807	111,541	1,266	116,027	114,649	1,378
Accrued interest payable	940	936	4	1,342	1,333	9
Accrued pension liability	397	-	397	674	-	674
Other liabilities	160	160	-	154	154	-
	114,304	112,637	1,667	118,197	116,136	2,061

(e) Operational Risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

Operational risks arise from all of the Bank's operations and are faced by all business entities.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. **Financial Risk Management:** (*cont'd*)

(e) *Operational Risk:* (*cont'd*)

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Conservator. This responsibility is supported by the development of overall Bank's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

(f) *Capital Management:*

Regulatory Capital:

The Bank's lead regulator, the Eastern Caribbean Central Bank (ECCB), sets and monitors capital requirements for CCB as a whole. In implementing current capital requirements, ECCB requires CCB to maintain a prescribed ratio of total capital to total risk weighted assets.

CCB's regulatory capital is analysed into two tiers:

- Tier I capital, which includes paid up ordinary share capital, share premium, statutory reserves, capital reserves (excluding asset revaluations and reserves for losses on assets) and retained earnings.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management: (*cont'd*)

(f) Capital Management:

Regulatory Capital: (*cont'd*)

- Tier II capital, which includes fixed assets revaluation reserves, collective impairment allowances, paid-up perpetual cumulative preference shares, paid-up perpetual cumulative preference shares surplus, bonus shares from capitalization of unrealized asset revaluation reserves, un-audited undivided profits, mandatory convertible debt instruments, other hybrid capital instruments and subordinated term debt and limited life preference shares, if any.

The Bank's regulatory capital position, which is consolidated in CCB's regulatory position as reported to the ECCB, as at October 31, 2014 and 2013 is as follows:

(In thousand EC Dollars)	2014	2013
Tier I capital		
Share capital	\$ 8,090	8,090
Statutory reserves	5,800	5,800
Accumulated deficit	(15,638)	(12,680)
	(1,748)	1,210
Tier II capital		
General provision for loan losses	-	-
Unrealized loss on investments	-	-
Unrealized loss on foreign exchange	-	-
	-	-
Total regulatory capital	\$ (1,748)	1,210

As a licensed offshore bank, the Bank is required to maintain a paid-up share capital of not less than EC\$250,000, or such greater amount as may be ordered by the Governor, on the recommendation of the Anguilla Financial Services Commission, as the former may determine having regard to the nature of the offshore banking business.

6. Critical Accounting Estimates and Judgements:

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the critical estimates and judgments used in applying accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year and/or in future periods:

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

6. Critical Accounting Estimates and Judgements: (*cont'd*)

(a) *Impairment of Loan to Parent Company:*

The recoverable amount of the loan to parent company carried at amortized cost is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the profit or loss. Management believes that CCB has sufficient assets to pay this loan upon demand of the Bank. Thus, no related impairment was provided by the Bank.

(b) *Impairment Losses of Loans and Advances to Customers:*

The recoverable amount of loans and advances to customers carried at amortized cost is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the profit or loss.

Individually assessed impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. Collectively assessed impairment allowances are maintained to reduce the carrying amounts of portfolios of similar loans and advances, not specifically identified to be impaired, to their estimated recoverable amounts as at the reporting date.

(c) *Impairment Losses of Investment Securities:*

The recoverable amount of debt investment securities carried at amortized cost is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the profit or loss. Equity securities carried at fair value are impaired when there have been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. Debt securities carried at fair value are impaired when there is objective evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) *Estimated Useful Lives of equipment and software costs:*

The Bank estimates useful lives of equipment and software costs based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

6 Critical Accounting Estimates and Judgements: (*cont'd*)

(e) *Present Value of Retirement Obligation:*

The determination of the retirement obligation is dependent on the selection of certain assumptions used by the Bank in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates. The assumptions used in management's estimation of pension liability are shown in Note 15. In accordance with IFRS, actual results that differ from the Bank's assumptions, subject to the ten (10%) percent corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

While the Bank believes that the assumptions are reasonable and appropriate, any significant difference in the actual experience or significant changes in the assumptions may materially affect the cost of employee benefits and related obligations.

