Consolidated Financial Statements

East Caribbean Financial Holding Company Limited

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of East Caribbean Financial Holding Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of East Caribbean Financial Holding Company Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters (continued)

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

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>IFRS 9 Expected Credit Losses</td><td></td></tr>
<tr><td>
Refer to Notes 2, 9 and 10 of the consolidated financial statements
IFRS 9, Financial Instruments, was implemented by the Group on January 1, 2018. The standard, which replaced IAS 39 Financial Instruments: Recognition and Measurement is new and complex and requires the Group to recognise expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and estimates.
The key areas requiring a greater level of judgement by management and therefore increased audit focus include the identification of significant increase in credit risk ('SICR') and the application of forward-looking information.
The identification of significant increase in credit risk is a key area of judgement as these criteria determine whether a 12 month or lifetime provision is recorded (i.e. the Stage allocation process).
IFRS 9 requires the Group to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is used in determining the economic scenarios and management overlay.
</td><td>
General
We understood management's process and reviewed key activities around the determination of expected credit loss allowances including:
- Appropriateness of modeling methodology;
- Model approval;
- The identification of credit impairment events; and
- The review, challenge and approval of the expected credit loss allowances, including the impairment model outputs, key management judgments and overlays applied. Management has applied a heightened level of judgment in their assessment of the impact of COVID-19 on the ECL allowance.
Stage 1 and Stage 2 Loans and advances

Obtained an understanding of the impairment model used by management for the calculation of expected credit losses.
Tested the completeness and accuracy of the key data inputs used in the model to the underlying accounting records.

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Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

Key Audit Matter	**How the matter was addressed in our audit**
IFRS 9 Expected Credit Losses (cont'd)	
	Stage 1 and Stage 2 Loans and advances, (cont'd) • Involved our actuarial specialists to evaluate the reasonableness of the Group's ECL estimates based on the underlying ECL models produced by the Group. As part of this, the specialists reviewed the methodologies and assumptions employed within the models for reasonableness. This included a review of the SICR criteria for loans under the moratorium program and the evaluation of management's expert credit judgment in ensuring that amounts recorded were reflective of the credit quality, macroeconomic trends and other factors including the impact of COVD-19. • The specialists also reviewed the derivation and assumptions selected for probability of default, loss given default and the exposure at default. Additionally, the specialists considered the appropriateness of using a management's overlay approach in lieu of a regression model based on the statistical credibility results provided. We assessed the reasonableness of the overlays derived outside the specific model output including the COVID-19.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>IFRS 9 Expected Credit Losses (cont'd)</td><td></td></tr>
<tr><td> For the Group's loans and advances in Stage 1 and 2 (i.e. Stage 1 - loans which had not experienced a significant increase in credit risk since origination and; Stage 2 - those that had experienced such), the allowance is determined on a collective basis with the use of impairment models. These models use a number of key assumptions including probability of default, loss given default and valuation of recoveries. Management also apply overlays where they believe the model calculated assumptions and allowances require refinement due to historical trends or due to the model limitations.
For the Group's loans and advances in Stage 3 (i.e. credit impaired facilities) expected credit losses are estimated on an individual basis. Specific criteria has been developed to identify loans that have become credit impaired. However, judgement is exercised to determine whether any additional loans are exhibiting specific characteristics that would lead to such classification. The Group then estimates the expected future cash flows related to those loans.
We therefore determined that the impairment of loans and advances has a high degree of estimation uncertainty. </td>
<td> Stage 3 Loans and advances

We critically assessed the criteria for determining whether a credit impairment event had occurred. This involved reviewing a sample of loan facilities in Stage 1 and 2 for indicators of a credit impairment event based on determined risk characteristics.
We assessed the adequacy of the impairment allowance for loans and advances by testing the key assumptions used in the Group's ECL calculations including forecasts of future cash flows and timing of such.
We involved our internal valuation specialists in the review of third-party valuations of the underlying collateral security supporting a sample of loans and advances.
We also considered the current market conditions and compared these against the Group's historical experience of the realization of security and actual collection of cash flows.
Re-performed management's allowance calculation.

Financial statement disclosures

Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with the standard.
</td></tr>
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Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

Key Audit Matters	**How our audit addressed the key audit matter**
Fair Value of Investments	
Refer to Notes 2 and 3 to the consolidated financial statements. The Group invests in various investment securities for which no published prices in active markets are available and have been classified as Level 2 assets within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.	We reviewed the reasonableness of the methods and assumptions used in determining the fair value of investment securities. We considered whether the methodology remains appropriate given current market conditions. We independently assessed the fair value of investments by performing independent valuations on the investment portfolio as well as recalculating the unrealized gain (loss) recognized. We verified that the required IFRS disclosures have been included in the consolidated financial statements at year end. We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded.

Other Information

Management is responsible for the other information. The other information comprises the Group's 2021 Annual Report but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Other Information (continued)

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

When we read the Group's 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Baldwin Alcindor.

Castries,
Saint Lucia
XXXX XX, 2021

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position

As at December 31, 2021

(in thousands of Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Assets			
Cash and balances with Central Bank	6	**270,955**	258,761
Treasury bills	7	**1,727**	10,804
Deposits with other banks	8	**241,410**	216,447
Financial assets held for trading	9	**13,954**	9,487
Deposits with non-bank financial institutions	10	**18,074**	101,896
Investment securities	14	**865,388**	719,635
Financial instruments - pledged assets	15	**903**	8,352
Loans and advances to customers	11	**803,904**	799,318
Investment in associates	16	**64,620**	63,981
Property and equipment	17	**52,147**	49,611
Investment properties	18	**28,019**	30,987
Right-of-use lease asset	19	**1,050**	528
Other assets	20	**54,149**	39,692
Retirement benefit asset	22	**19,569**	19,235
Income tax recoverable		**8,382**	9,920
Total Assets		**2,444,251**	2,338,654
Liabilities			
Deposits from banks	23	**27,586**	35,281
Due to customers	24	**2,025,162**	1,901,810
Lease liability	19	**1,050**	539
Deferred tax liability	27	**1,911**	1,511
Repurchase agreements	15	**876**	8,107
Dividends payable		**581**	291
Borrowings	25	**52,178**	60,008
Cumulative preference shares	44	**4,150**	4,150
Other liabilities	26	**54,489**	61,528
Total Liabilities		**2,167,983**	2,073,225

East Caribbean Financial Holding Company Limited
Consolidated Statement of Financial Position*...continued*
As at December 31, 2021
(in thousands of Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Equity			
Share capital	28	**170,081**	170,081
Contributed capital	29	**1,118**	1,118
Reserves	30	**174,664**	172,574
Revaluation surplus		**13,855**	13,855
Fair value through OCI reserve		**6,094**	18,099
Deficit		**(89,544)**	(110,298)
Total Equity		**276,268**	265,429
Total Liabilities and Equity		**2,444,251**	2,338,654

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

Approved by the Board of Directors on May 13, 2022.

Director

Director

East Caribbean Financial Holding Company Limited

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

(in thousands of Eastern Caribbean dollars)

	Share Capital $	Contributed Capital $	Reserves $	Revaluation Surplus $	Fair value through OCI reserve $	Deficit $	Total Equity $
Balance at January 1, 2020	170,081	1,118	219,520	13,855	7,304	(161,050)	250,828
Total comprehensive income for the year	-	-	-	-	10,795	9,895	20,690
Transfers to reserves	-	-	(46,973)	-	-	46,973	-
Contributions	-	-	27	-	-	-	27
Dividends	-	-	-	-	-	(6,116)	(6,116)
Balance at 31 December 2020	170,081	1,118	172,574	13,855	18,099	(110,298)	265,429
Balance at January 1, 2021	**170,081**	**1,118**	**172,574**	**13,855**	**18,099**	**(110,298)**	**265,429**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(12,005)**	**22,814**	**10,809**
Transfers to reserves	**-**	**-**	**2,060**	**-**	**-**	**(2,060)**	**-**
Contributions	**-**	**-**	**30**	**-**	**-**	**-**	**30**
Balance at 31 December 2021	**170,081**	**1,118**	**174,664**	**13,855**	**6,094**	**(89,544)**	**276,268**

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

East Caribbean Financial Holding Company Limited

Consolidated Statement of Profit or Loss

For the year ended December 31, 2021

(in thousands of Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Interest income	32	**73,632**	79,130
Interest expense	32	**(27,881)**	(28,075)
Net interest income		**45,751**	51,055
Other operating income	33 - 36	**54,289**	59,469
Impairment losses - loans	12	**(6,300)**	(25,846)
Impairment recovery/(losses) - investments	13	**597**	(2,228)
Operating expenses	37	**(69,637)**	(71,467)
Operating profit		**24,700**	10,983
Share of profit of associates	16	**1,172**	3,303
Profit for the year before income tax and dividends		**25,872**	14,286
Dividends on preference shares	40	**(291)**	(291)
Profit for the year before income tax		**25,581**	13,995
Income tax expense	39	**(2,326)**	(6,579)
Profit for the year after taxation		**23,255**	7,416
Profit per share attributable to the equity holders of the Company during the year	40		
- basic		**0.95**	0.30
- diluted		**0.92**	0.29

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

East Caribbean Financial Holding Company Limited

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

(in thousands of Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Profit for the year		**23,255**	7,416
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net (loss)/gain on revaluation of FVOCI instruments		**(9,513)**	9,907
Realised gain transferred to profit or loss		**(2,451)**	(1,483)
		(11,964)	8,424
Share of fair value (loss)/gain on assets carried at fair value of associated companies		**(41)**	2,371
		(12,005)	10,795
Re-measurement (loss)/gain on defined benefit pension scheme		**(630)**	3,542
Income tax effect		**189**	(1,063)
Net re-measurement (loss)/gain	22	**(441)**	2,479
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods (net of tax)		**(12,446)**	13,274
Total comprehensive income for the year (net of tax)		**10,809**	20,690

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

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

(in thousands of Eastern Caribbean dollars)

	2021 $	2020 $
Cash flows from operating activities		
Profit after tax	**23,255**	7,416
Adjustments for:		
Interest income on investments	**(22,988)**	(23,148)
Depreciation and amortisation	**4,960**	4,795
Impairment losses on loans	**6,300**	25,845
Impairment (gain)/loss on investment securities	**(597)**	2,228
Unrealised gain on investments fair value through profit or loss	**(1,562)**	(943)
Interest expense on borrowings	**3,740**	4,048
Retirement benefit expense	**1,619**	1,970
Loss/(gain) on disposal of property and equipment	**554**	(42)
Fair value loss on investment properties	**2,968**	968
Share of profit of associate	**(1,172)**	(3,303)
Net gains on disposal of investments	**(2,089)**	(4,802)
Unamortised premium on investments	**2,508**	1,185
Retirement benefit contributions paid	**(2,583)**	(2,631)
Dividends on preference shares	**291**	291
Income tax expense	**2,326**	6,579
Cash flows before changes in operating assets and liabilities	**17,530**	20,456
Changes in:		
Mandatory deposits with Eastern Caribbean Central Bank	**(10,426)**	(8,332)
Loans and advances to customers	**(10,886)**	13,566
Other assets	**(14,458)**	9,036
Due to customers	**123,353**	88,539
Deposits with banks	**-**	94,817
Deposits with non-bank financial institutions	**(29)**	27,250
Repurchase agreements	**(7,230)**	105
Deposits from banks	**(7,695)**	(14,350)
Other liabilities	**(7,040)**	21,880
Financial instruments - pledged assets	**7,189**	(105)
Lease liability	**(538)**	(518)
Trading assets	**(4,294)**	11,751
Treasury bills	**9,262**	(979)
Cash from operations	**94,738**	263,116
Income tax paid	**(200)**	(8,179)
Interest received	**22,564**	24,066
Interest paid	**(3,895)**	(4,114)
Dividend received from associates	**492**	1,674
Net cash from operating activities	**113,699**	276,563

(in thousands of Eastern Caribbean dollars)

	Notes	2021 $	2020 $
Cash flows from investing activities			
Purchase of investment securities		**(582,169)**	(360,514)
Proceeds from disposal and redemption of investment securities		**426,518**	345,851
Purchase of property and equipment		**(8,608)**	(6,327)
Proceeds from disposal of property and equipment		**1,086**	74
Net cash used in investing activities		**(163,173)**	(20,916)
Cash flows from financing activities			
Dividends paid		**-**	(6,407)
Proceeds from capital contributions		**30**	27
Repayment of borrowings		**(7,675)**	(3,769)
Net cash used in financing activities		**(7,645)**	(10,149)
(Decrease)/increase in cash and cash equivalents during the year		**(57,119)**	245,498
Cash and cash equivalents at beginning of year		**431,724**	186,226
Cash and cash equivalents at end of year	41	**374,605**	431,724

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

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1 Corporate Information

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

Bank of Saint Lucia Limited, and ECFH are in compliance with the Companies Acts and Banking Acts and the provisions of the Insurance Act, 1995.

