St. Kitts-Nevis-Anguilla National Bank Limited

Quarterly Financial Statements
March 31, 2023
(expressed in Eastern Caribbean dollars)

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Financial Position

As at March 31, 2023

(expressed in Eastern Caribbean dollars)

	Notes	Mar 2023 $	Audited June 2022 $
Assets			
Cash and balances with Central Bank		**240,681,882**	219,012,865
Treasury bills		**56,789,358**	55,099,779
Deposits with other financial institutions		**539,831,837**	556,979,790
Loans and advances to customers		**990,532,779**	975,494,601
Originated debts		**337,767,779**	154,211,330
Financial asset		**356,138,449**	360,794,213
Investment securities		**1,161,980,462**	1,145,955,305
Investment in subsidiaries		**24,246,462**	24,246,462
Acceptances, guarantees and letters of credit		**6,699,682**	6,541,015
Income tax recoverable		**28,263,187**	19,263,187
Property and equipment		**29,760,922**	30,104,284
Intangible assets		**301,724**	324,584
Right-of-use assets		**696,382**	612,852
Other assets		**15,390,151**	15,160,544
Deferred tax asset		**4,424,123**	5,387,185
Total assets		**3,793,505,179**	3,569,187,996
Liabilities			
Customers' deposits		**3,354,385,031**	3,067,114,900
Due to other financial institutions		**-**	-
Other Borrowings		**-**	21,163,983
Accumulated provisions, creditors and accruals		**25,429,587**	93,860,547
Acceptances, guarantees and letters of credit		**6,699,682**	6,541,015
Income tax payable		**-**	-
Lease liabilities		**715,672**	633,146
Total liabilities		**3,387,229,972**	3,189,313,591
Shareholders' equity			
Issued share capital		**141,750,000**	135,000,000
Share premium		**3,877,424**	3,877,424
Reserves		**404,783,433**	402,828,126
Retained earnings		**(144,135,650)**	(168,581,145)
Total shareholders' equity		**406,275,207**	379,874,405
Total liabilities and shareholders' equity		**3,793,505,179**	3,569,187,996

The accompanying notes are an integral part of these separate financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Income

For the quarter ended March 31, 2023

(expressed in Eastern Caribbean dollars)

	Mar 2023 **$**	**Dec 2022** **$**	**Sept 2022** **$**	**Mar 2022** **$**
Interest income	**48,822,401**	29,561,324	13,992,851	40,309,804
Interest expense	**(43,358,744)**	(29,276,094)	(14,622,784)	(42,434,754)
Net interest income	**5,463,657**	285,230	(629,933)	(2,124,950)
Fees and commission income	**21,081,688**	13,704,762	6,454,510	16,825,380
Fees expense	**(13,436,661)**	(7,581,242)	(3,169,695)	(11,434,588)
Net fees and commission income	**7,645,027**	6,123,520	3,284,815	5,390,792
Net gains/(loss) on investments in debt and equity instruments	**35,830,456**	38,484,592	25,622,940	(98,658,607)
Dividend income	**6,614,796**	3,122,055	1,106,497	6,154,534
Gain on foreign exchange (net)	**6,052,324**	3,740,970	1,622,699	4,253,159
Other operating income	**287,998**	326,197	166,196	511,102
Other income	**48,785,574**	45,673,814	28,518,332	(87,739,812)
Total operating income	**61,894,258**	52,082,564	31,173,214	(84,473,970)
Operating expenses				
Administrative and general expenses	**(33,488,714)**	(23,515,466)	(10,845,836)	(33,215,581)
Credit and other impairment charges	**-**	-	-	-
Depreciation and amortisation	**(2,678,697)**	(1,840,437)	(1,002,177)	(1,794,040)
Directors' fees and expenses	**(1,281,352)**	(1,040,133)	(183,252)	(777,345)
Professional fees and related expenses	**-**	-	-	(8,255)
Total operating expenses	**(37,448,763)**	(26,396,036)	(12,031,265)	(35,795,221)
Operating profit before tax	**24,445,495**	25,686,528	19,141,949	(120,269,191)
Income tax expense	**-**	-	-	-
Net income for the year	**24,445,495**	25,686,528	19,141,949	(120,269,191)