The present value of retirement obligation as at October 31, 2014 and 2013 are disclosed in Note 15.

(f) *Determination of Fair Values:*

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical measurement.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the observable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

6. Critical Accounting Estimates and Judgements: (*cont'd*)

(f) *Determination of Fair Values: (cont'd)*

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads used in estimating discount rates, bond and equity prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

(i) *Loan to Parent:*

The fair value of loan to a bank is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date.

(ii) *Loans and Advances to Customers:*

The fair value of loans and advances to customers is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date.

(iii) *Investment Securities:*

The fair value of available-for-sale investment securities is determined by reference to their quoted market price at the reporting date. The fair value of held-to-maturity investment securities is equivalent to the present value of the estimated future cash flows, discounted at the market interest as at the reporting date.

(iv) *Deposits from Customers:*

The fair value of savings and demand deposits with no specific maturity is assumed to be the amount payable on demand at the reporting date. The fair value of time deposits is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

7. Accounting Classification and Fair Values:

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest):

	<u>Notes</u>	<u>Trading</u>	<u>Other Amortized Cost</u>	<u>Held to Maturity</u>	<u>Loans and Receivables</u>	<u>Available- for-Sale</u>	<u>Total Carrying Amount</u>	<u>Fair Value</u>
October 31, 2014								
Loan to parent company	8	\$ -	101,171	-	-	-	101,171	101,171
Loans and advances to customers	10	-	-	-	14,323	-	14,323	14,323
Investment securities	9	-	-	5,993	-	4,425	10,418	5,993
		\$ -	<u>101,171</u>	<u>5,993</u>	<u>14,323</u>	<u>4,425</u>	<u>125,912</u>	<u>121,487</u>
Deposit from customers	13	\$ -	112,807	-	-	-	112,807	113,747
		\$ -	<u>112,807</u>	-	-	-	<u>112,807</u>	<u>113,747</u>
October 31, 2013								
Loan to parent company	8	-	82,220	-	-	-	82,220	82,220
Loans and advances to customers	10	-	-	-	12,457	-	12,457	12,457
Investment securities	9	-	-	5,874	-	4,425	10,229	5,874
		-	<u>82,220</u>	<u>5,874</u>	<u>12,457</u>	<u>4,425</u>	<u>104,906</u>	<u>100,551</u>
Deposits from customers	13	-	116,027	-	-	-	116,027	117,369
		-	<u>116,027</u>	-	-	-	<u>116,027</u>	<u>117,369</u>

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

8. Related Party Transactions:

In the ordinary course of business, the Bank has transactions with its directors, officers, shareholder and related interests. As at 31 October 2014 and 2013, the outstanding balances of the Bank's related party transactions are as follows:

<i>(In thousand EC Dollars)</i>	Interest rate	2014	Interest rate	2013
Loan to parent company	3.00%	\$ 101,171	6.00%	82,220
Interest income		3,132		4,856

Remuneration of key management personnel of the Bank are as follows:

<i>(In thousand EC Dollars)</i>	2014	2013
Directors' fees	\$ -	267

Other related party transactions:

<i>(In thousand EC Dollars)</i>	Notes	2014	2013
Service maintenance fees paid to joint venture		\$ 85	76
Rental expense paid to CCB	19	60	60
Service fee paid to CCB	20	49	49
Service fee paid to CCB	20	49	49
Pension expense paid to the plan	15	(272)	14

9. Investment Securities – Net:

	2014	2013
Held-to-maturity investment securities	\$ 5,992,686	5,874,180
Available-for-sale investment securities	4,425,036	4,425,036
	10,417,722	10,299,216
Less: allowance for impairment losses	(4,425,036)	(4,425,036)
	\$ 5,992,686	5,874,180

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

9. **Investment Securities – Net:** (*cont'd*)

	2014	2013
Allowance for impairment losses at beginning of year	\$ 4,425,036	2,212,518
Impairment losses during the year	-	2,212,518
Allowance for impairment losses at end of year	\$ 4,425,036	4,425,036

Held-to-maturity investment securities represent fixed deposits held with Bank of Nevis Limited with maturity of six (6) months and carry an interest rate of 4.75% per annum.

