OUR VISION

In partnership with people for the provision of financial and technical services of the highest quality for sustainable growth and development both locally and regionally.

OUR MISSION

To mobilize and efficiently manage funds and other resources to maintain our lead position in providing the financial and technical services necessary to promote and sustain national socio-economic development with due regard to the environment, stakeholder satisfaction and profitability.

CONTENTS

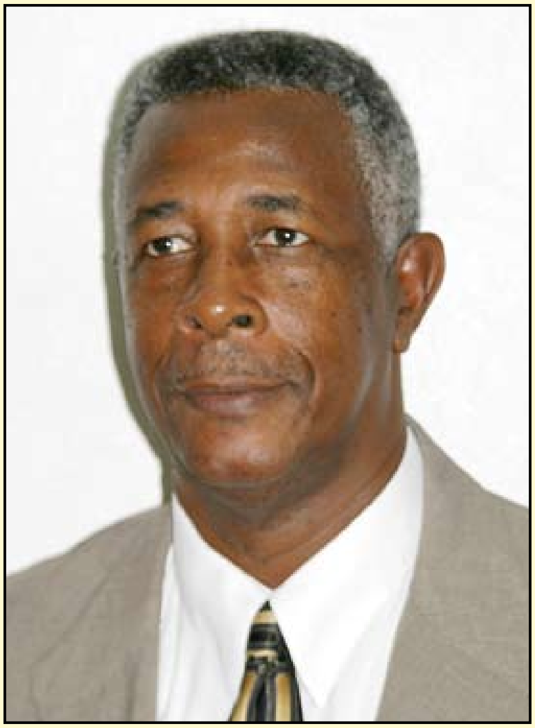
ACRONYMS & ABBREVIATIONS

bn	billion
CDB	Caribbean Development Bank
DAIDB	Dominica Agricultural Industrial & Development Bank
DBPL	Dominica Banana Producers Ltd.
EC	Eastern Caribbean
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EU	European Union
EURO	Monetary unit of the European Union
FEEF	Foreign Exchange Equalization Fund
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
mn	million
NBD	National Bank of Dominica, formerly National Commercial Bank
SFR-D	Special Fund Resources - Dominica
SMP	Special Mortgage Programme
US$	United States dollar

$ represents Eastern Caribbean dollars throughout unless stated otherwise

Members of the BOARD OF DIRECTORS

As at June 30, 2008



Mr. Ambrose M.J. Sylvester
CHAIRMAN

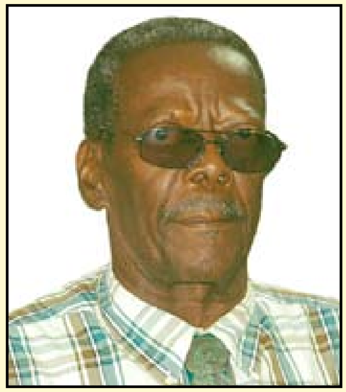
Mrs. Joyce Dear
DEPUTY CHAIRMAN

Members of the
BOARD OF DIRECTORS

As at June 30, 2008

Mr. Kertist Augustus
DIRECTOR

Mr. Martin Charles
DIRECTOR



Mr. Elford Henry
DIRECTOR

Mr. Hubert Joseph
DIRECTOR

Mr. Leon LeBlanc
DIRECTOR

Ms. Bernadette Philbert
DIRECTOR

Mr. Reuben Thomas
DIRECTOR

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Website: www.aidbank.com

• SOLICITORS: Alick Lawrence, Chambers, Roseau
• AUDITORS: PricewaterhouseCoopers • BANKERS: National Bank of Dominica

Chairman's Letter of Transmittal

Honourable Roosevelt Skerrit
Prime Minister and Minister of Finance,
Social Security and National Security
Prime Minister's Office
Financial Centre
Kennedy Avenue
Roseau
Commonwealth of Dominica

December 30, 2008

Dear Prime Minister,

Pursuant to Section 22(1), Chapter 74:03 of the Laws of the Commonwealth of Dominica, 1990, Revised Edition, I have the honour to submit to you the Annual Report on operations and Audited Financial Statements for the Financial Year ended June 30, 2008.

Yours faithfully
DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

MR. AMBROSE M.J. SYLVESTER
CHAIRMAN

DAIDB Chairman's Statement 2007/08

The Financial and Economic Environment

In presenting the Chairman's report to shareholders and other interested parties last year on the Bank's performance for the 2006/07 fiscal period, I referred to some major challenges which helped to determine or shape the financial and economic landscape internationally, regionally, and even at the domestic level. These included among others, escalating oil prices, soaring commodity prices including food along with a general hike in the cost of living, and the appreciation of the Euro against other major currencies, including the US dollar.

Needless to say that the trend not only continued into the 2007/08 financial year, but the situation deteriorated, with its consequential effect on the domestic economy, including of course, the AID Bank.

'Financial crisis', 'credit crunch', housing slump' and 'mortgage backed securities' are expressions which we heard almost on a daily basis and with which we all became very familiar during the review period, as the downturn of the global economy plagued countries worldwide, particularly the United States of America (one of the region's main trading partners) and most of the oil importing countries of the Euro zone.

The most recent word to be added to the line up was 'recession', which can be defined technically as "two consecutive quarters of negative economic growth as measured by a country's Gross Domestic Product (GDP).

In the case of Dominica, the situation in our vulnerable economy was further exacerbated by the passage of hurricane Dean in August 2007, causing severe destruction to the agricultural sector in particular, with an estimated 90 percent damage to banana and non-banana crops.

As a consequence of the above, GDP which recorded 4 percent growth the previous year, the highest in nearly two decades, slumped by 55 percent to 1.8 percent growth in 2007.

It seemed obvious therefore, that a slowdown in economic activity at the domestic level would, to some extent, have a negative impact on the operations of the AID Bank.

The situation at the Bank was further compounded by the fact that for yet another year the institution had to depend almost entirely on internally generated funds to finance projects.

Given these daunting challenges and the difficult conditions under which the Bank operated, I am pleased to report that the Bank's performance for the period under review can be assessed as commendable.

Operational Performance

In respect of the Bank's primary activity, loan approvals exceeded the $20.0 mn mark for the second consecutive year, to record $20.78 mn, depicting a marginal increase of 0.96 percent over the previous year. This was dominated by the housing sector with loans of $8.37 mn equivalent to 40 percent of approvals. It is the highest value of loan approvals for any sector, in any particular year throughout the 35 year existence of the Bank.

This strong performance in the housing sector was largely influenced by a special Housing Program to the tune of $5.0 mn targeted towards low income earners in the private sector. The program was implemented with concessionary financing provided by the Government of Dominica. These resources in turn, were received from the Bolivarian Republic of Venezuela. This program

HOUSING, MARIGOT

can be appraised as a very successful one, with the demand for loans exceeding the supply of resources by approximately 45 percent or $2.0 mn. The Bank through this medium extends profound gratitude to the Governments of Dominica and the Bolivarian Republic of Venezuela for this remarkable contribution.

The housing sector was followed by the education sector with student loan approvals of $5.12 mn. or 24.6 percent, while approvals in the tourism sector amounted to $2.97 mn.

On the other hand, total disbursements which recorded $18.9 mn was $2.84 mn or 17.6 percent higher than the previous year. As in the case of approvals, the housing sector realised the highest level of disbursement in the sum of $7.43 mn, represented by 39 percent.

Financial Performance

To begin with, I wish to inform shareholders, that in keeping with the new IFRS standards which were adopted by the Bank from the financial year 2005/06, that the results for the period under review, reflect an adjustment made in accordance with IAS 39/ IFRS 7. Consistent with the principles articulated in these standards, the auditors assessed that a portion of un-booked interest income was unimpaired. As a result, an upward adjustment was made to income for 2007 and 2008 amounting to $0.76 mn and $0.66 mn respectively. Equity was also increased by $5.02 mn.

Total income for the year reached $12.31 mn, a reduction of 3.03 percent from last year's re-stated income of $12.70 mn. On the other hand, total expenses recorded $9.5 mn, an increase of 5 percent over the $9.0 mn incurred last year. The increase in expenses is largely attributed to the foreign exchange loss of $1.14 mn, compared with $0.53 mn the previous year. With the exception of this item of expenditure therefore, I am delighted to report that a concerted effort was made by the Bank to contain expenditure, particularly in light of the reduction in income. Very significantly, administrative expenses which reached $0.98 mn last year, was $0.67 mn at the end of June 2008, a reduction of 31.9 percent.

Primarily as a result of the reduction in income, coupled with the increase in expenditure, operating income fell by 23.4 percent to $2.7 mn compared to the restated figure of $3.6 mn for the previous year. However, after accounting for impairment losses on loans and advances, the Bank's net profit for the year realised $0.82 mn compared to a re-stated net profit of $1.76 mn for the previous year.

In addition, I am pleased to inform the shareholders that steady and continuous progress continues to be made to the quality of the loan portfolio. The ratio of non-performing assets to loans outstanding was reduced from 25.5 percent at the end of June 2007 to 20.2 percent at the end of June 2008. The Bank has set itself a target to reduce that ratio further to 15 percent at the end of June 2009.

Review / Update on Outstanding Matters

In the last chairman's report, I also made reference to comprehensive proposals in relation to an IMF report entitled "Reforming the AID Bank", and indicated that the proposals which had been formulated in consultation with the CDB, as mandated by the Cabinet, had been forwarded to Government for its consideration.

During the period under review, the proposals were submitted to the Bank for implementation. Critical among these was the appointment of a new general manager, who in addition to his management functions, has been mandated to review the organizational structure of the Bank, with a view to making it more responsive to the development needs of the Commonwealth of Dominica. The appointment, which is on a contractual basis, took effect from December 8, 2008.

The engagement of the manager was made possible with support under the Commonwealth Fund for Technical Cooperation (CFTC). The Bank wishes to thank the Government of Dominica for facilitating that arrangement.

On another note, the Bank submits, that the enactment of the Financial Services Unit Act, Act No. 18 of 2008 by the Government of Dominica, is a step in the right direction. This act provides the Unit with the legal mandate for regulation and supervision of the AID Bank, and other non-bank financial institutions. One of the major lessons to be learnt from the current financial crisis, is the dire need for strong oversight and regulation of financial institutions.

In delivering his 2008 Economic Review of the ECCU in June 2008, governor of the ECCB Sir Dwight Venner, on the critical issue of Financial Sector Stability, underscored the following; "The fragmented regulatory framework of the financial system in the ECCU remained an issue of concern. In an effort to strengthen the supervision and regulation of non-bank financial institutions not licensed under the Banking Act, the ECCB continued to collaborate closely with member Governments in establishing single regulatory units (SRU's) to ensure comprehensive supervision and regulation of the system and to reduce regulatory arbitrage".

The coming into effect therefore of the prescribed Financial Services Unit Act, and the effective functioning of the Financial Services Unit, is of prime importance as far as the regulatory framework for supervision of the AID Bank is concerned.

Consistent with its development mandate, the Bank is delighted to advise that work is progressing satisfactorily on the Incubator Project at Geneva in the community of Grandbay. The factory shed complex is now about 90 percent complete, with an expected completion cost of approximately $1.3 mn. The targeted date for completion is April 2009.

To ensure that the complex is effectively utilized and meets its objective of employment creation among others, the Bank will continue to meet with stakeholders in the Grandbay area, and in particular, the village councilors, in order to outline an appropriate program for rental of the property.

Future Outlook

It is my firm view, that there is conclusive evidence to indicate that there is a distinct role for development finance institutions like the AID Bank in fostering growth and development in Small Island Developing States like Dominica. The current global financial and economic crisis is an intimidating challenge, and will continue to negatively impact the growth potential of our small vulnerable economies.

In presenting the 2008 ECCU Economic Review on January 29, 2009, ECCB Central Bank Governor, Sir Dwight Venner stated, "The current financial and economic crisis which is now unfolding has been described by the international Monetary Fund as the worst that the global economy has faced in 60 years". Most interestingly, not even the internationally renowned IMF has been able to predict a timeframe for the global economic recovery, and many contend that it may extend beyond the year 2009.