The principal activity of the Company and its subsidiary (the "Group") is the provision of financial services. The registered office and principal place of business of the Company is located at No.1 Bridge Street, Castries, Saint Lucia.

The principal shareholding of the Group is stated in Note 43.

The Company is listed on the Eastern Caribbean Securities Exchange.

2 Summary of significant accounting policies

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

Statement of compliance
East Caribbean Financial Holding Company Limited's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board (IASB) as at 31 December 2021 (the reporting date).

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the following material items that are measured at fair value in the consolidated statement of financial position.

- Financial assets measured at fair value through profit or loss
- Financial assets designated at fair value through profit or loss
- Equity instruments designated at fair value through other comprehensive income
- Debt instruments measured at fair value through other comprehensive income

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

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- **Amendments to IFRS 16**

Amendments to IFRS 16 Leases is effective for annual periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- The revised consideration is substantially the same or less than the original consideration
- The reduction in lease payments relates to payments due on or before 30 June 2021; and
- No other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- That fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- The amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group does not expect the amendment to have a significant impact on its financial statements.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*…. continued*

- **Amendments to IFRS 9**

  Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance contracts and IFRS 16 Leases, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revise discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

  The Group does not expect the amendment to have a significant impact on its financial statements.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*…. continued*

New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 37 Provision, Contingent Liabilities and Contingent Assets is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Group does not expect the amendment to have a significant impact on its financial statements.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*…. continued*

- Amendments to IAS 16 Property, Plant and Equipment, effective for annual periods beginning on or after January 1, 2022, will mainly affect extractive and petrochemical industries and include the following guidance.

In the process of making an item of property, plant and equipment (PPE) available for its intended use, a company may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production. It provides guidance on the accounting for such sale proceeds and the related production costs.

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between, costs associated with producing and selling items before the item of PPE is available for use, and costs associated with making the item of PPE available for its intended use. Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to; disclose separately the sales proceeds and related production cost recognised in profit or loss, and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The Group does not expect the amendment to have a significant impact on its financial statements.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*...continued*

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS *9 Financial Instruments,* IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  (iii) The amendments to IAS 41 *Agriculture* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

The Group does not expect the amendment to have a significant impact on its financial statements.

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

The key principles in IFRS 17 are that an entity:

- Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
- Recognises and measures groups of insurance contracts at:

  a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

  b) an amount representing the unearned profit in the group of contracts (the contractual service margin)

- Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognizes the loss immediately.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*...continued*

IFRS 17 Insurance Contracts (continued)

The key principles in IFRS 17 are that an entity (continued):

- Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;
- Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

The Group is assessing the impact that the standard will have on its financial statements

Amendments to IFRS 17 Insurance Contracts, effective for annual reporting periods beginning on or after January 1, 2023 and provides for the following amendments to the standard:

- Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.
- For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.
- In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.
- Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*...continued*

- In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

  For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

- There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

  The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IFRS 16 *Leases* are effective for annual periods beginning on or after April 1, 2021, early adoption is permitted. The amendments extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

  The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply on initial application.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*...continued*

The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*...continued*

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

2 Summary of significant accounting policies*…continued*

(b) Basis of preparation*…continued*

Changes in accounting policies and disclosures*...continued*

The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company is assessing the impact that the amendment will have on its financial statements.

2 Summary of significant accounting policies*…continued*

(a) Basis of preparation*...continued*

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

The consolidated financial statements of the Group comprise the financial statements of the parent entity and its subsidiary as at 31 December 2021.

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

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

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

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

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

(a) Basis of preparation*...continued*

Consolidation*...continued*

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

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

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

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

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

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

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

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

(a) Basis of preparation*...continued*

Consolidation*...continued*

Transactions with non-controlling interests and associates

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

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

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

Associates

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

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

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

(a) Basis of preparation*...continued*

Consolidation*...continued*

Associates *...continued*

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

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

(b) Fair value measurement

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

Disclosures for valuation methods, significant estimates and assumptions	Notes 2, 3, 14 and 18
Quantitative disclosures of fair value measurement hierarchy	Note 3
Investment properties	Note 18
Financial instruments (including those carried at amortised cost)	Note 9, 14
Land and buildings	Note 17

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

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

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

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

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

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

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

(c) Cash and cash equivalents

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

(d) Financial assets

The Group allocates financial assets to the following IFRS 9 categories:
- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

On initial recognition, financial assets are classified by the Group as follows:

Debt instrument
Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL).

Investments in debt instruments are measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal balance.

2 Summary of significant accounting policies*…continued*

(d) Financial assets*…continued*

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Group's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale. The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The model is not assessed on an instrument-by-instrument basis, but rather at a portfolio level and based on factors such as:

- How the performance of the financial assets held within that business model are evaluated and reported to the Group's management personnel
- The risks that affect the performance of the assets held within a business model (and, in particular, the way those risks are managed
- How compensation is determined for the Group's business lines' management that manages the assets managers of the Group are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales activity
- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the financial liabilities that are funding those assets or realising cash flows through the sale of assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or stress case scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

(d) Financial assets*...continued*

Assessment of contractual cash flows
As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the solely payments of principal and interest (SPPI) test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

Debt instruments measured at amortised cost
Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the consolidated statement of financial position**.**

Debt instruments measured at Fair Value through Other Comprehensive Income
Investments in debt instruments are measured at fair value through other comprehensive income where they meet the following two conditions and they have not been designated at FVTPL:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and

- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

2 Summary of significant accounting policies*…continued*

(d) Financial assets*…continued*

Debt instruments measured at Fair value through other Comprehensive Income*…continued*
Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated Statement of Financial Position, which remains at its fair value.

Debt instruments measured at Fair value through profit or loss
Debt instruments are measured at FVTPL if assets:
i) Are held for trading purposes;
ii) Are held as part of a portfolio managed on a fair value basis; or
iii) Whose cash flows do not represent payments that are solely payments of principal and interest

These instruments are measured at fair value in the consolidated statement of financial position, with transaction costs recognized immediately in profit or loss. Realized and unrealized gains and losses are recognized in profit or loss.

Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or

- Elected at fair value through other comprehensive income (FVOCI).

Equity instruments measured at Fair value through profit or loss
Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in profit or loss. Equity instruments at FVTPL are primarily assets held for trading. The Group also holds a portfolio of equity instruments that are not held for trading but the performance is required to be assessed annually for distribution to the account holders. These assets though not held for trading are measured as FVTPL.

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

(d) Financial assets*...continued*

Equity instruments measured at FVOCI (designated)
At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

Recognition/derecognition

A financial asset is recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers.

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments as measured at amortised cost.

Impairment of financial assets

Scope
IFRS 9 has fundamentally changed the Group's impairment model by replacing IAS 39's incurred loss approach with a forward-looking three-stage expected credit loss (ECL) approach. As of January 1, 2018, the Group has recorded the allowance for expected credit losses for the following categories of financial assets:

- Amortised cost financial assets
- Debt instruments measured at fair value through other comprehensive income;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments are not subject to impairment under IFRS 9.

2 Summary of significant accounting policies*…continued*

(d) Financial assets*…continued*

Impairment of financial assets*…continued*

Expected credit loss impairment model
The three-stage ECL allowance model is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase or deterioration in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The three stage approach applied by the Group is as follows:

Stage 1: 12-months ECL
The Group collectively assesses ECLs on exposures where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Group recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: Lifetime ECL – not credit impaired
The Group collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

Stage 3: Lifetime ECL – credit impaired
The Group identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

2 Summary of significant accounting policies*…continued*

(d) Financial assets*…continued*

Impairment of financial assets*…continued*

Measurement of expected credit losses (ECL)
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life and calculates the ECL as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Group expects to recover.

The inputs used to estimate the expected credit losses are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward looking information
The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

2 Summary of significant accounting policies*…continued*

(d) Financial assets*…continued*

Impairment of financial assets*…continued*

Macroeconomic factors
The standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Group conducted an assessment of a broad range of forward-looking economic information including the impact of the CODVI-19 pandemic, as inputs. The results were applied to the probability of default as an overlay.

The standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The Group therefore in an effort to make adjustments for management overlays, adjusted the stage two loans for the likelihood of migration to stage three and the severity or the extent of the provisions required when these loans migrate to stage three.

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and credit risk assessment. The Group considers as a backstop that significant increases in credit risk occurs when an asset is more than 30 days past due.

In addition to the above, as a result of the covid-19 pandemic, the Group included as part of its definition of significant increase in credit risk:

- Debt relief extended to borrowers following guidance issued by the Central Bank.
- Sectors in the economy which were deemed more vulnerable to the adverse impact of covid-19.

As such, loan facilities which were granted moratoria and loans in the more vulnerable sectors were migrated to a higher risk bucket and the appropriate level of ECL calculated.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months.

Expected life
Instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. For certain revolving facilities such as credit cards and overdrafts, the expected life is estimated based on the period over which the Group's exposure to credit losses is not mitigated by our normal credit risk management actions.

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

(d) Financial assets*...continued*

Impairment of financial assets*...continued*

Presentation of allowance for ECL
Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Undrawn loan commitments and financial guarantees generally as a provisions in other liabilities,
- Debt instruments measured at fair value through OCI the ECLs are not recognized in the consolidated statement of financial position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the assets.

Modified financial assets
During the normal course of business, financial assets may be restructured or modified or an existing financial asset replaced with a new one. When this occurs for reasons other than those which could be considered indicators of impairment, the Group assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different, the Group derecognises the original financial asset and recognises a new one at fair value with any difference recognised in profit or loss.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying value as a modification gain or loss in profit or loss.

In assessing whether the modified terms are “substantially” different from the original terms, the following factors are considered:

- Introduction of significant new terms
- Significant change in loan’s interest rate
- Significant extension in loan’s term
- Significant change in credit risk from inclusion of collateral or other credit enhancements

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

(d) Financial assets*...continued*

Impairment of financial assets*...continued*

Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise

The Group considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due,

Write-offs

The write-off of a financial asset is a derecognition event. Loans and the related impairment losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off maybe earlier.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only 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.

2 Summary of significant accounting policies*…continued*

(f) Sale and repurchase agreements

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

(g) Property and equipment

Land and buildings comprises mainly branches and offices occupied by the parent or its subsidiaries. Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are reviewed annually by quantity surveyors.

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

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

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

Buildings	2%
Leasehold improvements	2 – 33 1/3%
Motor vehicles	20 – 25%
Office furniture & equipment	10 – 20%
Computer equipment	33 1/3%

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in profit or loss.

2 Summary of significant accounting policies*…continued*

(h) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment property comprises freehold land and building which are leased out under operating leases. Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40.

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

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the consolidated statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

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

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

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

2 Summary of significant accounting policies…*continued*

(i) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 20 years.

Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable.

An impairment loss is recognised if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after recognition.

(a) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

(b) Other intangible assets

Other intangible assets consist of customer relationships (core deposit intangibles). Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method. Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 12 years.

(j) 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).

2 Summary of significant accounting policies…*continued*

(k) Income tax

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

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

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

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

The principal temporary differences arise from depreciation of property and equipment, amortisation of intangible assets and their tax base, unutilised tax losses and pension gains. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

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

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

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

(m) 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 profit or loss over the period of the borrowings using the effective interest method.

2 Summary of significant accounting policies*…continued*

(n) Provisions

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

(o) Redeemable preference shares

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividend on these preference shares are recognised in profit or loss.

(p) Employee benefits

Pension obligations

As at December 31, 2019, the Group contributed to a defined benefit pension scheme for all employees who were employed as of April 1st, 2017. On January 1, 2020 the first phase of transitioning from a Defined Benefit (DB) Pension plan to a Defined Contribution (DC) Plan was completed. The first phase included the closure of the DB fund to future benefit accruals and the commencement of the DC section of the Scheme for future benefit accruals. Existing members of the DB Scheme will continue to be entitled to accrued pension benefits in the scheme for pensionable service prior to January 1, 2020.

