

Schedule 1
FORM ECSRC – K
ANNUAL REPORT
PURSUANT TO SECTION 98(1) OF THE SECURITIES ACT, 2001

For the financial year ended _____
December 2018

Issuer Registration number
BOSL30062001SL

BANK OF SAINT LUCIA LIMITED

(Exact name of reporting issuer as specified in its charter)

SAINT LUCIA

(Territory of incorporation)

NO. 1 BRIDGE STREET, CASTRIES, SAINT LUCIA

(Address of principal office)

REPORTING ISSUER'S:

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

Fax number: 1-758-456-6702

Email address: info@bankofsaintlucia.com

(Provide information stipulated in paragraphs 1 to 14 hereunder)

Indicate whether the reporting issuer has filed all reports required to be filed by section 98 of the Securities Act, 2001 during the preceding 12 months

Yes

No

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
COMMON SHARES	1,478,875

SIGNATURES

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

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

Name of Chief Executive Officer:

Bernard La Corbiniere

SIGNED AND CERTIFIED

31st May 2019

Date

Name of Director:

Llewellyn Gill

SIGNED AND CERTIFIED

31st May 2019

Date

Name of Chief Financial Officer:

Ketha Auguste

SIGNED AND CERTIFIED

Signature

31st May 2019

Date

INFORMATION TO BE INCLUDED IN FORM ECSRC-K

1. Business.

Provide a description of the developments in the main line of business including accomplishments and future plans. The discussion of the development of the reporting issuer's business need only include developments since the beginning of the financial year for which this report is filed.

The regional and international financial services landscape continues to undergo profound change and 2018 was no exception. In 2018, the Bank adopted the International Financial Reporting Standard-IFRS 9 which relates to changes in the classification and measurement of financial assets, replacing the incurred loss model of provisioning with an expected loss model. The adoption of this new standard did not adversely affect the Bank's financial position.

The global economic climate remains volatile and uncertain. It is driven by (a) rising interest rates; (b) fears of trade wars between the USA and China and (c) continued uncertainty surrounding Brexit. The regulatory landscape is becoming even more onerous with the implementation of regulatory requirements such as the Foreign Account Tax Compliance Act (FATCA), Common Reporting Standards (CRS) and General Data Protection Regulation (GDPR). The Bank has made significant strides in developing robust systems to ensure compliance with these requirements.

The Bank reported a favourable financial performance for the financial year 2018, despite the challenging economic climate and competitive environment. The Bank focused on the implementation its three-year Strategic Plan to ensure that it remains Strong, Secure and Profitable in a sustainable manner and to be a more resilient institution. This resulted in improved asset/liability management which led to increased net interest spreads, as well as lower loan loss provisioning. Additionally, the level of non-performing loans (NPLs) continued to decline over the period. The Bank's Tier1 and total capital adequacy ratios improved to 12.87% and 18.36% respectively.

With a financially stronger organization, the Bank will continue to focus on the achievement of its 2018-2020 strategic plan with the theme "Repositioning for the Future". The strategic priorities are to: (1) Sustain Profitability (2) Enhance Customer Value (3) Achieve Operational Excellence and (4) Achieve Intangible Asset (Human Resource) Development. The focus will remain on addressing the central issues including aggressive loan recovery and continuous improvement in asset quality, cost reduction, employee engagement and change management.

2. Properties.

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

Building	Block and Parcel	Land & Buildings EC\$
Gros Islet Branch	1256D 238, 239	4,908,000
Vieux Fort Branch	1217C 676, 677, 678	3,025,000
Vieux Fort Parking lot	1256C 679	320,000
Soufriere Branch	0031C 474	3,060,000
Financial Centre Building	848C 11	36,274,500
Massade Archives	1256D 299	1,370,000

3. Legal Proceedings.

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

There were no legal proceedings during the financial year.

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

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

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

N/A

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.

N/A

- (c) A brief description of each other matter voted upon at the meeting and a statement of the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

N/A

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

N/A

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

N/A

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

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

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

6. Financial Statements and Selected Financial Data.

Attach Audited Financial Statements, which comprise the following:

For the most recent financial year

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

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

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

7. Disclosure about Risk Factors.

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

BOSL continued to employ a range of tools towards risk mitigation and compliance. Efforts to bolster our risk and compliance culture continue, with key roles assigned to all employees of the organization and efforts geared at aligning employee behavior with the risk appetite of the Bank. With further emphasis and resources directed towards the required interventions, Board and Management are confident that the current culture will be further enhanced. As the risk environment of the Bank continues to rapidly evolve, the Board of Directors with ultimate responsibility for Risk Management, ensures that the Bank maintains an appropriate strategic management process that takes risk into consideration. This is addressed through effective subcommittees of the Board, with charters in line with global best practice, all working effectively to mitigate against the various risk areas of the Bank. Also, the keen attention of the Board of Directors to timely and comprehensive reports on risk assessments, risk monitoring, risk modification, risk avoidance and risk sharing, generated under its robust Enterprise Risk Framework, facilitate prompt attention to triggers in line with its early warning system.

This Framework employed by BOSL, fosters continuous monitoring of the risk environment and promotes risk awareness and sound operational and strategic decision making. It also ensures a consistent approach to monitoring, managing and mitigating the risks accepted and incurred in day to day business activities. The Bank's principal risk types are reviewed regularly to ensure an adequate reflection of the Bank's risk profile. The key risks can be categorized into Financial and Non-Financial Risks. Financial risks including Credit, Market and Liquidity Risks, are more predictable and arise as a result of the operations of the Bank in the financial sector. Whilst the overall risk appetite of the Bank remains moderate, it operates with a higher risk appetite for financial risks, when understood and within established limits, as these risks are considered to be a fundamental part of doing business. Non-Financial Risks include Operational, Information Technology, Cybersecurity, Money Laundering and Terrorist Financing, Reputational and Strategic Risks. These are less predictable, but inherent within the banking business, and must be managed to reduce potential losses. Credit and Operational Risks remain areas of heightened concern over the years, with the remaining risks deemed moderate.

Credit Risk

Although BOSL remained compliant with the credit risk treatment and measurement

Although BOSL remained compliant with the credit risk treatment and measurement approaches outlined by the regulator and global best practice, credit risk remained high due mainly to tough local foreclosure legislation and lackluster economic performance. With significant focus on the recovery of challenged debts, the Bank again recorded success in this area. However, additional attention will be directed towards further enhancing underwriting, creating efficiencies and building staff skillsets in the management and mitigation of credit risk. The Bank continued to pay keen attention to adherence to the Board approved Credit Policy, with timely reporting to the Credit, Risk Management and Audit Committees of the Board. With the appointment of a Deputy Managing Director with responsibility for Lending and Investments, the Bank expects to make significant strides in this area over the upcoming year.

Operational Risk

The Bank ensured that appropriate internal controls were rehered to, to mitigate operational risks. In light of the increasing costs of compliance, correspondent banks have remained steadfast in taking steps towards reducing the risk exposure of their organisations to financial loss. While significant controls were implemented continuously to eliminate facilitation of the major threats of money laundering, terrorist financing and financing of weapons of mass destruction, the Bank remains aware of this looming threat to correspondent Banks. The Bank, however retained all correspondent banking relationships, and compliance oversight was further enhanced, to ensure that these critical relationships remain stable. The inherent and growing Information Technology and Cybersecurity risks, which consists of information technology related events (e.g. cybersecurity incidents, outages) which could potentially have an adverse impact on our business, contributed towards the high rating of this risk area. As such, the Bank continued to maintain and improve its risk mitigation strategies, including comprehensive business continuity and Crisis/Incident Management programme, to ensure that the Bank could recover and resume business operations, following the occurrence of any disaster. This risk area was further bolstered with the effective use of insurance, aligned with the Bank's risk management strategy and risk appetite. The appointment of a Deputy Managing Director with responsibility for Operations, is expected to result in significant strides in this area over the upcoming year.

8. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

The rights of the holders of no class of registered securities was materially modified during the year ended 31st December, 2018.

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)

N/A

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

N/A

- Name and address of underwriter(s)

N/A

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

- Net proceeds of the issue and a schedule of its use

N/A

- Payments to associated persons and the purpose for such payments

N/A

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

This is not applicable. Repurchase agreements do not pay dividends but are issued at one price and repurchased at a higher price. The difference represents the return to the investor. No restrictions were encountered in repurchasing the instruments held by the investors in this product during the Financial Year ended December 31, 2018.

9. Defaults upon Senior Securities.

- (a) **If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 per cent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.**

There were no defaults on the securities issued by Bank of Saint Lucia for the Financial Year ended December 31, 2018.

- (b) **If any material arrears in the payment of dividends have occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.**

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

10. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Discuss the reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations during the financial year of the filing. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

The Management's Discussion and Analysis should disclose sufficient information to enable investors to judge:

1. The quality of earnings;
2. The likelihood that past performance is indicative of future performance; and
3. The issuer's general financial condition and outlook.

It should disclose information over and above that which is provided in the management accounts and should not be merely a description of the movements in the financial statements in narrative form or an otherwise uninformative series of technical responses. It should provide management's perspective of the company that enables investors to view the business from the vantage point of management.

The discussion should focus on aspects such as liquidity; capital resources; changes in financial condition; results of operations; material trends and uncertainties and measures taken or to be taken to address unfavourable trends; key performance indicators; and non-financial indicators.

General Discussion and Analysis of Financial Condition

Despite the moderate economic growth experienced locally and regionally in 2018, local banks were still faced with stagnant loan balance sheets and increased competition from international and micro finance institutions. Continuing its results in 2017 the Bank reported very strong results in 2018 with net income of \$39.67 million. The Bank's results included a \$7,991,163 increase in interest income despite a marginal increase in operating expenses of \$1,784,047. Contributing to the net income figure was Fee and commission income of \$32,682,559, an increase of \$1,309,616 or 4.17% over the previous year's figure.

The decisive approach to provisioning and write-offs adopted in 2016 has strengthened the institution as we continue seeing a reduction in the levels of NPLs and improving of the level of provisioning. As such, impairment losses on loans and advances for 2018 reduced by 44.7% from 2017 figures to \$8,675,280. As done in 2017 the bank continues to set aside a buffer against potential loan losses over and above the requirements of the International Financial Reporting Standards.

The Bank's outlook for 2019 should be viewed against the backdrop of the regional and local economies and geopolitical environment, financial market activity, its competitive and regulatory environments. All of these factors can affect the financial performance of the bank. Once these factors remain favorable the financial condition of the Bank will likely remain intact. The Bank continues to have a disciplined approach towards managing expenses, while looking for innovative ways to grow and this is expected to continue beyond 2019.

The bank's strategic plan for the years 2018-2020 continues to guide the way to further stabilization and prosperity for the organization. The four strategic priorities include: (1) Sustain profitability; (2) Enhance customer value; (3) Operational Excellence and (4) Intangible asset development.

Liquidity and Capital Resources

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

- i) The reporting issuer's financial condition covering aspects such as liquidity, capital resources, changes in financial condition and results of operations.
- ii) Any known trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.
- iii) The issuer's internal and external sources of liquidity and any material unused sources of liquid assets.
- iv) Provisions contained in financial guarantees or commitments, debt or lease agreements or other arrangements that could trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation such as adverse changes in the issuer's financial ratios, earnings, cash flows or stock price or changes in the value of underlying, linked or indexed assets.
- v) Circumstances that could impair the issuer's ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential or that could render that activity commercially impracticable such as the inability to maintain a specified level of earnings, earnings per share, financial ratios or collateral.
- vi) Factors specific to the issuer and its markets that the issuer expects will affect its ability to raise short-term and long-term financing, guarantees of debt or other commitment to third parties, and written options on non-financial assets.
- vii) The relevant maturity grouping of assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date. Commentary should provide information about effective periods and the way the risks associated with different maturity and interest profiles are managed and controlled.
- viii) The issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments.
- ix) Any known material trends, favorable or unfavorable, in the issuer's capital resources, including any expected material changes in the mix and relative cost of capital resources, considering changes between debt, equity and any off-balance sheet financing arrangements.

Discussion of Liquidity and Capital Resources

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

Off Balance Sheet Arrangements

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

- i) Disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of, or requirements for capital resources.
- ii) The extent of the issuer's reliance on off-balance sheet arrangements should be described fully and clearly where those entities provide financing, liquidity, market or credit risk support, or expose the issuer to liability that is not reflected on the face of the financial statements.
- iii) Off-balance sheet arrangements such as their business purposes and activities, their economic substance, the key terms and conditions of any commitments, the initial on-going relationship with the issuer and its affiliates and the potential risk exposures resulting from its contractual or other commitments involving the off-balance sheet arrangements.
- iv) The effects on the issuer's business and financial condition of the entity's termination if it has a finite life or it is reasonably likely that the issuer's arrangements with the entity may be discontinued in the foreseeable future.

Off-Balance Sheet assets under management as at December 2018 amounted to \$97.47 million, an increase of 2.95% over the December, 2017 position. This comprised investment securities managed on behalf of clients. Under such arrangements, BOSL advises the client in the formulation of an investment policy and is given a discretionary investment management mandate to act in accordance with the approved policy. It is important to note that although BOSL has a fiduciary responsibility to these clients, there are adequate disclaimers and indemnifications against possible claims related to investment losses that may arise.

More than two thirds of these off-balance sheet funds comprise company retirement funds while the balance comprises statutory reserves of insurance companies and other corporate entities. Investments include all the major asset classes of fixed income, equity and money market facilities with at least 86% invested in fixed income. In addition, there is a predominance of investments in Commonwealth Caribbean sovereign and corporate entities to as much as 81% in keeping with existing restrictions in legislation governing the investment of pension and insurance assets.