Analysts have cited a few key areas that will negatively affect the Caribbean region. These include among others, foreign direct investment, remittance flows, tourism and export revenues. According to data extracted from the IMF Balance of Payment Statistics Year Book for 2008, remittance flows to Latin America and the Caribbean in 2008 was estimated at US$61.0 bn or 21 percent of total remittance flows of US$283.0 bn to developing countries. This undoubtedly underscores the significance of remittance flows to our region, and by extension Dominica.

The question is, what can we at the AID Bank

GREEN HOUSE, PORTSMOUTH

do to mitigate the negative factors affecting the Bank, without compromising the institution's development mandate?

To begin with, a holistic approach, embracing total commitment, dedication and sacrifice by all, from the Board of directors to the office attendant must be adopted instantly. We must be prepared to do more with less and enhance the level of productivity at the institution.

Presently, the Bank is in the process of formulating a new five-year strategic plan, expected to be completed by May 2009. The plan must therefore be carefully crafted, to relate the input of stakeholders to the financial and economic realities, which stare us in the face. Stakeholders in the productive sectors in particular, must be given special attention, and we should find innovative ways to help boost growth in these sectors. At the same time we also need to examine a worst-case scenario so that we can comprehensively assess the impact of such an eventuality on the institution.

Currently, one of the principal factors having a negative impact on the Bank is the absence of adequate resources at concessionary rates in order to meet the demand for funding from the productive sectors of the Commonwealth of Dominica.

A number of approaches have been made to multilateral institutions and friendly Governments to address this deficiency, and we are confident that these should bear fruit in the ensuing year. In that regard, we wish to extend our appreciation to the Dominica Social Security for its recent approval of a loan in the sum of $12.0 mn to the Bank.

Very importantly a concerted effort must be made to improve operational efficiencies at the Bank, to minimize wastage and redundancies in order to mitigate any potential or anticipated decline in revenue. This in turn calls for robust internal control systems within the institution.

Finally the quality of the Bank's loan portfolio is of prime importance to its growth and by extension the development thrust of the country. It is imperative therefore that credit risk assessment and management be augmented.

In conclusion, I wish to extend immense appreciation to members of the Board of directors, management and staff of the Bank for the dedication and support demonstrated throughout the year. To our many loyal customers we say a big thank you for the commitment of your patronage and to the delinquent ones the development thrust eagerly awaits the adherence to your contractual obligations in this period of extreme economic uncertainty.

The time to act responsibly is today not tomorrow.

DAIDB Highlights at a glance

CATEGORY	2008	2007	2006	2005	2004
APPROVALS					
No. of Loans Approved	615	650	650	562	654
No. of Technical Assistance	0	1	12	50	140
Estimated No. of Jobs	701	780	675	924	865
Total Loans Approved ($mn)	20.7	20.6	16.1	17.3	21.5
Total grants Approved ($mn)	0	0.01	0.20	0.74	2.59
DISBURSEMENTS					
Total Loans Disbursed ($mn)	19.0	16.2	16.0	17.20	16.70
Total grant Disbursed ($mn)	0.04	0.15	0.52	0.91	1.85
PORTFOLIO					
Gross Loans & Advances Outstanding ($mn)	121.6	122.9	119.5	118.3	120.5
Gross Loans and advances net of impairment losses ($mn)	114.2	111.8	106.4	105.7	106.7
OPERATING RESULTS					
Operating income ($mn)	7.85	8.22	6.42	5.94	6.46
Net Profit (loss) for the year ($mn)	0.82	1.76	0.84	(1.57)	1.3

PART I

THE ECONOMY OF DOMINICA[1]

For the period July 2007 to June 2008, the Dominican economy experienced reduced economic activity, higher inflation and a weaker external account, principally as a result of Hurricane Dean which struck the island in August of 2007. The damage, which was estimated at 20 percent of GDP, affected mainly the agricultural sector, but there was also significant damage to infrastructure and buildings. As a result, the GDP growth for 2007 slowed to 1.82 percent from the pre-hurricane forecast of 3 percent. Other factors which negatively influenced the economy were high commodity prices including the price of fuel and the slowdown in the global economy.

AGRICULTURE

In the aftermath of the hurricane, the Dominica Banana Producers Ltd. (DBPL) recorded a decline of 61.44 percent in banana production to 4,566.54 metric tones in the period under review from 11,843.87 metric tones in the comparative period of 2006/2007. Consequently, the value of DBPL exports also declined significantly by 63.75 percent to $6.87 mn from $18.95 mn in the corresponding period of the previous year. However, revenue from other banana exports registered a significant increase of 47.25 percent from $2.18 mn to $3.21 mn.

Revenue from other agricultural exports declined by 1.5 percent from $16.02 mn to $15.75 mn. The value of total agricultural exports for the year declined by 30.33 percent from $37.13 mn to $25.87 mn.

Sources:
Government of Dominica, Central Statistical Office, Quarterly Economic Indicators, September & December 2007, March & June, 2008.
IMF Country Report No. 08/310, September 2008.
ECCB Annual Economic and Financial Review, December 2007 & March 2008.

MEDICAL STUDENT ACCOMMODATION, TI BAY, PORTSMOUTH

MANUFACTURING

The manufacturing sector registered declines in both output and export revenue from its two main sub-sectors, namely, beverages and chemicals and related products.

FISHING VESSEL, DUBLANC

The production of beverages declined by 4.88 percent from 674,487 cases in the previous financial year to 641,591 cases. The value of beverage exports declined by 12.43 percent to $1.62 mn in the period under review from $1.85 mn the previous year. Competition in the local market and decreased demand in the regional market were the main contributors to this decline. A shortage of raw materials was also reported.

Output in chemicals and related products declined by 25.49 percent to 10,617.43 tonnes from the previous year's performance which recorded 14,249.07 tonnes. Export value declined by 3.14 percent from $48.04 mn to $46.57 mn, attributed to a decrease in demand from the regional market. From September 2007, a major manufacturer discontinued its production of dental cream, which also contributed to the reduction in output.

CONSTRUCTION ACTIVITY

Construction activity expanded considerably during the period under review, driven mainly by public sector projects including roads, schools, a sea defence wall, eco-tourism sites, the Melville Hall Airport enhancement project, Government's housing revolution programme and post-hurricane infrastructural rehabilitation projects. An increase in private sector residential housing also contributed to this trend.

There was a marginal decline in the number of construction starts by 1.45 percent from 138 to 136. However, the value of construction starts grew by 62.17 percent from $42.48 mn to $68.89 mn and cement sales by 304.79 percent from 655,604 bags to 2,653,806 bags.

TOURISM

In the tourism sector there was growth of 3.13 percent in stay-over passenger arrivals from 84,239 in the previous year to 86,872 in the financial year under review. This growth was spurred by increased marketing and promo-

PINEAPPLE PRODUCTION, GENEVA

tions, additional airlift and the depreciation of the US dollar relative to major currencies.

There was a marginal increase of 0.5 percent in cruise-passenger arrivals to 369,320 in the period under review from 367,477 persons in the previous year. However, the number of cruise-ship calls declined by 20.07 percent from 285 to 228. Total visitor expenditure decreased by 4.98 percent from $187.02 mn to $177.70 mn.

VISIBLE TRADE BALANCE

Total imports grew by 15.55 percent from $496.84 mn to $574.08 mn, as a result of increases in the value of imported manufactured goods, mineral fuels and construction materials. At the same time, the effects of Hurricane Dean resulted in the decline of total export revenue by 20.33 percent from $114.31 mn to $90.69 mn. The combined effect of the increase in import payments and the decline in export revenue was the widening of the visible trade deficit by 26.18 percent to $482.67 mn from $382.53 mn the previous year.

CONSUMER PRICES

Consumer prices rose by an estimated 6.82 percent between July 2007 and June 2008. This increase was largely attributed to higher imported prices in food, household furniture and equipment, and fuel and light. There were also price increases in locally produced food related to shortages following the Hurricane.

CENTRAL GOVERNMENT

In respect of Central Government finances, current revenue increased by 12.7 percent to $321.01 mn from $284.86 mn. This increase reflected larger receipts from the value added tax (VAT) and excise taxes introduced in March 2006. On the other hand, current expenditure grew by 6.91 percent from $229.15 mn in the previous year to $244.98 mn influenced by the higher cost of electricity, salary increases to public servants and spending on supplies and materials. However, the increase in current revenue more than offset the increase in current expenditure resulting in a current account surplus of $76.04 mn, which was an improvement of 36.52 percent over the balance of $55.7 mn attained in the previous year.

OUTLOOK

Growth for 2008 and 2009 was projected at 2.6 percent and 2.8 percent respectively. The main downside risks are the further weakening in the global economy and increases in commodity prices.

PART II

THE PERFORMANCE OF DAIDB BY SECTOR/ACTIVITY

In keeping with its mandate, the Bank funded projects in all economic sectors and also provided social sector lending for mortgage and student loans. Special housing funds with interest rates of 4.75 percent and 5 percent were targeted at persons in the lower income brackets.

Total loan approvals amounted to $20.78 mn, as indicated in Table 1. This figure was 0.96 percent above that of the financial year ended June 30, 2007. Housing loan approvals of $8.37 mn were the highest in the value of loan approvals for any sector in the year and in the Bank's history. Approvals in that sector were followed by student loan approvals of $5.12 mn and tourism approvals of $2.97 mn.

Total disbursements of $18.90 mn, presented in Table 2, were $2.84 mn or 17.60 percent higher than the previous financial year. Disbursements amounted to 91.42 percent of approvals. Housing sector disbursements of $7.43 mn were also the highest by any sector for the year and in the Bank's history.

Table 3 provides additional statistics regarding loan approvals for the year. This table indicates that of 615 loan recipients 47 percent were women, 52 percent were men and 1 percent were companies. With respect to geographical distribution, 68 percent of these loans were granted to rural residents and the remainder to residents of Roseau and environs.

AGRICULTURE

The loan approvals of $1.01 mn for this sector exhibited growth of 1.32 percent over the previous year's approvals. Noteworthy trends in sub-sector approvals shown in Table 4 include a decline by 35.5 percent in approvals for crop production, an increase of 165.12 percent in marine fishing and growth of 179.50 percent in livestock loan approvals.

Disbursements of $1.07 mn were 43.53 percent higher than the previous year. This figure also exceeded approvals for this financial year as a result of a lag in disbursements from loans approved in the previous year.

VEGETABLE SEEDLING PRODUCTION, LONDONDERRY

MANUFACTURING, SERVICES, AND TRANSPORTATION

In these sectors lending of $1.96 mn was 38.93 percent lower than the previous year. Disbursements of $2.74 mn were 28.26 percent lower.

POULTRY PRODUCTION, POND CASE

Details in Table 5 indicate that the number and value of approvals for transportation increased by 40 and 227.18 percent respectively. However, services continued to dominate, accounting for 82 percent of approvals to these sectors.

TOURISM

Tourism loan approvals of $2.97 mn were 14.24 percent lower than the previous year. As indicated in Table 6, the bulk of these approvals amounting to 93 percent or $2.75 mn were for accommodations. More specifically, these were for facilities catering to students of the Ross University School of Medicine in Picard.

Disbursements amounted to $2.16 mn, which was 246.55 percent higher than the previous year.

HOUSING

As previously stated above, housing approvals amounted to $8.37 mn, while disbursements totaled $7.43 mn. Table 7 provides a further breakdown of these approvals by purpose. Disbursements were 89 percent of approvals.

EDUCATION

Approvals for student loans amounted to $5.12 mn, which was only marginally higher than the previous year. Disbursements of $4.33 mn were 17.31 percent lower than the previous year.

The top five subject areas which were selected by students were Business Administration and Management, Law and Criminal Justice, Nursing, Computer Science and Education in that order.

PERSONAL AND OTHER

Loan approvals of $1.34 mn were 23.49 percent lower than the previous year and amounted to 3.65 percent of total lending. Disbursements of $1.26 mn were 26.26 mn less than the previous year.