The second phase will include providing the staff with options to either retain their existing entitlement to a DB benefit accrued up to December 31, 2019 or to transfer their entitlements under the DB to the DC section of the scheme. To the extent that members transfer their accrued benefits from the DB to the DC section of the plan, there will be a reduction in the retirement benefit asset and a corresponding expense.

The defined benefit section of the plan is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The plan is registered in St. Lucia and is regulated by the Insurance Act, 1994 which was enacted in 1995. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension obligation valuations are undertaken annually.

The Group’s policy is to fully fund the pension and to meet any funding shortfalls over a period of ten years following regular periodical actuarial reviews.

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

Past service costs are recognised in the consolidated profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

2 Summary of significant accounting policies*…continued*

(p) Employee benefits*…continued*

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'operating expenses' in profit or loss:

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

The pension plan is exposed to inflation risk, interest rate risk and changes in the life expectancy for pensioners.

<u>Defined contribution plan</u>
A defined contribution plan is a pension plan under which the Group pays a fixed contribution on a monthly basis. The Group has no legal or constructive obligations to pay further contributions if the fund has insufficient assets to pay benefits relating to employee service in current or prior periods.

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

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

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

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

2 Summary of significant accounting policies*…continued*

(s) Share capital

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

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

(t) Interest income and expense
Interest income and expense are recognised in profit or loss for all financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

(u) Fee and commission income
Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

(v) Dividend income
Dividend income is recognised when the entity’s right to receive payment is established.

2 Summary of significant accounting policies*…continued*

(w) Foreign currency translation

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

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

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

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

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the other comprehensive income.

(x) Leases
The Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

2 Summary of significant accounting policies*…continued*

(x) Leases *…continued*

Definition of a lease

A Group company is the lessee

1) Right-of-Use Asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment disclosed in note (i). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2) Lease Liability

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

A Group company is the lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'. Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

2 Summary of significant accounting policies*…continued*

(x) Leases *…continued*

A Group company is the lessor

Short-term leases and Low value leases
Short-term leases are leases with a lease term of twelve (12) months or less and containing no purchase options. A low value lease is a lease agreement where the underlying asset has a low value when new.

Instead of applying the recognition requirements of IFRS 16, a lessee may elect to account for such lease payments of such leases as an expense on a straight-line basis over the lease term or another systematic basis.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular the Group:

- Did not recognise the right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the initial application date of January 1, 2019.
- Did not recognise the right-of-use assets and liabilities for leases where the lease asset was not physically distinct from the asset. IFRS 16:5, 6 & 8 states that A capacity portion of a lease of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all the capacity such that the customer obtains substantially all the economic benefits from using the asset (IFRS 16: B20). These leases therefore did not fall within the scope of IFRS 16.

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

(z) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Company's Board of Directors as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Group had one reportable segment: Bank of St. Lucia Limited.

3 Financial risk management

(a) Strategy in using financial instruments

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

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

The Board of Directors ensures a strong quality of risk management and risk management processes, to ensure the safety and stability of the Bank and the banking system. In ensuring the overall responsibility for the soundness of the Bank, it has appointed a Risk Management Committee. The purpose of the Board's Risk Management Committee is to assist the Board to oversee the risk profile and approve the risk management framework of the Bank, within the context of its risk appetite and determined strategy determined. The Risk Management Committee relies on the efforts of the Risk Management and Compliance Services department, which coordinates the implementation of the Board approved Risk Management Framework. This department provides timely reports to the Board Committee; analytical support and guidance to the executive management in formulating risk management strategies and making functional risk decisions; supports management and business units in implementing the approved Risk Management Policies and processes; and ensure that they are integrated into the business operations and with Internal Control and compliance processes.

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

(b) Credit risk

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

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

<u>Loans and advances to customers</u>
Impairment provisions are provided for losses based on an expected credit loss model using counterparty probabilities of default across the various loan categories. Significant changes in the economy, or in the health of particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk in a defined and calculated manner through regular analysis of the ability of its borrowers to meet repayment obligations and taking collateral as securities on advances.

3 Financial risk management*…continued*

(b) Credit risk*…continued*

Debt securities and other bills
For debt securities and treasury bills, external rating provided by the globally known Big Three credit rating agencies of Standard & Poor's (S&P) or Moody's and Fitch Group, along with that of CariCRIS based in Trinidad are used by Bank Treasury for managing the credit risk exposures. The investments in securities and bills rated by such entities as Investment Grade, are viewed as a way to gain additional wealth for the Bank, whilst effectively manage the associated risks, they are therefore a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

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

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

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

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

Some other specific control and mitigation measures are outlined below.

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

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

3 Financial risk management…*continued*

(b) Credit risk*…continued*

Collateral*…continued*

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

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

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

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies
The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes using a three-stage expected credit loss approach. Stages 1 and 2 credit losses are made for assets that are not credit impaired and stage ECLs are for assets which are credit impaired.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*…continued*

(b) Credit risk*…continued*

Impairment and provisioning policies *…continued*

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

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

See accounting policy in note 2 for further details on impairment of financial assets.

Maximum exposure to credit risk

	Maximum exposure	
	2021	**2020**
	$	**$**
Credit risk exposures relating to the financial assets in the statement of financial position:		
Balances with Central bank	**236,275**	222,378
Treasury bills	**1,727**	10,804
Deposits with other banks	**241,410**	216,447
Deposits with non-bank financial institutions	**18,074**	101,896
Loans and advances to customers:		
Large corporate loans	**228,667**	233,191
Term loans	**162,914**	164,388
Mortgages	**380,153**	372,679
Overdrafts	**32,170**	29,060
Financial assets held for trading	**13,954**	9,487
Investment securities	**817,428**	686,262
Financial instruments - pledged assets	**903**	8,352
Other assets	**50,406**	36,484
	2,184,081	2,091,428
Credit risk exposures relating to the financial assets off the statement of financial position:		
Loan commitments	**124,379**	82,469
Guarantees, letters of credit and other credit obligations	**10,908**	15,998
	135,287	98,467
	2,319,368	2,189,895

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Maximum exposure to credit risk *...continued*

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2021 and 2020 without taking account of any collateral held or other credit enhancements attached. For assets included on the Statement of Financial Position, the exposures set out above are based on net carrying amounts as at the reporting date.

As shown above 34% (2020 – 35%) of the total maximum exposure is derived from loans and advances to customers and 34% (2020 – 30%) represents investments in debt securities.

Loans and advances are summarised as follows:

	Loans and advances and loan commitments for which the loss allowance is measured at:					
	Stage 1 12-months expected credit loss not credit impaired		**Stage 2** Lifetime expected credit losses not credit impaired		**Stage3** Lifetime expected credit losses credit impaired	
	2021 $	**2020 $**	**2021 $**	**2020 $**	**2021 $**	**2020 $**
Gross	**419,900**	362,098	**227,358**	273,077	**242,917**	249,412
Less allowance for impairment on loans and advances	**(6,183)**	(4,168)	**(10,872)**	(9,711)	**(69,216)**	(71,390)
Net	**413,717**	357,930	**216,486**	263,366	**173,701**	178,022

Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 11 and 12.

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 Group.

Loans and advances to customers

	Overdrafts $	**Term Loans $**	**Mortgages $**	**Large Corporate loans $**	**Total $**
31 December 2021	**30,196**	**114,058**	**294,870**	**91,330**	**530,454**
31 December 2020	20,886	114,379	278,830	100,379	514,474

(in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

(b) Credit risk*…continued*

Loans and advances to customers*...continued*

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. The gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate loans $	Total $
At 31 December 2021					
Past due up to 30 days	**2,916**	**20,481**	**34,297**	**41,722**	**99,416**
Past due 30 – 60 days	**377**	**4,142**	**8,124**	**627**	**13,270**
Past due 60 – 90 days	**634**	**4,161**	**7,034**	**399**	**12,228**
	3,927	**28,784**	**49,455**	**42,748**	**124,914**

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate loans $	Total $
At 31 December 2020					
Past due up to 30 days	1,000	16,250	37,103	26,610	80,963
Past due 30 – 60 days	230	7,511	12,087	-	19,828
Past due 60 – 90 days	3,923	4,532	8,658	2,797	19,910
	5,153	28,293	57,848	29,407	120,701

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Loans and advances to customers*...continued*

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

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate Loans $	Total $
31 December 2021	**9,749**	**36,475**	**62,281**	**126,302**	**234,807**
31 December 2020	12,001	41,158	59,726	136,527	249,412

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2021 and 2020, based on Standard & Poor's and Moody's ratings:

	Financial assets held for trading $	Investment Securities $	Pledged Assets $	Treasury Bills $	Total $
At 31 December 2021					
A- to A+	**-**	**174,396**	**-**	**-**	**174,396**
Lower than A-	**-**	**450,008**	**-**	**-**	**450,008**
Unrated	**13,954**	**193,024**	**903**	**1,727**	**209,608**
	13,954	**817,428**	**903**	**1,727**	**834,012**
At 31 December 2020					
A- to A+	-	161,256	-	-	161,256
Lower than A-	-	360,863	-	-	360,863
Unrated	9,487	164,143	8,352	10,804	192,786
	9,487	686,262	8,352	10,804	714,905

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Loans and advances to customers*...continued*

Concentrations of risks of financial assets with credit exposure

The Group's balances held with other banks, non-bank financial institutions are held with reputable financial institutions, and as such, credit risk is deemed minimal.

(a) Geographical sectors
The Group operates primarily in Saint Lucia. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in these locations, except for investments which have other exposures, primarily in the United States of America.

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

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Concentration of risks of financial assets with credit exposure*...continued*

	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
At 31 December 2021								
Balances with Central Bank	236,275	-	-	-	-	-	-	236,275
Treasury bills	-	-	-	1,727	-	-	-	1,727
Deposits with other banks	241,410	-	-	-	-	-	-	241,410
Deposits with non-bank financial institutions	18,074	-	-	-	-	-	-	18,074
Loans and advances to customers								
Overdrafts	-	1,249	2,905	19,229	90	1,204	7,493	32,170
Term loans	17	252	3,640	102	9,011	97,451	52,441	162,914
Large corporate loans	-	3,406	50,250	53,562	40,591	7,014	73,844	228,667
Mortgages	-	-	-	-	-	380,153	-	380,153
Financial assets held for trading	-	-	-	13,954	-	-	-	13,954
Investment securities	364,127	-	-	145,944	-	-	307,357	817,428
Financial instruments - pledged assets	-	-	-	903	-	-	-	903
Other assets	-	-	-	-	-	-	50,406	50,406
	859,903	4,907	56,795	235,421	49,692	485,822	491,541	2,184,081
Guarantees and letters of credit								
Loan commitments, letters of credit, guarantees and other credit obligations	1,180	1,518	1,905	29,161	858	10,536	90,129	135,287

*Other industries include construction and land development.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(b) Credit risk...*continued*

Concentration of risks of financial assets with credit exposure...*continued*

	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
At 31 December 2020								
Balances with Central Bank	222,378	-	-	-	-	-	-	222,378
Treasury bills	-	-	-	10,804	-	-	-	10,804
Deposits with other banks	216,447	-	-	-	-	-	-	216,447
Deposits with non-bank financial institutions	101,896	-	-	-	-	-	-	101,896
Loans and advances to customers								
Overdrafts	129	226	4,280	12,486	1,379	365	10,195	29,060
Term loans	69	364	3,341	136	9,910	109,620	40,948	164,388
Large corporate loans	-	3,184	45,978	55,508	40,767	5,612	82,142	233,191
Mortgages	-	-	-	-	-	372,679	-	372,679
Financial assets held for trading	-	-	-	9,487	-	-	-	9,487
Investment securities	307,851	-	-	110,467	-	-	267,944	686,262
Financial instruments - pledged assets	-	-	-	8,352	-	-	-	8,352
Other assets	-	-	-	-	-	-	36,484	36,484
	848,770	3,774	53,599	207,240	52,056	488,276	437,713	2,091,428
Loan commitments, letters of credit, guarantees and other credit obligations	6,107	799	420	36,094	554	14,965	39,528	98,467

*Other industries include construction and land development

3 Financial risk management*…continued*

(c) Market risk

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

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's available-for-sale investments (Note 14).