Results of Operations

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

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

- i) Any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, the extent to which income was so affected.
- ii) Significant components of revenues or expenses that should, in the company's judgment, be described in order to understand the issuer's results of operations.
- iii) Known trends or uncertainties that have had or that the issuer reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- iv) Known events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), and changes in relationships should be disclosed.
- v) The extent to which material increases in net sales or revenues are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
- vi) Matters that will have an impact on future operations and have not had an impact in the past.
- vii) Matters that have had an impact on reported operations and are not expected to have an impact upon future operations
- viii) Off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.
- ix) Performance goals, systems and, controls,

Overview of Results of Operations

In 2018, BOSL's Net interest income rose by \$7,991,163 or 16.61% when compared to the prior corresponding period. This increase was due to an increase in interest income by 4.69% and a decline in interest expense by 13.15%. Fee and commission increased in 2018 by 4.17% over the over the same period in 2017.

Operating expenses increased marginally by 2.85% or \$1,784,047 in 2018 when compared to the prior corresponding period. This was due primarily to an increase in employee benefit expenses as well as credit card and IDC visa charges.

BOSL recorded a net profit of \$39,674,305 in 2018, an increase of 39.7% over the previous year's profit. This increase in profit was primarily due to 44.7% decline in impairment losses on loans and advances followed by an increase in net interest income.

Impairment losses on loans declined from \$15.7M in 2017 to \$8.7M in 2018. This decrease in provision reflects the increase in quality of the loan portfolio. The bank expects to continue to benefit from the disciplined approach to managing its loan portfolio.

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

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

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

12. Directors and Executive Officers of the Reporting Issuer. (*Complete Biographical Data Form attached in Appendix 1 and Appendix 1(a) for each director and executive officer*)

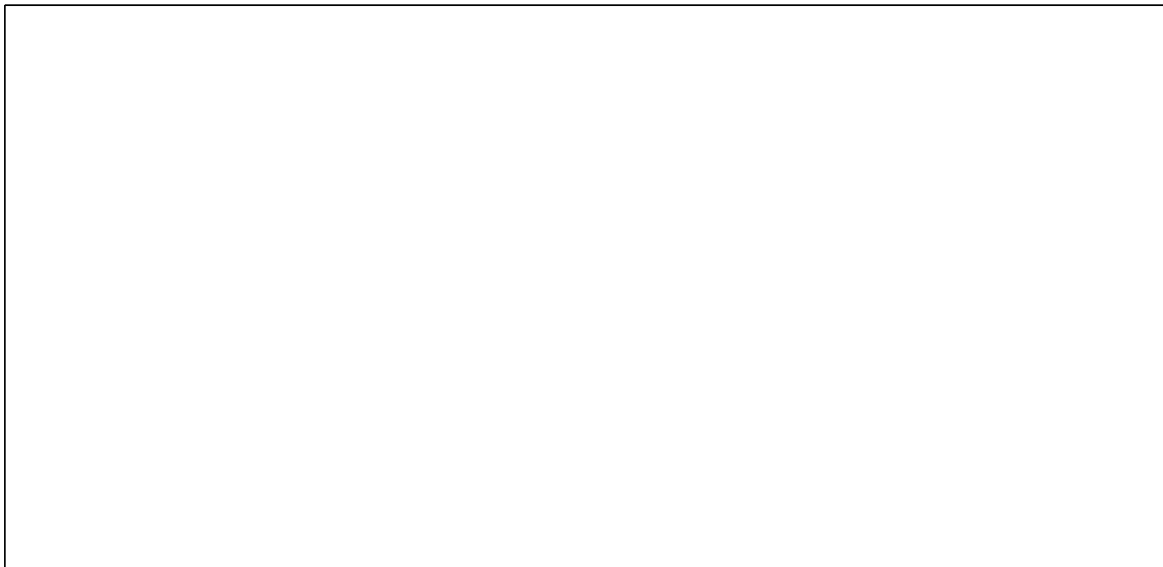
Furnish biographical information on directors and executive officers indicating the nature of their expertise.

13. Other Information.

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

14. List of Exhibits

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

A large, empty rectangular box with a thin black border, intended for the user to list all exhibits, financial statements, and other documents filed with the report.

APPENDIX 1 – BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: See Attached _____ Position: _____

Mailing Address: _____

Telephone No.:

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

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

Use additional sheets if necessary.

APPENDIX 1(a) – BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: ^{See Attached} _____ Position: _____

Mailing Address: _____

Telephone No.: _____

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Jacqueline Emmanuel-Flood **Position:** Director

Age: 56 years

Mailing Address: c/o PO BOX 1860, Castries, St. Lucia
758-285-4767(c); 758-453-5486(h)

Telephone No.:

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

Chief Executive Officer, Trade Export Promotion Agency, Government of Saint Lucia (2012- March 2017)
Director, Office of Private Sector Relations, Government of Saint Lucia (2004-2012)

Give brief description of current responsibilities

Responsible for positioning and managing the Saint Lucia Trade Export Promotion Agency (TEPA), to market and promote Saint Lucia as an attractive and viable source of products for the export market, and of services by means of the several modes in GATS.
Prime responsibility is to return value to the Stakeholders and Saint Lucia and lead the management team in the formulation of the overall vision, and the execution of the business and operational strategy. Also, direct the development of the senior management, manage key relationships, enable operational excellence and report to the Supervisory Board/Directors.

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

B.Sc. Economics, University of the West Indies (Barbados), 1988
M.Sc. Project Analysis, Finance and Investment, University of York (UK), 1992

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Marcus Joseph Position: Director

Age: 48 years

Mailing Address: c/o PO BOX 1860, Castries, St. Lucia
758 456-6000

Telephone No.:

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

October 2015 to Date - Minvielle & Chastanet Limited - Divisional Manager – Finance
February 2013 to September 2015 - Minvielle & Chastanet Limited - Divisional Manager – Finance
January 2006 to August 2009 - East Caribbean Financial Holding Company Limited - Group Financial Controller
May 2005 to December 2005 - East Caribbean Financial Holding Company Limited - Corporate Finance Manager

Give brief description of current responsibilities

Directly responsible for the strategic and operational functions of Minvielle & Chastanet Limited, M&C Drugstore, M&C Shipping and M&C Gas.
Overall responsibility for accounting, finance, tax and auditing of the Automotive, Building Supplies and Services Division within Goddard Enterprises Limited covering St Lucia, Barbados, St Vincent, Jamaica and Grenada.
Overall responsibility for accounting, finance, budget, tax and auditing of Goddard Group St Lucia
Management of the Finance Department with responsibility for accounting, finance and budgeting
Responsible for tax planning, corporate tax returns and compliance with banking and insurance regulations;
Assist with the management of the Finance Department with responsibility for accounting, finance and budgeting
Responsible for tax planning, corporate tax returns and compliance with banking and insurance regulations;

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

September 2011 to June 2012 - Manchester Metropolitan University - Bar Standards Board
September 2009 – May 2010 - Leeds Metropolitan University - Post Graduate Diploma in Law
March 1991 – March 1996 - Certified General Accountants' Association of Canada - Certificate in Accountancy
September 1995 – December 1995 McGill University
Strategic Management - B
Information Systems Strategy - A
Internal Audit & Controls - A
September 1995 – December 1995 Concordia University
Advanced Corporate Finance - A

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: MARTIN DORVILLE
Position: DIRECTOR

Age: 50
Mailing Address: P.O. Box Choc 8033
Castries
St. Lucia

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

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

2013 – Current MANAGING DIRECTOR, Massy Stores SLU Ltd. and Massy Stores SVG Ltd.
2008 - 2013 - DEPUTY MANAGING DIRECTOR - Consolidated Foods Ltd

Give brief description of current responsibilities

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

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

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

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Trevor Louisy Position: Director

Age: 56 years
Mailing Address: PO BOX 230, Castries, St. Lucia
(758)-457-4400

Telephone No.:

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

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

Give brief description of current responsibilities

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

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

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: ANDRE CHASTANET Position: CHAIRMAN, BOSL

Age: 60
Mailing Address: P.O.BOX 1665
CASTRIES
ST.LUCIA

Telephone No.:

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

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

Give brief description of current responsibilities

DIRECTOR & CHAIRMAN OF ECFH/BOSL

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

CHARTERED ACCOUNTANT(FCCA)-1988

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Llewellyn Gill Position: Director

Age: 60 Years
Mailing Address: c/o P.O. Box 1860, Castries
Saint Lucia

Telephone No.:

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

March 1992 to Present -
G.LLEWELLYN GILL & CO
Chartered Accountants, Castries, St. Lucia

Give brief description of current responsibilities

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

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

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

CGA Certified General Accountants of Canada (CGA) 1987
FCGA Fellow of the Certified General Accountants of Canada (1996)
FCIS Fellow of the Institute of Chartered Secretaries and Administrators in Canada (1997)
FCCA Fellow of the Association of Chartered Certified Accountants (UK) (2007)
Acc. Dir Accredited Director, Institute of Chartered Secretaries Canada (2009)

HONOURS

SLMM St. Lucia Medal of Merit Gold – Order of St. Lucia (February, 2009)
The “Augusto Pinaud Award” – Order of Honour to Merit, Venezulan Red Cross (February, 2008)

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Omar Davis _____
Position: Director _____

Age: 67 years _____
Mailing Address: P.O. Box 389 _____
Vieux Fort _____
Saint Lucia _____

Telephone No.: 758-484-1180

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

Consultant
Self Employed

Give brief description of current responsibilities

Provision of Financial and Management Advisory Services

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

Chartered Certified Accountant (1975)

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

DIRECTORS OF THE COMPANY

Name: Stewart Haynes **Position:** Director

Age: 39 years
Mailing Address: Queen's Drive, Kingstown, Saint Vincent & the Grenadines

Telephone No.: 1-784-494-1611

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

National Insurance Services, Kingstown, St. Vincent and the Grenadines: February 2017-Current
Executive Director

National Insurance Services, Kingstown, St. Vincent and the Grenadines: September 2012- February 2017
Investment Manager

Give brief description of current responsibilities

Executive Director responsible for the overall operations of the National Insurance.

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

*Cass Business School-City University, London, United Kingdom: 2004
MSc Actuarial Management*

*London School Of Economics, London, United Kingdom: 2002
BSc Actuarial Science*

*St. Vincent Community College, Villa, St. Vincent: 1998
Three A 'levels; Mathematics, Accounts and Economics*

*St. Vincent Grammar School, Kingstown, St. Vincent: 1996
Eight O' Levels including English language and Mathematics*

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Baldwin Anthony Taylor Position: Senior Manager - Retail Banking

Age: 50

Mailing Address: P.O. Box RB2467
Rodney Bay, Gros Islet
Saint Lucia

Telephone No.: (758) 456-6193

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

Bank of Saint Lucia / East Caribbean Financial Holding Company Ltd.
Senior Manager - Customer Insight Unit (January 14, 2013 - December 31, 2014)
Senior Manager - Retail Banking (January 01, 2015 - Present)

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

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

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

Also a Director of the company Yes No

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

N/A

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Bernard La Corbiniere Position: Managing Director

Age: 63 Years

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

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

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

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

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

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

Short Courses

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Cecilia Ferdinand Position: Senior Manager Credit Administratic

Age: 57 Years

Mailing Address: c/o Bank of Saint Lucia Limited
PO Box 1860, Bridge Street
Castries

Telephone No.: 1758456-6881

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

Bank of Saint Lucia Limited for the past 36 years
Senior Manager Credit Administration - 2013 - Present
Current Responsibilities:-
Create oversight for the credit administration f the bank
Ensuring all administration functions are executed in accordance with credit policies, credit procedures and compliance standards
responsible for the custody of collateral security documentation for credit facilities
Ensuring that security documentations is in proper form based on credit arrangements and approvals
Responsible for the disbursement of credit facilities ensuring the funds are disbursed in accordance with approval conditions, ppolicy
guidelines and compliance standards
Contributes to the Bank's strategic planning and directs the execution of the Bank's operations strategy
Make recommendations where necessary with respect to changes in credit policies, credit procedures and credit processes
Set goals, policies and procedures to meet and/or surpass the Bank's objectives for shareholder return, customer service and public
expectations
Responsible for the development and training of staff int he Credit Administration Unit.