HAIR SALON, PORTSMOUTH

STUDENT, UNIVERSITY OF THE WEST INDIES, DOMINICA

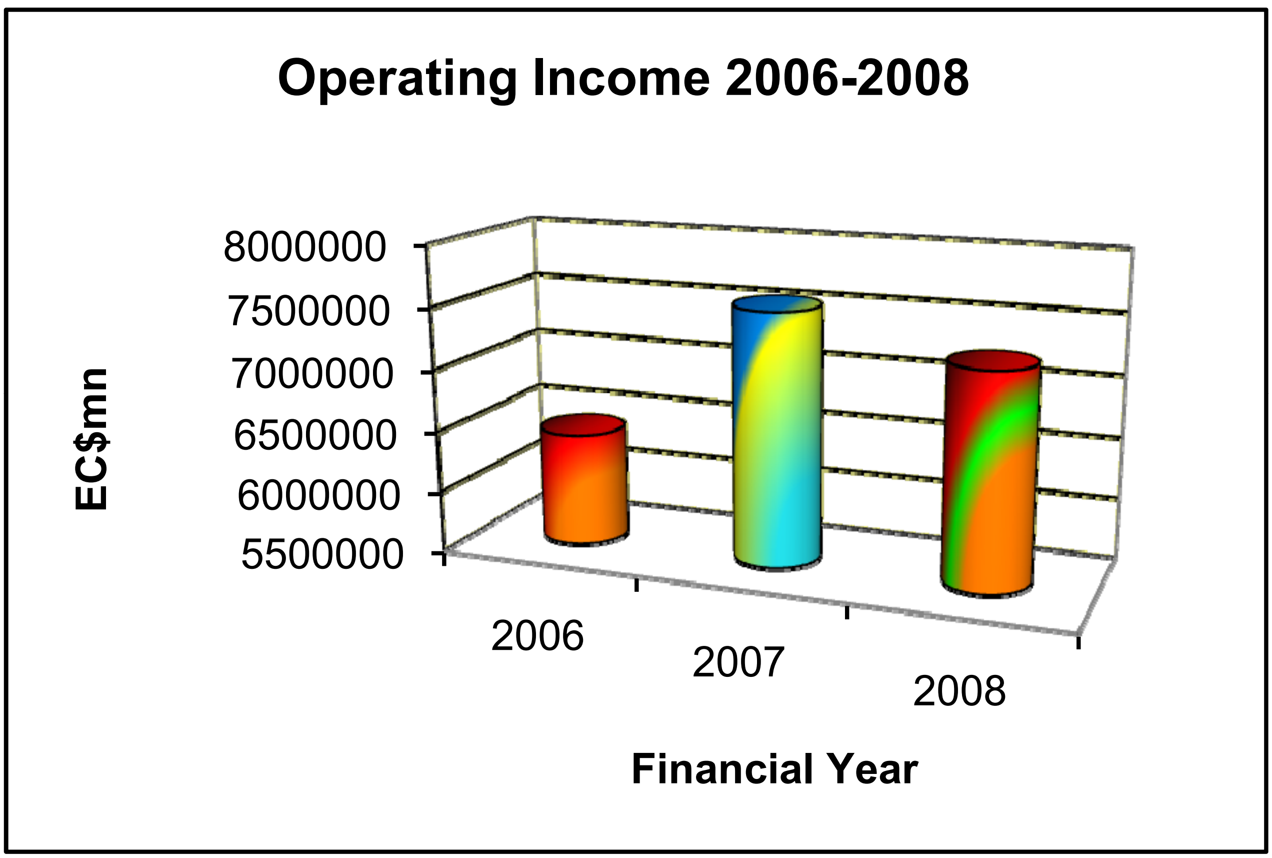
HOUSING, BLENHEIM

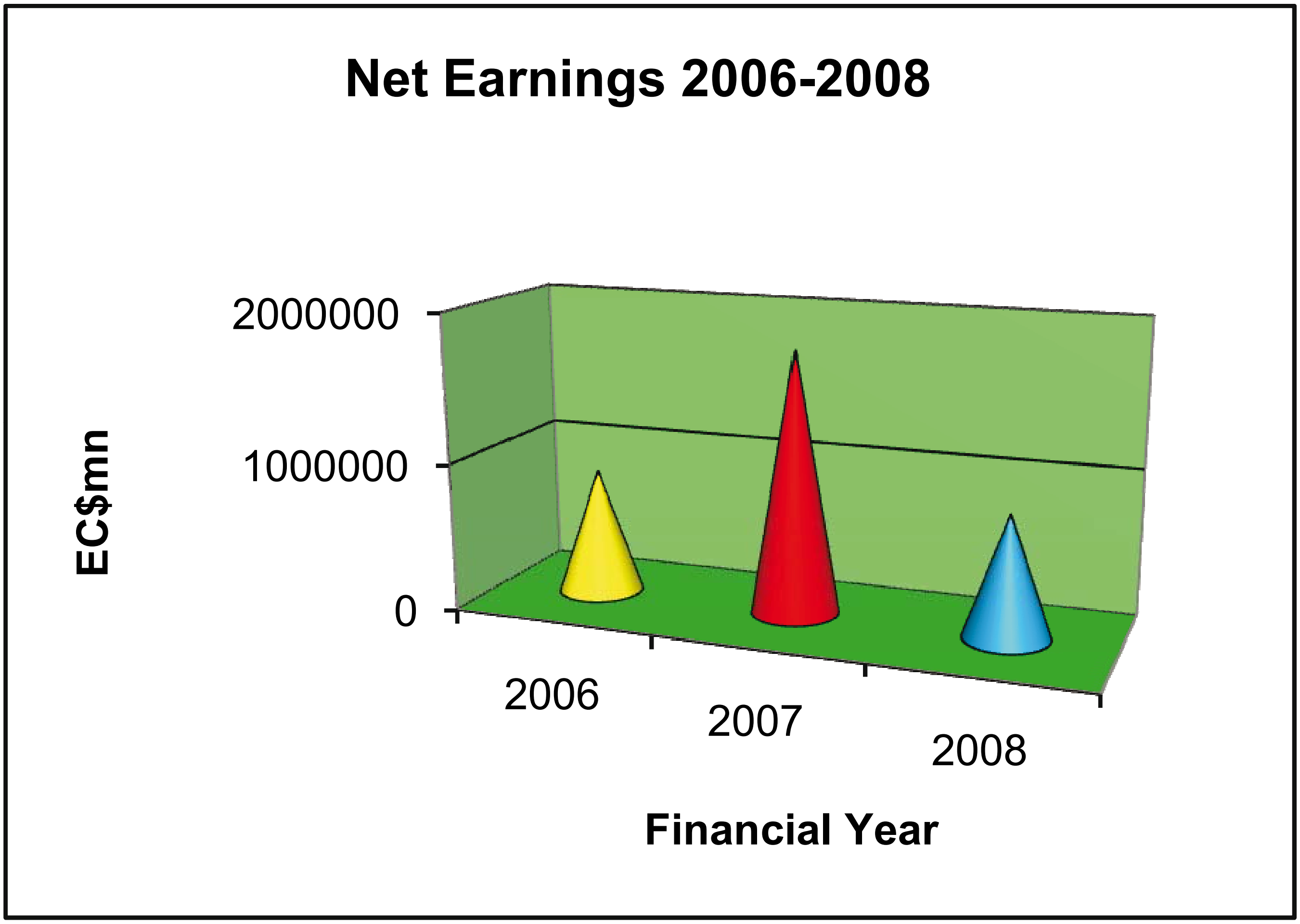
PART III

FINANCIAL PERFORMANCE

NET INCOME FROM OPERATIONS

Net income from operations was $3.91 mn which was 5.80 percent lower than last year's adjusted figure of $4.15 mn. After providing for impairment losses on loans and advances of $1.95 mn and a foreign exchange loss of $1.14 mn, the Bank realized total net profit of $0.82 mn. Last year's ad-





justed net profit was $1.76 mn.

Reported results reflected an adjustment made in accordance with IAS 39/IFRS 7. The year-end audit assessed that $6.44 mn of unbooked interest on non-performing loans relating to current and prior accounting periods was not impaired.

The auditors' analysis compared the total balances of principal and interest of non-performing loans to the estimated future cash flows which is the present value of the realizable collateral. As a result, an upward adjustment was made to income for 2008 and 2007 amounting to $0.66 mn and $0.76 mn, respectively. There was also an upward adjustment of $5.02 mn to equity.

REVENUE

Income earned for the year totalled $12.31 mn and was 3.03 percent less than the comparative period for last year, which generated $12.70 mn. Interest and similar revenue of $11.69 mn comprised 94.91 percent of income and that amount was 2.82 percent lower than last year's $12.02 mn.

Other operating income of $0.63 mn also decreased by 6.88 percent from last year's $0.67 mn, and was derived mainly from agency fees, appraisal fees and legal fees.

EXPENSES

Total operating expenses, other than foreign exchange losses amounted to $8.41 mn and represented a 1.70 percent decrease from last year's $8.55 mn. Interest expense and similar charges of $4.46 mn represented 53.05 percent of operating expenses and reflected a decrease of 0.43 percent from last year's $4.48 mn.

With foreign exchange losses excluded, other operating expenses of $3.94 mn included staff and administrative costs and registered a 3.09 percent decrease from last year's $4.07 mn.

ASSETS

Total assets as at June 30, 2008 had a net book value of $131.34 mn registering a marginal increase of 0.22 percent from last year's $131.05 mn.

Loans and advances to customers had a net balance of $114.17 mn and represented 86.92 percent of total assets. There was a 2.16 percent increase from last year's loans and advances of $111.75 mn.

In net total investments, held-to-maturity securities of $2.42 mn was 7.41 percent more than last year's $2.25 mn.

Net fixed assets amounted to $5.01 mn, 2.05 percent less than last year's $5.12 mn.

LIABILITIES

Total liabilities of $101.11 mn reflected a 0.11 percent decrease from last year's $101.23 mn. Long-term loans with a balance of $83.98 mn, represented 83.06 percent of total liabilities, and recorded a decrease of 1.38 percent from last year's $85.15 mn.

Amount due to customers of $13.18 mn was 2.72 percent higher than last year's $12.83 mn. Fixed Deposits held for clients of $10.33 mn constituted 78.39 percent of this category in comparison to 78.70 percent last year.

SHAREHOLDERS EQUITY

The Bank's net worth or shareholders equity was $30.23 mn, a 1.37 percent increase from last year's adjusted $29.82 mn. Retained earnings also recorded an increase of 4.55 percent, moving from $5.61 mn to $5.87 mn.

Dominica Agricultural Industrial and Development Bank

Auditor's Report &
Financial Statements
June 30, 2008
(expressed in Eastern Caribbean dollars)

December 31, 2008

Independent Auditors' Report

To the Shareholders of
Dominica Agricultural Industrial and Development Bank

Report on the Financial Statements

We have audited the accompanying financial statements of **Dominica Agricultural Industrial and Development Bank** (the Bank) which comprise the balance sheet as of June 30, 2008 and the statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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 whether the financial statements are free from material misstatement.