(d) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. Additionally, the Group seeks to match assets against liabilities denominated in other foreign currencies as a hedge for foreign currency exposure to minimize other foreign exchange risk. The following table summarises the Group's exposure to foreign currency exchange rate risk at 31 December.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS$ $	Euro $	GBP $	CAD $	Other $	Total $
At 31 December 2021								
Cash and balances with Central Bank	**265,981**	**4,068**	**115**	**364**	**202**	**225**	-	**270,955**
Treasury bills	**1,727**	-	-	-	-	-	-	**1,727**
Deposits with other banks	**148,763**	**73,072**	**1,186**	**15,356**	**617**	**846**	**1,570**	**241,410**
Financial assets held for trading	**13,954**	-	-	-	-	-	-	**13,954**
Deposits with non-bank financial institution	**15,702**	**1,969**	-	**378**	**25**	-	-	**18,074**
Loans and advances to customers	**777,353**	**26,551**	-	-	-	-	-	**803,904**
Investment securities:								
Amortised cost	**19,245**	**165,524**	-	-	-	-	-	**184,769**
FVOCI	**87,657**	**580,432**	-	-	-	-	-	**668,089**
FVTPL – equities	**1,156**	**11,374**	-	-	-	-	-	**12,530**
Financial instruments - pledged assets	**903**	-	-	-	-	-	-	**903**
Other assets	**50,406**	-	-	-	-	-	-	**50,406**
Total financial assets	**1,382,847**	**862,990**	**1,301**	**16,098**	**844**	**1,071**	**1,570**	**2,266,721**

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At 31 December 2021								
Liabilities								
Deposits from banks	27,586	-	-	-	-	-	-	27,586
Due to customers	1,814,855	194,673	-	15,634	-	-	-	2,025,162
Repurchase agreements	876	-	-	-	-	-	-	876
Borrowings	46,109	6,069	-	-	-	-	-	52,178
Preference shares	4,150	-	-	-	-	-	-	4,150
Other liabilities	54,489	-	-	-	-	-	-	54,489
Total financial liabilities	1,948,065	200,742	-	15,634	-	-	-	2,164,441
Net assets/(liabilities)	(565,218)	662,248	1,301	464	844	1,071	1,570	102,280
Guarantees and letters of credit	10,908	-	-	-	-	-	-	10,908
Loan commitments	124,379	-	-	-	-	-	-	124,379

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS$ $	Euro $	GBP $	CAD $	Other $	Total $
At 31 December 2020								
Cash and balances with Central Bank	255,309	2,691	72	367	186	136	-	258,761
Treasury bills	10,804	-	-	-	-	-	-	10,804
Deposits with other banks	113,358	78,528	1,476	20,969	903	448	765	216,447
Financial assets held for trading	9,487	-	-	-	-	-	-	9,487
Deposits with non-bank financial institution	15,705	85,844	-	323	24	-	-	101,896
Loans and advances to customers	772,015	27,303	-	-	-	-	-	799,318
Investment securities:								
Amortised cost	18,363	165,225	-	-	-	-	-	183,588
FVOCI	84,364	440,845	-	-	-	-	-	525,209
FVTPL – equities	6	10,832	-	-	-	-	-	10,838
Financial instruments - pledged assets	8,352	-	-	-	-	-	-	8,352
Other assets	36,484	-	-	-	-	-	-	36,484
Total financial assets	1,324,247	811,268	1,548	21,659	1,113	584	765	2,161,184

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(d) Currency risk*...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At 31 December 2020								
Liabilities								
Deposits from banks	35,281	-	-	-	-	-	-	35,281
Due to customers	1,731,461	149,086	-	21,263	-	-	-	1,901,810
Repurchase agreements	4,816	3,291	-	-	-	-	-	8,107
Borrowings	51,231	8,777	-	-	-	-	-	60,008
Preference shares	4,150	-	-	-	-	-	-	4,150
Other liabilities	61,528	-	-	-	-	-	-	61,528
Total financial liabilities	1,888,467	161,154	-	21,263	-	-	-	2,070,884
Net assets/(liabilities)	(564,220)	650,114	1,548	396	1,113	584	765	90,300
Guarantees and letters of credit	15,998	-	-	-	-	-	-	15,998
Loan commitments	82,469	-	-	-	-	-	-	82,469

3 Financial risk management...*continued*

(e) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both fair value and cash flows 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.

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(e) Interest rate risk...*continued*

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

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At 31 December 2021							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	270,955	270,955
Treasury bills	-	-	-	1,727	-	-	1,727
Deposits with other banks	27,020	27	12,432	-	-	201,931	241,410
Financial assets held for trading	-	-	-	12,097	1,857	-	13,954
Deposits with non-bank financial institutions	-	5,152	10,551	-	-	2,371	18,074
Loans and advances to customers	20,929	8,121	34,023	163,342	577,489	-	803,904
Investment securities:							
– amortised cost	17,615	3,443	20,618	96,638	46,455	-	184,769
– FVOCI	10,232	12,570	89,636	362,657	157,564		632,659
Financial instruments - pledged assets	-	-	-	-	903	-	903
Other assets	-	-	-	-	-	50,406	50,406
Total financial assets	75,796	29,313	167,260	636,461	784,268	525,663	2,218,761

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(e) Interest rate risk*...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At 31 December 2021							
Financial liabilities							
Deposits from banks	-	3,156	13,970	-	-	10,460	27,586
Due to customers	971,293	82,469	236,025	39,623	43,571	652,181	2,025,162
Repurchase agreements	-	-	876	-	-	-	876
Borrowings	719	6,108	7,007	38,344	-	-	52,178
Preference shares	-	-	-	-	4,150	-	4,150
Other liabilities	-	-	-	-	-	54,489	54,489
Total financial liabilities	972,012	91,733	257,878	77,967	47,721	717,130	2,164,441
Total interest repricing gap	(896,216)	(62,420)	(90,618)	558,494	736,547	(191,467)	54,320

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(e) Interest rate risk*...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At 31 December 2020							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	258,761	258,761
Treasury bills	9,820	984	-	-	-	-	10,804
Deposits with other banks	46,227	37	12,306	-	-	157,877	216,447
Financial assets held for trading	-	-	2,458	5,117	1,912		9,487
Deposits with non-bank financial institutions	59,682	13,740	15,705	-	-	12,769	101,896
Loans and advances to customers	23,980	4,357	26,227	159,008	585,746	-	799,318
Investment securities:							
– amortised cost	27,372	6,802	16,491	98,211	34,712	-	183,588
– FVOCI	20,861	12,996	94,416	272,846	101,180	-	502,299
Financial instruments - pledged assets	-	-	-	-	8,352	-	8,352
Other assets	-	-	-	-	-	36,484	36,484
Total financial assets	187,942	38,916	167,603	535,182	731,902	465,891	2,127,436

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(e) Interest rate risk*...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At 31 December 2020							
Financial liabilities							
Deposits from banks	-	-	26,103	-	-	9,178	35,281
Due to customers	889,425	78,315	262,456	36,214	36,390	599,010	1,901,810
Repurchase agreements	-	-	8,107	-	-	-	8,107
Borrowings	750	1,231	7,007	46,020	5,000	-	60,008
Preference shares	-	-	-	-	4,150	-	4,150
Other liabilities	61,528	-	-	-	-	-	61,528
Total financial liabilities	951,703	79,546	303,673	82,234	45,540	608,188	2,070,884
Total interest repricing gap	(763,761)	(40,630)	(136,070)	452,948	686,362	(142,297)	56,552

3 Financial risk management*...continued*

(e) Interest rate risk*...continued*

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At December 31, 2021, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $103,243 (2020 – $131,530) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

(f) Liquidity risk

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

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

Liquidity risk management process

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

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

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

Funding approach

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

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(f) Liquidity risk*...continued*

Non-derivative cash flows

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the liquidity risk based on expected discounted cash inflows.

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities						
At 31 December 2021						
Deposits from banks	**10,460**	3,167	**14,057**	**-**	**-**	**27,684**
Due to customers	**1,625,545**	**82,758**	**237,930**	**39,623**	**43,571**	**2,029,427**
Repurchase agreements	**-**	**-**	**883**	**-**	**-**	**883**
Borrowings	**719**	**6,636**	**8,569**	**43,510**	**-**	**59,434**
Preference shares	**-**	**-**	**-**	**-**	**4,150**	**4,150**
Other liabilities	**-**	**-**	**54,489**	**-**	**-**	**54,489**
Total financial liabilities	**1,636,724**	**92,561**	**315,928**	**83,133**	**47,721**	**2,176,067**
Financial assets						
At 31 December 2021	**$**	**$**	**$**	**$**	**$**	**$**
Cash and balances with Central bank	**270,955**	**-**	**-**	**-**	**-**	**270,955**
Treasury bills	**-**	**-**	**-**	**1,808**	**-**	**1,808**
Deposits with other banks	**228,951**	**-**	**-**	**-**	**-**	**228,951**
Financial assets held for trading	**-**	**-**	**-**	**15,303**	**2,731**	**18,034**
Deposits with non-bank financial institutions	**2,371**	**5,169**	**10,654**	**-**	**-**	**18,194**
Investment securities	**27,864**	**16,088**	**112,029**	**439,456**	**331,295**	**926,732**
Financial assets - pledged	**-**	**-**	**-**	**-**	**1,142**	**1,142**
Loans and advances to customers	**19,212**	**31,837**	**145,705**	**417,498**	**531,719**	**1,145,971**
Other assets	**-**	**-**	**50,406**	**-**	**-**	**50,406**
Total financial assets	**549,353**	**53,094**	**318,794**	**874,065**	**866,887**	**2,662,193**
Net Assets/(Liabilities)	**(1,087,371)**	**(39,467)**	**2,866**	**790,932**	**819,166**	**486,126**

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(f) Liquidity risk...*continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities At 31 December 2020						
Deposits from banks	9,178	-	26,297	-	-	35,475
Due to customers	1,488,450	78,592	265,219	36,214	36,390	1,904,865
Repurchase agreements	-	-	8,167	-	-	8,167
Borrowings	750	1,817	9,016	52,171	5,183	68,937
Preference shares	-	-	-	-	4,150	4,150
Other liabilities	-	-	61,528	-	-	61,528
Total financial liabilities	1,498,378	80,409	370,227	88,385	45,723	2,083,122
Financial assets At 31 December 2020	$	$	$	$	$	$
Cash and balances with Central bank	258,761	-	-	-	-	258,761
Treasury bills	10,022	984	-	-	-	11,006
Deposits with other banks	204,104	37	12,433	-	-	216,574
Financial assets held for trading	-	-	3,208	6,620	1,912	11,740
Deposits with non-bank financial institutions	72,458	13,746	15,859	-	-	102,063
Investment securities	48,628	19,896	120,187	400,817	172,643	762,171
Financial assets - pledged	-	-	-	10,229	-	10,229
Loans and advances to customers	26,349	27,326	120,188	385,200	561,247	1,120,310
Other assets	-	-	36,484	-	-	36,484
Total financial assets	620,322	61,989	308,359	802,866	735,802	2,529,338
Net Assets/(Liabilities)	(878,056)	(18,420)	(61,868)	714,481	690,079	446,216

Assets held for managing liquidity risk

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

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

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

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(g) Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 42) are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 42) are also included below based on the earliest contractual maturity date.

	<1 Year $	Total $
As at 31 December 2021		
Loan commitments	**124,379**	**124,379**
Financial guarantees, letters of credit and other credit obligations	**10,908**	**10,908**
Total	**135,287**	**135,287**
As at 31 December 2020		
Loan commitments	82,469	82,469
Financial guarantees, letters of credit and other credit obligations	15,998	15,998
Total	98,467	98,467

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(h) Fair values of financial assets and financial liabilities

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-balance sheet commitments are also assumed to approximate the amounts disclosed in Note 44 due to their short term nature.

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

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

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

Loans and advances
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 flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

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

	Carrying value		Fair value	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers				
− Large corporate loans	**228,667**	233,191	**354,111**	315,696
− Term loans	**162,914**	164,388	**166,183**	169,012
− Mortgages	**380,153**	372,679	**402,682**	393,570
− Overdrafts	**32,170**	29,060	**32,170**	29,060
Amortised cost	**184,769**	183,588	**188,361**	187,068
Financial liabilities				
Borrowings	**52,178**	60,008	**45,202**	52,072

3 Financial risk management*...continued*

(h) Fair values of financial assets and financial liabilities*…continued*

Management assessed that cash and short-term deposits, treasury bills, trade receivables, trade payables, repurchase agreements and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. The Group's interest-bearing borrowings and loans are determined by using Discounted Cash Flow method using the discount rate that reflects the average rates at the end of the period.