Details of available-for-sale investment securities as follows:

	2014	2013
Debt securities available-for-sale	\$ 4,425,036	4,425,036
Equity securities available-for-sale	-	-
	4,425,036	4,425,036
Net unrealized market loss on available-for-sale securities	-	-
	\$ 4,425,036	4,425,036

The Bank had outstanding investments with Colonial Life Insurance Company (CLICO) Ltd. amounting to EC\$8,143,890 as at 31 October 2011. The Bank recovered EC\$3,718,854 gross of impairment of EC\$1,859,427 of its investment from CLICO during the year 2011 through a bond issuance from the Government of Trinidad and Tobago. As at 31 October 2014, the remaining balance of investments with CLICO amounted to EC\$4,425,036 with allowance for impairment losses amounting to EC\$4,425,036 (2013: \$4,425,036).

The movements of the “Unrealized loss on available-for-sale investment securities” account as a result of changes in the fair values are as follows:

	2014	2013
Unrealized loss/(gain) beginning of year	\$ -	(674,980)
Net fair value gain/(loss) during the year	-	674,980
Unrealized loss end of year	\$ -	-

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

10. Loans and Advances to Customers – net:

	2014	2013
Personal	\$ 3,805,712	4,960,737
Commercial	2,700,000	-
Non-accrual loans	7,817,763	7,589,544
	14,323,475	12,550,281
Less: allowance for impairment losses	(9,658,349)	(6,109,277)
	\$ 4,665,126	6,441,004

	2014	2013
Allowance for impairment losses at beginning of year	\$ 6,109,277	2,715,788
Impairment loss during the year	3,549,072	3,393,489
Allowance for impairment losses at end of year	\$ 9,658,349	6,109,277

The Bank estimates impairment losses on loans and advances to customers using the future cash flows that may result from collection and/or sale of foreclosed collateral securities, whether or not foreclosure is probable. Management's calculation of impairment losses is based on their judgment that the forced sale value of the related collateral securities is seventy-five percent (75%), which is supported by independent property valuation experts less costs of foreclosure and liquidation. This estimate is further corroborated by a sale of a property used as collateral for a loan to a third party at eighty (80%) percent of the market value. The seventy-five (75%) percent estimate is subject to change based on the future vagaries of the market.

11. Accrued Interest Receivables – net:

	2014	2013
Loans and advances to customers	764,394	773,041
Investment securities	\$ 985	-
	765,379	773,041
Less: allowance for impairment losses	(97,137)	(97,137)
	\$ 668,242	675,904

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

12. Equipment and Software Costs - net:

	<u>Equipment</u>	<u>Software</u>	<u>Total</u>
Cost/Valuation:			
At October 31, 2012	\$ 21,756	399,705	421,461
Acquisitions	1,306	-	1,306
At October 31, 2013	\$ 23,062	399,705	422,767
Acquisitions	2,986	-	2,986
At October 31, 2014	\$ 26,048	399,705	425,753
Depreciation:			
At October 31, 2012	\$ 21,054	368,819	389,873
Depreciation and amortization	954	10,017	10,971
At October 31, 2013	22,008	378,836	400,844
Depreciation and amortization	767	10,017	10,784
At October 31, 2014	\$ 22,775	388,853	411,628
Carrying Value:			
Balance - October 31, 2014	\$ 3,273	10,852	14,125
Balance - October 31, 2013	\$ 1,054	20,869	21,923

13. Deposits from Customers:

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Time deposit		\$ 94,948,081	96,930,279
Savings deposit		16,511,320	17,754,123
Demand deposit		1,347,761	1,342,241
	8	\$ 112,807,162	116,026,643

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

14. Accrued Interest Payable:

	<u>Note</u>	2014	2013
Time deposit		\$ 926,019	1,327,489
Savings deposit		13,849	14,724
	8	<u>\$ 939,868</u>	<u>1,342,213</u>

15. Accrued Pension Liability:

The Bank's pension plan is included in CCB's pension scheme. All contributions to the plan are made to a separate entity: Caribbean Commercial Bank (Anguilla) Limited Pension Scheme.