Auditors' Responsibility*...continued*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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 accompanying financial statements present fairly, in all material respect, the financial position of Dominica Agricultural Industrial and Development Bank as of June 30, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Dominica Agricultural Industrial and Development Bank

Balance Sheet

As of June 30, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $ (As restated)
Assets		
Cash and balances with Central Bank (Note 5)	**1,038,716**	1,031,691
Treasury bills (Note 6)	**2,428,538**	2,426,126
Deposits with other banks (Note 7)	**4,595,649**	6,615,027
Loans and advances to customers (Note 8)	**114,169,230**	111,754,175
Investment securities:		
- Available for sale (Note 10)	**1,287,340**	1,287,340
- Held to maturity (Note 10)	**2,415,524**	2,248,875
Property, plant and equipment (Note 11)	**5,013,006**	5,117,920
Other assets (Note 12)	**395,458**	568,921
Total assets	**131,343,461**	131,050,075
Liabilities		
Due to customers (Note 13)	**13,181,695**	12,832,112
Borrowed funds (Note 14)	**83,978,706**	85,154,499
Other liabilities (Note 15)	**3,950,801**	3,240,053
Total liabilities	**101,111,202**	101,226,664
Equity		
Share capital (Note 16)	**17,547,631**	17,547,631
Reserves (Note 17)	**6,815,208**	6,661,826
Retained earnings	**5,869,420**	5,613,954
Total equity	**30,232,259**	29,823,411
Total liabilities and equity	**131,343,461**	131,050,075

Approved by the Board of Directors on December 29, 2008

_______________ Director _______________ Director

Dominica Agricultural Industrial and Development Bank

Statement of Income

For the year ended June 30, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $ (As restated)
Interest income (Note 18)	**11,685,412**	12,024,361
Interest expense (Note 18)	**(4,459,329)**	(4,478,609)
Net interest income	**7,226,083**	7,545,752
Other operating income (Note 19)	**626,414**	672,715
Other operating expenses (Note 20)	**(5,083,148)**	(4,601,869)
Impairment losses on loans and advances (Note 9)	**(1,948,405)**	(1,853,774)
Net profit for the year	**820,944**	1,762,824

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity

For the year ended June 30, 2008

(expressed in Eastern Caribbean dollars)

	Share Capital (Note 16) $	Reserves (Note 17) $	Retained Earnings $	Total Equity $
Balance at June 30, 2006, as previously reported	17,547,631	4,940,966	897,341	23,385,938
Prior period adjustment (Note 28)	–	1,253,494	3,760,481	5,013,975
Balance at July 1, 2007, as restated	17,547,631	6,194,460	4,657,822	28,399,913
Unrealised gain on securities available for sale	–	20,000	–	20,000
Net profit for the year	–	–	1,762,824	1,762,824
Total recognised gains for the year	–	20,000	1,762,824	1,782,824
Transfer from retained earnings to reserves	–	556,692	(556,692)	–
Foreign exchange utilization	–	(109,326)	–	(109,326)
Dividends on ordinary shares (Note 23)	–	–	(250,000)	(250,000)
Balance at June 30, 2007, as restated	**17,547,631**	**6,661,826**	**5,613,954**	**29,823,411**
Balance at June 30, 2007, as previously reported	17,547,631	5,218,400	1,283,678	24,049,709
Prior period adjustment (Note 28)	–	1,443,426	4,330,276	5,773,702
Balance at July 1, 2008, as restated	17,547,631	6,661,826	5,613,954	29,823,411
Net profit for the year	–	–	820,944	820,944
Transfer from retained earnings to reserves	–	315,478	(315,478)	–
Foreign exchange utilization	–	(162,096)	–	(162,096)
Dividends on ordinary shares (Note 23)	–	–	(250,000)	(250,000)
Balance at June 30, 2008	**17,547,631**	**6,815,208**	**5,869,420**	**30,232,259**

Dominica Agricultural Industrial and Development Bank

Statement of Cash Flows

For the year ended June 30, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $ (As restated)
Cash flows from operating activities		
Net profit for the year	**820,944**	1,762,824
Adjustments for:		
Depreciation (Notes 11 and 20)	**333,302**	277,147
Gain on disposal of property, plant and equipment (Note 19)	**(20,050)**	–
Impairment losses on loans and advances (Note 9)	**1,948,405**	1,853,774
Unrealized foreign exchange loss (Note 20)	**1,136,312**	529,326
Interest and similar income (Note 18)	**(11,685,412)**	(12,024,361)
Interest expense and similar charges (Note 18)	**4,459,329**	4,478,609
Cash flows before changes in operating assets and liabilities	**(3,007,170)**	(3,122,681)
Increase in loans and advances to customers	**(3,993,789)**	(1,856,307)
Decrease/(increase) in deposits with other banks	**883,602**	(1,502,592)
Decrease in other assets	**173,463**	320,342
Increase in due to customers	**349,583**	1,776,880
Increase in other liabilities	**460,748**	5,368
Cash used in operations	**(5,133,563)**	(4,378,990)
Interest received	**11,315,741**	11,755,986
Interest paid	**(4,509,743)**	(4,469,974)
Net cash generated from operating activities	**1,672,435**	2,907,022
Cash flows from investing activities		
(Increase)/decrease in investment securities - net	**(166,649)**	685,940
Proceeds from disposal of property, plant and equipment	**20,050**	–
Purchase of property, plant and equipment (Note 11)	**(228,388)**	(180,835)
Net cash (used in)/generated from investing activities	**(374,987)**	505,105
Cash flows from financing activities		
Repayment of borrowings - net	**(2,261,691)**	(3,275,959)
Foreign exchange utilization (Note 17)	**(162,096)**	(109,326)
Net cash used in financing activities	**(2,423,787)**	(3,385,285)
Net (decrease)/increase in cash and cash equivalents	**(1,126,339)**	26,842
Cash and cash equivalents, beginning of year	**6,220,721**	6,193,879
Cash and cash equivalents, end of year (Note 24)	**5,094,382**	6,220,721

(expressed in Eastern Caribbean dollars)

1 General information

Dominica Agricultural Industrial and Development Bank (the Bank) is a corporate body established under Chapter 74:03 of the revised laws of the Commonwealth of Dominica, with its principal objectives being to promote and influence the economic development of the Commonwealth of Dominica and to mobilize funds for the purpose of such development.

The Bank's principal place of business and registered office is located at the corner of Charles and Rawles Lane avenues, Goodwill, Commonwealth of Dominica.

2 Summary of significant accounting policies

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

Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

Standard effective in 2007

IFRS 7, Financial instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of financial statements - Capital disclosures, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Bank's financial instruments.

Interpretations issued effective in 2007 but not relevant to the Bank

The following interpretations were issued and are mandatory for accounting periods beginning on or after January 1, 2007 but they are not relevant to the Bank's operations:

- *IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies*;
- *IFRIC 8, Scope of IFRS 2*;
- *IFRIC 9, Reassessment of embedded derivatives*; and
- *IFRIC 10, Interim financial reporting and impairment.*

(expressed in Eastern Caribbean dollars)

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

Standard, amendment to published standard and interpretations issued that are not yet effective and have not been early adopted by the Bank
The following standard, amendment and interpretations have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2008 or later periods, but the Bank has not early adopted:

- *IFRS 8, Operating Segments* (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirement of the US Standard SFAS 131, *Disclosures about segments of an enterprise and related information.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

- *IAS 23 (Amendment), Borrowing costs* (effective from January 1, 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Bank will apply IAS 23 (Amended) from January 1, 2009 but it is currently not applicable to the Bank as there are no qualifying assets.

- *IFRIC 11, IFRS 2 - Group and treasury share transactions* (effective for annual periods beginning on or after March 1, 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The Bank will apply IFRIC 11 from January 1, 2008, but it is not expected to have any impact on the Bank's accounts.

- *IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction* (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Bank will apply IFRIC 14 from January 1, 2008, but it is not expected to have any impact on the Bank's accounts.

Interpretations issued but not yet effective and not relevant for the Bank's operations
The following interpretations were issued and are mandatory for the Bank's accounting periods beginning on or after January 1, 2008 or later periods but are not relevant for the Bank's operations:

- *IFRIC 12, Service concession arrangements*; and
- *IFRIC 13, Customer loyalty programmes* (effective for annual periods beginning on or after July 1, 2008).

(expressed in Eastern Caribbean dollars)

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

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

Financial assets
The Bank classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

(b) *Held-to-maturity*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(c) *Available-for-sale*
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets

Assets carried at amortised cost
The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets...*continued*
For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

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

Assets carried at fair value
The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income, if any. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income, if any.

Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

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

(expressed in Eastern Caribbean dollars)

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

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

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

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

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

Buildings	2%
Furniture and equipment	20 - 33 1/3%
Motor vehicles	20%

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

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

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

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

Grants
Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Bank will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

(expressed in Eastern Caribbean dollars)

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

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

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

Interest income and expense
Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading, are recognised within 'interest income' and 'interest expense' in the statement of income using the effective interest method.

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

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

Fees and other income
Fees and other income are generally recognised on an accrual basis when the service has been provided.

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management

Strategy in using financial instruments
By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank secures funds from various lending agencies at both fixed and variable interest rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve on balance sheet loans and advances to customers.

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

The Bank structures the levels of credit risk, it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and to industry segments. Such risks are monitored on a revolving basis and subject to monthly reviews. The Bank also undertakes supervised credit of large projects whereby loans are disbursed in tranches. A progress report is completed after each tranche is disbursed to ascertain the project value. The Bank is exposed to potential loss only in the amount of loan disbursed.

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

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

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Credit risk measurement - debt securities and other bills
For debt securities and other bills external ratings are used by Bank Treasury for managing of the credit risk exposures. However, no external ratings are available to all the Bank's debt securities and other bills in 2008. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

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

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

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

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

Some other specific control and mitigation measures are outlined below.

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

- Mortgages over residential properties;
- Charges over business assets such as premises, plant and equipment and motor vehicles;
- Charges over financial instruments such as debt securities and equities;
- Assignment to the Bank of key-man, life, home owners, and motor vehicle insurances.

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

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

(b) Credit-related commitments
Commitments to extend credit represent undisbursed portions of approved loans. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

Impairment and provisioning policies
The internal and external rating systems described under "credit risk measurement" focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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

Bank 's rating	2008		2007	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1 Pass	74.71	9.26	71.64	23.49
2 Special mention	6.05	0.80	3.06	1.00
3 Sub-standard	1.44	7.87	1.79	10.15
4 Doubtful	17.51	77.35	19.05	35.50
5 Loss	0.29	4.72	4.46	29.86

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Credit risk*...continued*

Maximum exposure to credit risk before collateral held or other credit enhancements

	2008 $	2007 $
Credit risk exposures relating to on-balance sheet assets:		
Treasury bills	**2,428,538**	2,426,126
Deposits with other banks	**4,595,649**	6,615,027
Loans and advances to customers:		
– Demand loans	**85,494,894**	86,446,234
– Mortgages	**28,674,336**	25,307,941
Investment securities		
– Debt securities	**2,415,524**	2,248,875
Other assets	**395,458**	568,921
	124,004,399	123,613,124
Credit risk exposures relating to off-balance sheet items:		
Loan commitments	**7,447,953**	5,212,534
	131,452,352	128,825,658

The above table represents a worse case scenario of credit risk exposure to the Bank at June 30, 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 86.85% of the total maximum exposure is derived from loans and advances to customers (2007 – 86.75%); 1.73% (2007 – 1.59%) represents investments in debt securities.

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

- 80.76% (2007 – 74.70%); of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 39.22% (2007 – 39.95%); of the loans and advances portfolio are considered to be neither past due nor impaired; and
- The Bank has introduced a more stringent selection process upon granting loans and advances.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances

Loans and advances are summarised as follows:

	2008 $	2007 $
Loans and advances to customers		
Neither past due nor impaired	**47,698,279**	49,136,624
Past due but not impaired	**44,516,466**	38,394,335
Impaired	**29,392,532**	35,458,678
Gross	**121,607,277**	122,989,637
Less allowance for impairment losses on loans and advances	**(7,438,047)**	(11,235,462)
Net	**114,169,230**	111,754,175

The total impairment provision for loans and advances is $7,438,047 (2007 – $11,235,462) of which $6,689,741 (2007 – $8,483,419) represents the individually impaired loans and the remaining amount of $748,306 (2007 – $2,752,043) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 8 and 9.

(a) Loans and advances neither past due nor impaired

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

	Demand loans $	Mortgage loans $	Total $
Loans and advances to customers			
June 30, 2008			
Grades			
1. Pass	33,346,341	14,351,938	**47,698,279**
2. Special mention	–	–	–
3. Sub-standard	–	–	–
Total	**33,346,341**	**14,351,938**	**47,698,279**
June 30, 2007			
Grades			
1. Pass	35,793,421	13,343,203	49,136,624
2. Special mention	–	–	–
3. Sub-standard	–	–	–
Total	**35,793,421**	**13,343,203**	**49,136,624**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

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

	Demand loans $	Mortgage loans $	Total $
At June 30, 2008			
Past due up to 30 days	31,506,823	10,238,882	41,745,705
Past due 30 - 60 days	297,319	49,448	346,767
Past due 60 - 90 days	314,762	42,403	357,165
Past due over 90 days	1,876,884	189,945	2,066,829
	33,995,788	10,520,678	44,516,466
At June 30, 2007			
Past due up to 30 days	28,639,821	7,414,810	36,054,631
Past due 30 - 60 days	279,125	48,515	327,640
Past due 60 - 90 days	265,184	36,581	301,765
Past due over 90 days	1,563,072	147,227	1,710,299
	30,747,202	7,647,133	38,394,335

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

(c) Loans and advances individually impaired
The table below shows the individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held.