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

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

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

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

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

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(h) Fair values of financial assets and financial liabilities…continued

Fair value hierarchy…continued

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2021				
Assets measured at fair value:				
Investment properties	**-**	**28,019**	**-**	**28,019**
Land and buildings	**-**	**-**	**38,769**	**38,769**
Financial assets held for trading				
- debt securities	**-**	**-**	**13,954**	**13,954**
Financial assets at FVTPL				
- equity securities	**8,042**	**3,332**	**1,156**	**12,530**
Financial assets at FVOCI				
- debt securities	**1,757**	**543,954**	**86,948**	**632,659**
- equity securities	**7,547**	**25,597**	**2,286**	**35,430**
Financial instruments – pledged assets	**-**	**-**	**903**	**903**
Total financial assets	**17,346**	**600,902**	**144,016**	**762,264**
31 December 2020				
Assets measured at fair value:				
Investment properties	-	30,987	-	30,987
Land and buildings	-	-	42,042	42,042
Financial assets held for trading				
- debt securities	-	-	9,487	9,487
Financial assets at FVTPL				
- equity securities	5,174	4,632	1,032	10,838
Financial assets at FVOCI				
- debt securities	16,825	395,771	90,078	502,674
- equity securities	5,649	14,865	2,964	23,478
Financial instruments – pledged assets	-	-	8,352	8,352
Total financial assets	27,648	446,255	153,955	627,858

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(h) Fair values of financial assets and financial liabilities*...continued*

Fair value hierarchy...continued

Assets for which fair values are disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2021				
Loans and advances to customers	**-**	**-**	**955,145**	**955,145**
Investments - Amortised costs	**5,547**	**158,529**	**20,694**	**184,770**
Total financial assets	**5,547**	**158,529**	**975,839**	**1,139,915**
31 December 2020				
Loans and advances to customers	-	-	907,338	907,338
Investments - Amortised costs	20,905	142,906	19,777	183,588
Total financial assets	20,905	142,906	927,115	1,090,926

Liabilities for which fair values are disclosed

	Level 3 $	Total $
31 December 2021		
Borrowings	**52,178**	**52,178**
31 December 2020		
Borrowings	52,029	52,029

(in thousands of Eastern Caribbean dollars)

3 Financial risk management*...continued*

(h) *Fair values of financial assets and financial liabilities...continued*

Fair value hierarchy…continued

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

There were no gains or losses for the period included in profit or loss or comprehensive income for assets held at 31 December 2021.

	Debt Securities 2021 $	**Equity Securities 2021 $**	**Debt Securities 2020 $**	**Equity Securities 2020 $**
At beginning of year	**90,078**	**2,964**	94,436	2,542
(Disposals)/additions	**(3,130)**	**(678)**	(4,358)	422
At end of year	**86,948**	**2,286**	90,078	2,964

3 Financial risk management*...continued*

(i) Capital management

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

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

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

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

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and fixed asset revaluation reserves (limited to 20% on Tier 1 capital).

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

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

(in thousands of Eastern Caribbean dollars)

3 Financial risk management...*continued*

(i) Capital management...*continued*

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

	2021 $	2020 $
Tier 1 capital		
Share capital	**170,081**	170,081
Reserves	**174,664**	172,574
Accumulated deficit	**(89,544)**	(110,298)
Total qualifying Tier 1 capital	**255,201**	232,357
Tier 2 capital		
Revaluation reserve	**13,855**	13,855
Redeemable preference shares	**4,150**	4,150
Unrealised gain on FVOCI investments	**6,094**	18,099
Subordinated debt	**45,000**	50,000
Collective impairment allowance	**14,187**	14,028
Total qualifying Tier 2 capital	**83,286**	100,132
Total regulatory capital	**338,487**	332,489
Risk-weighted assets:		
On-balance sheet	**1,776,939**	1,576,396
Off-balance sheet	**32,153**	23,723
Total risk-weighted assets	**1,809,092**	1,600,119
Basel capital adequacy ratio	**18.71%**	20.78%

(j) Fiduciary activities

The Group provides investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. At the statement of financial position date, the Group had financial assets under administration amounting to $154,615 (2020 – $139,932).

4 Critical accounting estimates, and judgements in applying accounting policies

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

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

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2.
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- The Group's criteria for determining if there has been a significant increase in credit risk and so impairment allowances for financial assets should be measured on a LTECL basis
- Choosing appropriate models and assumptions for the measurement of ECL
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

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

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

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

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

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

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

Retirement benefits
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is shown below:

(in thousands of Eastern Caribbean dollars)

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

2021:

Assumption	**Sensitivity Level**	**Impact on defined benefit obligation Increase $**	**Decrease $**
Discount rate	**1%**	**8,705**	**4,578**
Future salary increases	**1%**	**3,603**	**2,974**
Increase in average life expectancy	**1 year**	**629**	**-**

2020:

Assumption	**Sensitivity Level**	**Impact on defined benefit obligation Increase $**	**Decrease $**
Discount rate	1%	9,304	5,466
Future salary increases	1%	3,997	2,974
Increase in average life expectancy	1 year	659	-

Corporate income taxes

Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2021 have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

5 Segment analysis

Segment reporting by the Group was previously prepared in accordance with IFRS 8, 'Operating segments'.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company's Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing their performance.

The Group's operating segments which met the definition of reportable segment under IFRS 8 are indicated below:

5 Segment analysis...*continued*

- Bank of Saint Lucia Limited (BOSL) – operating in St. Lucia and provides domestic banking services.
- Bank of Saint Lucia Limited- Investment Banking Services (BOSL GINV)-incorporating Capital market activities and Merchant Banking.
- Other comprises of the holding company of the Group.

The Group's segment operations are all financial with a majority of revenues being derived from interest. The Company's Board of Directors relies primarily on net interest income to assess the performance of the segment, therefore the total interest income and expense for all reportable segments is presented on a net basis.

The revenue from external parties reported to the Company's Board of Directors is measured in a manner consistent with that in profit or loss.

Revenue from external customers is recorded as such and can be directly traced to each business segment.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Company's Board of Directors reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Company's Board of Directors.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position. Transactions between business segments are on an arm's length basis and are eliminated on consolidation and reflected in the consolidations entries.

There were no revenues derived from transactions with a single external customer that amount to 10% or more of the Group's revenue.

(in thousands of Eastern Caribbean dollars)

5 Segment analysis...*continued*

	BOSL	BOSL GINV	Other	Total
	$	$	$	$
At 31 December 2021				
Net interest income	**45,454**	**297**	**-**	**45,751**
Net fee and commission income	**26,327**	**8,741**	**-**	**35,068**
Other income	**18,806**	**415**	**-**	**19,221**
Share of profit of associate	**618**	**-**	**554**	**1,172**
Impairment charge loans	**(5,703)**	**-**	**-**	**(5,703)**
Depreciation and amortization	**(4,947)**	**(13)**	**-**	**(4,960)**
Operating expenses	**(63,611)**	**(1,066)**	**-**	**(64,677)**
Profit before taxation	**16,944**	**8,374**	**554**	**25,872**
Dividends on preference shares	**(291)**	**-**	**-**	**(291)**
Income tax	**(2,326)**	**-**	**-**	**(2,326)**
Profit for the year	**14,327**	**8,374**	**554**	**23,255**
Total assets	**2,435,998**	**49,701**	**300,509**	**2,786,208**
Total liabilities	**2,158,694**	**12,295**	**76,263**	**2,247,252**
At 31 December 2020				
Net interest income	50,620	435	-	51,055
Net fee and commission income	27,321	5,463	-	32,784
Other income	27,094	480	7,526	35,100
Profits in associates	2,548	-	755	3,303
Impairment charge loans	(28,698)	-	-	(28,698)
Depreciation and amortization	(4,781)	(13)	-	(4,794)
Operating expenses	(65,993)	(680)	-	(66,673)
Profit before taxation	8,111	5,685	8,281	22,077
Dividends on preference shares	(291)	-	-	(291)
Income tax	(6,579)	-	-	(6,579)
Profit for the year	1,241	5,685	8,281	15,207
Total assets	2,302,733	54,033	284,700	2,641,466
Total liabilities	2,051,633	24,597	76,624	2,152,854

(in thousands of Eastern Caribbean dollars)

5 Segment analysis*...continued*

Reconciliation of segment results of operations to consolidated results of operations:

	Total Management Reporting $	**Consolidation entries $**	**Total $**
At 31 December 2021			
Net interest income	**45,751**	**-**	**45,751**
Net fee and commission income	**35,068**	**-**	**35,068**
Other income	**19,221**	**-**	**19,221**
Impairment charge loans, investments and property	**(5,703)**	**-**	**(5,703)**
Depreciation and amortisation	**(4,960)**	**-**	**(4,960)**
Operating expenses	**(64,677)**	**-**	**(64,677)**
Profit before tax	**24,700**	**-**	**24,700**
Dividends on preference shares	**(291)**	**-**	**(291)**
Share profit of associates	**1,172**	**-**	**1,172**
Income tax expense	**(2,326)**	**-**	**(2,326)**
Net profit for the year	**23,255**	**-**	**23,255**
Assets	**2,786,208**	**(341,957)**	**2,444,251**
Liabilities	**2,247,252**	**(79,269)**	**2,167,983**
At 31 December 2020			
Net interest income	51,055	-	51,055
Net fee and commission income	32,784	-	32,784
Other income	35,100	(7,791)	27,309
Impairment charge loans, investments and property	(28,698)	-	(28,698)
Depreciation and amortisation	(4,794)	-	(4,794)
Operating expenses	(66,673)	-	(66,673)
Profit before tax	18,774	(7,791)	10,983
Dividends on preference shares	(291)	-	(291)
Share profit of associates	3,303	-	3,303
Income tax expense	(6,579)	-	(6,579)
Net profit for the year	15,207	(7,791)	7,416
Assets	2,641,466	(302,812)	2,338,654
Liabilities	2,152,854	(79,629)	2,073,225

(in thousands of Eastern Caribbean dollars)

6 Cash and balances with Central Bank

	Notes	2021 $	2020 $
Cash in hand		**34,680**	36,383
Balances with Central Bank other than mandatory Deposits		**96,182**	92,711
Included in cash and cash equivalents	41	**130,862**	129,094
Mandatory deposits with Central Bank		**140,093**	129,667
		270,955	258,761

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

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

The weighted average effective interest rate in respect of interest-bearing deposits with the Central Bank at December 31, 2021 was 0.00% (2020 – 0.67%)

7 Treasury bills

	Notes	2021 $	2020 $
Treasury bills		**1,790**	11,199
Impairment allowance		**(63)**	(395)
		1,727	10,804

Treasury bills are debt securities issued by the Government of Saint Lucia. The weighted average effective interest rate at 31 December 2021 was 4.5% (2020 – 4.1%).

8 Deposits with other banks

	Notes	2021 $	2020 $
Items in the course of collection with other banks		**1,907**	3,167
Placements with other banks		**239,503**	213,280
Included in cash and cash equivalents	41	**241,410**	216,447
		241,410	216,447

The weighted average effective interest rate of interest-bearing deposits at 31 December 2021 is 0.33% (2020 – 1.23%).

(in thousands of Eastern Caribbean dollars)

9 Financial assets held for trading

	2021 $	2020 $
Debt securities – listed	**13,954**	9,487
	13,954	9,487

Trading financial assets were acquired for selling in the near term and would otherwise have been classified as held-to-maturity investments. The weighted average interest rate earned on held-for-trading investment debt securities was 7.00% (2020 – 7.00%).

10 Deposits with non-bank financial institutions

	Notes	2021 $	2020 $
Deposits - cash and cash equivalents	41	**2,333**	86,183
Deposits - more than 90 days to maturity		**15,741**	15,713
		18,074	101,896

Interest rates on deposits depends on the value of deposits held. The weighted average interest rate in respect of interest bearing deposits at 31 December 2021 was 1.35% (2020 – 1.86%).

11 Loans and advances to customers

	Notes	2021 $	2020 $
Large corporate loans		**260,380**	266,313
Term loans		**179,317**	183,830
Mortgage loans		**406,606**	396,404
Overdrafts		**43,872**	38,040
Gross		**890,175**	884,587
Less allowance for impairment losses on loans and advances	12	**(86,271)**	(85,269)
Net		**803,904**	799,318

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2021 was 6.18% (2020 – 6.55%) and productive overdrafts stated at amortised cost was 6.49%% (2020 – 8.34%).