The accompanying notes are an integral part of these separate financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Income

For the quarter ended March 31, 2023

(expressed in Eastern Caribbean dollars)

	Mar 2023 $	Dec 2022 $	Sept 2022 $	Mar 2022 $
Net income for the quarter	**24,445,495**	25,686,528	19,141,949	(120,269,191)
Other comprehensive (loss)/income, net of tax:				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Financial assets measured at FVOCI – debt instruments:				
Net unrealised gains on investment securities, net of tax	**(967,868)**	(155,621)	(87,507)	(1,085,347)
Reclassification adjustments for net losses included in income, net of tax	**322,836**	26,593	8,217	(475,733)
	(645,032)	(129,028)	(79,290)	(1,561,080)
Financial assets measured at FVOCI – equity instruments:				
Unrealised gain/(loss) on investment securities, net of tax	**2,600,339**	1,250,433	547,836	6,989,606
Realised losses transferred to retained earnings	**-**	-	-	(9,122,838)
Re-measurement loss on defined benefit asset, net of tax	**-**	-	-	-
	2,600,339	1,250,433	547,836	(2,133,232)
Total other comprehensive (loss)/income for the quarter, net of tax	**1,955,307**	1,121,405	468,546	(3,694,312)
Total comprehensive income for the quarter	**26,400,802**	26,807,933	19,610,495	(123,963,503)

The accompanying notes are an integral part of these separate financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Changes in Shareholders' Equity

For the quarter ended March 31, 2023

(expressed in Eastern Caribbean dollars)

	Notes	Issued share capital $	Share Premium $	Reserves $	Retained Earnings $	Total $
Balance as of Mar 31, 2022		**141,750,000**	**3,877,424**	**428,860,213**	**(7,477,891)**	**567,009,746**
Net income for the period		–	–	–	(185,080,523)	(185,080,523)
Other comprehensive income/loss		–	–	(4,335,528)	2,280,710	(2,054,818)
Total comprehensive income for the period		**–**	**–**	**(4,335,528)**	**(182,799,813)**	**(187,135,341)**
Transfer to reserve	19	-	-	(21,696,559)	21,696,559	-
Transaction with owners						
Dividends	26	-	–	–	-	-
Balance as of June 30, 2022		**141,750,000**	**3,877,424**	**402,828,126**	**(168,581,145)**	**379,874,405**
Net income for the quarter		-	-	-	24,445,495	24,495,495
Other comprehensive income/loss		-	-	1,955,307	-	1,955,307
Total comprehensive income for the quarter		**-**	**-**	**1,955,307**	**24,445,495**	**26,400,802**
Transfer to reserve	19	-	-	-	-	-
Transaction with owners						
Dividends	26	-	-	-	-	-
Balance as of Mar 31, 2023		**141,750,000**	**3,877,424**	**404,783,433**	**(144,135,650)**	**406,275,207**

The accompanying notes are an integral part of these separate financial statements.

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Cash Flows

For the quarter ended March 31, 2023

(expressed in Eastern Caribbean dollars)