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Cynthia Laurent Position: Senior Manager Operations

Age: 58

Mailing Address: c/o Bank of Saint Lucia Limited
PO Box 1860, Bridge Street
Castries

Telephone No.: 17584523563

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

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

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Estherlita Cumberbatch Position: Corporate Secretary

Age: 52 Years

Mailing Address: c/o Bank of Saint Lucia Limited
PO Box 1860, Bridge Street
Castries

Telephone No.: 1758456-6832

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

Corporate Secretary

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

ACIS
LLB

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Ketha Auguste Position: Chief Financial Officer

Age: 42 Years

Mailing Address: c/o Bank of Saint Lucia Limited
PO Box 1860, Bridge Street
Castries

Telephone No.: 1758456-6818

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

Group Finance Manager- ECFH- September 2010- September 2017

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

Chief Financial Officer- BOSL-October 2017 to present

- Co-ordinate annual budgeted and workplans
- Responsible for tax planning and compliance with laws
- Responsible for asset liability management
- Responsible for treasury management
- Responsible for Procurement and inventory management
- Oversee the investment function

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

FCCA- Association of Certified Chartered Accountants- 2005

Professional Diploma in Banking- Graduate School of Banking –University of Wisconsin- 2012-2014

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Lyndon Arnold Position: Senior Manager IMTS

Age: 53

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

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

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

ECFH/BOSL February 2006 to present

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Medford Francis Position: Senior Manager

Mailing Address: P.O. Box 1862, Castries
P.O. Box 1862, Castries

Telephone No.: 1-758-457-7231

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

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

Current Duties:

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

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

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Melissa Simon Position: Senior Manager - Internal Audit

Age: 42

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

Telephone No.: (758) 456-6121

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

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

Current responsibilities include:

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

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

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

PROFESSIONAL QUALIFICATIONS
March 2018 Certified Risk Management Auditor (CRMA)
November 2015 Certified Internal Auditor (CIA)
December 2012 Certified Information Systems Auditor (CISA)
June 2008 Certified Fraud Examiner (CFE)
April 2008 Fellow of the Association of Certified Accountants (FCCA)

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Minelva Oculien-Moses Position: Senior Manager Human Resources

Age: 43 Years

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

Telephone No.: 1-758-457-7218

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

HR Manager - St Jude's Hospital - August 2013 - February 2017 HR Strategy Industrial Relations Compensation Employee Relations Training & Development Recruitment
HR Manager - Ti Kaye Resort & Spa - February - September 2017 HR Administration Employee Relations Training & Development Recruitment

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

BIOGRAPHICAL DATA FORMS

EXECUTIVE OFFICERS AND OTHER KEY PERSONNEL OF THE COMPANY

Name: Shanta Louis Position: Senior Manager - Risk and Compliance

Age: 39

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

Telephone No.: 1-758-456-6105

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

1. Unit Head, Banking Supervisory Unit, ECCB 2009-2014
 2. Compliance Manager, BOSLIL, 2014-2015
 3. Senior Manager - Credit Risk, BOSL, 2015-2016
 4. Senior Manager - Risk and Compliance, BOSL, 2016-present
- Responsible for effectively ensuring that security measures are met, controls are in place and risk mitigated
 - Responsible for identifying, analyzing and mitigating internal and external events that could threaten the bank
 - Develop, enhance and maintain risk management framework, (including charter) covering credit, market, operational, investment, liquidity, reputational and legal risk;
 - Regularly review and update the Bank's overall risk landscape, ensuring early detection of emerging risks that could materially impact the Bank;
 - Assist in discharging risk management and asset/liability management responsibilities and obligations as per approved guidelines;
 - Ensure that management and staff are suitably equipped to cope with growing complexity of risk across the Bank. Establish focus groups to drive the awareness and management of significant risks in the Bank.
- Maintain general oversight of the compliance function throughout the Bank.
- Develop and implement proactive compliance programmes for the Bank.
 - Ensure compliance with applicable banking and insurance regulations and other statutory requirements.

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

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

Also a Director of the company Yes No

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

Use additional sheets if necessary.

Bank of Saint Lucia Limited

Financial Statements

For the year ended 31 December 2018
(Expressed in Eastern Caribbean Dollars)

Bank of Saint Lucia Limited

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No. 2 Bella Rosa Road
P.O. Box GI 2171
Gros-Islet LC01 101
Saint Lucia
Telephone: (758) 453-5764
Email: ecinfo@kpmg.lc

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF BANK OF SAINT LUCIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Saint Lucia Limited (“the Bank”), which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE SHAREHOLDER OF BANK OF SAINT LUCIA LIMITED

Other Matter

The financial statements of Bank of Saint Lucia Limited for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 22, 2018.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE SHAREHOLDER OF BANK OF SAINT LUCIA LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements, continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

KPMG

Chartered Accountants
Castries, Saint Lucia
March 21, 2019

Bank of Saint Lucia Limited

Statement of Financial Position

As at 31 December 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Assets			
Cash and balances with Central Bank	5	223,982,801	347,950,065
Deposits with other banks	6	159,564,633	96,111,567
Deposits with non-bank financial institutions	7	33,436,996	5,412,488
Treasury bills	8	17,409,437	23,131,699
Financial assets held for trading	9	18,622,966	19,641,853
Investment securities	12	668,963,580	525,518,983
Financial instruments-pledged assets	13	8,189,148	10,710,269
Due from related parties	14	82,015,212	82,418,108
Loans and receivables - loans and advances to customers	10	849,214,664	874,051,040
Property and equipment	15	46,452,536	46,978,181
Other assets	16	56,196,176	55,208,882
Investment in associates	18	4,800,000	4,800,000
Investment properties	19	31,954,500	37,454,500
Retirement benefit asset	20	10,445,137	13,614,949
Income tax recoverable		3,777,327	5,458,514
Deferred tax asset	21	3,999,622	819,894
Total assets		2,219,024,735	2,149,280,992
Liabilities			
Deposits from banks	22	55,844,642	43,297,719
Due to customers	23	1,824,329,511	1,805,267,133
Repurchase agreements	13	7,952,878	13,702,747
Borrowings	24	71,519,093	79,181,457
Dividends payable		581,000	290,500
Preference shares	25	4,150,000	4,150,000
Other liabilities	26	35,930,214	29,201,111
Total liabilities		2,000,307,338	1,975,090,667
Equity			
Share capital	27	265,102,745	265,102,745
Reserves	28	191,633,284	162,787,969
Revaluation surplus		13,855,322	13,855,322
Unrealised (loss)/gain on investments		(5,139,264)	1,437,172
Accumulated deficit		(246,734,690)	(268,992,883)
Total equity		218,717,397	174,190,325
Total liabilities and equity		2,219,024,735	2,149,280,992

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

Approved by the Board of Directors on March 21, 2019

Director

Director

Bank of Saint Lucia Limited
Statement of Changes in Equity
For the year ended 31 December 2018
(expresses in Eastern Caribbean dollars)

	Share Capital (Note 27)	Reserves (Note 28)	Revaluation Surplus	Unrealised Gain/ (Loss) on Available for sale investments	Unrealised Gain/(Loss) on Fair Value through OCI securities	Accumulated Deficit	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 January 2017	198,718,745	149,583,770	13,855,322	(1,006,930)	-	(284,711,799)	76,439,108
Total comprehensive income for the year	-	-	-	2,444,102	-	28,923,115	31,367,217
Additional share issue	66,384,000	-	-	-	-	-	66,384,000
Transfers to reserves	-	13,204,199	-	-	-	(13,204,199)	-
Balance at 31 December 2017	265,102,745	162,787,969	13,855,322	1,437,172	-	(268,992,883)	174,190,325
Balance at 1 January 2018	265,102,745	162,787,969	13,855,322	1,437,172	-	(268,992,883)	174,190,325
Changes on initial application of IFRS 9	-	16,599,267	-	(1,437,172)	2,701,694	(1,335,158)	16,528,631
Restated balance at 1 January 2018	265,102,745	179,387,236	13,855,322	-	2,701,694	(270,328,041)	190,718,956
Total comprehensive income for the year	-	-	-	-	(7,840,958)	35,839,400	27,998,442
Transfers to reserves	-	12,246,048	-	-	-	(12,246,048)	-
Balance at 31 December 2018	265,102,745	191,633,284	13,855,322	-	(5,139,264)	(246,734,690)	218,717,397

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

Bank of Saint Lucia Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Interest income	30	84,012,242	80,247,459
Interest expense	30	<u>(27,918,582)</u>	<u>(32,144,962)</u>
Net interest income		56,093,660	48,102,497
Fee and commission income	31	32,682,559	31,372,943
Dividend income	32	538,034	475,445
Net foreign exchange trading income	33	10,279,335	11,469,224
Other income	34	15,178,870	10,808,999
Other (losses)/gains	35	(1,229,804)	2,978,306
Impairment losses on loans and advances	11	(8,675,280)	(15,696,102)
Impairment losses on investments	12	(244,737)	(318,339)
Operating expenses	36	<u>(64,303,301)</u>	<u>(62,519,254)</u>
Profit before income tax and preference shares		40,319,336	26,673,719
Dividends on preference shares	25	(290,500)	(290,500)
Profit before income tax		<u>40,028,836</u>	<u>26,383,219</u>
Income tax (expense)/ recovery	38	<u>(354,531)</u>	<u>2,019,357</u>
Profit for the year		<u>39,674,305</u>	<u>28,402,576</u>

Bank of Saint Lucia Limited

Statement of Profit or Loss and Other Comprehensive Income...*continued*

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

	2018	2017
	\$	\$
Profit for the year	39,674,305	28,402,576
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Debt instruments at FVOCI reserve:		
Unrealised (loss)/gains on FVOCI instruments	(7,652,946)	2,845,243
Realised gains transferred to profit or loss	(188,012)	(401,141)
	<u>(7,840,958)</u>	<u>2,444,102</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement (loss)/gains on defined benefit pension scheme	(5,478,392)	743,628
Income tax effect	1,643,487	(223,089)
	<u>(3,834,905)</u>	<u>520,539</u>
Total other comprehensive (loss)/income	<u>(11,675,863)</u>	<u>2,964,641</u>
Total comprehensive income for the year	<u>27,998,442</u>	<u>31,367,217</u>

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

Bank of Saint Lucia Limited

Statement of Cash Flows

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

	2018	2017
	\$	\$
Cash flows from operating activities		
Profit for the year	39,674,305	28,402,576
Adjustments for:		
Interest income from investments, treasury bills and deposits with banks	(23,375,636)	(19,073,592)
Impairment losses on loans and advances	8,675,280	15,696,102
Impairment losses on investments	244,737	318,339
Fair value gain on investment property	-	(812,745)
Loss on disposal of investment property	500,000	-
Depreciation	4,499,901	4,508,279
Retirement benefit contributions	(2,919,710)	(3,053,950)
Retirement benefit expense	611,130	809,198
Unrealised loss on investments held for trading	795,629	24,556
Gain on disposal of investments	(65,826)	(2,154,993)
Amortised premium on investments	361,826	(519,385)
Gain on disposal of property and equipment	(131,505)	(51,632)
Dividends on preference shares	290,500	290,500
Income tax expense/(recovery)	354,531	(2,019,357)
Cash flows before changes in operating assets and liabilities	29,515,162	22,363,896
Changes in:		
Mandatory deposits with Central Bank	1,327,678	(16,824,076)
Loans and advances to customers	32,801,577	8,880,190
Pledged assets	2,494,191	10,508,932
Financial assets held for trading	936,929	(1,064,289)
Other assets	(987,294)	10,296,040
Treasury bills	954,249	1,109,132
Due to customers	19,062,378	56,581,024
Deposits from banks	12,546,923	(11,214,079)
Deposits with banks	(54,608,399)	-
Deposits with non-bank financial institutions	(10,120,122)	-
Repurchase agreements	(5,749,869)	(136,163)
Due from related parties	402,896	1,719,577
Other liabilities	6,687,886	(941,066)
Net cash from operating activities	35,264,185	81,279,118
Income tax paid	(209,584)	-
Interest received	22,271,884	17,960,358
Net cash from operating activities	57,326,485	99,239,476

Bank of Saint Lucia Limited

Statement of Cash Flows ...continued

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

	Notes	2018 \$	2017 \$
Cash flows from investing activities			
Purchase of investment securities		(300,103,511)	(230,328,617)
Net proceeds from disposal and redemption of investment securities		148,721,235	169,126,515
Purchase of investment properties		-	(65,257)
Purchase of property and equipment		(3,974,256)	(2,741,386)
Proceeds from disposal of investment property		5,000,000	-
Proceeds from disposal of property and equipment		131,505	50,300
Net cash used in investing activities		(150,225,027)	(63,958,445)
Cash flows from financing activities			
Proceeds from share issue		-	66,384,000
Dividends paid		-	(581,240)
Repayment of borrowings		(7,662,363)	(14,447,955)
Cash (used in)/generated from financing activities		(7,662,363)	51,354,805
Net (decrease)/increase in cash and cash equivalents		(100,560,905)	86,635,836
Cash and cash equivalents at 1 January 2018		350,524,596	263,888,760
Cash and cash equivalents at 31 December 2018	39	249,963,691	350,524,596

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

1 General information

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

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

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

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

2 Summary of significant accounting policies

Statement of compliance

Bank of Saint Lucia Limited’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31 December 2018 (the reporting date).

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the following material items that are measured at fair value in the Statement of Financial Position:

- Financial assets measured at fair value through profit or loss
- Financial assets designated at fair value through profit or loss
- Available-for-sale investment securities (applicable prior to 1 January 2018)
- Equity instruments designated at fair value through other comprehensive income (effective from 1 January 2018)
- Debt instruments measured at fair value through other comprehensive income (effective from 1 January 2018)

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Basis of preparation...continued

(a) Changes in accounting policies and disclosures

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Of these new standards and amendments applied for the first time in 2018, only IFRS 9 had a material impact on the annual financial statements of the Bank. The nature and the impact of each new standard or amendment are described below:

- **IFRS 9 *Financial Instruments***

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that replaced IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. The bank did not early adopt IFRS 9. As permitted by the standard, the Bank elected not to restate comparative figures and any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in accumulated deficit and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

In addition, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Bank's accounting policies resulting from the adoption of IFRS 9 are summarised below.

Changes to classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the statement of comprehensive income.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Basis of preparation...continued

(a) Changes in accounting policies and disclosures...continued

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing the "incurred loss" model under IAS 39 with a forward looking "expected credit loss" model. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 40.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively except as described below:

- Comparative periods have not been restated. Differences in carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in accumulated deficit and reserves as at 1 January 2018. As such, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application – 1 January 2018.
 - The determination of business model within which a financial asset is held
 - The designation and revocation of previous designations of certain financial assets.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, the Bank assumes that the credit risk on the asset had not increased significantly since its initial recognition.
- **IFRS 15 Revenue from Contracts with Customers**
On 1 January 2018, the Bank adopted IFRS 15 *Revenue from Contracts with Customers* as issued in May 2014. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 must be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Basis of preparation...continued

(a) Changes in accounting policies and disclosures...continued

The Bank's other revenue stream not regulated by IFRS 9 and 16 relate to service and management fees under a management contract with related companies.

- **IFRS 2 Classification and Measurement of Share-based Payment Transactions Amendments to IFRS 2** (effective 1 January 2018).