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances to customers

The movement for impairment on financial assets was as follows:

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Large corporate loans				
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2020	1,804	-	30,673	32,477
Transferred to 12-months ECL stage 1	-	-	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(982)	982	-	-
Transferred to Lifetime ECL credit impaired stage 3	(53)	-	53	-
New financial assets originated or purchased	17	-	2,827	2,844
Financial assets that have been derecognised	(69)	-	(4,021)	(4,090)
Bad debts written off	-	-	(1,357)	(1,357)
Provision for the period	(215)	4,215	(752)	3,248
Balance at December 31, 2020	502	5,197	27,423	33,122
Balance at January 1, 2021	**502**	**5,197**	**27,423**	**33,122**
Transferred to Lifetime ECL credit impaired stage 3	**(2)**	**(166)**	**168**	**-**
New financial assets originated or purchased	**501**	**-**	**1,638**	**2,139**
Financial assets that have been derecognised	**(55)**	**-**	**(2,106)**	**(2,161)**
Bad debts written off	**-**	**-**	**(1,500)**	**(1,500)**
Provision for the period	**(69)**	**(769)**	**951**	**113**
Balance at December 31, 2021	**877**	**4,262**	**26,574**	**31,713**

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances to customers*...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Term loans				
Balance at January 1, 2020	552	97	9,569	10,218
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	(227)	177	50	-
Transferred to Lifetime ECL not credit impaired - stage 2	-	(7)	7	-
Transferred to Lifetime ECL credit impaired stage 3	276	56	(332)	-
New financial assets originated or purchased	224	152	987	1,363
Financial assets that have been derecognised	(76)	(15)	(358)	(449)
Bad debts written off	(317)	(152)	(437)	(906)
Provisions for the period	266	1,544	7,406	9,216
Balance at December 31, 2020	698	1,852	16,892	19,442
Balance at January 1, 2021	**698**	**1,852**	**16,892**	**19,442**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**247**	**(164)**	**(83)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(22)**	**22**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(13)**	**-**	**13**	**-**
New financial assets originated or purchased	**163**	**57**	**29**	**249**
Financial assets that have been derecognised	**(131)**	**(305)**	**(1,405)**	**(1,841)**
Bad debts written off	**-**	**(12)**	**(326)**	**(338)**
Provisions for the period	**(415)**	**697**	**(1,391)**	**(1,109)**
Balance at December 31, 2021	**527**	**2,147**	**13,729**	**16,403**

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances to customers*...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Mortgage Loans				
Balance at January 1, 2020	351	58	12,336	12,745
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	327	-	(327)	-
Transferred to Lifetime ECL not credit impaired - stage 2	(177)	407	(230)	-
Transferred to Lifetime ECL credit impaired stage 3	(144)	118	26	-
New financial assets originated or purchased	53	102	365	520
Financial assets that have been derecognised	(27)	-	(378)	(405)
Bad debts written off	-	-	(58)	(58)
Provision for the period	88	1,580	9,255	10,923
Balance at December 31, 2020	471	2,265	20,989	23,725
Balance at January 1, 2021	**471**	**2,265**	**20,989**	**23,725**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**292**	**(225)**	**(67)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(11)**	**11**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(8)**	**-**	**8**	**-**
New financial assets originated or purchased	**28**	**137**	**-**	**165**
Financial assets that have been derecognised	**(35)**	**(239)**	**(570)**	**(844)**
Bad debts written off	**-**	**-**	**(367)**	**(367)**
Provision for the period	**34**	**1,999**	**1,741**	**3,774**
Balance at December 31, 2021	**771**	**3,948**	**21,734**	**26,453**

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances to customers*...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Overdrafts				
Balance at January 1, 2020	2,131	388	5,187	7,706
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	8	(8)	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(36)	36	-	-
Transferred to Lifetime ECL credit impaired stage 3	(90)	(55)	145	-
New financial assets originated or purchased	241	97	99	437
Financial assets that have been derecognised	(115)	(64)	(60)	(239)
Bad debts written off	(4)	(282)	(1,097)	(1,383)
Provision for the period	362	285	1,812	2,459
Balance at December 31, 2020	2,497	397	6,086	8,980
Balance at January 1, 2021	**2,497**	**397**	**6,086**	**8,980**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**198**	**(198)**	**-**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(23)**	**23**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(192)**	**-**	**192**	**-**
New financial assets originated or purchased	**324**	**263**		**587**
Financial assets that have been derecognised	**(142)**	**(141)**	**(292)**	**(575)**
Bad debts written off	**-**	**(8)**	**(803)**	**(811)**
Provision for the period	**1,346**	**179**	**1,996**	**3,521**
Balance at December 31, 2021	**4,008**	**515**	**7,179**	**11,702**

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances to customers*...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Total credit provisioning				
Balance at January 1, 2020	4,838	543	57,765	63,146
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	108	169	(277)	-
Transferred to Lifetime ECL not credit impaired - stage 2	(1,195)	1,418	(223)	-
Transferred to Lifetime ECL credit impaired stage 3	(11)	119	(108)	-
New financial assets originated or purchased	535	351	4,278	5,164
Financial assets that have been derecognised	(287)	(79)	(4,817)	(5,183)
Bad debts written off	(321)	(434)	(2,949)	(3,704)
Provision for the period	501	7,624	17,721	25,846
Balance at December 31, 2020	4,168	9,711	71,390	85,269
Balance at January 1, 2021	**4,168**	**9,711**	**71,390**	**85,269**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**738**	**(587)**	**(151)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(56)**	**56**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(215)**	**(166)**	**381**	**-**
New financial assets originated or purchased	**1,016**	**456**	**1,667**	**3,139**
Financial assets that have been derecognised	**(363)**	**(685)**	**(4,373)**	**(5,421)**
Bad debts written off	**-**	**(20)**	**(2,996)**	**(3,016)**
Provision for the period	**896**	**2,106**	**3,298**	**6,300**
Balance at December 31, 2021	**6,184**	**10,871**	**69,216**	**86,271**

(in thousands of Eastern Caribbean dollars)

12 Allowance for impairment losses on loans and advances to customers *...continued*

The table below outlines the reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers:

	$
Balance at January 1, 2020	189,340
Change in allowance for impairment	13,626
Classified as credit impaired during the year	36,544
Transferred to not credit impaired during the year	(30,938)
Net repayments	(21,879)
Disposals	(8,672)
Balance at December 31, 2020	178,021

Balance at January 1, 2021	**178,021**
Change in allowance for impairment	**(2,175)**
Classified as credit impaired during the year	**27,798**
Transferred to not credit impaired during the year	**(7,029)**
Net repayments	**(5,190)**
Disposals	**(17,725)**
Balance at December 31, 2021	**173,700**

The table below provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to LECL.

Financial assets modified during the year	
At amortised cost before modification	**42,002**
Net modification loss	**1,681**
Financial assets modified since initial recognition	
Gross carrying amount at December 31, 2021 of financial assets for which loss allowance has changed to 12-month measurement during the year	**8,752**

Financial assets modified during the year	**$**
Amortised cost before modification	8,487
Net modification loss	299
Financial assets modified since initial recognition	$
Gross carrying amount at December 31, 2020 of financial assets for which loss allowance has changed to 12-month measurement during the year	283

(in thousands of Eastern Caribbean dollars)

13 Allowance for impairment losses on investment securities

	2021				2020
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Debt investment securities at FVOCI					
Balance at January 1, 2021	**1,592**	**1,636**	**943**	**4,171**	2,373
Net remeasurement of loss allowance for the year	**(249)**	**155**	**-**	**(94)**	1,798
Balance at December 31, 2021	**1,343**	**1,791**	**943**	**4,077**	4,171

The above loss allowance is not recognised in the consolidated statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

	2021				2020
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Debt investment securities at amortised cost					
Balance at January 1, 2021	**386**	**31**	**4,506**	**4,923**	4,773
Net remeasurement of loss allowance for the year	**(170)**	**-**	**-**	**(170)**	150
Balance at December 31, 2021	**216**	**31**	**4,506**	**4,753**	4,923

	2021				2020
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit impaired**	**Total**	**Total**
Treasury Bills					
Balance at January 1, 2021	**-**	**395**	**-**	**395**	115
Net remeasurement of loss allowance for the year	**-**	**(333)**	**-**	**(333)**	280
Balance at December 31, 2021	**-**	**62**	**-**	**62**	**395**

(in thousands of Eastern Caribbean dollars)

14 Investment securities

	Amortised Cost $	FVTOCI - Debt $	FVTOCI - Equity $	FVTPL - Equities $	FVTPL - Held for Trading $	Total $
At January 1, 2021	**183,588**	**502,674**	**22,535**	**10,838**	**9,487**	**729,122**
Additions	**213,326**	**351,589**	**12,972**	**4,282**	**7,271**	**589,440**
Movements in interest accrued	**(91)**	**750**	**-**	**-**	**172**	**831**
Disposals (sale and redemption)	**(211,809)**	**(208,465)**	**-**	**(4,047)**	**(3,082)**	**(427,403)**
Changes in fair values	**-**	**(11,795)**	**(77)**	**1,457**	**106**	**(10,309)**
Provision for the year	**170**	**-**	**-**	**-**	**-**	**170**
Amortization of premium/discount	**(415)**	**(2,094)**	**-**	**-**	**-**	**(2,509)**
At December 31, 2021	**184,769**	**632,659**	**35,430**	**12,530**	**13,954**	**879,342**
At January 1, 2020	185,874	489,866	13,560	5,399	21,368	716,067
Additions	104,484	239,168	8,892	7,970	301	360,815
Movements in interest accrued	(283)	(481)	-	-	(161)	(925)
Disposals (sale and redemption)	(105,812)	(231,762)	-	(3,474)	(11,397)	(352,445)
Changes in fair values	-	6,543	83	943	(624)	6,945
Provision for the year	(150)	-	-	-	-	(150)
Amortization of premium/discount	(525)	(660)	-	-	-	(1,185)
At December 31, 2020	183,588	502,674	22,535	10,838	9,487	729,122

(in thousands of Eastern Caribbean dollars)

14 **Investment securities**... *continued*

	2021 $	2020 $
Securities measured at amortised cost		
Debt securities at amortised cost		
- Listed	**19,865**	167,709
- Unlisted	**169,657**	20,802
	189,522	188,511
Less provision for impairment	**(4,753)**	(4,923)
Total securities at amortised cost	**184,769**	183,588
Securities measured at fair value through OCI		
Debt securities at fair value		
- Listed	**65,156**	452,463
- Unlisted	**567,503**	50,211
Total fair value through OCI - Debt	**632,659**	502,674
Equity securities at fair value		
- Unlisted	**2,422**	2,422
- Listed	**33,951**	21,056
	36,373	23,478
Less provision for impairment	**(943)**	(943)
Total fair value through OCI - Equity	**35,430**	22,535
Total securities at fair value through OCI	**668,089**	525,209
Total equity securities at fair value through P&L		
- Listed	**8,269**	9,812
- Unlisted	**4,261**	1,026
	12,530	10,838
Total investment securities	**865,388**	719,635

The weighted average effective interest rate on securities at fair value through other comprehensive income at December 31, 2021 was 2.66% (2020 – 2.91%).

(in thousands of Eastern Caribbean dollars)

15 Financial instruments - pledged assets and repurchase agreements

The following assets are pledged against certain other funding instruments:

	Financial instruments - pledged assets	
	2021	**2020**
	$	**$**
Pledged against repurchase agreements	**903**	8,352

The value of repurchase agreements on the consolidated statement of financial position which are secured by pledged assets is $876 (2020 - $8,107). The variance between investment pledged against repurchase agreements and the value of repurchase agreement represents accrued interest.

16 Investment in associates

The investments in associates are as follows:

	2021	**2020**
	$	**$**
At beginning of year	**63,981**	59,986
Share of Associates IFRS 9 adjustment	**-**	(5)
Adjusted beginning balance	**63,981**	59,981
Dividends from associate	**(492)**	(1,674)
Share of other comprehensive income	**(41)**	2,371
Share of profit of associate	**1,172**	3,303
At end of year	**64,620**	63,981

The Group invested $4,800 and has a 20% shareholding in the East Caribbean Amalgamated Bank Limited of Antigua (ECAB). The company is an unlisted company incorporated in St. Kitts. This undertaking represented the Group's contribution to a joint initiative of indigenous banks of the East Caribbean Currency Union to salvage and restructure the previous Bank of Antigua Limited.