	Notes	Mar 2023 $	June 2022 $
Cash flows from operating activities			
Operating profit before tax		**24,445,495**	(275,109,946)
Adjustments for:			
Interest expense		**43,358,744**	56,724,123
Credit and other impairment charges(/recovery)		**-**	7,914,023
Unrealised gains on FVTPL investment securities		**(31,050,348)**	15,828,627
Depreciation and amortisation		**2,678,697**	2,466,340
Retirement benefit expense		**-**	736,565
Gain on disposal of equipment		**(88,774)**	392
Dividend income		**(6,614,796)**	(9,739,366)
Interest income		**(48,822,401)**	(62,110,742)
Operating income before changes in operating assets and liabilities		**(16,093,383)**	87,760,696
(Increase)/decrease in operating assets:			
Loans and advances to customers		**(14,854,304)**	(105,807,419)
Mandatory deposits with Central Bank		**(11,410,714)**	1,597,083
Other assets		**(229,607)**	3,187,948
Increase/(decrease) in operating liabilities:			
Customers' deposits		**281,886,592**	251,538,561
Due to other financial institutions		**-**	-
Accumulated provisions, creditors and accruals		**(68,430,960)**	(24,522,459)
Cash used in operations		**170,867,624**	262,799,328
Interest received		**31,807,844**	53,117,176
Pension contributions paid		**-**	(1,567,738)
Income taxes paid		**(9,000,000)**	(21,000,000)
Interest paid		**(37,994,031)**	(56,655,157)
Net cash used in operating activities		**155,681,437**	236,693,609
Cash flows from investing activities			
Proceeds from sale of investment securities and originated debts		**480,439,263**	658,417,825
Payments received from the financial asset		**-**	205,742,524
(Increase)/decrease in restricted term deposits and treasury bills		**(1,233,249)**	(50,591,480)
Dividends received		**6,614,796**	9,739,366
Interest received from investment securities and originated debts		**15,567,100**	9,084,934
Proceeds from sale of equipment		**293,000**	-
Purchase of equipment and intangible assets		**(2,251,284)**	(1,924,891)
Increase in investment securities and originated debts		**(642,870,651)**	(881,405,363)
Net cash from/(used) in investing activities		**(143,441,025)**	(50,937,085)
Cash flows from financing activities			
Interest paid on lease liabilities		(5,350)	(27,954)
Repayments of lease liabilites		(164,921)	(653,131)
Dividends paid		-	(35,100,000)
Net increase/(decrease) in cash and cash equivalents		**12,070,141**	149,975,439
Cash and cash equivalents, beginning of year		**507,569,274**	357,593,835
Cash and cash equivalents, end of year		**519,639,415**	507,569,274

The accompanying notes are an integral part of these separate financial statements.

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

St. Kitts-Nevis-Anguilla National Bank Limited (the "Bank") was incorporated as a private limited company on February 15, 1971 under the Companies Act Chapter 335, and was reregistered under the new Companies Act No. 22 of 1996 on April 14, 1999. The Bank operates in both St. Kitts and Nevis and is subject to the provisions of the Banking Act of 2015. The Bank is a public company listed on the Eastern Caribbean Securities Exchange.

The principal activity of the Bank is the provision of financial services, being primarily commercial banking and investment activities. Its registered office is at Central Street, Basseterre, St. Kitts.

The Bank is regulated by the Eastern Caribbean Central Bank (the "Central Bank" or ECCB).

2 Significant accounting policies

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

2.1 Basis of preparation

The separate financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The separate financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments, and in accordance with the going concern assumption.

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

The Bank has prepared these separate financial statements to file with the Eastern Caribbean Securities Regulatory Commission (ECSRC) and the Eastern Caribbean Securities Exchange (ECSE).

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.2 Changes in accounting policies

New standards and amendments effective for the financial year beginning July 1, 2021

Standards and amendments that are effective for the first time on July 1, 2021 are as follows:

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

These amendments do not have a material impact on these separate financial statements and therefore the disclosures have not been made.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorisation of these separate financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Bank.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. These standards are not expected to have a material impact on the Bank's separate financial statements in future reporting periods and on foreseeable future transactions.

2.3 Financial assets and liabilities

Classification and measurement

The Bank classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

(a) Debt instruments

Debt instruments are those instruments that contain contractual obligations to pay the instrument holder certain cash flows, such as government and corporate bonds, loans and receivables.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model test:

Business model reflects the objective of the Bank holding different assets. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are held for trading purposes and are measured at FVTPL.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

2.3 Financial assets and liabilities *…continued*

Classification and measurement *…continued*

(a) Debt instruments *…continued*

Solely payments of principal and interest (SPPI) test:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Bank considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

- FVTPL: Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period.

(b) Equity instruments

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Bank subsequently measures all equity investments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.3 Financial assets and liabilities *...continued*

Credit risk measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve (12) months.

- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime basis.

- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt securities, the Bank examines the issuer’s capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experienced significant increase in credit risk since the origination of the assets. When no external credit rating is available, the Bank assigns internal credit rating based on internal risk criteria. The Bank also considers if there is any negative press or adverse market information that may indicate changes in credit risk.

For loans and advances to customers and other receivables, delinquency status is utilise d as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cash flow/liquidity problems;
- In short-term forbearance;
- Known adverse change in financial conditions; and
- Known adverse changes in business or economic conditions in which the borrower operates.

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a SICR if:

- An obligor’s external or internal credit rating is downgraded to below investment grade (BB+/Ba1, its internal equivalent or lower) compared to the rating at initial recognition;
- A below investment grade instrument is lowered by 2 or multiple notches; or
- Payment of principal and/or interest is more than 30 days past due.

If one or more of the above conditions are satisfied, the financial asset is transferred to stage 2 from stage 1. The assignment of a financial instrument to stage 3 will be based on the status of the obligor being in default. Assets in stage 2 or 3 will be transferred back to stage 1 or 2 once the criteria for significant increase in credit risk or impairment are no longer met.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

2.3 Financial assets and liabilities *…continued*

Credit risk measurement *…continued*

Significant increase in credit risk (SICR) …continued

The staging assessment requires the Bank to monitor credit risk through regular credit reviews or other monitoring at a counterparty level. All loans and investment securities held by the Bank are allocated to a credit quality rating or risk grade (internal or external) based on the most recent review, using forward-looking and other available information on an annual basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

Backstop

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

If an asset is in investment grade at reporting date, it will be in Stage 1 irrespective of its origination rating. With respect to loans and advances to customers, however, the Bank has not used the low credit risk exemption for any of those financial instruments in the year ended June 30, 2021 or June 30, 2020.

Default

For debt securities, default is defined as the failure to meet contractual payments of principal or interest. For loans and advances to customers and other receivables, the Bank defines default based on the following criteria:

Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Examples of these instances are:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent; and
- The borrower is in breach of financial covenants.

The criteria above are consistent with the definition of default used for internal credit risk management purposes.

Impairment measurement

The Bank assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.3 Financial assets and liabilities *...continued*

Impairment measurement *...continued*

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amount the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future periods and for each individual exposure or collective segment. These three components are multiplied together and discounted back to the reporting date using the effective interest rate. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Forward-looking information

When incorporating forward looking information, such as macroeconomic forecasts, into the determination of expected credit losses, the Bank considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilised include, but are not limited to, GDP growth and unemployment rate. These variables and their associated impact on the ECL varies by financial instrument.

In addition to the base economic scenario, the Bank also incorporates upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes of which each chosen scenario is representative.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.3 Financial assets and liabilities *...continued*

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the separate statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities include customers' deposits, due to other financial institutions, acceptances, guarantees and letters of credit and accumulated provisions, creditors and accruals.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate 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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

2.4 Employee benefits

(i) Gratuity

The Bank provides a gratuity to its employees after fifteen (15) years of employment. The amount of the gratuity payment to eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the separate statement of financial position.

(ii) Pension plan

The Bank operates a defined benefit plan. The administration of the plan is conducted by National Caribbean Insurance Company Limited, a subsidiary of the Bank. The plan is funded through payments to trustee-administered deposit funds determined by periodic actuarial calculations. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement based on factors such as age, years of service and final salary. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

The asset figure recognised in the separate statement of financial position in respect of net defined benefit assets is the fair value of the plan assets less the present value of the defined benefit obligation at the reporting period. The retirement benefit asset recognised in the separate statement of financial position represents the actuarial surplus in the defined benefit plan. Re-measurements comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the separate statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the Bank may transfer those amounts recognised in other comprehensive income within equity.

2.5 Property and equipment

Land and property held for rendering of services, or for administrative purposes, are stated in the separate statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity, usually every five years, such that the carrying amount does not differ materially from that which would be determined using fair values at the year end.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in income, in which case the increase is credited to income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to income to the extent that it exceeds the balance, if any, held in the fixed asset revaluation reserve relating to a previous revaluation of that asset.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.5 Property and equipment *...continued*

Depreciation on revalued buildings is charged to the separate statement of income. On the subsequent sale or retirement of a revalued property, any revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the fixed asset revaluation reserve to retained earnings except when an asset is derecognised.