These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

- **Amendments to IFRS 1 and IAS 29**

The amendments relate to the measurement of investments associates or joint ventures. The amendment allows qualifying companies to elect to measure such investments through profit or loss on an investment by investment basis. A non-investment entity may elect to retain the fair value accounting applied by an investment entity. These changes are to be applied retrospectively for accounting periods beginning on or after 1 January 2018.

(b) Standards issued but not yet effective

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

- **IFRS 16 Leases**

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their statement of financial positions as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of comprehensive income.

- IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Fair value measurement

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

Disclosures for valuation methods, significant estimates and assumptions	Notes 2 and 3
Quantitative disclosures of fair value measurement hierarchy	Note 3
Financial instruments (including those carried at amortised cost)	Note 12, 9
Land and buildings	Note 15
Investment properties	Note 19

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

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

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

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

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

Cash and cash equivalents

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

Investment in associates

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Financial assets

Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities on the date they are originated. Financial assets are measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Classification

Financial assets – Policy applicable from 1 January 2018

Under IFRS 9, financial assets are classified into one of the following measurement:

- Amortised cost,
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL) – this includes equity instruments elected at FVTPL and securities designated at 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 Bank 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

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank'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.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Classification...*continued*

The Bank 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 Bank'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 Bank's business lines' management that manages the assets managers of the Bank 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 Bank's original expectations, the Bank 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.

Assessment of contractual cash flows

As a second step of its classification process the Bank 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 recognized 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.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Classification...*continued*

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 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 the income statement. .

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 statement of financial position, which remains at its fair value.

Debt instruments measured at FVTPL

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 Statement of Financial Position, with transaction costs recognized immediately in profit or loss. Realized and unrealized gains and losses are recognized in the statement of comprehensive income.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Classification...*continued*

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 FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in the statement of comprehensive income. Subsequent to initial recognition the changes in fair value are recognized in the statement of Income. Equity instruments at FVTPL are primarily assets held for trading. The Bank 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.

Equity instruments measured at FVOCI (designated)

At initial recognition, there is an irrevocable option for the Bank 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 derecognized/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 statement of comprehensive income on sale of the security.

Recognition/derecognition

A financial asset is recognised in the Statement of Financial Position when the Bank 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 Bank 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 Bank is recognised as a separate asset or liability.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Financial assets...continued

Classification...continued

Financial liabilities

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

Impairment of financial assets

Policy applicable from January 1, 2018

Scope

The adoption of IFRS 9 has fundamentally changed the Bank's impairment model by replacing IAS 39's incurred loss approach with a forward-looking three-stage expected credit loss (ECL) approach. The expected credit loss model is applicable to 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.

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 is as follows:

Stage 1: 12-months ECL

The Bank 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 Bank 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 Bank 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 Bank recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Financial assets...continued

Impairment of financial assets...continued

Stage 3: Lifetime ECL – credit impaired

The Bank 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.

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 Bank in accordance with the contract and the cash flows that the Bank 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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Bank expects to recover.
- Revolving facilities including credit cards and overdraft facilities

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.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Impairment of financial assets...*continued*

Forward looking information

The standard requires the incorporation of forwarding looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider 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-looking information requires significant judgement...

Macroeconomic factors

The standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Bank conducted an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates, and Central-Bank interest rates. The results of the assessment however failed to reveal meaningful relationships between the Bank's historical losses and the economic inputs and as such economic inputs were not utilised in the models used for calculating ECLs.

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 financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The Bank 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 Bank considers both quantitative and qualitative information and analysis based on the Bank's historical experience and credit risk assessment. The bank considers as a backstop that significant increase in credit risk occurs when an asset is more than 30 days past due.

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 credit life is estimated based on the period over which the Bank's exposure to credit losses is not mitigated by our normal credit risk management actions.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Impairment of financial assets...*continued*

Presentation of allowance for ECL

Loss allowances for ECL are presented in the 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 provision in other liabilities;
- Debt instruments measured at fair value through OCI: the ECLs are not recognized in the 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 Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different the bank derecognises the original financial asset and recognises a new one at fair value with any difference recognized in 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 Bank 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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Financial assets...*continued*

Impairment of financial assets...*continued*

Definition of default

The Bank 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 reorganization;
- 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 Bank on terms that the bank would not consider otherwise

The Bank 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 may be earlier.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Financial assets...continued

Classification and measurement, derecognition and impairment of financial instruments effective prior to 1 January 2018

Financial assets

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

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

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

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

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

(b) Loans and receivables

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Financial assets...continued

(c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than: (a) those that the Bank upon initial recognition designates as at fair value through profit or loss; (b) those that the Bank designates as available for sale; and (c) those that meet the definition of loans and receivables. These are initially recognised at fair value including direct and incremental transaction costs are measured subsequently at amortised cost, using the effective interest method less impairment. Interest on held-to-maturity investments is included in statement of comprehensive income. The losses arising from impairment are recognised in profit or loss as impairment losses on investments.

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

(d) Available-for-sale financial assets

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

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

Recognition/derecognition

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Impairment of financial assets

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

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

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

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

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

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

Assets carried at amortised cost

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Impairment of financial assets...*continued*

Assets carried at amortised cost...*continued*

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

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

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

Assets classified as available-for-sale

The Bank makes judgments at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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

Renegotiated loans

During the normal course of business financial assets carried at amortised cost may be restructured with the mutual agreement of the "Bank" and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment, the Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different the bank derecognises the original financial asset and recognises a new one at fair value with any difference recognized in profit or loss.

Offsetting financial instruments

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

Sale and repurchase agreements

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

Write offs

The Bank wrote off a loan or an investment debt security either partially or in full and related allowance for impairment losses when the Bank's Recoveries Department determined that there was no realistic prospect of recovery.

Property and equipment

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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	10%
Office furniture and equipment	10%-15%
Computer equipment	33 1/3%
Motor vehicles	20%

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

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

Leases

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Investment properties

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

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

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

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

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

Impairment of other non-financial assets

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Income tax

Current tax

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

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

Deferred tax

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

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

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

Financial liabilities

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

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

Borrowings

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Provisions

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

Employee benefits

Pension obligations

Certain of the Bank's employees are covered by the defined benefit plan of the Bank. The contributions to the plan are allocated to the group companies based on employee membership in the plan. Contributions paid on behalf of employees of the Bank are charged to profit or loss in the period in which the contributions are paid.

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

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

Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in the Bank's statement of comprehensive income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Bank recognises the following changes in the net defined benefit obligation under 'operating expenses' in 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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Employee benefits...*continued*

Termination benefits

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

Guarantees, letters of credit and undrawn loan commitments

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

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

Loan commitments are firm commitments to provide credit under the pre-specified terms and conditions. For loan commitments, from 1 January 2018, the Bank recognises loss allowance and before 1 January 2018 the Bank did not recognise a loss allowance for undrawn loan commitments.

Fiduciary activities

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

Share capital

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

Reserves

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

Dividend on ordinary shares

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

Redeemable preference shares

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...continued

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

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

Fee and commission income

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

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

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

Dividend income

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

Rental income

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Foreign currency translation

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the Bank’s functional and presentation currency.

Transactions and balances

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

Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date.

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

Financial instruments

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

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(expressed in Eastern Caribbean dollars)

3 Financial risk management

Strategy in using financial instruments

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

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

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

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

Credit risk

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

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

Loans and advances to customers

The Bank takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses based on an expected credit loss model using counter party probabilities of default across the various loan categories. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

Debt securities and treasury bills

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Cash and balances with banks

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

Risk limit control and mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below.

Collateral

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

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

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

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Credit-related commitments

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

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

Impairment of financial assets

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.

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

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Credit risk...continued

Maximum exposure to credit risk

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

	Maximum exposure	
	2018	2017
	\$	\$
Balances with Central Bank	190,349,020	315,533,843
Deposits with other banks	159,564,633	96,111,567
Deposits with non-bank financial institutions	33,436,996	5,412,488
Treasury Bills	17,409,437	23,131,699
Loans and advances to customers:		
Overdrafts	24,942,876	29,291,085
Term loans	185,142,601	208,447,377
Large corporate loans	281,976,154	280,564,996
Mortgages	357,153,033	355,747,582
Financial Assets held for trading	18,622,966	19,641,853
Investment securities	648,154,744	512,537,679
Due from related parties	82,015,212	82,418,108
Financial instruments -pledged assets	8,189,148	10,710,269
Other assets	53,520,599	52,452,945
	2,060,477,419	1,992,001,491

Maximum exposure

Credit risk exposures relating to financial assets off-balance sheet:

	2018	2017
	\$	\$
Loan commitments	115,441,564	69,837,704
Guarantees and letters of credit	21,098,089	23,764,807
	136,539,653	93,602,511
	2,197,017,072	2,085,604,002

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Credit risk...continued

Maximum exposure to credit risk...continued

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2018 and 31 December 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 41% (2017 – 43%) of the total maximum exposure is derived from loans and advances to customers and 32% (2017 – 25%) represents investments in debt securities.

Loans and advances

Loans and advances to customers are summarised as follows:

Loans and advances and loan commitments for which the loss allowance is measured at:

	Stage 1		Stage 2		Stage 3	
	12-months expected credit loss not credit impaired		Lifetime expected credit losses not credit impaired		Lifetime expected credit losses credit impaired	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Gross	688,863,604	-	13,159,882	-	210,024,531	969,666,295
Less allowance for impairment on loans and advances	(5,110,049)	-	(1,040,846)	-	(56,682,457)	(95,615,255)
Net	683,753,555	-	12,119,036	-	153,342,074	874,051,040

Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Credit risk...continued

Loans and advances...continued

Loans and advances to customers neither past due nor impaired

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

	Overdrafts \$	Term Loans \$	Mortgages \$	Large Corporate Loans \$	Total \$
31-Dec-18	22,183,074	133,499,632	285,295,034	164,648,185	605,625,925
31-Dec-17	24,622,610	125,549,174	264,707,964	108,319,098	523,198,846

Loans and advances to customers past due but not impaired

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

	Term Loans \$	Mortgage Loans \$	Large Corporate Loans \$	Total \$
At 31 December 2018				
Past due up to 30 days	21,402,365	33,642,460	14,125,023	69,169,848
Past due 30 - 60 days	2,311,260	3,904,342	1,027,946	7,243,548
Past due 60 - 90 days	6,258,136	7,772,863	5,953,167	19,984,166
At 31 December 2018	29,971,761	45,319,665	21,106,136	96,397,562
At 31 December 2017				
Past due up to 30 days	19,556,899	33,099,995	18,897,494	71,554,388
Past due 30 - 60 days	4,777,630	5,641,585	10,576,919	20,996,134
Past due 60 - 90 days	4,422,558	2,802,642	4,462,498	11,687,698
At 31 December 2017	28,757,087	41,544,222	33,936,911	104,238,220

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Credit risk...continued

Loans and advances to customers individually impaired

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

	Overdrafts \$	Term Loans \$	Mortgage Loans \$	Large Corporate Loans \$	Total \$
31 December 2018	7,890,227	31,492,175	35,332,727	135,309,402	210,024,531
31 December 2017	9,655,219	70,933,310	61,151,044	200,489,656	342,229,229

Debt securities and treasury bills

The table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2018 and 2017, based on Standard & Poor's and Moody's ratings:

	Financial Assets Held For Trading \$	Investment Securities \$	Pledged Assets \$	Treasury Bills \$	Total \$
At 31 December 2018					
AA- to A+	-	190,260,382	-	-	190,260,382
Lower than A+	-	294,901,270	-	-	294,901,270
Unrated	18,622,966	163,518,847	8,189,148	17,409,437	207,740,398
Total	18,622,966	648,680,499	8,189,148	17,409,437	692,902,050
At 31 December 2017					
AA- to A+	-	125,659,378	-	-	125,659,378
Lower than A+	-	248,654,889	-	-	248,654,889
Unrated	19,641,853	138,223,412	10,710,269	23,131,699	191,707,233
Total	19,641,853	512,537,679	10,710,269	23,131,699	566,021,500

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Credit risk...continued

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors

The Bank operates primarily in Saint Lucia.

(b) Industry sectors

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

Bank of Saint Lucia Limited
Notes to the Financial Statements
For the year ended 31 December 2018
(expresses in Eastern Caribbean dollars)

3 Financial risk management...continued

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

	Financial Institutions \$	Manu- facturing \$	Tourism \$	Government \$	Professional and Other Services \$	Personal \$	* Other Industries \$	Total \$
At 31 December 2018								
Financial assets								
Balances with Central Bank	190,349,020	-	-	-	-	-	-	190,349,020
Deposits with other banks	159,564,633	-	-	-	-	-	-	159,564,633
Deposits with non-bank financial Institutions	33,436,996	-	-	-	-	-	-	33,436,996
Treasury Bills	-	-	-	17,409,437	-	-	-	17,409,437
Loans and advances to customers net:								
Overdrafts	184,593	578,399	4,278,649	25,116	1,896,786	963,968	17,015,365	24,942,876
Term loans	149,186	1,774,684	5,191,833	204,229	14,925,858	141,696,317	21,200,494	185,142,601
Large corporate loans	1,123,802	1,730,157	52,997,542	68,390,073	51,873,751	10,482,303	95,378,526	281,976,154
Mortgage loans	-	-	-	-	-	357,153,033	-	357,153,033
Financial assets held for trading- debt securities	-	-	-	18,622,966	-	-	-	18,622,966
Investment securities	203,014,452	-	-	77,496,847	-	-	367,643,445	648,154,744
Due from related parties	82,015,212	-	-	-	-	-	-	82,015,212
Financial instruments - pledged assets	-	-	-	8,189,148	-	-	-	8,189,148
Other assets	-	-	-	-	-	-	53,520,599	53,520,599
At 31 December 2018	669,837,894	4,083,240	62,468,024	190,337,816	68,696,395	510,295,621	554,758,429	2,060,477,419
Guarantees and letters of credit	-	193,300	15,000	31,000	169,000	19,263,789	1,426,000	21,098,089
Loan commitments and other credit related obligations	68,092	4,047,552	2,620,946	30,000,000	1,620,331	407,730	76,676,913	115,441,564

* Other industries include construction and land development.