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

	Demand loans $	Mortgage loans $	Total $
At June 30, 2008			
Individually impaired loans	24,263,169	5,129,363	29,392,532
At June 30, 2007			
Individually impaired loans	30,387,440	5,071,238	35,458,678

Loans and advances renegotiated
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of Bank's management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled $8,060,838 at June 30, 2008 (2007 – $8,562,911).

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Geographical and economic concentrations of assets and liabilities

The Bank operates primarily in the Commonwealth of Dominica and the exposure to credit risk is concentrated in this area.

Economic sector risk concentrations within the customer loan portfolio were as follows:

		2008		2007
	%	$ (000's)	%	$ (000's)
Education	31.05	37,764	30.64	37,682
Mortgage	24.67	30,002	21.87	26,902
Tourism	19.29	23,463	18.78	23,096
Industrial	13.18	16,030	15.07	18,535
Agricultural	6.11	7,429	7.13	8,764
Other consumers	5.29	6,435	6.05	7,438
Distribution and commerce	0.41	484	0.46	572
Total before deduction for allowance for losses on loans and advances and unearned interest on discount loans		**121,607**		**122,989**

Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank exposures to market risks arise from its non-trading portfolios.

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

Price risk

The Bank is exposed to equity securities price risk because of investments held by the Bank and classified on the balance sheet as available for sale. To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio.

At June 30, 2008 if equity securities prices had been 10% higher/lower with all other variables held constant, equity for the year would have been $126,733 higher/lower as a result of the increase/decrease in fair value of available for sale equity securities.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total which are monitored daily. The Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The following table summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2008. Included in the table are the Bank's assets and liabilities at carrying amount, categorised by currency.

Concentration of currency risk – on- and off-balance sheet financial instruments

	EC$	EURO	US$	Total
As at June 30, 2008				
Assets				
Cash and balances with Central Bank	1,038,716	–	–	1,038,716
Treasury bills	2,428,538	–	–	2,428,538
Deposits with other banks	4,595,649	–	–	4,595,649
Loans and advances to customers	114,169,230	–	–	114,169,230
Investment securities:				
- available-for-sale	1,287,340	–	–	1,287,340
- held-to-maturity	2,415,524	–	–	2,415,524
Other assets	395,458	–	–	395,458
Total financial assets	126,330,455	–	–	126,330,455
Liabilities				
Due to customers	13,181,695	–	–	13,181,695
Borrowed funds	18,477,143	7,831,199	57,670,364	83,978,706
Other liabilities	3,950,801	–	–	3,950,801
Total financial liabilities	35,609,639	7,831,199	57,670,364	101,111,202
Net on-balance sheet financial position	90,720,816	(7,831,199)	(57,670,364)	25,219,253
Credit commitments	7,447,953	–	–	7,447,953
As at June 30, 2007				
Total financial assets	125,932,155	–	–	125,932,155
Total financial liabilities	34,037,095	8,235,218	58,954,351	101,226,664
Net on-balance sheet financial position	91,895,060	(8,235,218)	(58,954,351)	24,705,491
Credit commitments	5,212,534	–	–	5,212,534

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk

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

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

	1 Year $	1-5 Years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2008					
Cash and balances with Central Bank	822,088	–	–	216,628	1,038,716
Treasury bills	2,428,538	–	–	–	2,428,538
Deposits with other banks	4,595,649	–	–	–	4,595,649
Loans and advances to customers	19,533,519	43,707,261	50,928,450	–	114,169,230
Investment securities:					
- available for sale	–	–	–	1,287,340	1,287,340
- held to maturity	1,502,403	709,776	203,345		2,415,524
Other assets	–	–	–	395,458	395,458
Total financial assets	28,882,197	44,417,037	51,131,795	1,899,426	126,330,455
Due to customers	4,700,200	8,481,495	–	–	13,181,695
Borrowed funds	9,533,737	35,274,274	39,170,695	–	83,978,706
Other liabilities	–	–	–	3,950,801	3,950,801
Total financial liabilities	14,233,937	43,755,769	39,170,695	3,950,801	101,111,202
Net interest repricing gap	14,648,260	661,268	11,961,100	(2,051,375)	27,270,628
As at June 30, 2007					
Total financial assets	25,406,132	43,720,275	55,805,748	1,000,000	125,932,155
Total financial liabilities	17,145,087	41,104,450	42,977,127	–	101,226,664
Net interest repricing gap	8,261,045	2,615,825	12,828,621	1,000,000	24,705,491

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

	EC$	EURO	US$
As at June 30, 2008			
Assets			
Treasury bills	6.03	–	–
Deposits with other banks	5.26	–	–
Loans and advances to customers	9.42	–	–
Held-to-maturity investment securities	7.17	–	–
Liabilities			
Due to customers	5.29	–	–
Borrowed funds	5.25	2.00	4.61

Sensitivity analysis
Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At June 30, 2008 if variable interest rates had been 5% higher/lower with all other variables held constant, profit for the year would have been $412,501 higher/lower.

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

Liquidity risk*...continued*

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

	1 Year $	2-5 Years $	Over 5 years $	Total $
As at June 30, 2008				
Financial liabilities				
Due to customers	4,948,840	9,827,508	–	**14,776,348**
Borrowed funds	11,406,981	40,595,975	41,723,817	**93,726,773**
Other liabilities	3,950,801	–	–	**3,950,801**
Total financial liabilities	20,306,622	50,423,483	41,723,817	**112,453,922**
As at June 30, 2007				
Financial Liabilities				
Due to customers	4,220,485	10,267,239	–	**14,487,724**
Borrowed funds	11,916,668	38,449,103	46,551,545	**96,917,316**
Other liabilities	3,240,053	–	–	**3,240,053**
Total financial liabilities	19,377,206	48,716,342	46,551,545	**114,645,093**

Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 26), are summarised in the table below.

	1 Year $	2-5 Years $	Total $
As at June 30, 2008			
Loan commitments	7,447,953	–	**7,447,953**
At June 30, 2007			
Loan commitments	5,212,534	–	**5,212,534**

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature.

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

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

Due to other banks and customer, other deposits and other borrowed funds
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

Deposits payable on a fixed date are at rates, which reflect market conditions and are assumed to have fair values which approximate carrying values.

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

	Carrying value		Fair value	
	2008	2007	2008	2007
	$	$	$	$
Financial assets				
Loans and advances to customers	114,169,230	111,754,175	112,725,036	110,625,179
Securities held to maturity	2,415,524	2,248,875	2,411,924	2,161,485
Financial liabilities				
Due to customers	13,181,695	12,832,112	14,509,109	14,249,938
Borrowed funds	83,978,706	85,154,499	92,893,279	96,048,033

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Capital management

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

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management.

4 Critical accounting estimates, and judgements in applying accounting policies

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

a) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated $334,487 lower or higher.

b) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgment, the Bank evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at June 30, 2008.

(expressed in Eastern Caribbean dollars)

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

c) Held-to-maturity investments
The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the fair value would decrease by $3,600 with a corresponding entry in the fair value reserve in equity.

5 Cash and balances with other banks

	2008 $	2007 $
Cash in hand	**1,100**	1,100
Balances with Central Bank	**1,037,616**	1,030,591
Included in cash and cash equivalents (Note 24)	**1,038,716**	1,031,691

6 Treasury bills

	2008 $	2007 $
Treasury bills (Note 24)	**2,428,538**	2,426,126

Treasury bills are debt securities issued by the Government of Dominica for a term of three months. The weighted average effective interest rate in 2008 is 6.03% (2007 – 6.00%).

7 Deposits with other banks

	2008 $	2007 $
Items in the course of collection with other banks (Note 24)	**1,627,128**	2,762,904
Placements with other banks	**2,968,521**	3,852,123
	4,595,649	6,615,027

The weighted average effective interest rate in respect of interest bearing deposits in 2008 is 5.26% (2007 – 5.17%).

(expressed in Eastern Caribbean dollars)

8 Loans and advances to customers

	2008 $	2007 $
Demand loans	**91,605,299**	96,087,190
Mortgages	**30,001,978**	26,902,447
	121,607,277	122,989,637
Less allowance for impairment losses on loans and advances (Note 9)	**(7,438,047)**	(11,235,462)
	114,169,230	111,754,175
Current	**19,533,519**	12,842,251
Non-current	**94,635,711**	98,911,924
	114,169,230	111,754,175

The weighted average effective interest rate on productive loans stated at amortised cost at June 30, 2008 is 9.42% (2007- 9.61%).

9 Allowance for impairment losses on loans and advances

	2008 $	2007 $
Demand Loans		
At beginning of year	**9,640,956**	11,771,145
Provision for impairment losses	**1,948,405**	1,351,513
Amounts recovered during the year	**51,595**	19,955
Written-off during the year as uncollectible	**(5,530,551)**	(3,501,657)
At end of year	**6,110,405**	9,640,956
Mortgage Loans		
At beginning of year	**1,594,506**	1,389,025
Provision for impairment losses	–	500,000
Amounts recovered during the year	–	128,532
Written-off during the year as uncollectible	**(266,864)**	(423,051)
At end of year	**1,327,642**	1,594,506
	7,438,047	11,235,462

(expressed in Eastern Caribbean dollars)

10 Investment securities

	2008 $	2007 $
Securities available for sale		
Equity securities - at fair value:		
- Listed	**163,330**	163,330
- Unlisted	**1,124,010**	1,124,010
Total securities available for sale	**1,287,340**	1,287,340
Securities held to maturity		
Debt securities - at amortised cost:		
- Unlisted	**2,415,524**	2,248,875
Total investment securities	**3,702,864**	3,536,215
Current	**1,502,403**	1,397,233
Non-current	**2,200,461**	2,138,982
	3,702,864	3,536,215

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at June 30, 2008 is 7.17% (2007 – 7.25%).

Movements of the Bank's investment securities are summarised as follows:

	Available for sale $	Held to maturity $	Total $
At July 1, 2007	1,287,340	2,248,875	3,536,215
Additions	–	1,163,501	1,163,501
Disposals (sale and redemption)	–	(996,852)	(996,852)
At June 30, 2008	1,287,340	2,415,524	3,702,864
At July 1, 2006	1,267,340	2,934,815	4,202,155
Additions	20,000	679,900	699,900
Disposals (sale and redemption)	–	(1,365,840)	(1,365,840)
At June 30, 2007	1,287,340	2,248,875	3,536,215

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment

	Land $	Buildings $	Motor vehicles $	Furniture and equipment $	Computer equipment $	Total $
At June 30, 2006						
Cost or valuation	184,275	5,983,310	138,950	1,031,084	1,091,169	8,428,788
Accumulated depreciation	–	(1,259,976)	(138,950)	(788,328)	(1,027,302)	(3,214,556)
Net book amount	184,275	4,723,334	–	242,756	63,867	5,214,232
Year ended June 30, 2007						
Opening net book amount	184,275	4,723,334	–	242,756	63,867	5,214,232
Additions	–	–	–	44,501	136,334	180,835
Depreciation	–	(119,666)	–	(76,899)	(80,582)	(277,147)
Closing net book amount	184,275	4,603,668	–	210,358	119,619	5,117,920
At June 30, 2007						
Cost or valuation	184,275	5,983,310	138,950	1,075,585	1,227,503	8,609,623
Accumulated depreciation	–	(1,379,642)	(138,950)	(865,227)	(1,107,884)	(3,491,703)
Net book amount	184,275	4,603,668	–	210,358	119,619	5,117,920
Year ended June 30, 2008						
Opening net book amount	184,275	4,603,668	–	210,358	119,619	5,117,920
Additions	–	–	61,000	14,068	153,320	228,388
Disposals	–	–	(66,950)	(242,916)	(562,924)	(872,790)
Accumulated depreciation on disposals	–	–	66,950	242,916	562,924	872,790
Depreciation	–	(119,667)	(12,200)	(76,167)	(125,268)	(333,302)
Closing net book amount	184,275	4,484,001	48,800	148,259	147,671	5,013,006
At June 30, 2008						
Cost or valuation	184,275	5,983,310	133,000	846,737	817,899	7,965,221
Accumulated depreciation	–	(1,499,309)	(84,200)	(698,478)	(670,228)	(2,952,215)
Net book amount	184,275	4,484,001	48,800	148,259	147,671	5,013,006

The cost of the land where the office building is situated is not yet reflected in the books since the title is still being discussed with other government agencies.