Projects ongoing represents structures under construction and project development not yet completed and is stated at cost. This includes the costs of construction and other direct costs. Projects ongoing is not depreciated until such time that the relevant assets are ready for use.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the following bases:

Property:	25 – 45 years
Leasehold improvements:	25 years, or over the period of lease if less than 25 years
Equipment, furniture and fittings and motor vehicles:	3 – 10 years
Right-of-use assets:	3 – 10 years

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

All repairs and maintenance are charged to the separate statement of income during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in separate statement of income.

2.6 Intangible assets

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring into use the specific software. These costs are amortised on the basis of the expected useful life of such software which is three to five years.

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.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.6 Impairment of non-financial assets

Non-financial assets that are subject to depreciation and 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Investment in subsidiaries

The investment in subsidiaries is accounted for using the cost method and therefore the assets, liabilities and results of operations of the entities have not been reflected in these accounts. A subsidiary is an entity in which the Bank holds controlling interest (50% plus 1 share or more) of the voting shares of that entity. Income from subsidiaries' operations is recognised only to the extent of dividends received.

2.8 Guarantees and letters of credit

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.

2.10 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.11 Leased assets

For any new contracts entered into on or after July 1, 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the separate statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets, if any, using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The right-of-use assets and lease liabilities have been disclosed separately on the separate statement of financial position.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *…continued*

2.12 Interest income and expense recognition

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the separate statement of income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, estimates of cash flows that consider all contractual terms of the financial instrument are included (for example, repayment options), except 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 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.

2.13 Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business – are recognised on completion of the underlying transaction.

The Bank determines whether to recognise revenue based on a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

2.14 Dividend income

Dividends are recognised in the separate statement of income when the right to receive payment is established.

2.15 Operating expenses and fees expenses

Operating expenses and fees expenses are recognised in separate statement of income upon utilisation of the service or as incurred.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies *...continued*

2.16 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the separate statement of income within 'Other income'.

2.17 Equity, reserves and dividend payments

(i) Issued share capital and share premium

Share capital represents the proceeds of shares that have been issued. Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid by the Board of Directors and/or approved by the Bank's shareholders.

(iii) Other components of equity

Other components of equity include the following:

- *Statutory reserve* – reserve fund as per the regulatory requirement;
- *Property revaluation reserve* – represents gains and losses from the revaluation of land and property;
- *Fair value reserves – FVOCI* – represent unrealised gains and losses from changes in the fair value of the FVOCI securities; and
- *Other reserves* – comprises the defined benefit pension plan reserve, regulatory reserve for loan impairment, regulatory reserve for interest accrued on non-performing loans and general reserve.

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies*...continued*

2.18 Current and deferred income tax

Income tax payable on profits, based on applicable tax law is recognised as an expense in the period in which profits arise, except to the extent that it relates to items recognised directly in equity.

In such cases, the tax is recognised in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

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

The principal temporary differences arise from depreciation of property, plant and equipment, defined benefit assets, tax losses and revaluation of certain financial assets. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax.

A deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. This is assessed based on the Bank's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax assets and liabilities are offset only when the Bank has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax charge or credit in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

2.19 Events after the financial reporting date

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management

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 commercial banking 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 risks, to set appropriate levels 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 Credit Division and Comptroller Division under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Bank's operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate and credit risks. In addition, internal audit is responsible for the independent review of risk management and the control environment.

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

3.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Bank by failing to discharge their obligations. 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 such credit risks. Credit exposure arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio.

There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised and reported to the Board of Directors.

The Bank's exposure to credit risk is managed through regular analysis of the ability of its borrowers and potential borrowers to meet interest and capital repayment obligations. Credit risk is managed also in part by the taking of collateral and corporate and personal guarantees as securities on advances.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

(i) Loans and advances to customers

The prudential guidelines of the Bank's regulators are included in the daily credit operational management of the Bank. The operational measurements can be contrasted with impairment allowances required under IFRS 9, which are based on an expected credit loss model.