Bank of Saint Lucia Limited
Notes to the Financial Statements
For the year ended 31 December 2018
(expresses in Eastern Caribbean dollars)

3 Financial risk management...continued

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

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

* Other industries include construction and land development.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Market risk

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

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

Currency risk

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

Bank of Saint Lucia Limited
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For the year ended 31 December 2018
(expresses in Eastern Caribbean dollars)

3 Financial risk management...continued

Currency risk...continued

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
At 31 December 2018								
Financial assets								
Cash and balances with Central Bank	217,055,053	5,602,725	152,223	655,452	234,749	282,599	-	223,982,801
Deposits with other banks	40,647,278	111,255,317	1,576,669	2,283,496	672,851	325,237	2,803,785	159,564,633
Deposits with non-bank financial institution	10,121,256	23,032,166	-	261,351	22,223	-	-	33,436,996
Treasury bills	17,409,437	-	-	-	-	-	-	17,409,437
Financial assets at FVTPL	18,622,966	-	-	-	-	-	-	18,622,966
Loans and receivables:								
loans and advances to customers	815,733,402	33,481,262	-	-	-	-	-	849,214,664
Investment securities:								
At amortised cost	175,930,419	4,211,235	-	-	-	-	-	180,141,654
FVOCI	117,472,411	359,635,458	-	-	-	-	-	477,107,869
FVTPL	6,240	11,680,173	-	-	-	27,644	-	11,714,057
Financial instruments - pledged assets	8,189,148	-	-	-	-	-	-	8,189,148
Due from related parties	82,015,212	-	-	-	-	-	-	82,015,212
Other assets	56,196,176	-	-	-	-	-	-	56,196,176
Total financial assets	1,559,398,998	548,898,336	1,728,892	3,200,299	929,823	635,480	2,803,785	2,117,595,613
Financial liabilities								
Deposits from banks	55,844,642	-	-	-	-	-	-	55,844,642
Due to customers	1,694,713,048	126,415,102	-	3,201,361	-	-	-	1,824,329,511
Repurchase agreements	4,710,705	3,242,173	-	-	-	-	-	7,952,878
Borrowings	51,231,507	20,287,586	-	-	-	-	-	71,519,093
Other liabilities	35,930,214	-	-	-	-	-	-	35,930,214
Total financial liabilities	1,842,430,116	149,944,861	-	3,201,361	-	-	-	1,995,576,338
Net assets/(liabilities)	(283,031,118)	398,953,475	1,728,892	(1,062)	929,823	635,480	2,803,785	122,019,275
Loan commitments, guarantees and letters of credit	136,539,653	-	-	-	-	-	-	136,539,653

Bank of Saint Lucia Limited
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For the year ended 31 December 2018
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3 Financial risk management...continued

Currency risk...continued

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

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3 Financial risk management...continued

Interest rate risk

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

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

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3 Financial risk management...continued

Interest rate risk...continued

Concentrations of financial assets and financial liabilities

	Up to 1 month \$	1 – 3 months \$	3 – 12 months \$	1 – 5 years \$	Over 5 years \$	Non-interest Bearing \$	Total \$
At 31 December 2018							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	223,982,801	223,982,801
Deposits with other banks	14,825,732	32,851,893	66,555,820	-	-	45,331,188	159,564,633
Deposits with non-bank financial institution	5,437,623	13,609,734	10,121,256	-	-	4,268,383	33,436,996
Treasury Bills	1,750,357	15,659,080	-	-	-	-	17,409,437
Financial assets through P&L	-	-	2,256,708	10,931,857	5,434,401	-	18,622,966
Loans and receivables: -Loans and advances to customers	15,092,161	7,321,350	38,434,513	172,083,129	616,283,511	-	849,214,664
Investment securities: -FVOCI -Amortised cost	5,120,608 3,876,899	16,317,148 3,309,038	94,935,928 21,652,307	262,586,396 92,788,872	98,147,789 58,514,538	- -	477,107,869 180,141,654
Financial instruments - pledged assets	-	-	100,390	54,617	8,034,141	-	8,189,148
Due from related parties	-	-	-	-	-	82,015,212	82,015,212
Other assets	-	-	-	-	-	56,196,176	56,196,176
Total financial assets	46,103,380	89,068,243	234,056,922	538,444,871	786,414,380	411,793,760	2,105,881,556
Financial liabilities							
Deposits from banks	-	3,169,436	28,519,127	-	-	24,156,079	55,844,642
Due to customers	949,046,599	77,309,850	269,113,825	23,566,773	32,642,528	472,649,936	1,824,329,511
Repurchase agreements	-	-	7,952,878	-	-	-	7,952,878
Borrowings	2,127,968	1,231,507	5,695,045	26,795,707	35,668,866	-	71,519,093
Other liabilities	-	-	-	-	-	35,930,214	35,930,214
Total financial liabilities	951,174,567	81,710,793	311,280,875	50,362,480	68,311,394	532,736,229	1,995,576,338
Net interest repricing gap	(905,071,187)	7,357,450	(77,223,953)	488,082,391	718,102,986	(120,942,469)	110,305,218

Bank of Saint Lucia Limited
Notes to the Financial Statements
For the year ended 31 December 2018
(expresses in Eastern Caribbean dollars)

3 Financial risk management...continued

Interest rate risk...continued

Concentrations of financial assets and financial liabilities...continued

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Sensitivity analysis

Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At 31 December 2018, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit/(loss) for the year would have been \$632,565 (2017 – \$840,509) lower/higher, mainly as a result of higher/lower interest income on variable rate loans.

Liquidity risk

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

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

Liquidity risk management process

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

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

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

Funding approach

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

Non derivative cash flows

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

Bank of Saint Lucia Limited
Notes to the Financial Statements
for the year ended 31 December 2018
 (expressed in Eastern Caribbean dollars)

Financial risk management...continued

Liquidity risk management...continued

	Up to 1 month \$	1-3 Months \$	3-12 Months \$	1-5 Years \$	Over 5 years \$	Total \$
As at 31 December 2018						
Financial liabilities						
Deposits from banks	24,156,078	3,181,430	28,742,270	-	-	56,079,778
Due to customers	1,422,071,161	77,583,779	271,885,323	23,566,773	32,642,528	1,827,749,564
Repurchase Agreements	-	-	8,012,191	-	-	8,012,191
Borrowings	2,127,968	1,827,397	8,058,770	50,735,463	28,405,078	91,154,676
Other liabilities	10,997,279	19,794,744	5,126,478	-	-	35,918,501
Total financial liabilities	1,459,352,486	102,387,350	321,825,032	74,302,236	61,047,606	2,018,914,710

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Liquidity risk management...continued

Assets held for managing liquidity risk

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

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Off-balance sheet items

(a) Loan commitments

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

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 29) are also included below based on the earliest contractual maturity date.

	1 Year \$	Total \$
At 31 December 2018		
Loan commitments	115,441,564	115,441,564
Guarantees and letters of credit	21,098,089	21,098,089
Total	136,539,653	136,539,653
At 31 December 2017		
Loan commitments	69,837,704	69,837,704
Guarantees and letters of credit	23,764,807	23,764,807
Total	93,602,511	93,602,511

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 is also assumed to approximate the amounts disclosed in Note 29 due to their short term nature.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

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

Due to customers

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

Investment securities

Investment securities include interest bearing debt and equity securities measured at fair value through OCI, fair value through profit or loss.

Pledged assets

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

Loans and advances to customers

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Loans and advances to customers:				
-Term loans	185,142,601	208,447,377	187,809,774	214,664,163
-Large corporate loans	281,976,154	280,564,996	421,514,177	406,844,223
-Overdrafts	24,942,876	29,291,085	24,919,326	29,291,085
-Mortgages	357,153,033	355,747,582	363,859,598	366,178,993
Investment securities:				
-Held to maturity	180,141,654	120,048,516	183,563,692	113,547,739
Financial liabilities				
Borrowings	71,519,093	79,181,457	63,538,761	73,747,815

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

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

Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as the Luxembourg Stock Exchange and New York Stock Exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

Assets measured at fair value

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2018				
Investment properties	-	31,954,500	-	31,954,500
Land and buildings	-	-	38,925,314	38,925,314
Financial assets held for trading				
– Debt securities	-	18,622,966	-	18,622,966
Financial assets at FVTPL				
– Equity securities	10,240,554	1,473,503	-	11,714,057
Financial assets FVOCI (2017: AFS)				
– Debt securities	137,493	441,888,203	26,513,149	468,538,845
– Equity securities	-	8,569,024	-	8,569,024
Financial instruments-pledged	-	8,189,148	-	8,189,148
Total financial assets	10,378,047	510,697,344	65,438,463	586,513,854

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Fair values of financial assets and liabilities...continued

Assets for which fair values are disclosed

	Level 2 \$	Level 3 \$	Total \$
31 December 2018			
Loans and receivable	-	998,102,875	998,102,875
Amortised cost investments	174,508,428	9,055,264	183,563,692
Total financial assets	174,508,428	1,007,158,139	1,181,666,567

31 December 2017

Loans and receivable	-	1,016,978,464	1,016,978,464
Held to maturity investments	113,547,739	-	113,547,739
Total financial assets	113,547,739	1,016,978,464	1,130,526,203

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2017				
Investment properties	-	37,454,500	-	37,454,500
Land and buildings	-	-	39,503,809	39,503,809
Financial assets held for trading				
– Debt securities	-	19,641,853	-	19,641,853
Financial assets available for sale				
– debt securities	-	359,980,698	32,508,465	392,489,163
– equity securities	3,042,115	8,940,869	-	11,982,984
Financial instruments-pledged	-	10,710,269	-	10,710,269
Total financial assets	3,042,115	436,728,189	72,012,274	511,782,578

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

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

Liabilities for which fair values are disclosed:

	Level 3 \$	Total \$
31 December 2018		
Borrowings	<u>63,538,761</u>	<u>63,538,761</u>
31 December 2017		
Borrowings	<u>73,747,815</u>	<u>73,747,815</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

The following table presents the change in level 3 instruments for the year ended 31 December 2018:

	Debt Securities 2018 \$	Equity Securities 2018 \$	FVOCI (2017: Available-for-Sale)	
			Total 2018 \$	Debt Securities 2017 \$
31 December 2018				
At beginning of year	32,508,465	1,045,765	33,554,230	9,014,042
(Disposals)/sales	(5,995,316)	(1,045,765)	(7,041,081)	23,494,423
At end of year	26,513,149	-	26,513,149	32,508,465

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Fiduciary activities

The Bank provides investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank's care. At the reporting date, the Bank had financial assets under administration amounting to \$102,752,497 (2017 – \$94,689,511).

Capital management

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

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

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

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

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

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

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

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

3 Financial risk management...continued

Capital management...continued

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2018 and 2017. During those two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2018	2017
	\$	\$
Tier 1 capital		
Share capital	265,102,745	265,102,745
Reserves	191,633,284	162,787,969
Accumulated deficit	(246,734,690)	(268,992,883)
Total qualifying Tier 1 capital	210,001,339	158,897,831
Tier 2 capital		
Revaluation reserve – FVOCI	(5,139,264)	1,437,172
Revaluation reserve – property and equipment	13,855,322	13,855,322
Collective impairment allowance (limited to 1.25% of risk weighted assets)	5,140,409	18,052,000
Redeemable preference shares	4,150,000	4,150,000
Subordinated debt (limited to 50% of tier 1 capital)	50,000,000	50,000,000
Total qualifying Tier 2 capital	68,006,467	87,494,494
Total regulatory capital	278,007,806	246,392,325
Risk-weighted assets:		
On-balance sheet	1,385,001,200	1,347,877,000
Off-balance sheet	28,388,000	18,720,400
Total risk-weighted assets	1,413,389,200	1,366,597,400
Basel capital adequacy ratio	19.67%	18.03%

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates, and judgements in applying accounting policies

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

Going concern

The Bank's management is satisfied that it has the resources to continue in business for the foreseeable future. The Bank'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 Bank'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 Bank determines that financial assets measured at FVOCI and FVTPL are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

The Bank individually assesses financial assets 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.

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.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

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

Fair value of financial instruments

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

Deferred taxes

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

Corporate income taxes

Significant estimates are required in determining the provision for income taxes. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at 31 December 2018 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.

Revaluation of land and buildings and investment property

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

Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Were the discount rate used to increase/(decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated \$7,165,679 lower or \$9,921,555 higher (2017 - \$5,923,123 lower or \$8,738,294 higher).

Were the estimated salary increases used to increase/ (decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated \$4,563,411 higher or \$3,876,202 lower (2017 - \$4,137,031 higher or \$3,375,968).

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank

	Notes	2018 \$	2017 \$
Cash in hand		33,633,781	32,416,222
Balances with Central Bank other than mandatory reserve deposits		<u>70,647,365</u>	<u>194,504,510</u>
Included in cash and cash equivalents	39	104,281,146	226,920,732
Mandatory reserve deposits with Central Bank		<u>119,701,655</u>	<u>121,029,333</u>
		<u>223,982,801</u>	<u>347,950,065</u>

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

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

6 Deposits with other banks

	Notes	2018 \$	2017 \$
Items in the course of collection with other banks		9,039,852	8,152,443
Placements with other banks		36,291,336	75,444,493
Interest bearing deposits - cash and cash equivalents		<u>59,625,046</u>	<u>12,514,631</u>
Included in cash and cash equivalents	39	104,956,234	96,111,567
Interest bearing deposits more than 90 days to maturity		<u>54,608,399</u>	<u>-</u>
		<u>159,564,633</u>	<u>96,111,567</u>

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2018 was 1.78% (2017 – 1.25%).