(expressed in Eastern Caribbean dollars)

12 Other assets

	2008 $	2007 $
Other receivables	**487,640**	852,863
Less allowance for impairment losses on other receivables	**(100,661)**	(293,181)
	386,979	559,682
Prepayments	**8,479**	9,239
	395,458	568,921
Current	**395,458**	568,921

13 Due to customers

	2008 $	2007 $
Fixed deposits	**10,332,653**	10,098,702
Refundable deposits	**1,746,393**	1,643,192
Loan prepayments	**1,102,649**	1,090,218
	13,181,695	12,832,112
Current	**3,972,796**	4,003,116
Non-current	**9,208,899**	8,828,996
	13,181,695	12,832,112

All fixed deposits carry fixed interest rates. The weighted average effective interest rate of fixed deposits at June 30, 2008 is 5.29% (2007 – 5.43%).

(expressed in Eastern Caribbean dollars)

14 Borrowed funds

	2008 $	2007 $
Caribbean Development Bank	**54,297,329**	55,147,892
Dominica Social Security	**13,391,938**	14,548,219
European Investment Bank	**7,831,200**	8,235,218
Government of Venezuela	**5,000,000**	3,219,565
Republic of China	**2,786,102**	3,029,183
Caisse Centrale De Co-operation Economique	**672,137**	777,275
International Fund for Agricultural Development	–	197,147
	83,978,706	85,154,499
Current	**9,486,720**	9,901,918
Non-current	**74,491,986**	75,252,581
Non-current	**83,978,706**	85,154,499

These loans earn interest at rates ranging from 1% to 8% and are guaranteed by the Government of Dominica.

15 Other liabilities

	2008 $	2007 $
Agency liabilities	**1,304,816**	696,981
Dividends payable	**750,000**	500,000
Grants	**382,666**	416,236
Others	**1,513,319**	1,626,836
	3,950,801	3,240,053
Current	**3,950,801**	3,240,053

Grants include funds received from European Development Fund amounting to $154,331 (2007 – $154,331) for institutional strengthening and funds from European Union $228,335 (2007 – $261,905) for the benefit of the Bank's customers.

Agency liabilities are funds issued to the Bank by the Government of Dominica and other local agencies to be used for specific purposes, and for which the Bank acts as executing and collecting agent. The Bank earns agency fees as prescribed by contractual agreement. The funds belong to the Government of Dominica and local agencies.

(expressed in Eastern Caribbean dollars)

16 Share capital

	2008 $	2007 $
Authorized:		
5,000,000 ordinary shares with a $5 par value		
Issued and fully paid:		
3,509,526 ordinary shares	**17,547,631**	17,547,631

Section 16A of Chapter 74:03 of the Laws of Dominica empowers the Bank to redeem its shares at any time after the expiration of ten years from the date of issue. Shares issued to the Government of Dominica are not redeemable.

Based on the statutory rules and orders No. 57 of 1993 of the Government of the Commonwealth of Dominica titled, Dominica Agricultural Industrial and Development Bank (Subscription and Holdings of Shares) Regulations 1993, the Dominica Social Security may subscribe one million ordinary shares at $5 par value and be entitled to an annual dividend of not less than 5% of the par value of the shares subscribed.

17 Reserves

	2008 $	2007 $ (As restated)
General reserve	**88,234**	88,234
Statutory reserve	**5,837,744**	5,632,508
Special reserves	**1,349,220**	1,401,074
Revaluation reserve - securities available for sale	**(459,990)**	(459,990)
	6,815,208	6,661,826

Movements in reserves were as follows:

	2008 $	2007 $
General reserve		
At beginning and end of year	**88,234**	88,234

Prior to July 1, 1978, the Government of Dominica paid certain administrative expenses of the Bank. The Government decided to waive the amount of $88,234 due to it and instructed the Bank to create a general reserve for this amount.

(expressed in Eastern Caribbean dollars)

17 Reserves...*continued*

	2008 $	2007 $ (As restated)
Statutory reserve		
At beginning of year	**4,189,082**	3,938,308
Prior period adjustment	**1,443,426**	1,253,494
	5,632,508	5,191,802
Transfer from retained earnings	**205,236**	440,706
At end of year	**5,837,744**	5,632,508

This represents twenty-five percent (25%) of the net earnings of the Bank for each financial year allocated to the reserve account as required by Section 20 of Chapter 74:03 of the Laws of the Dominica Revised Edition.

	2008 $	2007 $
Special reserves		
Caribbean Development Bank provision		
At beginning and end of year	**441,122**	441,122
Foreign exchange equalization		
At beginning of year	**959,952**	953,292
Foreign exchange loss utilization	**(162,096)**	(109,326)
Transfers from retained earnings	**110,242**	115,986
At end of year	**908,098**	959,952
	1,349,220	1,401,074

Under the provision of Caribbean Development Bank (CDB) loan 16/SFR-D Section 9 (9) for agricultural production, the Bank is required to set aside an amount representing 1/3 of earned interest per annum on each sub-loan. This amount is to be used in such a manner as the CDB may from time to time determine. Total amount of reserve under this category as at June 30, 2008 is $441,122 (2007 – $441,122).

Special reserves include accumulated transfers from retained earnings based on European Investment Bank Loan Agreement Section 6.07 requiring interest received by the Bank on sub-loans in excess of 8% per annum to be credited on a special account called Foreign Exchange Equalization Fund (FEEF). The balance on the FEEF shall attract interest at an annual rate corresponding to the monthly rate payable by the Bank, for deposits in Eastern Caribbean Dollars of equivalent size. Total amount of reserve under this category as at June 30, 2008 is $909,098 (2007 – $959,952).

(expressed in Eastern Caribbean dollars)

17 Reserves...*continued*

	2008 $	2007 $
Revaluation reserve - securities available for sale		
At beginning of year	**(459,990)**	(479,990)
Fair value adjustments	**–**	20,000
At end of year	**(459,990)**	(459,990)

18 Net interest income

	2008 $	2007 $ (As restated)
Interest income		
Loans and advances	**11,100,198**	11,525,080
Deposits with banks	**585,214**	499,281
	11,685,412	12,024,361
Interest expense		
Long-term debt	**(3,928,701)**	(4,019,767)
Interest on deposits	**(530,628)**	(458,842)
	(4,459,329)	(4,478,609)
	7,226,083	7,545,752

19 Other operating income

	2008 $	2007 $
Agency fees	**148,458**	145,755
Administrative fees	**30,000**	30,000
Gain on disposal of property, plant and equipment	**20,050**	–
Others	**427,906**	496,960
	626,414	672,715

(expressed in Eastern Caribbean dollars)

20 Other operating expenses

	2008 $	2007 $
Staff costs (Note 21)	**2,359,983**	2,291,540
Loss on foreign exchange	**1,136,312**	529,326
Administrative expenses (Note 22)	**668,477**	981,814
Building occupancy expenses	**585,074**	522,042
Depreciation (Note 11)	**333,302**	277,147
	5,083,148	4,601,869

21 Staff costs

	2008 $	2007 $
Salaries and wages	**1,756,433**	1,740,744
Social security costs	**104,678**	101,745
Group insurance	**46,443**	45,068
Other staff costs	**452,429**	403,983
	2,359,983	2,291,540

22 Administrative expenses

	2008 $	2007 $
Directors emoluments	**170,659**	154,466
Printing, stationery, and office supplies	**114,175**	110,483
Legal and professional fees	**88,408**	270,742
Telephone, postage and fax	**86,178**	81,780
Advertising	**73,466**	46,135
Repairs and maintenance of furniture and equipment	**51,794**	25,045
Subscriptions and donations	**28,131**	23,372
Motor vehicle expenses	**27,157**	29,195
Annual report	**9,660**	8,447
Insurance	**7,805**	7,805
Provision for impairment on other receivables	–	214,289
Miscellaneous expenses	**11,044**	10,055
Total administrative expenses	**668,477**	981,814

(expressed in Eastern Caribbean dollars)

23 Dividends

The Bank declared 5% dividends amounting to $250,000 (2007 – 250,000) with respect to the ordinary shares held by the Dominica Social Security.

24 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 3 months maturity:

	2008 $	2007 $
Cash and balances with Central bank	**1,038,716**	1,031,691
Treasury bills	**2,428,538**	2,426,126
Deposits with other banks	**1,627,128**	2,762,904
	5,094,382	6,220,721

25 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates.

At the year-end, Directors of the Bank and companies in which they have an interest had no loans or fixed deposits with the Bank.

In 2008, the total remuneration paid to Directors and key management personnel was $939,153 (2007 – $912,536).

The Bank's outstanding obligation to Dominica Social Security, a stockholder, amounts to $13,391,938 (2007 – $14,566,042).

26 Contingent liabilities and commitments

Loans and advances
As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $7,447,953 (2007 – $5,212,534).

Legal
The Bank is the defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the results of such actions will not have a material effect on the Bank's financial position.

(expressed in Eastern Caribbean dollars)

27 Taxation

Under the provision of Chapter 74:03 Sections 32 of the Laws of Dominica, the Bank is exempted from the payment of income tax.

28 Prior period adjustment

Prior period adjustments pertain to unimpaired interest on non-performing loans that the Bank has not previously reported in the financial statements. As a result of the prior period adjustment, retained earnings as of June 30, 2007 and 2006 were adjusted for its effects.

The reconciliation of the increasing effects of prior period adjustments as they apply to equity and profit follows:

	2007 **$**	**2006** **$**
Equity		
As previously reported	**24,049,709**	23,385,938
Unimpaired interest on non-performing loans	**5,773,702**	5,013,975
As restated	**29,823,411**	28,399,913

Accordingly, Reserves were also adjusted in 2007 by 25% of the increase amounting to $1,443,426 (2006 – 1,253,494).

	2007 **$**
Profit	
As previously reported	1,003,097
Unimpaired interest on non-performing loans in 2007	759,727
As restated	1,762,824

The effect on the balance sheet is as follows:

	2007 **$**
Loans and advances to customers	
As previously reported	105,980,473
Unrecorded accrued interest receivable	5,773,702
As restated	111,754,175

PART IV

DAIDB STAFF MEMBERS

OFFICE OF THE GENERAL MANAGER

Mrs. E. Harris Charles, Ph.D., M.Sc., M.A., B.A.	-	General Manager, Ag.
Ms. R. Thomas, B.Sc., M.B.A.	-	Executive Secretary
Ms. G. Edwards	-	File Clerk
Mr. G. Nicholls	-	Office Attendant

LEGAL DIVISION

Mr. A. Commodore, Cert. P.A., LL.M., L.E.C., LL.B.	-	Legal Counsel
Ms. N. Winston	-	Bank Officer

INVESTMENTS DIVISION

Mr. P. Moses, MBA, B.Com.	-	Senior Manager Investments, (resigned in June 2008)
Mrs. M. John Rose, M.Sc., B.Sc.	-	Manager Projects
Mr. M. Paul, MBA	-	Manager Recoveries
Mrs. M. Abel, B.Sc.	-	Asst. Manager, Projects
Mrs. J. Dechausay Titre, B.Sc.	-	Senior Projects Officer
Mrs. P. Shillingford Chambers, B.Sc.	-	Project Officer I
Mr. F. Fabien, Dip. Agriculture	-	Project Officer I
Mr. A. H. LeBlanc, BSc.	-	Project Officer I
Mrs. N. Faustin, B.Sc	-	Loans Officer
Ms. P. Etienne, B.Sc.	-	Admin Officer/ Securities
Ms. M. Royer	-	Securities Officer
Ms. E. Alfred, B.Sc.	-	Bank Officer, Projects
Mr. C. Lloyd	-	Recoveries Officer III
Ms. G. Shillingford	-	Recoveries Officer II
Mrs. R. Xavier	-	Recoveries Officer II
Mr. C. Samuel	-	Recoveries Officer I
Mr. A. Thomas	-	Bank Officer, Projects
Ms. M. Robinson	-	Customer Service Rep.
Ms. S. Victor	-	Receptionist