The Bank assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of borrowers. These rating tools are fashioned from the guidelines of the Bank regulators. Advances made by the Bank are segmented into five rating classes that reflect the range of default probabilities for each rating class. The rating tools are kept under review and upgraded as necessary.

Bank rating	Description of the classifications
1	Pass
2	Special mention
3	Substandard
4	Doubtful
5	Loss

(ii) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Bank's Treasury/Fund Managers 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 requirement at the same time.

3.1.1 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 and countries.

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

The exposure to any one borrower, including banks and other financial institutions, is further restricted by sub-limits covering on-statement of financial position and off-statement of financial position exposures. Actual exposures against limits are monitored. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.1 Risk limit control and mitigation policies *...continued*

Other specific controls and mitigation measures are outlined below.

(i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or 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.

Longer term finance and lending to corporate entities and individual credit facilities are generally secured. In addition, in order to minimise 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.

(ii) 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 and advances, guarantees or letters of credit. With respect to credit risk, 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 of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning

The loans and advances to customers are summarised as follows in the separate financial statements:

	Loans to customers $	Overdrafts $	Credit cards $	Total $
Credit grade:				
Performing	587,842,430	26,823,120	9,131,352	623,796,902
Underperforming	1,477,829	-	455,213	1,933,042
Non-performing	370,440,502	73,404,906	811,993	444,657,401
Gross carrying amount	959,760,761	100,228,026	10,398,558	1,070,387,345
Loss allowance	(54,304,331)	(23,895,923)	(1,654,312)	(79,854,566)
Carrying amount as at Mar 31, 2023	**905,456,430**	**76,332,103**	**8,744,246**	**990,532,779**
Credit grade:				
Performing	566,230,176	28,335,633	9,233,191	603,799,000
Underperforming	7,777,284	-	455,213	8,232,497
Non-performing	368,119,231	74,425,543	772,896	443,317,670
Gross carrying amount	942,126,691	102,761,176	10,461,300	1,055,349,167
Loss allowance	(54,304,331)	(23,895,923)	(1,654,312)	(79,854,566)
Carrying amount as at June 30, 2022	**887,822,360**	**78,865,253**	**8,806,988**	**975,494,601**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

The debt securities are summarised as follows in the separate financial statements:

	Deposits with other financial institutions (term deposits) $	Treasury bills $	Originated debts $	Financial asset $	Debt securities – FVOCI $	Other assets $	Acceptances, guarantees and letters of credit $	Total $
Credit grade:								
Investment grade	59,684,231	-	263,347,246	-	117,156,320	3,784,874	6,699,682	450,672,353
Non-investment grade	115,360,826	56,801,131	74,508,570	358,536,932	12,420,532	-	-	617,627,991
Default	-	-	-	-	-	1,111,449	-	1,111,449
Gross carrying amount	175,045,057	56,801,131	337,855,816	358,536,932	129,576,852	4,896,323	6,699,682	1,069,411,793
Loss allowance	(639,270)	(11,773)	(88,037)	(2,398,483)	-	(296,682)	-	(3,434,245)
Carrying amount as at Mar 31, 2023	**174,405,787**	**56,789,358**	**337,767,779**	**356,138,449**	**129,576,852**	**4,599,641**	**6,699,682**	**1,065,977,548**
Credit grade:								
Investment grade	44,871,790	-	80,720,540	-	43,365,115	3,548,182	6,541,015	179,046,642
Non-investment grade	236,112,193	55,111,552	73,578,827	363,192,696	2,007,406	-	-	730,002,674
Default	-	-	-	-	-	1,111,449	-	1,111,449
Gross carrying amount	280,983,983	55,111,552	154,299,367	363,192,696	45,372,521	4,659,631	6,541,015	910,160,765
Loss allowance	(639,270)	(11,773)	(88,037)	(2,398,483)	-	(296,682)	-	(3,434,245)
Carrying amount as at June 30, 2022	**280,344,713**	**55,099,779**	**154,211,330**	**360,794,213**	**45,372,521**	**4,362,949**	**6,541,015**	**906,726,520**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