7 Deposits with non-bank financial institutions

	Notes	2018 \$	2017 \$
Deposits – cash and cash equivalents	39	23,316,874	5,412,488
Deposits – more than 90 days to maturity		<u>10,120,122</u>	<u>-</u>
Deposits		<u>33,436,996</u>	<u>5,412,488</u>

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2018 was 1.66% (2017- nil). Interest rate on deposits depends on the value of deposits held.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

8 Treasury bills

	Notes	2018 \$	2017 \$
Treasury bills – cash and cash equivalents	39	17,409,437	22,079,809
Treasury bills – more than 90 days to maturity		-	1,051,890
		<u>17,409,437</u>	<u>23,131,699</u>

The weighted average interest rate on treasury bills was 4.5% (2017-4.5%).

9 Financial assets held for trading

	2018 \$	2017 \$
Debt securities	-	19,641,853
Financial assets through profit or loss		
Debt securities	<u>18,622,966</u>	<u>-</u>

Financial assets held for trading were acquired for the purpose of selling in the near term and would otherwise have been classified as held-to-maturity investments. The weighted average interest rate on debt securities was 7.05% (2017 - 6.98%).

10 Loans and advances to customers

	Notes	2018 \$	2017 \$
Large corporate loans		321,063,723	342,745,665
Mortgage loans		365,947,424	367,403,230
Term loans		194,963,568	225,239,571
Overdrafts		30,073,300	34,277,829
Gross		912,048,015	969,666,295
Less allowance for impairment losses on loans and advances	11	<u>(62,833,351)</u>	<u>(95,615,255)</u>
Net		<u>849,214,664</u>	<u>874,051,040</u>

The weighted average effective interest rate on productive loans stated at amortised cost at 31 December 2018 was 7.15% (2017 – 7.60%) and productive overdrafts stated at amortised cost was 14.04% (2017 – 14.66%).

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assets

The movement on the loan provisions by class was as follows:

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Collective Provision	Total provisions
	\$	\$	\$	\$	\$
Large corporate loans					
At beginning of the year as previously stated	-	-	49,844,499	12,336,169	62,180,668
Effects of adoption of IFRS 9	2,427,208	1,531,931	49,844,499	-	53,803,638
Changes due to financial assets recognized in the opening balance that have:					
Transferred to 12-months ECL stage 1	91,216	(91,216)	-	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(5,913)	5,913	-	-	-
Transferred to Lifetime ECL credit impaired stage 3	(650,231)	(1,117,482)	1,767,713	-	-
New financial assets originated or purchased	462,118	-	2,653,359	-	3,115,477
Financial assets that have been derecognised	(2,494,832)	(324,035)	(489,095)	-	(3,307,962)
Bad debts written off	-	-	(22,111,297)	-	(22,111,297)
Provision for the period	2,233,809	55,459	5,298,443	-	7,587,711
Balance at 31 December 2018	2,063,375	60,570	36,963,622	-	39,087,567

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assets ...continued

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Collective Provision	Total provisions
	\$	\$	\$	\$	\$
Term loans					
At beginning of the year as previously stated	-	-	11,814,671	4,977,523	16,792,194
Effects of adoption of IFRS 9	742,573	751,772	11,814,671	-	13,309,016
Changes due to financial assets recognized in the opening balance that have:					
Transferred to 12-months ECL stage 1	410,328	(410,328)	-	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(5,222)	5,222	-	-	-
Transferred to Lifetime ECL credit impaired stage 3	(11,916)	(113,509)	125,425	-	-
New financial assets originated or purchased	295,951	4,947	33,987	-	334,885
Financial assets that have been derecognised	(626,186)	(50,883)	(332,685)	-	(1,009,754)
Bad debts written off	(7,076)	(36,426)	(717,195)	-	(760,697)
Provision for the period	303,665	90,247	(2,446,395)	-	(2,052,483)
Balance at 31 December 2018	1,102,117	241,042	8,477,808	-	9,820,967

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assets ...continued

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Collective Provision	Total provisions
	\$	\$	\$	\$	\$
Mortgage Loans					
At beginning of the year as previously stated	-	-	5,912,099	5,743,549	11,655,648
Effects of adoption of IFRS 9	3,961	409,817	5,912,099	-	6,325,877
Changes due to financial assets recognized in the opening balance that have:					
Transferred to 12-months ECL stage 1	203,302	(203,302)	-	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(42)	42	-	-	-
Transferred to Lifetime ECL credit impaired stage 3	(22)	(71,873)	71,895	-	-
New financial assets originated or purchased	36,331	-	294,002	-	330,333
Financial assets that have been derecognised	-	(35,315)	(167,160)	-	(202,475)
Bad debts written off	(668)	(2)	(431,564)	-	(432,234)
Provision for the period	584,874	171,541	2,016,475	-	2,772,890
Balance at 31 December 2018	827,736	270,908	7,695,747	-	8,794,391

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assetscontinued

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Collective Provision	Total provisions
	\$	\$	\$	\$	\$
Overdrafts					
At beginning of the year as previously stated	-	-	3,953,025	1,033,719	4,986,744
Effects of adoption of IFRS 9	821,911	761,306	3,953,025	-	5,536,242
Changes due to financial assets recognized in the opening balance that have:					
Transferred to 12-months ECL stage 1	630,145	(420,219)	(209,926)	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(84,935)	84,935	-	-	-
Transferred to Lifetime ECL credit impaired stage 3	-	(29,862)	29,862	-	-
New financial assets originated or purchased	150,090	211,514	68,203	-	429,807
Financial assets that have been derecognised	(111,574)	(283,168)	(110)	-	(394,852)
Bad debts written off	-	(5,389)	(802,544)	-	(807,933)
Provision for the period	(288,818)	149,212	506,768	-	367,162
Balance at 31 December 2018	1,116,819	468,329	3,545,278	-	5,130,426

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assetscontinued

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Collective Provision	Total provisions
	\$	\$	\$	\$	\$
Total credit provisioning					
At beginning of the year as previously stated	-		71,524,295	24,090,960	95,615,255
Effects of adoption of IFRS 9					
Loans and advances	3,995,653	3,454,827	-	(24,090,960)	(16,640,480)
Undrawn loans (included in other provisions)	41,213	-	-	-	41,213
Total impact of adoption of IFRS 9 included in contingency reserve	4,036,866	3,454,827	-	(24,090,960)	(16,599,267)
Loss allowance for loans and undrawn commitments as at 1 January 2018 restated	4,036,866	3,454,827	71,524,295	-	79,015,988
Changes in the loss allowance as at 1 January 2018					
Transferred to stage 1	1,334,992	(1,125,065)	(209,926)	-	-
Transferred to stage 2	(96,111)	96,111	-	-	-
Transferred to stage 3	(662,170)	(1,332,727)	1,994,897	-	-
New financial assets originated or purchased	944,490	216,461	3,049,549	-	4,210,500
Financial assets that have been derecognised	(3,232,592)	(693,402)	(989,050)	-	(4,915,044)
Bad debts written off	(7,743)	(41,818)	(24,062,599)	-	(24,112,160)
Provision for the period	2,833,530	466,458	5,375,292	-	8,675,280
	1,114,396	(2,413,982)	(14,841,837)	-	(16,141,424)
Less provision for undrawn loans included in other liabilities	(41,213)	-	-	-	(41,213)
	1,073,183	(2,413,982)	(14,841,837)	-	(16,182,637)
Loan loss allowance as at 31 December 2018	5,110,049	1,040,845	56,682,458	-	62,833,351

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assets...continued

Impairment allowance - investment securities

	2018			2017	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt investment securities at FVOCI (2017: available-for-sale)					
Balance 1 January 2018	\$ 1,410,183	\$ -	\$ 525,755	\$ 1,935,938	\$ 401,438
Net remeasurement of loss allowance	150,162	-	-	150,162	124,317
Balance at 31 December 2018	1,560,345	-	525,755	2,068,100	525,755

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI (2017: available-for-sale) is their fair value.

	2018			2017	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt investment securities at amortised cost (2017: held-to-maturity)					
Balance 1 January 2018	\$ 70,636	\$ -	\$ 4,506,177	\$ 4,576,813	\$ 4,312,154
Net remeasurement of loss allowance	94,575	-	-	94,575	194,023
Balance at 31 December 2018	165,211	-	4,506,177	4,671,388	4,506,177

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

11 Allowance for impairment on financial assets...continued

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

	\$
Balance at 1 January 2018	246,613,974
Change in allowance for impairment	(38,932,799)
Classified as credit impaired during the year	15,909,837
Transferred to not credit impaired during the year	(37,193,275)
Net repayments	(11,627,435)
Recoveries of amounts previously written off	-
Disposals	(21,428,226)
Balance at 31 December 2018	153,342,076

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	\$
Amortised cost before modification	4,831,919
Net modification loss	59,468
Financial assets modified since initial recognition	\$
Gross carrying amount at December 31, 2018 of financial assets for which loss allowance has changed to 12-month measurement during the year	56,038,612

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

12 Investment securities

	2018	2017
	\$	\$
Securities measured at held-to-maturity		
Debt securities at held-to maturity		
- Unlisted	-	3,615,939
- Listed	-	120,938,754
Less allowance for impairment	-	(4,506,177)
Total securities held-to-maturity	-	120,048,516
Securities measured at available-for-sale		
Debt securities at fair value		
- Unlisted	-	29,090,962
- Listed	-	363,923,956
	-	393,014,918
Less allowance for impairment	-	(525,755)
	-	392,489,163
Equity securities:		
- Unlisted	-	998,320
- Listed	-	11,982,984
Total securities at available-for-sale	-	405,470,467
Total investment securities	-	525,518,983

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

12 Investment securities ...continued

From 1 January 2018

Securities measured at amortised cost	2018 \$	2017 \$
Debt securities at amortised cost		
- Unlisted	6,790,604	-
- Listed	178,022,438	-
Less allowance for impairment	(4,671,388)	-
Total securities at amortised cost	180,141,654	-
Securities measured at fair value through OCI		
Debt securities at fair value		
- Unlisted	47,096,423	-
- Listed	421,442,422	-
Total debt securities	468,538,845	-
Equity securities at fair value		
- Unlisted	2,421,994	-
- Listed	6,672,785	-
Total equity securities	9,094,779	-
Less allowance for impairment	(525,755)	-
Total securities at fair value through OCI	477,107,869	-
Securities measured at fair value through P&L		
Equity securities:		
- Unlisted	-	-
- Listed	11,714,057	-
Total securities measured at fair value through P&L	488,821,926	-
Total investment securities	668,963,580	-

All debt securities have fixed interest rates.

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at 31 December 2018 was 3.23% (2017- 3.32%).

The weighted average effective interest rate on available-for-sale securities at 31 December 2018 was 3.51% (2017 – 3.5%).

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

12 Investment securities...continued

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

	Held- to-maturity \$	Available- for-sale \$	Held for trading \$	Total \$
At 31 December 2017	120,048,516	405,470,467	19,641,853	545,160,836
Transferred to amortised cost	(120,048,516)	-	-	(120,048,516)
Transferred to fair value through OCI				
- Debt	-	(392,489,163)	-	(392,489,163)
- Equity	-	(8,358,845)	-	(8,358,845)
Transferred to FVTPL - equities	-	(4,622,459)	-	(4,622,459)
Transferred to FVTPL – held for trading	-	-	(19,641,853)	(19,641,853)
At 31 December 2018	-	-	-	-
At 31 December 2016	93,924,043	364,634,392	18,599,712	477,158,147
Additions	48,572,744	181,755,873	1,785,658	232,114,275
Movement in interest accrued	312,046	646,260	4,053	962,359
Disposals (sale and redemption)	(23,085,679)	(143,885,844)	(723,014)	(167,694,537)
Unrealised loss from changes in fair value	-	2,444,102	(24,556)	2,419,546
Decrease in provision	(194,023)	(124,316)	-	(318,339)
Amortisation of premium/discount	519,385	-	-	519,385
At 31 December 2017	120,048,516	405,470,467	19,641,853	545,160,836

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

12 Investment securities...continued

On adoption of IFRS 9 on 1 January 2018

	Amortised Cost \$	FVOCI - Debt \$	FVOCI - Equity \$	FVTPL - Equities \$	FVTPL - Held for Trading \$	Total \$
At 1 January 2018						
Opening Balance	120,048,516	392,489,163	8,358,845	4,622,459	19,641,853	545,160,836
Additions	78,927,606	212,908,165	180,542	8,032,888	2,204,962	302,254,163
Movement in interest Accrued	352,961	957,321	-	-	(81,958)	1,228,324
Disposals (sale and redemption)	(18,731,028)	(131,222,896)	-	-	-	(149,953,924)
Unrealised gain from changes in fair value	-	(6,592,908)	29,637	(941,290)	(3,141,891)	(10,646,452)
Provision for the year	(94,575)	-	-	-	-	(94,575)
Amortization of Premium/Discount	(361,826)	-	-	-	-	(361,826)
At 31 December 2018	180,141,654	468,538,845	8,569,024	11,714,057	18,622,966	687,586,546

13 Financial instruments - pledged assets and repurchase agreements

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

	Pledged assets	
	2018 \$	2017 \$
Pledged against repurchase agreements	8,189,148	10,710,269
	8,189,148	10,710,269

The value of repurchase agreements on the statement of financial position which are secured by pledged assets is \$7,952,878 (2017 - \$13,702,747). The variance between investment pledged against repurchase agreements and the value of repurchase agreements represents accrued interest.

14 Related party balances and transactions

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

The Bank is controlled by East Caribbean Financial Holding Company Limited which owns 100% of the ordinary shares and is related to the companies listed below by common ownership and control.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

14 Related party balances and transactions...continued

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and receivables. Included in amounts due from related parties is an amount of \$82,015,212 (2017 - \$82,418,108) which is non-interest bearing and has no fixed terms of repayment.