(in thousands of Eastern Caribbean dollars)

16 Investment in associates*...continued*

East Caribbean Amalgamated Bank Limited of Antigua financial reporting period ends on September, 30.

The Group's interest in its associate East Caribbean Amalgamated Bank Limited of Antigua, as at December 31, 2021 is as follows:

	2021 **$**	**2020** **$**
Current assets	**628,926**	149,821
Non-current assets	**1,523,231**	891,878
Liabilities	**(1,958,468)**	(850,298)
Preference Shares	**(47,869)**	(47,869)
Equity	**145,820**	143,532
% ownership	**20%**	20%
Share of equity in associate	**29,164**	28,706
Previous share of profits from BOSVG holding	**3,207**	3,207
Carrying amount of the investment	**32,371**	31,913

Summarised statement of profit and loss of East Caribbean Amalgamated Bank Limited:

	2021 **$**	**2020** **$**
Revenue	**52,792**	49,520
Administrative cost	**(41,715)**	(26,828)
Depreciation	**(3,338)**	(2,995)
Profit for the year	**7,739**	19,697
Tax expense	**(4,652)**	(6,956)
Other comprehensive income	**(140)**	(10)
Total comprehensive income	**2,947**	12,731

(in thousands of Eastern Caribbean dollars)

16 Investment in associates*...continued*

In 2017, the Group disposed of its majority holding in Bank if St. Vincent and the Grenadines Limited and retained a 20% holding. The company is a listed company incorporated in St. Vincent.

The Group's interest in its associate Bank of St. Vincent and the Grenadines Limited, as at 31 December 2021 is as follows:

	2021 $	2020 $
Current assets	**154,928**	149,711
Non-current assets	**1,139,491**	1,064,872
Liabilities	**(1,159,739)**	(1,080,805)
Equity	**134,680**	133,778
% ownership	**20%**	20%
Share of Equity in associate	**26,936**	26,755
Adjustment for fair value of associate interest at acquisition date	**5,313**	5,313
Carrying amount of the investment	**32,249**	32,068

Summarised statement of profit and loss of Bank of St. Vincent & the Grenadines Limited at December 2021:

	2021 $	2020 $
Revenue	**43,539**	42,154
Prior year adjustment	**-**	128
Administrative cost	**(40,914)**	(35,**762**)
Profit for the year	**2,625**	6,520
Tax recovery/(expense)	**146**	(2,744)
Other comprehensive (loss)/income	**(67)**	11,905
Total comprehensive income	**2,704**	15,681

(in thousands of Eastern Caribbean dollars)

17 Property and equipment

	Land and buildings $	Leasehold improvements $	Motor vehicles $	Office furniture and equipment $	Computer Equipment & Software $	Work-in-progress buildings $	Total $
Year ended 31 December 2020							
Opening net book amount	37,073	552	418	4,077	2,477	2,985	47,582
Additions	3,049	75	204	1,789	1,506	-	6,623
Disposals at cost	-	(23)	(173)	(384)	(405)	-	(985)
Transfers	-	-	-	-	-	(296)	(296)
Accumulated depreciation on Disposal	-	23	173	352	405	-	953
Depreciation charge	(1,081)	(259)	(129)	(1,148)	(1,649)	-	(4,266)
Closing net book amount	39,041	368	493	4,686	2,334	2,689	49,611
At 31 December 2020							
Cost or valuation	60,218	9,948	1,067	26,833	27,337	2,689	128,092
Accumulated depreciation	(21,177)	(9,580)	(574)	(22,147)	(25,003)	-	(78,481)
Net book amount	39,041	368	493	4,686	2,334	2,689	49,611
Year ended 31 December 2021							
Opening net book amount	**39,041**	**368**	**493**	**4,686**	**2,334**	**2,689**	**49,611**
Additions	**476**	**-**	**410**	**5,433**	**2,999**	**-**	**9,318**
Disposals at cost	**(2,481)**	**-**	**(325)**	**(1,128)**	**(458)**	**-**	**(4,392)**
Transfers	**-**	**-**	**-**	**-**	**-**	**(710)**	**(710)**
Accumulated depreciation on Disposal	**884**	**-**	**325**	**1,092**	**451**	**-**	**2,752**
Depreciation charge	**(1,130)**	**(187)**	**(162)**	**(1,178)**	**(1,775)**	**-**	**(4,432)**
Closing net book amount	**36,790**	**181**	**741**	**8,905**	**3,551**	**1,979**	**52,147**
At 31 December 2021							
Cost or valuation	**58,213**	**9,948**	**1,152**	**31,138**	**29,877**	**1,979**	**132,307**
Accumulated depreciation	**(21,423)**	**(9,767)**	**(411)**	**(22,233)**	**(26,326)**	**-**	**(80,160)**
Net book amount	**36,790**	**181**	**741**	**8,905**	**3,551**	**1,979**	**52,147**

(in thousands of Eastern Caribbean dollars)

17 Property and equipment*...continued*

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

The historical cost of land and buildings is:

	2021 $	**2020 $**
Cost	**42,451**	44,420
Accumulated depreciation based on historical cost	**(23,763)**	(23,517)
Depreciated historical cost	**18,688**	20,903

18 Investment properties

	2021 $	**2020 $**
Land and buildings		
At beginning of year	30,987	31,955
Disposal of building	(2,968)	(968)
At end of year	28,019	30,987

The investment properties are valued annually based on open market value by an independent, professionally qualified valuer. Comparative analysis was used to determine the market value of the investment properties.

The Group has no restrictions on the realis ability of its investment properties and no contractual obligation to either purchase, construct or develop investment properties or for repairs maintenance and enhancements.

The following amounts have been recognised in profit or loss:

	2021 $	**2020 $**
Rental income	**1,534**	1,642
Direct operating expenses arising from investment properties that generated rental income	**(342)**	(258)
	1,192	1,384

(in thousands of Eastern Caribbean dollars)

19 Right-of-use lease asset

The Group leases a facility to house operations of one of the branches of its subsidiary. The lease typically run for a period of two years, with an option to renew the lease at expiration. Lease payments are negotiated with every new lease contract to reflect market rentals. The lease was entered into many years ago and was previously classified as an operating lease.

Right-of-use lease asset relates to leased properties:

	Land and Buildings $	Total $
Balance at January 1, 2020	1,057	1,057
Depreciation	(529)	(529)
At 31 December 2020	528	528
Balance at January 1, 2021	**528**	**528**
Additions	**1,050**	**1,050**
Depreciation	**(528)**	**(528)**
At 31 December 2021	**1,050**	**1,050**

The Group had a lease liability of $1,050 (2020 - $539) against the lease asset.

20 Other assets

	Notes	2021 $	2020 $
Receivable accounts		**8,054**	7,330
Receivable accounts - credit card		**41,975**	29,663
Prepaid expenses		**3,169**	2,483
Stationery and supplies		**574**	725
Rent receivable		**1,913**	979
		55,685	41,180
Less provision for impairment on other assets	21	**(1,536)**	(1,488)
		54,149	39,692

(in thousands of Eastern Caribbean dollars)

21 Provision for impairment on other assets

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

	2021 $	2020 $
At beginning of year	**1,488**	1,615
Provisions made during the year	**624**	514
Receipts	**-**	(104)
Write offs during the year	**(576)**	(537)
At end of year	**1,536**	1,488

22 Retirement benefit asset

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

	2021 $	2020 $
Fair value of plan assets	**82,928**	79,519
Present value of funded obligation	**(63,359)**	(60,284)
Asset in the consolidated statement of financial position	**19,569**	19,235

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

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

	2021 $	2020 $
Beginning of year	**60,284**	57,709
Current service cost	**2,610**	2,631
Interest cost	**4,533**	4,395
Employee contribution	**851**	843
Actuarial gains	**(2,474)**	(4,177)
Benefits paid	**(2,445)**	(1,117)
End of year	**63,359**	60,284

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset*...continued*

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

	2021 $	2020 $
Beginning of year	**79,519**	72,741
Actual return on plan assets	**2,688**	4,714
Employer contributions	**2,583**	2,631
Employee contributions	**851**	843
Benefits paid	**(2,445)**	(1,117)
Administrative expenses	**(268)**	(293)
End of year	**82,928**	79,519

	2021 $	2020 $
Net asset at beginning of year	**19,235**	15,032
Net periodic cost	**(1,619)**	(1,970)
Contributions paid	**2,583**	2,631
Effect on statement of comprehensive income	**(630)**	3,542
Net asset at end of year	**19,569**	19,235

Benefit cost

	2021 $	2020 $
Current service cost	**2,610**	2,631
Net interest on net defined benefit asset	**4,533**	4,395
Expected return on plan assets	**(5,792)**	(5,349)
Administration expenses	**268**	293
Net periodic cost at end of year	**1,619**	1,970

Re-measurements comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. As at January 1, 2021, the Group transitioned from a defined benefit pension plan to a defined contribution plan. Heritage members of the plan will be offered an option to transfer their accrued benefits to the defined contribution plan in the subsequent period. As a result re-measurement (losses)/gains of $(441) – net of tax (2020 – $2,479) at the reporting date, will be transferred to profit or loss in the subsequent period.

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset*...continued*

The net re-measurement gains recognised in the consolidated statement of comprehensive income are as follows:

	2021 $	2020 $
Gain from change in assumptions	**(1,211)**	(1,578)
Loss from experience	**(1,263)**	(2,599)
Expected return on plan assets	**5,792**	5,349
Actual return on plan assets	**(2,688)**	(4,714)
	630	(3,542)

The principal actuarial assumptions used were as follows:

	2021 %	2020 %
Discount rate	**7.5**	7.25
Future promotional salary increases	**3.5-4.5**	3.5 - 4.5
Future inflationary salary increases	**1-2**	1-1.75

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

Plan assets allocation is as follows:

	2021	2020 %
Debt securities	**82**	78
Equity securities	**15**	10
Other	**3**	12
	100	100

The pension plan assets do not include assets or ordinary shares of the Group.

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

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset*...continued*

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

	2021	**2020**
Male	**25.03**	24.94
Female	**27.03**	26.99

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

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

	2021 $	**2020 $**
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	**29**	30
- Consumer staples	**4,089**	3,789
- Other	**5,308**	4,608
Quoted debt securities		
- Sovereign bonds	**28,626**	28,271
- Industrial	**816**	1,114
- Other	**12,652**	10,883
Cash and cash equivalents	**2,232**	9,571
Unquoted investments		
Unquoted debt securities		
- Sovereign bonds	**22,175**	17,696
Unquoted equity securities	**3,353**	3,507
- Other	**3,648**	50
Total	**82,928**	79,519

(in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset...*continued*

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

	2021 $	2020 $
Within the next 12 months	**1,172**	973
Between 2 and 5 years	**6,533**	5,351
Between 5 and 10 years	**15,287**	13,830
Total expected payments	**22,992**	20,154

The average duration of the defined benefit plan obligation at the end of the reporting period is 11.7 years (2020 – 12.97 years).

Defined Contribution plan

At December 31, 2021, there were 329 (December 31, 2020 – 312) members of the defined contribution section of the plan. During the year ended December 31, 2021, the charge to the profit of loss statement in respect of the defined contribution scheme was $2,583 (2020 – $2,631) representing the contributions payable by the Group in accordance with the scheme's rules.

23 Deposits from banks

	2021 $	2020 $
Deposits from banks	**27,586**	35,281

The weighted average effective interest rate on deposits from banks was 1.01% (2020 – 0.95%).

24 Due to customers

	2021 $	2020 $
Term deposits	**332,957**	355,879
Savings deposits	**777,519**	720,227
Call deposits	**263,957**	231,383
Demand deposits	**650,729**	594,321
	2,025,162	1,901,810

The weighted average effective interest rate of customers' deposits at December 31, 2021 was1.19 % (2020 – 1.28%).