As at October 31, 2014 and 2013, the movement of the Bank's defined benefit obligation is as follows:

		2014	2013
Liability for defined benefit obligation at beginning of year	\$	674,075	(388,194)
Current service costs and interest		(277,274)	(285,881)
Liability for defined benefit obligation at end of year	\$	<u>396,801</u>	<u>(674,075)</u>

The most recent actuarial valuation is dated November 14, 2014 which includes the Bank's and CCB's actuarial computation.

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

		2014	2013
Present value of obligations	\$	13,450,177	12,225,395
Fair value of plan assets		(4,997,033)	(4,587,339)
Present value of net obligation		8,453,144	7,638,056
Accumulated unrecognized actuarial loss		(5,288,304)	(4,657,101)
Recognized liability for defined benefit obligations	\$	<u>3,164,840</u>	<u>2,980,955</u>

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

15. **Accrued Pension Liability:** (*cont'd*)

Plan assets consist of the following:

	2014	2013
Savings deposit	\$ 787,584	430,239
Time deposit	4,016,500	3,882,056
Accrued interest receivables	192,949	275,044
	\$ 4,997,033	4,587,339

Movement in the present value of obligation for defined benefit obligation is shown below:

	2014	2013
Present value of obligation at beginning of year	\$ 12,774,366	11,588,914
Interest cost	625,964	695,335
Current service cost	250,637	173,196
Share in contributions by the employees	224,641	220,084
Benefits paid	(510,117)	(452,134)
Actuarial loss on obligation	84,686	-
Present value of obligation at end of year	\$ 13,450,177	12,225,395

Movement in plan assets is shown below:

	2014	2013
Fair value of plan assets at beginning of year	\$ 4,587,339	4,100,208
Contributions paid to the plan	684,067	672,217
Benefits paid by the plan	(510,117)	(452,134)
Actuarial gain/(loss) on plan assets	684	21,034
Expected return on plan assets	235,060	246,014
Fair value of plan assets at end of year	\$ 4,997,033	4,587,339
Actual return on plan assets	\$ 235,044	267,046

Pension expense accounted for as:

	2014	2013
Caribbean Commercial Bank (Anguilla) Bank Limited	\$ 798,799	
Caribbean Commercial Investment Bank Limited	104,513	
	\$ 903,312	1,108,580

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

15. **Accrued Pension Liability:** (*cont'd*)

Actuarial assumptions used in the current and previous year follows:

		2014	2013
Discount rate	\$	5%	6%
Expected return on plan assets		5%	6%
Rate of compensation increase	\$	2%	4%

Historical information of the amounts for the current and previous annual period is as follows:

		2014	2013
Present value of the defined benefit obligation	\$	(13,450,177)	(12,225,395)
Fair value of plan assets		4,997,033	4,587,339
Deficit in the plan		(8,453,144)	(7,638,056)
Experience adjustments arising on plan assets	\$	-	-

The Bank and its parent company expect to pay EC\$100,000 in contributions to the defined benefit plans in 2014.