2018	2017
\$	\$

Due from related parties

East Caribbean Financial Holding Company Limited	<u>82,015,212</u>	<u>82,418,108</u>
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The following accounts maintained by related parties are included under due to customers and loans and advances:

2018	2017
\$	\$

Bank of Saint Vincent and the Grenadines Limited

Current account	2,771,986	817,564
Investments	<u>6,954,425</u>	<u>6,834,815</u>

EC Global Insurance Company Limited

Current account	1,075,428	1,105,226
Fixed deposit	336,354	332,491
Managed funds	<u>9,744,875</u>	<u>9,847,996</u>

East Caribbean Amalgamated Bank

Current account	174,249	176,062
Fixed Deposit	18,961,712	18,941,733
Loans	-	5,186

Student Loan Guarantee Fund

Current account	732,783	541,381
Fixed deposit	<u>2,911,285</u>	<u>2,864,213</u>

Productive Equity Funds

Current account	<u>2,273,626</u>	<u>2,273,636</u>
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Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

14 Related party balances and transactions...continued

The following transactions were carried out with related companies:

	2018 \$	2017 \$
Income		
Service and management charges	<u>381,000</u>	<u>576,970</u>

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

	2018 \$	2017 \$
Liabilities	931,980	709,099
Commissions	1,903,687	1,884,915
Expenses	<u>1,448,737</u>	<u>1,516,939</u>

Other related parties

A number of banking transactions are entered into with other related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at year end, and related expenses and income for the year are as follows:

Other related parties' balances with the Bank:

	2018		2017	
	Loans \$	Deposits \$	Loans \$	Deposits \$
Government of Saint Lucia	56,528,658	184,725,738	25,043,292	183,741,876
Statutory bodies	17,834,791	498,608,420	17,710,351	469,742,428
Directors and key management	12,096,987	3,858,138	14,362,383	5,550,840

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

14 Related party balances and transactions...continued

No provisions have been recognised in respect of loans given to related parties (2017 – nil).

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 8 years (2017 – 6 years) and have a weighted average effective interest rates of 5.5% (2017 – 5.1%)

Interest income and interest expense with other related parties:

	2018		2017	
	Income \$	Expenses \$	Income \$	Expenses \$
Government of Saint Lucia	1,474,927	697,282	801	729,368
Statutory bodies	1,153,413	5,651,854	966,020	6,155,804
Directors and key management	645,837	82,544	661,029	99,208

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

Key management compensation

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

	2018 \$	2017 \$
Key management compensation		
Salaries and other short-term benefits	5,315,240	6,143,000
Post-employment benefit – Pension costs	653,415	494,674
	<u>5,968,655</u>	<u>6,637,674</u>

Bank of Saint Lucia Limited
Notes to the Financial Statements
for the year ended 31 December 2018
 (expressed in Eastern Caribbean dollars)

Property and equipment

	Notes	Land and Buildings \$	Leasehold Improvements \$	Office Furniture and Equipment \$	Computer Equipment and Software \$	Motor Vehicles \$	Total \$
Year ended 31 December 2017							
Opening net book amount		70,230,402	1,776,363	4,938,711	1,576,444	250,609	78,772,529
Additions		428,117	71,764	608,558	1,632,947	-	2,741,386
Transfer to investment properties	19	(30,028,787)	-	-	-	-	(30,028,787)
Disposals at cost		-	-	(8,363)	(3,435)	(246,111)	(257,909)
Accumulated depreciation on disposals		-	-	8,363	10,361	240,517	259,241
Depreciation charge	36	(1,125,923)	(601,940)	(1,475,858)	(1,187,648)	(116,910)	(4,508,279)
Closing net book amount		<u>39,503,809</u>	<u>1,246,187</u>	<u>4,071,411</u>	<u>2,028,669</u>	<u>128,105</u>	<u>46,978,181</u>
At 31 December 2017							
Cost		57,126,970	9,387,889	27,279,398	31,494,800	1,279,128	126,568,185
Accumulated depreciation		(17,623,161)	(8,141,702)	(23,207,987)	(29,466,131)	(1,151,023)	(79,590,004)
Net book amount		<u>39,503,809</u>	<u>1,246,187</u>	<u>4,071,411</u>	<u>2,028,669</u>	<u>128,105</u>	<u>46,978,181</u>
Year ended 31 December 2018							
Opening net book amount		39,503,809	1,246,187	4,071,411	2,028,669	128,105	46,978,181
Additions		461,265	2,044	1,245,015	1,872,432	393,500	3,974,256
Disposals at cost		-	-	(38,412)	(954,790)	(661,493)	(1,654,695)
Accumulated depreciation on disposals		-	-	38,412	954,790	661,493	1,654,695
Depreciation charge	36	(1,039,760)	(521,289)	(1,246,258)	(1,567,189)	(125,405)	(4,499,901)
Closing net book amount		<u>38,925,314</u>	<u>726,942</u>	<u>4,070,168</u>	<u>2,333,912</u>	<u>396,200</u>	<u>46,452,536</u>
At 31 December 2018							
Cost		57,588,235	9,389,933	28,486,001	32,412,442	1,011,135	128,887,746
Accumulated depreciation		(18,662,921)	(8,662,991)	(24,415,833)	(30,078,530)	(614,935)	(82,435,210)
Net book amount		<u>38,925,314</u>	<u>726,942</u>	<u>4,070,168</u>	<u>2,333,912</u>	<u>396,200</u>	<u>46,452,536</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

15 Property and equipment...continued

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

The historical cost of land and buildings is:

	2018	2017
	\$	\$
Cost	38,913	38,452
Accumulated depreciation based on historical cost	<u>(21,385)</u>	<u>(20,345)</u>
Depreciated historical cost	<u>17,528</u>	<u>18,107</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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16 Other assets

	2018 \$	2017 \$
Suspense accounts - credit cards	37,504,001	38,587,372
Other receivables	16,064,342	13,143,561
Rent receivables	1,507,295	2,069,808
	<u>55,075,638</u>	<u>53,800,741</u>
Less provision for impairment on other receivables	<u>(1,555,040)</u>	<u>(1,347,796)</u>
	<u>53,520,598</u>	<u>52,452,945</u>
Stationery and supplies	620,029	526,546
Prepaid expenses	2,055,549	2,229,391
	<u>2,675,578</u>	<u>2,755,937</u>
	<u>56,196,176</u>	<u>55,208,882</u>

As of 31 December 2018, trade receivables of \$723,607 (2017 - \$306,596) were past due but not impaired. These relate mainly to receivables from existing customers with some defaults in the past but all amounts due were fully recovered. The aging analysis of these trade receivables is as follows:

	2018 \$	2017 \$
Greater than 30 days but less than 60 days	295,512	296,801
Greater than 60 days but less than 90 days	125,305	307,316
Greater than 90 days	783,688	740,499
	<u>1,204,505</u>	<u>1,344,616</u>

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

17 Provision for impairment on other receivables

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

	2018 \$	2017 \$
At beginning of year	1,347,796	1,874,443
Provisions made during the year	407,333	493,494
Receipts	(31,405)	(154,295)
Write offs during the year	(168,684)	(865,846)
At end of year	<u>1,555,040</u>	<u>1,347,796</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

18 Investment in associates

	2018 \$	2017 \$
At beginning of year	<u>4,800,000</u>	4,800,000
At end of year	<u>4,800,000</u>	<u>4,800,000</u>

The Company's interests in its associates comprise a 20% holding in East Caribbean Amalgamated Bank Limited, an unlisted company incorporated in St. Kitts.

19 Investment properties

	Notes	2018 \$	2017 \$
At beginning of year		37,454,500	6,547,711
Additions		-	65,257
Disposals		(5,500,000)	-
Transfer from property & equipment	15	-	30,028,787
Fair value gain	35	-	812,745
At end of year		<u>31,954,500</u>	<u>37,454,500</u>

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

	2018 \$	2017 \$
Rental income	3,109,980	2,260,290
Direct operating expenses arising from investment properties that generated rental income	<u>(353,826)</u>	<u>(736,013)</u>
Profit arising from investment properties carried at fair value	<u>2,756,154</u>	<u>1,524,277</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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19 Investment properties...continued

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

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

20 Retirement benefit asset

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

	2018 \$	2017 \$
Fair value of plan assets	64,993,737	62,216,858
Present value of funded obligation	<u>(54,548,600)</u>	<u>(48,601,909)</u>
Asset in the statement of financial position	<u>10,445,137</u>	<u>13,614,949</u>

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

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

	2018 \$	2017 \$
Beginning of year	48,601,909	45,796,967
Current service cost	1,326,871	1,381,940
Interest cost	3,749,989	3,549,370
Employee contribution	818,763	861,634
Actuarial gain	1,546,438	(1,556,785)
Benefits paid	<u>(1,495,370)</u>	<u>(1,431,217)</u>
End of year	<u>54,548,600</u>	<u>48,601,909</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset...continued

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

	2018 \$	2017 \$
Beginning of year	62,216,858	56,423,536
Actual return on plan assets	808,138	3,504,441
Employer contributions	2,919,710	3,053,950
Employee contributions	818,763	861,634
Benefits paid	(1,495,370)	(1,431,217)
Administrative expenses	(274,362)	(195,486)
End of year	<u>64,993,737</u>	<u>62,216,858</u>

	Notes	2018 \$	2017 \$
Net asset at beginning of year		13,614,949	10,626,569
Net periodic cost	37	(611,130)	(809,198)
Contributions paid		2,919,710	3,053,950
Effect on statement of other comprehensive income		<u>(5,478,392)</u>	<u>743,628</u>
Net asset at end of year		<u>10,445,137</u>	<u>13,614,949</u>

Benefit cost:

	2018 \$	2017 \$
Current service cost	1,326,871	1,381,940
Interest on net defined benefit asset	3,749,989	3,549,370
Expected return on plan assets	(4,740,092)	(4,317,598)
Administrative expenses	274,362	195,486
	<u>611,130</u>	<u>809,198</u>

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

	2018 \$	2017 \$
Gain from change in assumptions	672,415	
Gain/(loss) from experience	874,023	(1,556,785)
Expected return on plan assets	4,740,092	4,317,598
Actual return on plan assets	<u>(808,138)</u>	<u>(3,504,441)</u>
	<u>5,478,392</u>	<u>(743,628)</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset...continued

The principal actuarial assumptions used were as follows:

	2018 %	2017 %
Discount rate	7.50	7.50
Future promotional salary increases	5.00-6.50	3.00-4.50
Future inflationary salary increases	1.75	2.00

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

Plan assets allocation is as follows:

	2018 %	2017 %
Debt securities	82	87
Equity securities	10	10
Other	8	3

Mortality rate

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

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

	2018	2017
Male	24.77	24.69
Female	26.90	26.86

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

20 Retirement benefit asset...continued

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

	2018	2017
	\$	\$
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	34,424	27,227
- Consumer staples	2,618,050	2,155,050
- Other	3,674,416	3,882,193
Quoted debt securities:		
- Sovereign bonds	23,253,664	20,700,251
- Energy	-	1,616,634
- Industrial	4,699,493	679,270
- Consumer staples		
- Other	10,439,689	15,531,438
Cash and cash equivalents	4,985,523	1,815,993
Unquoted investments		
Unquoted debt securities:		
- Sovereign bonds	14,871,781	15,758,802
- Other	-	-
Unquoted equity securities		
- Other	416,697	50,000
Total	64,993,737	62,216,858

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

	2018	2017
	\$	\$
Within the next 12 months	862,657	784,360
Between 1 and 5 years	4,506,515	3,958,822
Between 5 and 10 years	11,815,228	9,005,170
Total expected payments	17,184,400	13,748,352

The average duration of the defined benefit plan obligation at the end of the reporting period is 16 years (2017 – 17 years).

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

21 Deferred tax asset

The movement on the deferred tax asset is as follows:

	2018 \$	2017 \$
At beginning of year	819,894	-
Deferred tax credit during the year	1,536,241	1,042,983
Income/(expense) during the year in other comprehensive income	1,643,487	(223,089)
At end of year	3,999,622	819,894

The deferred tax asset account is detailed below:

	2018 \$	2017 \$
Unutilised tax losses	8,439,958	6,847,841
Accelerated capital allowances	(1,306,795)	(1,943,462)
Fair value pension gains	(3,133,541)	(4,084,485)
	3,999,622	819,894

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

22 Deposits from banks

	2018 \$	2017 \$
Deposits from other banks	55,844,642	43,297,719

The weighted average effective interest rate on deposits from other banks at 31 December 2018 was 1.78% (2017 – 1.59%).

23 Due to customers

	2018 \$	2017 \$
Term deposits	368,045,120	418,725,141
Savings deposits	645,431,519	630,747,843
Call deposits	338,810,837	284,598,124
Demand deposits	472,042,035	471,196,025
	1,824,329,511	1,805,267,133

The weighted average effective interest rate of customers' deposits at 31 December 2018 was 1.24% (2017 – 1.43%).

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

24 Borrowings

	Due	Rate	2018	Rate	2017
		%	\$	%	\$
Caribbean Development Bank	2020	4.46	20,287,586	3.8	27,949,950
National Insurance Corporation	2026	7.25	51,231,507	7.25	51,231,507
Total			71,519,093		79,181,457

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

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

The Bank had undrawn facilities at the end of the financial reporting period of nil (2017 – \$24,913,398) with the Caribbean Development Bank.

In August 2016, the Company issued a ten (10) year, EC\$50 million unsecured bond via private placement. The bond which qualifies as tier II capital, pays interest semi-annually at the rate of 7.25%. Principal repayments are to be 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.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

25 Cumulative preference shares

	No. of Shares	2018 \$	No. of Shares	2017 \$
7% Cumulative Preference Shares				
Authorised:				
11,550,000 preference shares				
At beginning and end of year	<u>830,000</u>	<u>4,150,000</u>	830,000	4,150,000

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

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

Dividends declared on the preference shares during the year amounted to \$290,500 (2017 - \$290,500).