ACCOUNTS AND FINANCE DIVISION

Ms. V. E Abraham, C.G.A., B.A.	-	Manager Finance
Mrs. I. Bruno, Cert. Bus. Admin.	-	Assistant Accountant
Ms. A. Dupigny, Cert. Bus. Admin.	-	Senior Bank Officer, Accounts
Mr. K. Shillingford	-	Senior Bank Officer, Accounts
Mr. K. Albert	-	Bank Officer, Accounts
Ms. H. Sylvester, Dip. Bus, Mang’t	-	Bank Officer, Accounts
Mr. M. Allan, Assoc. Deg. Bus. Admin.	-	Bank Officer, Accounts

CORPORATE SERVICES

Mr. C. Carty, FMAAT	-	Deputy GeneralManager (retired in February 2008)
Mrs. A. Coipel, M.Sc., B.Sc.	-	Manager Information Systems
Mrs. L. Gonzalez Peltier John,B.Sc.	-	Administrative Officer, MIS
Mr. K. Sylvester, M.C. P.	-	Senior Bank Officer, MIS

HUMAN RESOURCE UNIT

Mrs. U. McDowell-Job, M.Sc., B.A.	-	Human Resource Manager

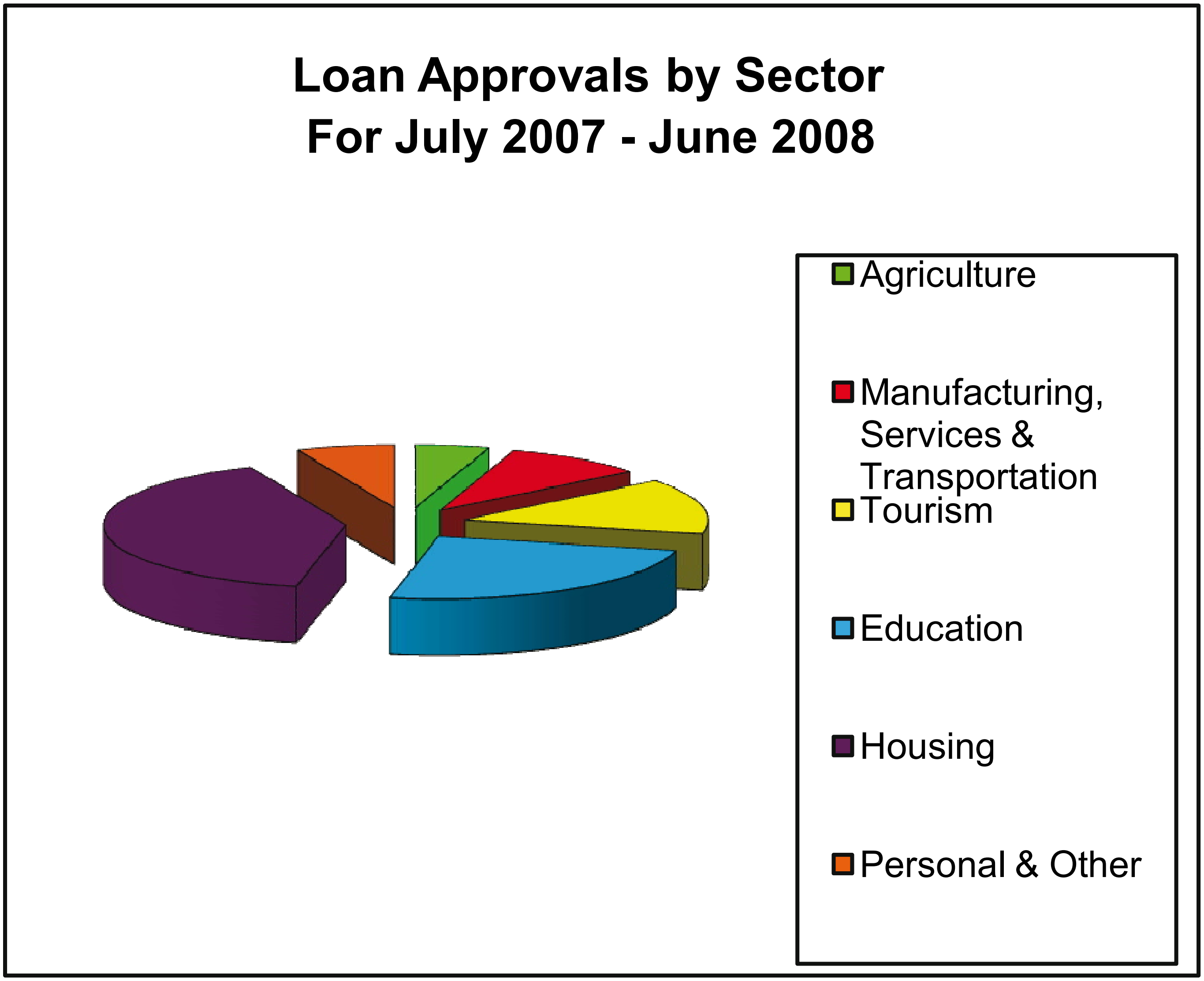


TABLE 1

SUMMARY OF LOAN/ QUASI-EQUITY APPROVALS BY SECTOR 2004 - 2008

SECTOR	2008		2007		2006		2005		2004	
	$	%	$	%	$	%	$	%	$	%
AGRICULTURE	1,012,903	4.9%	999,691	4.9%	1,400,463	8.7%	1,375,543	8.0%	2,452,289	11.4%
MANUF, SERVICES & TRANSP.	1,959,235	9.4%	3,208,350	15.6%	1,008,749	6.3%	3,086,731	17.9%	3,824,007	17.8%
TOURISM	2,974,002	14.3%	3,467,824	16.8%	2,382,052	14.8%	4,608,137	26.7%	1,577,000	7.3%
EDUCATION	5,122,256	24.7%	5,121,446	24.9%	6,070,673	37.8%	3,916,675	22.7%	7,273,306	33.9%
HOUSING	8,368,381	40.3%	6,029,596	29.3%	3,638,161	22.6%	2,955,530	17.1%	5,422,047	25.2%
PERSONAL & OTHER	1,342,790	6.5%	1,754,945	8.5%	1,563,645	9.7%	1,337,376	7.7%	926,165	4.3%
TOTAL	**20,779,567**	100.0%	**20,581,852**	100.0%	**16,063,744**	100.0%	**17,279,991**	100.0%	**21,474,814**	100.0%

Loan Disbursements by Sector
For July 2007 - June 2008

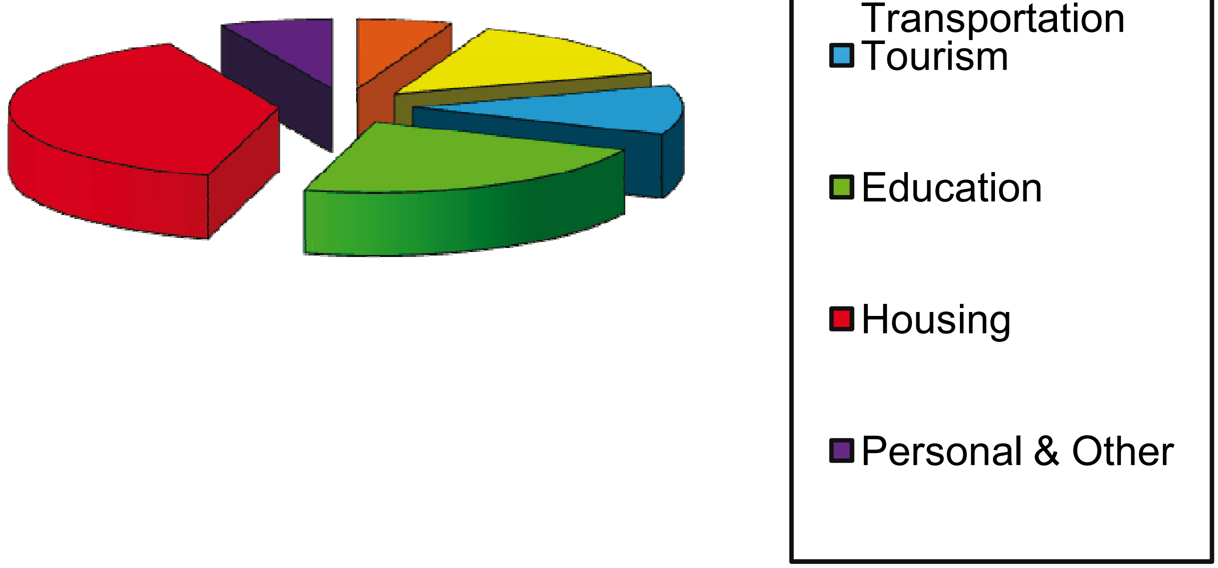


TABLE 2

SUMMARY OF LOAN/QUASI-EQUITY DISBURSEMENTS BY SECTOR 2004 - 2008

SECTOR	2008		2007		2006		2005		2004	
	$	%	$	%	$	%	$	%	$	%
AGRICULTURE	1,071,385	5.6%	746,432	4.6%	1,254,569	7.5%	925,386	5.4%	1,584,370	10.1%
MANUF, SERVICES & TRANSP.	2,737,227	14.4%	3,815,263	23.6%	1,118,366	6.7%	3,322,207	19.4%	4,557,497	29.1%
TOURISM	2,158,159	11.4%	622,727	3.9%	3,343,375	20.1%	3,019,808	17.6%	605,240	3.9%
EDUCATION	4,334,768	22.8%	5,242,277	32.5%	5,493,374	33.0%	5,461,699	31.8%	5,819,807	37.2%
HOUSING	7,430,606	39.1%	3,844,600	23.8%	3,823,031	23.0%	2,945,507	17.2%	2,232,956	14.3%
PERSONAL & OTHER	1,264,902	6.7%	1,881,767	11.6%	1,615,689	9.7%	1,480,827	8.6%	844,275	5.4%
SUB-TOTAL	18,997,047	100.0%	16,153,066	100.0%	16,648,404	100.0%	17,155,434	100.0%	15,644,145	100.0%

TABLE 3

SECTOR PERFORMANCE INDICATORS

2008

ITEM	AGRICULTURE	MANUF. SERV & TRANSP.	TOURISM	HOUSING	EDUCATION	PERSONAL & OTHER	TOTAL
No.of Loans Granted	95	46	10	122	177	165	615
Value of Loans (EC$)	1,012,903	1,959,235	2,974,002	8,368,381	5,122,256	1,342,790	20,779,567
Estimated No. of Jobs Created	211	92	49	349	-	-	701
Average Loan Size (EC$)	10,662	42,592	297,400	68,593	28,939	8,138	33,788
No. Of Loans:							
Women	11	14	0	63	121	80	289
Men	84	28	9	59	56	85	321
Groups	0	0	0	0	0	0	0
Partnership	0	0	0	0	0	0	0
Cooperative	0	0	0	0	0	0	0
Company	0	4	1	0	0	0	5
No. Of Loans to:							
Roseau & Environs	9	16	2	35	72	65	199
Rural Areas	86	30	8	87	105	100	416