(in thousands of Eastern Caribbean dollars)

25 Borrowings

	Due	Interest rate %	2021 $	Interest rate %	2020 $
Other borrowed funds					
Caribbean Development Bank	2024	**3.3**	**6,070**	4.74	8,777
National Insurance Corporation (Saint Lucia)	2026	**7.25**	**46,108**	7.25	51,231
			52,178		60,008

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

In August 2016, the holding company issued a ten (10) year, EC$50 million unsecured bond via private placement with the purpose of capitalising its wholly-owned subsidiary of Bank of Saint Lucia Limited. The bond which qualifies as tier II capital, pays interest semi-annually at the rate of 7.25%. Principal repayments are to be amortised by way of 10 semi-annual payments over the last 5-year term of the instrument. The National Insurance Corporation was the sole purchaser of the bond.

26 Other liabilities

	2021 $	2020 $
Trade and other payables	**49,467**	57,139
Managers' cheques outstanding	**4,071**	3,621
Agency loans	**951**	768
	54,489	61,528

The agency loans are funds issued to the Group by the Government of Saint Lucia for disbursement to the related projects. The Group earns an agency fee on the amounts disbursed. The funds belong to the Government of Saint Lucia and the Group bears no risk in relation to these funds.

(in thousands of Eastern Caribbean dollars)

27 Deferred tax

The movements on the deferred tax asset are as follows:

	Notes	2021 $	2020 $
Net deferred tax position at beginning of year		**1,511**	(7,228)
Deferred tax charge to the income statement:			
Arising from retirement benefit plan		**289**	198
Arising from other timing differences		**524**	268
Arising from tax losses not utilised		**(224)**	7,210
Deferred tax charge for the year	39	**589**	7,676
Deferred tax charge to other comprehensive income			
Deferred tax arising from retirement benefit plan		**(189)**	1,063
Deferred Tax Liability at end of year		**1,911**	1,511

The deferred tax account is detailed as follows:

	2021 $	2020 $
Accelerated capital allowances	**(2,901)**	(3,424)
Fair value of pension assets	**5,871**	5,771
Unutilised tax losses	**(1,059)**	(836)
Net deferred tax liability	**1,911**	1,511

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

28 Share capital

	No. of Shares	2021 $	No. of Shares	2020 $
Ordinary shares				
Authorised:				
50,000,000 ordinary shares of no par value				
Issued and fully paid				
At beginning and end of year	**24,465,589**	**170,081**	24,465,589	170,081

(in thousands of Eastern Caribbean dollars)

29 Contributed capital

Total capital contributions received at 31 December were as follows:

	2021 $	2020 $
Productive Sector Equity Fund Incorporated	**1,118**	1,118
	1,118	1,118

The figures above represent the contributions to the Group by third parties in support of the named fund.

30 Reserves

	2021 $	2020 $
(a) General reserve	**14,005**	14,005
(b) Statutory reserve	**116,590**	112,049
(c) Student loan guarantee fund reserve	**877**	847
(d) Retirement benefit reserve	**19,569**	19,235
(e) Contingency reserve	**23,623**	26,438
Total reserves at 31 December	**174,664**	172,574

Movements in reserves were as follows:

	2021 $	2020 $
(a) General		
At beginning of the year	**14,005**	62,957
Transferred to accumulated deficit	**-**	(48,952)
At end of the year	**14,005**	14,005

It is the policy of the Group to maintain a general reserve for reinvestment in operations. Transfers to the reserve are based on a maximum of 35% of the consolidated Group's profit for the year after transfers to statutory reserve. At December 31, 2021 $0.00 (2020 – 48,952) was transferred to accumulated deficit.

(in thousands of Eastern Caribbean dollars)

30 Reserves*...continued*

	2021 $	2020 $
(b) Statutory		
At beginning of the year	**112,049**	111,173
Allocated from profits for the year	**4,541**	876
At end of the year	**116,590**	112,049

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

	2021 $	2020 $
(c) Student loan guarantee fund		
At beginning of the year	**847**	820
Contributions	**30**	27
At end of the year	**877**	847

This is a non-distributable reserve. Transfers are made to the reserve at an amount equal to the net profit of the subsidiary Student Loan Guarantee Fund Limited.

(in thousands of Eastern Caribbean dollars)

30 Reserves*...continued*

	2021 $	2020 $
(d) Retirement benefit		
At beginning of the year	**19,235**	15,032
Allocated from profits for the year	**334**	4,203
At end of the year	**19,569**	19,235

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

	2021 $	2020 $
(e) Contingency reserve		
At beginning of the year	**26,438**	27,504
Transferred to accumulated deficit	**(2,815)**	(1,066)
At end of the year	**23,623**	26,438

The contingency reserve fund is created as an appropriation from retained earnings to set aside a portion of profits against loan loss provisions. This reserve will be funded annually to the extent that the reserve fund does not exceed 100% of non-performing loans.

31 Related party transactions and balances

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 by making financial and operational decisions.

Interest income and interest expense with related parties were as follows:

	2021		2020	
	Income $	Expense $	Income $	Expense $
Government of Saint Lucia	**2,220**	**447**	2,498	553
Statutory bodies – Saint Lucia	**694**	**5,240**	695	5,169
Directors and key management	**626**	**124**	566	100

(in thousands of Eastern Caribbean dollars)

31 Related party transactions and balances *...continued*

Related party balances with the Group were as follows:

	2021		2020	
	Loans $	**Deposits $**	**Loans $**	**Deposits $**
Government of Saint Lucia	**59,808**	**160,725**	61,002	185,399
Statutory bodies – Saint Lucia	**11,022**	**433,565**	12,916	330,739
Directors and key management	**12,206**	**5,166**	10,646	4,327

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 8 years (2020 - 2 years) and have a weighted average effective interest rate of 5.23% (2020 – 6.45%). The secured loans advanced to the directors during the year are collateralised by mortgages over residential properties.

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

Key management compensation

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

	2021 $	2020 $
Salaries and other short-term benefits	**5,626**	6,170
Pension costs	**655**	676
	6,281	6,846
Directors' remuneration	**379**	400

(in thousands of Eastern Caribbean dollars)

32 Net interest income

	2021 $	2020 $
Interest income		
Loans and advances	**50,204**	54,221
Treasury bills and investment securities	**22,988**	23,148
Cash and short-term funds	**440**	1,761
	73,632	79,130
Interest expense		
Time deposits	**7,202**	8,692
Borrowings	**3,740**	4,048
Savings deposits	**16,167**	14,278
Demand deposits	**456**	639
Correspondent banks	**316**	418
	27,881	28,075
Net interest income	**45,751**	51,055

33 Net fee and commission income

	2021 $	2020 $
Fee and commission income		
Credit related fees and commissions	**29,719**	27,415
	4,969	4,974
Asset management and related fees	**380**	395
	35,068	32,784

34 Net foreign exchange trading income

	2021 $	2020 $
Foreign exchange		
Net realised gains	**7,457**	7,335
Net unrealised gains	**1,049**	942
	8,506	8,277

(in thousands of Eastern Caribbean dollars)

35 Other operating income

	2021 $	2020 $
Rental income	**2,519**	2,626
Bad debt recovery income	**7,038**	11,142
Dividend income	**380**	223
Other	**95**	264
	10,032	14,255

36 Other gains, net

	2021 $	2020 $
Gains on disposal of FVOCI	**1,626**	2,423
Gains on disposal of Amortised Cost	**355**	2,085
Gains on FVTPL	**108**	294
Unrealised gains on FVTPL	**1,562**	319
Loss on fair value of investment property	**(2,968)**	(968)
	683	4,153

(in thousands of Eastern Caribbean dollars)

37 Operating expenses

	Notes	2021 $	2020 $
Employee benefit expense	38	**27,116**	33,699
Depreciation and amortisation	17 & 19	**4,960**	4,795
Utilities and telecommunications		**3,973**	3,745
Repairs and maintenance		**8,343**	8,512
Advertising and promotion		**1,242**	1,128
Bank and other licences		**297**	295
Security		**1,488**	1,478
Printing and stationery		**612**	509
Legal and professional fees		**538**	275
Insurance		**1,000**	857
Credit card and IDC visa charges		**8,473**	7,919
Bank charges		**1,357**	1,290
Travel and entertainment		**144**	296
Premium expense		**1,977**	557
RRIA portfolio expenses		**498**	587
Other expenses		**7,619**	5,525
		69,637	71,467

38 Employee benefit expense

	2021 $	2020 $
Wages and salaries	**20,678**	20,272
Other staff costs	**4,819**	4,247
Pensions	**1,619**	9,180
	27,116	33,699

Included in employee benefits is an accrual of $0.00 (2020 – $7,209) which represents an estimated loss on conversion of the pension plan from a defined benefit plan to a defined contribution plan.

(in thousands of Eastern Caribbean dollars)

39 Income tax expense

	Notes	2021 $	2020 $
Current tax		**1,737**	516
Overpayment of tax – prior year		**-**	(1,613)
Deferred tax charge	27	**589**	7,676
		2,326	6,579
Deferred tax income in other comprehensive income:			
Deferred tax arising from defined benefit pension plan		**(189)**	1,063
		2,137	7,642

Tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 30% as follows:

	2021 $	2020 $
Profit for the year before income tax and dividends	**25,872**	14,286
Tax calculated at the applicable tax rate of 30%	**7,762**	4,286
Tax effect of income not subject to tax	**(4,532)**	(5,652)
Deferred tax asset recognised/ unrecognised on tax losses	**(224)**	7,210
Tax effect of expenses not deductible for tax purposes	**1,147**	2,864
Prior year over payment of tax	**-**	(1,613)
Fixed asset adjustment	**(90)**	-
Tax effect of utilised losses	**(1,737)**	(516)
	2,326	6,579

The Group has unutilised tax losses of $3,531 (2020 –$2,786) for which a deferred tax asset of $1,059 (2020: $836) has been recognised due to the certainty of its recoverability. Unutilized tax losses may be carried forward and deducted against 50% of future taxable income within six years following the year in which the losses were incurred. The losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department. The Group also has unutilised tax losses of $101,548 **(**2020 – $115,913) for which no deferred tax asset has been recognised.

Tax losses expire as follows:

	2021 $	2020 $
2021	**-**	13,620
2022	**105,079**	105,079
	105,079	118,699

There was no income tax effect relating to components of other comprehensive income.

(in thousands of Eastern Caribbean dollars)

40 Earnings per share

Basic and diluted
The calculation of basic earnings per share is based on the profit from continuing operations attributable to ordinary shareholders of $26,223 (2020 – $7,416) and 24,265 (2020 – 24,465) shares, being the weighted average number of ordinary shares in issue in each year. For the purpose of calculating diluted earnings per share, the profit for the year attributable to equity holders of the company is the profit for the year after deducting preference dividends of $291 (2020 – $291).

41 Cash and cash equivalents

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

	Notes	2021 $	2020 $
Cash and balances with Central Bank	6	**130,862**	129,094
Deposits with other banks	8	**241,410**	216,447
Deposits with non-bank financial institutions	10	**2,333**	86,183
		374,605	431,724

42 Contingent liabilities and commitments

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

	2021 $	2020 $
Loan commitments	**124,379**	82,469
Guarantees, letters of credit and other credit obligations	**10,908**	15,998
	135,287	98,467

(in thousands of Eastern Caribbean dollars)

43 Principal subsidiary undertakings

	Holding	
	2021	**2020**
	%	**%**
Bank of Saint Lucia Limited	**100**	100

** Allotment of shares had not been completed at the reporting date.

As part of its strategic objectives, the local companies of the ECFH Group namely; Bank of Saint Lucia Limited and ECFH Global Investment Solutions were amalgamated with ECFH holding company in October 2016, and this amalgamated entity continued as Bank of Saint Lucia Limited.

Another company named East Caribbean Financial Holding Company Limited was then incorporated at the same time to hold the shares of Bank of Saint Lucia Limited, and Bank of Saint Vincent and the Grenadines Limited. On June 30, 2017, the group disposed of its majority holding in Bank of Saint. Vincent and the Grenadines Limited, as part of its strategic objective to focus on its local share of Bank of Saint. Lucia Limited.

44 Cumulative preference shares

	No. of shares	**2021 $**	**No. of Shares**	**2020 $**
7% Cumulative preference shares				
Authorised:				
11,550,000 preference shares				
At beginning and end of year	**830,000**	**4,150**	830,000	4,150

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

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

Dividends declared and unpaid on the preference shares during the year amounted to $291 (2020 – $291).

45 Comparatives

Certain balances were reclassified in the prior year to be consistent with the current year's presentation. These changes had no impact on the total assets or total equity.

46 Dividend

A dividend in respect of the 2021 financial year end of $0.00 (2020 - $6,116) was paid for each unit of paid up share capital.