26 Other liabilities

	2018 \$	2017 \$
Managers' cheques outstanding	4,183,730	2,898,887
Trade and other payables	31,485,481	26,146,572
Agency loans	<u>261,003</u>	<u>155,652</u>
	<u>35,930,214</u>	<u>29,201,111</u>

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

27 Share capital

	Number of shares	2018 \$	Number of shares	2017 \$
Authorised:				
Unlimited ordinary shares up to 3,000,000				
Issued and fully paid:				
At beginning of year	1,972,909	265,102,745	1,478,875	198,718,745
Shares issued during the year	-	-	494,034	66,384,000
At end of year	<u>1,972,909</u>	<u>265,102,745</u>	<u>1,972,909</u>	<u>265,102,745</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

28 Reserves

	2018 \$	2017 \$
(a) General reserve	48,952,219	48,952,219
(b) Statutory reserve	101,586,227	93,651,365
(c) Special reserve	2,034,132	2,034,132
(d) Retirement benefit reserve	10,445,137	13,614,949
(e) Contingency reserve	28,615,569	4,535,304
	<u>191,633,284</u>	<u>162,787,969</u>

Movements in reserves were as follows:

(a) General reserve

	2018 \$	2017 \$
At the beginning and end of the year	<u>48,952,219</u>	<u>48,952,219</u>

It is the policy of the Bank to maintain a general reserve for reinvestment in banking operations. There were no transfers to general reserves during 2018.

(b) Statutory reserve

	2018 \$	2017 \$
At the beginning of the year	93,651,365	87,970,850
Transferred from retained earnings	7,934,862	5,680,515
At the end of the year	<u>101,586,227</u>	<u>93,651,365</u>

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

(c) Special reserve

	2018 \$	2017 \$
At the beginning of the year	<u>2,034,132</u>	2,034,132
At the end of the year	<u>2,034,132</u>	<u>2,034,132</u>

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

28 Reserves...continued

(d) Retirement benefit reserve

	2018 \$	2017 \$
At the beginning of the year	13,614,949	10,626,569
Transferred (to)/from retained earnings	<u>(3,169,812)</u>	<u>2,988,380</u>
At the end of the year	<u>10,445,137</u>	<u>13,614,949</u>

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

(e) Contingency reserve

	2018 \$	2017 \$
At the beginning of the year	4,535,304	-
Adjustment on adoption of IFRS 9	16,599,267	-
Transfer from retained earnings	<u>7,480,998</u>	<u>4,535,304</u>
At the end of the year	<u>28,615,569</u>	<u>4,535,304</u>

The contingency reserve fund is created as an appropriation from retained earnings to set aside a portion of profits against loan loss provisions. This reserve will be funded annually until the total loan loss provisions and the contingency reserve equates to non-performing loans. Upon implementation of IFRS 9 in January 2018, the required adjustment for expected credit losses for loans and undrawn commitments as at January 1, 2018 was posted to the contingency reserve.

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

29 Contingent liabilities and commitments

Commitments

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

	2018	2017
	\$	\$
Loan commitments	115,441,564	69,837,704
Guarantees and letters of credit	21,098,089	23,764,807
	<u>136,539,653</u>	<u>93,602,511</u>

30 Net interest income

	2018	2017
	\$	\$
Interest income		
Loans and advances	59,165,652	60,983,699
Treasury bills and investment securities	23,375,636	19,073,592
Deposits with banks	1,470,954	190,168
	<u>84,012,242</u>	<u>80,247,459</u>
Interest expense		
Time deposits	(8,963,382)	(12,774,544)
Savings deposits	(13,394,535)	(13,230,674)
Other borrowed funds	(4,542,161)	(4,932,757)
Demand deposits	(459,227)	(387,372)
Correspondent banks	(559,277)	(819,615)
	<u>(27,918,582)</u>	<u>(32,144,962)</u>
Net interest income	<u>56,093,660</u>	<u>48,102,497</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

31 Fee and commission income

	2018 \$	2017 \$
Credit related fees and commissions	27,627,126	26,151,812
Brokerage related fees and commissions	4,704,086	4,887,978
Asset management and related fees	351,347	333,153
	<u>32,682,559</u>	<u>31,372,943</u>

32 Dividend income

	2018 \$	2017 \$
Equity instruments at FVTPL (2017 – AFS)	274,034	211,445
Associates	264,000	264,000
	<u>538,034</u>	<u>475,445</u>

33 Net foreign exchange trading income

	2018 \$	2017 \$
Foreign exchange		
- transaction gains, net	9,763,948	10,108,150
- translation gains, net	515,387	1,361,074
	<u>10,279,335</u>	<u>11,469,224</u>

34 Other income

	Notes	2018 \$	2017 \$
Service and management fees	14	381,000	576,970
Rental income		3,109,980	2,260,290
Bad debt recovery income		11,687,890	7,971,739
		<u>15,178,870</u>	<u>10,808,999</u>

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

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35 Other gains, net

	Notes	2018 \$	2017 \$
Fair value gains/(losses):			
- Gains on disposal of FVOCI (2017: Available-for-sale) investments		52,095	2,225,372
- Gain/(loss) on disposal of Amortised Cost (2017: Held-to-Maturity) investments		13,730	(70,379)
- Unrealised loss on FVTPL (2017: Held for trading) investments		(795,629)	(24,556)
- Gain on FVTPL (2017: Held for trading) investment		-	35,124
- Loss on disposal of investment property		(500,000)	-
- Fair value gains on investment properties	19	-	812,745
		(1,229,804)	2,978,306

36 Operating expenses

	Notes	2018 \$	2017 \$
Employee benefit expense	37	26,216,703	25,609,346
Rent		832,971	1,455,543
Utilities		4,238,111	4,055,882
Security		1,381,344	1,509,244
Bank and other licences		215,000	217,375
Credit card expenses		8,921,473	7,182,869
Advertising and promotions		598,203	469,144
Repairs and maintenance		6,871,897	6,475,002
Legal and professional		578,435	707,091
Other expenses		9,949,263	10,329,479
Depreciation	15	4,499,901	4,508,279
		64,303,301	62,519,254

37 Employee benefit expense

	2018 \$	2017 \$
Wages and salaries	19,882,765	20,360,452
Other staff costs	5,722,808	4,439,696
Pensions	611,130	809,198
	26,216,703	25,609,346

Bank of Saint Lucia Limited

Notes to the Financial Statements

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38 Income tax expense

	2018 \$	2017 \$
Current tax	1,890,743	969,364
Reversal of overpayment of tax	-	(1,945,739)
Deferred tax credit during the year	<u>(1,536,212)</u>	<u>(1,042,982)</u>
	<u>354,531</u>	<u>(2,019,357)</u>
Income tax expense in other comprehensive income:		
Deferred tax arising from defined benefit plan	<u>(1,643,487)</u>	223,089
	<u>(1,288,956)</u>	<u>(1,796,268)</u>

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

	2018 \$	2017 \$
Profit before income tax and preference shares	<u>40,319,336</u>	26,673,719
Tax calculated at the applicable tax rate of 30%	12,095,801	8,002,116
Tax effect of exempt income	(8,517,949)	(5,047,028)
Tax effect of expenses not deductible for tax purposes	259,510	(321,424)
Losses utilised	(1,890,743)	(969,364)
Overpayment of corporate tax	-	(1,945,739)
Fixed asset adjustment	29	-
Deferred tax asset recognised-losses	<u>(1,592,117)</u>	<u>(1,737,918)</u>
	<u>354,531</u>	<u>(2,019,357)</u>

The Bank has unutilised tax losses of \$28,133,192 (2017 – \$22,826,137) for which the deferred tax asset has been recognised due to the certainty of its recoverability. Unutilized tax losses may be carried forward and deducted against 50% of future taxable income within five years following the year in which the losses were incurred. The Bank has unutilised tax losses of \$121,889,338 (2017 - \$225,461,123) for which no deferred tax asset has been recognized.

Tax losses expire as follows:

	2018 \$	2017 \$
2018	-	98,264,730
2019	24,956,581	24,956,581
2020	6,366,799	6,366,799
2021	13,619,552	13,619,552
2022	<u>105,079,598</u>	<u>105,079,598</u>
	<u>150,022,530</u>	<u>248,287,260</u>

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

Bank of Saint Lucia Limited

Notes to the Financial Statements

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(expressed in Eastern Caribbean dollars)

39 Cash and cash equivalents

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

	Notes	2018 \$	2017 \$
Cash and balances with Central Bank	5	104,281,146	226,920,732
Deposits with other banks	6	104,956,234	96,111,567
Deposits with non-bank financial institutions	7	23,316,874	5,412,488
Treasury bills	8	17,409,437	22,079,809
		<u>249,963,691</u>	<u>350,524,596</u>

40 Transition to IFRS 9

Reconciliation of IAS 39 to IFRS 9

The table below provides the impact from the transition to IFRS 9 on the Statement of Financial Position at the transition date of January 1, 2018. The impact consists primarily of reclassifications and re-measurements:

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

40 Transition to IFRS 9...continued

	IAS 39 Carrying amount as at 31 December 2017	Reclassification	Remeasurements	IFRS 9 carrying amount 1 January 2018
<u>Amortised cost</u>	\$	\$	\$	\$
Opening balance under IAS 39				
Cash and balances with Central Bank	347,950,065	-	-	347,950,065
Deposits with other banks	96,111,567	-	-	96,111,567
Deposits with non-bank financial institutions	5,412,488	-	-	5,412,488
Treasury bills	23,131,699	-	-	23,131,699
Closing balance under IFRS 9	472,605,819	-	-	472,605,819
<i>Loans and receivables - loans and advances to customers</i>				
Opening balance under IAS 39	874,051,040	-	-	874,051,040
Remeasurement: ECL allowance	-	-	16,640,480	16,640,480
Closing balance under IFRS 9	874,051,040	-	16,640,480	890,691,520
<i>Investment securities Held to maturity</i>				
Opening balance under IAS 39	120,048,516	-	-	120,048,516
Transferred to amortised cost	-	(120,048,516)	-	(120,048,516)
Remeasurement: ECL allowance	-	-	-	-
Closing balance under IFRS 9	120,048,516	(120,048,516)	-	-
From held to maturity	-	120,048,516	-	120,048,516
Remeasurement: ECL allowance	-	-	(70,636)	(70,636)
Closing balance under IFRS 9	-	120,048,516	(70,636)	119,977,880
Total financial assets measured at amortised cost	1,466,705,375	-	16,569,844	1,483,275,219

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

40 Transition to IFRS 9...continued

Financial assets measured at FVOCI	IAS 39 Carrying amount as at 31 December 2017	Reclassification	Remeasurements	IFRS 9 carrying amount 1 January 2018
<i>Investment securities - available for sale</i>				
Opening balance under IAS 39	405,470,467	-	-	405,470,467
To FVTPL - equity	-	(4,622,458)	-	(4,622,458)
To FVOCI – debt	-	(392,489,163)	-	(392,489,163)
To FVOCI - equity	-	(8,358,846)	-	(8,358,846)
Closing balance AFS under IFRS 9	405,470,467	(405,470,467)	-	-
<i>FVOCI – debt and equity</i>				
Opening balance	-	-	-	-
From available for sale Debt	-	392,489,163	-	392,489,163
From available for sale - equity	-	8,358,846	-	8,358,846
Closing balance under IFRS 9	-	400,848,009	-	400,848,009
Total measured at FVOCI	-	400,848,009	-	400,848,009
Financials assets held for trading and pledged				
Opening balance under IAS 39	19,641,853	-	-	19,641,853
Pledged assets	10,710,269	-	-	10,710,269
Transferred to FVTPL	-	(30,352,122)	-	(30,352,122)
Total financial assets HFT	30,352,122	(30,352,122)	-	-
Financial assets measured at FVTPL (including pledged assets)				
Opening balance under IAS 39	-	-	-	-
From available for sale	-	4,622,458	-	4,622,458
From held for trading	-	19,641,853	-	19,641,853
From pledged assets	-	10,710,269	-	10,710,269
Total financial assets measured at FVTPL	-	34,974,580	-	34,974,580
Total financial assets	-	-	-	1,919,097,808

Bank of Saint Lucia Limited

Notes to the Financial Statements

For the year ended 31 December 2018

(expressed in Eastern Caribbean dollars)

40 Transition to IFRS 9...continued

The table below reconciles the prior year's closing impairment allowance measured in accordance with IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39	Remeasurement	Loan loss allowance under IFRS 9
	\$	\$	\$
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)			
Cash and balances with Central Bank	-	-	-
Deposits with other banks	-	-	-
Deposits with non-bank financial institutions	-	-	-
Treasury bills	-	-	-
Loans and receivables - loans and advances to customers	95,615,255	(16,640,480)	78,974,775
Total	95,615,255	(16,640,480)	78,974,775
Available for sale: Bonds (IAS 39)/ Financial Assets at FVOCI (IFRS 9)			
Investment securities	525,755	-	525,755
Held to maturity (IAS 39)/ Financial Assets at Amortised cost (IFRS 9)			
Investment securities	4,506,177	70,636	4,576,813
Undrawn loan commitments			
Provisions	-	41,213	41,213
Total	5,031,932	111,849	5,143,781
	100,647,187	(16,528,631)	84,118,556

41 Dividends

At the meeting held on 21 March 2019, the Board of Directors proposed a dividend in respect of the 2018 financial year end of \$0.30 for each unit of paid up share capital, or EC \$591,873 (2017:nil). The financial statements for the year ended 31 December 2018 do not reflect this proposed dividend which will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2019.