TABLE 4

AGRICULTURE & FISHING LOAN APPROVALS BY SUBSECTOR 2007 - 2008

LOAN SCHEME	2008			2007		
	NO.	AMOUNT	%	NO.	AMOUNT	%
CROPS						
Bananas	7	73,000	7	27	291,872	29
Ginger	0	0	0	0	0	0
Hot Peppers	0	0	0	0	0	0
Passion Fruit	1	7,000	1	1	4,500	0
Plantain	1	2,211	0	1	2,100	0
Ornamentals (Floriculture)	0	0	0	0	0	0
Mixed crops	24	153,726	15	14	67,334	7
Pineapples	0	0	0	0	0	0
Corn	0	0	0	0	0	0
			0	0	0	0
Sub-Total	33	235,937	23	43	365,806	37
ROOT CROPS						
Dasheen	3	10,159	1	2	8,000	1
Cassava	0	0	0	1	9,000	1
Sweet Potatoes	1	3,000	0	0	0	0
Tannia	0	0	0	0	0	0
Yam	0	0	0	0	0	0
Mixed Root Crops	0	0	0	10	43,155	4
Sub-Total	4	13,159	1	13	60,155	6
TREE CROPS	0	0	0	0	0	0
VEGETABLES	3	13,200	1	4	16,159	2
FISHING						
Marine Fishing	11	324,704	32	12	122,474	12
Prawns	0	0	0	0	0	0
Sub-Total	11	324,704	32	12	122,474	12
LIVESTOCK						
Beef	0	0	0	0	0	0
Dairy	0	0	0	0	0	0
Pigs	11	68,607	7	4	26,351	3
Poultry	5	23,250	2	0	0	0
Small Stock	3	8,462	1	1	3,500	0
Bees	0	0	0	0	0	0
Other	0	0		2	6,041	
Sub-Total	19	100,319	10	7	35,892	3
OTHER						
Land Purchase	1	25,946	3	5	226,957	23
Drainage/Irrigation	0	0	0	1	3,057	0
Farm Equipment	0	0	0	2	6,500	1
Farm Building	1	5,000	0	0	0	0
Farm Road	2	11,281	1	2	18,080	2
Farm Vehicle:						
Purchase	7	226,842	22	5	94,012	9
Insurance	3	9,333	1	0	0	0
Repair	8	41,329	4	9	45,472	5
Agro-processing	0	0	0	0	0	0
Greenhouse	1	782	0	1	3,000	0
Marketing	2	5,070	1	1	2,128	0
Miscellaneous	0	0	0	0	0	0
Sub-Total	25	325,584	32	26	399,206	40
TOTAL	95	1,012,903	100	105	999,691	99

TABLE 5

MANUFACTURING, SERVICES & TRANSPORTATION LOAN APPROVALS BY SECTOR
2004 - 2008

PURPOSE	2008			2007			2006			2005			2004		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Manufacturing	0	0	0	1	5,000	0	4	82,870	8	3	16,000	1	6	280,022	7
Transportation	7	354,510	18	5	108,353	3	5	204,132	20	1	70,000	2	7	229,031	6
Services	39	1,604,725	82	49	3,094,997	96	31	721,747	72	34	3,000,731	97	27	3,314,954	87
TOTAL	46	1,959,235	100	55	3,208,350	100	40	1,008,749	100	38	3,086,731	100	40	3,824,007	100

TABLE 6

TOURISM LOAN APPROVALS BY PURPOSE
2004 - 2008

PURPOSE	2008			2007			2006			2005			2004		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Accommodations	5	2,757,573	93	4	3,177,413	92	6	855,660	36	5	4,233,000	92	3	1,403,000	89
Tour Bus	5	216,428	7	7	290,412	8	8	326,392	14	8	375,137	8	1	100,000	6
Other Services	0	0	0	0	0	0	1	1,200,000	50	0	0	0	1	74,000	5
TOTAL	10	2,974,002	100	11	3,467,824	100	15	2,382,052	100	13	4,608,137	100	5	1,577,000	100

TABLE 7

HOUSING LOAN APPROVALS BY PURPOSE
2004 - 2008

PURPOSE	2008			2007			2006			2005			2004		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
New Construction	31	3,199,774	38	26	2,327,958	39	17	1,157,512	32	19	924,295	31	23	1,870,978	68
Home Improvement	39	680,208	8	40	838,939	14	58	1,042,330	29	40	545,452	18	49	702,069	25
Home Purchase	8	1,371,818	16	8	481,989	8	5	416,411	11	4	868,403	29	2	187,000	7
Special Mortgage Proj.	12	422,642	5	14	556,503	9	19	1,021,908	28	22	617,380	21	3	2,662,000	
Special Housing Facility	32	2,693,939	32	20	1,728,861	29									
TOTAL	122	8,368,381	100	108	5,934,251	100	99	3,638,161	100	85	2,955,530	100	77	2,760,047	100

TABLE 8

STUDENT LOAN APPROVALS BY COURSE OF STUDY (2004 - 2008)

COURSE OF STUDY	2008			2007			2006			2005			2004		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Accounting	11	239,996	5	17	632,103	12	17	603,249	10	12	466,501	12	17	751,925	10
Agricultural Science	3	25,282	0	3	12,500	0	8	88,450	1	4	57,100	1	7	83,891	1
Animal Science	1	16,300	0	1	15,000	0	0	0	0	0	0	0	1	95,000	1
Architecture	2	82,805	2	2	134,000	3	4	93,990	2	0	0	0	2	147,000	2
Aviation	0	0	0	0	0	0	0	0	0	0	0	0	1	95,000	1
Banking & Finance	5	272,000	5	1	57,000	1	2	46,760	1	4	165,982	4	5	280,700	4
Business & Management	29	818,395	16	38	1,023,337	20	36	945,584	16	34	757,511	19	23	844,900	12
Biology/Marine Biology	1	72,000	1	3	192,000	4	2	190,000	3	2	21,300	1	13	212,201	3
Building Surveying	3	113,015	2	0	0	0	2	23,800	0	2	154,000	4	0	0	0
Chemistry/Bio-chemistry	4	174,275	3	3	117,105	2	0	0	0	0	0	0	4	216,300	3
Chemical Engineering	1	95,000	2	0	0	0	5	283,920	5	0	0	0	2	51,622	1
Civil Engineering	3	203,600	4	0	0	0	2	100,500	2	4	74,885	2	5	101,121	1
Computer Science	8	355,633	7	4	239,965	5	16	471,797	8	7	296,992	8	24	880,920	12
Dietetics & Nutrition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economics	2	111,300	2	2	23,050	0	3	139,300	2	7	143,023	4	4	52,420	1
Education	22	349,278	7	8	166,403	3	11	141,440	2	9	222,203	6	8	160,751	2
Electric/Electronic/Energy E	3	23,750	0	1	16,300	0	6	195,050	3	4	49,750	1	2	29,464	0
Entertainment Technology	1	10,742	0	0	0	0	1	70,000	1	1	7,000	0	0	0	0
Environmental Studies	2	80,000	2	0	0	0	1	18,495	0	3	147,500	4	3	146,200	2
Fashion Design	0	0	0	0	0	0	0	0	0	0	0	0	1	6,700	0
Geography/Geology	2	120,000	2	2	28,170	1	1	10,000	0	0	0	0	4	129,750	2
History	1	95,000	2	1	16,300	0	0	0	0	0	0	0	1	6,750	0
International Relations	0	0	0	0	0	0	1	11,000	0	1	41,800	1	4	247,973	3
Law/Criminal Justice	12	460,778	9	10	357,801	7	11	518,819	9	3	75,600	2	5	300,589	4
Language/Linguistics	2	77,300	2	2	60,001	1	2	107,412	2	3	123,000	3	3	127,600	2
Liberal arts	4	84,500	2	1	30,000	1	1	30,000	0	0	0	0	1	60,000	1
Marketing	3	115,300	2	4	82,866	2	2	34,286	1	1	16,300	0	2	53,200	1
Maritime Training	0	0	0	2	111,000	2	2	9,700	0	0	0	0	0	0	0
Journalism/Mass Com.	1	78,000	2	2	37,552	1	4	186,050	3	1	34,000	1	4	186,300	3
Mechanical/Industrial Engin	4	168,050	3	0	0	0	3	82,450	1	3	24,017	1	3	91,500	1
Medicine/para/pre-med	6	156,550	3	5	100,843	2	10	447,300	7	10	400,300	10	11	519,050	7
Natural/Applied Science	1	35,000	1	5	273,085	5	4	97,800	2	3	106,136	3	2	190,000	3
Nursing	25	389,554	8	39	666,267	13	27	479,509	8	10	220,214	6	8	217,650	3
Pharmacy	0	0	0	0	0	0	1	90,000	1	0	0	0	2	84,600	1
Political Science	2	13,500	0	0	0	0	0	0	0	0	0	0	0	0	0
Psychology	4	114,350	2	6	180,696	4	6	62,750	1	3	84,250	2	11	499,734	7
Health Technology/Services	3	48,900	1	2	125,000	2	4	240,000	4	1	63,000	2	0	0	0
Tourism/Hospitality	2	10,501	0	6	183,350	4	17	152,520	3	4	44,300	1	2	150,000	2
Rural Development	0	0	0	1	2,800	0	0	0	0	1	6,750	0	0	0	0
Secretarial Studies	1	6,250	0	1	6,750	0	2	10,909	0	5	23,820	1	2	54,500	1
Social Science	0	0	0	2	73,302	1	1	50,000	1	0	0	0	2	80,005	1
Social Work	1	6,750	0	0	0	0	0	0	0	0	0	0	2	68,000	1
Sociology	0	0	0	0	0	0	0	0	0	0	0	0	3	17,390	0
IT/Telecommunications	1	95,000	2	5	156,900	3	1	25,334	0	3	69,942	2	2	32,600	0
Theology	1	3,600	0	0	0	0	1	12,500	0	2	19,500	0	0	0	0
TOTAL	177	5,122,256	100	179	5,121,446	100	217	6,070,673	100	147	3,916,675	100	196	7,273,306	100

TABLE 9

PERSONAL LOAN APPROVALS BY PURPOSE
2004 - 2008

PURPOSE	2008			2007			2006			2005			2004		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
Furniture	2	16,500	1	4	102,612	6	2	10,940	1	3	18,297	1	9	68,825	7
Vehicle	11	158,374	12	19	267,291	15	14	341,976	22	14	380,400	28	5	162,000	17
Vehicle Repair	18	191,870	14	15	91,283	5	18	139,999	9	15	122,277	9	13	55,367	6
Commercial	5	26,868	2	18	122,350	9	14	123,974	9	8	66,859	5	5	36251	4
Residential Land	1	49,848	4	16	548,465	41	12	239,308	18	3	143,555	11	1	24,912	3
Personal expenses	48	284,960	21	45	244,347	18	38	241,007	18	50	275,074	21	55	297,686	32
Refinancing	8	175,123	13	9	137,285	10	7	95,915	7	3	35,395	3	3	46,525	5
School supplies	4	8,562	1	5	16,717	1	4	15,052	1	7	49,587	4	5	26,417	3
Computers	3	14,381	1	0	0	0	2	22,500	2	3	12,241	1			0
Travel	9	46,444	3	5	19,820	1	13	99,300	7	8	25,644	2			0
Medical	5	38,920	3	10	56,308	4	0	0	0	3	10,500	1			0
Miscellaneous	51	330,940	25	31	148,467	11	32	233,674	17	33	197,549	15	47	208,181	22
TOTAL	**165**	**1,342,790**	**100**	**177**	**1,754,945**	**123**	**156**	**1,563,645**	**111**	**150**	**1,337,376**	**100**	**143**	**926,165**	**100**

TABLE 10

FINANCIAL PROFILE 2004 - 2008

Authorised Capital: $25,000,000

OWNERSHIP AT JUNE 30, 2008	PAID-UP CAPITAL			% TOTAL	
Government of Dominica	$12,547,630			72	
Dominica Social Security	$5,000,000			28	
Operations	**2008**	**2007**	**2006**	**2005**	**2004**
Return on Average Assets (%)	0.63	1.37	0.67	-1.25	1.07
Debt/Equity	2.78:1	2.86:1	3.76:1	4.07:1	3.30:1
Return on Equity (%)	2.72	5.91	3.61	-7.07	4.91
Return on Share Capital (%)	4.68	10.05	4.81	-8.97	7.55
Gross Loan Interest Yield (%)	9.68	9.90	8.30	7.88	8.32
Expense/Income Ratio	0.93	0.86	0.92	1.15	0.88:1
Total Income Yield on Assets (%)	9.36	9.69	8.82	8.31	8.51
Non-performing loans as a percentage of total loans	20.02	25.5	33.95	32.46	33.06
Provision as a % of non-performing loans	32.4	37.85	32.75	29.62	31.27
Net Loans ($mn)	107.24	105.19	106.40	107.08	106.7
Financial Position					
Total Assets ($mn)	131.34	131.05	125.32	125.80	126.74
Long-term Debt ($mn)	83.98	85.15	87.88	90.56	88.96
Net Worth ($mn)	30.23	29.23	23.39	22.24	26.98