16. **Share Capital:**

Authorized issued and fully paid:

		2014	2013
50,000 shares with stated value of EC\$54.00 per share		2,700,000	2,700,000
50,000 shares with stated value of EC\$54.00 per share		2,700,000	2,700,000
50,000 shares with stated value of EC\$53.80 per share	\$	2,690,000	2,690,000
	\$	8,090,000	8,090,000

17. **Interest Income:**

Interest income accrued on impaired loans and advances to customers for the year ended October 31, 2014 and 2013 amounted to EC\$2.14 million and EC\$1.49 million, respectively.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITEDNotes to Financial Statements (*cont'd*)

October 31, 2014

*(Expressed in Eastern Caribbean Dollars)***18. Salaries, Wages and Allowances:**

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Pension expense		\$ 109,327	14,432
Salaries and other benefits	8	63,182	187,546
		<u>\$ 172,509</u>	<u>201,978</u>

19. Occupancy and Equipment-related Expenses:

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Repairs and maintenance		\$ 148,759	208,351
Rent	8	60,000	60,000
Depreciation and amortization	12	10,784	10,972
Other		2,907	3,305
		<u>\$ 222,450</u>	<u>282,628</u>

20. Other Expenses:

	<u>2014</u>	<u>2013</u>
Service fee	\$ 48,567	48,567
Fees paid banks	20,679	25,750
Visa fees	8,608	14,846
Communication expenses	4,398	7,675
Stationery and supplies	2,826	55,021
Insurance	2,926	4,528
Other	290	1,224
Advertisement	-	4,334
	<u>\$ 88,294</u>	<u>161,945</u>

Service fee pertains to the annual fee paid by the Bank to its parent company for the support provided by the latter to the areas of credit, internal audit, compliance, proof and certifications, teller services, foreign exchange, finance, e-payments, messenger service and human resources.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

21. Income Tax:

No provision is made for income tax since Anguilla does not have any form of income tax.

22. Commitments, Guarantees and Contingencies:

i. Capital

There were no capital commitments as at October 31, 2014 and 2013.

ii. Loan commitments

There were no customer loans approved as at October 31, 2014 and not yet drawn (2013: nil).

23. Compliance with Laws and Regulations:

On 6 April 2009, the Bank received a directive from the Anguilla Financial Services Commission, to immediately cease accepting deposits and granting loan facilities to new customers. As at October 31, 2014, the Bank is in compliance with such directive.

On January 11, 2011, the Bank had requested the Anguilla Financial Services Commission to lift the said directive. As at report date, the Bank's request is still pending with the Commission subject to the ability of the Bank to demonstrate improvement of the financial condition of the Bank and the parent company, Caribbean Commercial Bank (Anguilla) Limited, which include, among other things:

- a) Bank's compliance with the directions issued by the Commission
- b) Demonstrable resilience of the Bank and the parent bank's solvency and liquidity
- c) Improved performance of delinquent and/or rescheduled loans
- d) Repayment of large problem loans and progress on CLICO and Antigua and Barbuda Investment Bank exposures
- e) Progress in the ECCB's Eight Point Stabilization Programme, including the proposed Resolution Trust or merger activity.

CARIBBEAN COMMERCIAL INVESTMENT BANK LIMITED

Notes to Financial Statements (*cont'd*)

October 31, 2014

(Expressed in Eastern Caribbean Dollars)

23. **Compliance with Laws and Regulations:** (*cont'd*)

On 6 April 2009, the Bank received a directive from the Anguilla Financial Services Commission, to immediately cease accepting deposits and granting loan facilities to new customers. As at October 31, 2014, the Bank is in compliance with such directive.

On January 11, 2011, the Bank had requested the Anguilla Financial Services Commission to lift the said directive. As at report date, the Bank's request is still pending with the Commission subject to the ability of the Bank to demonstrate improvement of the financial condition of the Bank and the parent company, Caribbean Commercial Bank (Anguilla) Limited, which include, among other things:

- f) Bank's compliance with the directions issued by the Commission
- g) Demonstrable resilience of the Bank and the parent bank's solvency and liquidity
- h) Improved performance of delinquent and/or rescheduled loans
- i) Repayment of large problem loans and progress on CLICO and Antigua and Barbuda Investment Bank exposures
- j) Progress in the ECCB's Eight Point Stabilization Programme, including the proposed Resolution Trust or merger activity.