Debt securities	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
	$	**$**	**$**	**$**
Credit grade:				
Investment grade	450,672,354	-	-	450,672,354
Non-investment grade	587,039,288	30,588,702	-	617,627,990
Default	-	-	1,111,449	1,111,449
Gross carrying amount	1,037,711,642	30,588,702	1,111,449	1,069,411,793
Loss allowance	(1,931,023)	(1,206,540)	(296,682)	(3,434,245)
Carrying amount as at Mar 31, 2023	**1,035,780,619**	**29,382,162**	**814,767**	**1,065,977,548**
Credit grade:				
Investment grade	179,046,642	-	-	179,046,642
Non-investment grade	699,413,972	30,588,702	-	730,002,674
Default	-	-	1,111,449	1,111,449
Gross carrying amount	878,460,614	30,588,702	1,111,449	910,160,765
Loss allowance	(1,931,023)	(1,206,540)	(296,682)	(3,434,245)
Carrying amount as at June 30, 2022	**876,529,591**	**29,382,162**	**814,767**	**906,726,520**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loans and advances to customers	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
	$	**$**	**$**	**$**
Credit grade:				
Performing	623,796,902	-	-	623,796,902
Under-performing	-	1,933,042	-	1,933,042
Non-performing	-	-	444,657,401	444,657,401
Gross carrying amount	623,796,902	1,933,042	444,657,401	1,070,387,345
Loss allowance	(6,765,083)	(1,201,620)	(71,887,863)	(79,854,566)
Carrying amount as at Mar 31, 2023	**617,031,819**	**731,422**	**372,769,538**	**990,532,779**
Credit grade:				
Performing	603,799,000	-	-	603,799,000
Under-performing	-	8,232,497	-	8,232,497
Non-performing	-	-	443,317,670	443,317,670
Gross carrying amount	603,799,000	8,232,497	443,317,670	1,055,349,167
Loss allowance	(6,765,083)	(1,201,620)	(71,887,863)	(79,854,566)
Carrying amount as at June 30, 2022	**597,033,917**	**7,030,877**	**371,429,807**	**975,494,601**

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and lifetime ECL;
- Impacts on the measurement of ECL due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Debt securities	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Purchased credit-impaired $**	**Total $**
Loss allowance as at July 1, 2022	869,709	2,230,812	296,682	–	3,487,203
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation					
Loss allowance as at Mar 31, 2023	**869,709**	**2,320,812**	**296,682**	**-**	**3,487,203**

Loss allowance as at July 1, 2021	934,294	2,686,941	5,157,662	-	8,778,897
Transfers:					
Transfer from Stage 2 to Stage 1	-	-	-	-	-
New financial assets originated or purchased	581,121	-	-	-	581,121
Financial assets fully derecognised during the year	(26,261)	-	(4,860,980)	-	(4,887,241)
Changes to inputs used in ECL calculation	(619,445)	(361,129)	-	-	(985,574)
Loss allowance as at June 30, 2022	**869,709**	**2,320,812**	**296,682**	**-**	**3,487,203**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

Loans and advances to customers	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Purchased credit-impaired $	Total $
Loss allowance as at July 1, 2022	6,765,083	1,201,620	71,887,863	–	79,854,566
Transfers:					
Transfer from stage 1 to stage 2	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Loss allowance as at Mar 31, 2023	**6,765,083**	**1,201,620**	**71,887,863**	**-**	**79,854,566**

Loss allowance as at July 1, 2021	4,626,831	876,475	66,112,458	–	71,615,764
Transfers:					
Transfer from stage 1 to stage 2					
Transfer from stage 1 to stage 3					
Transfer from stage 2 to stage 1					
Transfer from stage 2 to stage 3					
Transfer from stage 3 to stage 1					
Transfer from stage 3 to stage 2					
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the year	-	-	-	-	
Changes to inputs used in ECL calculation	2,138,252	325,148	5,775,405	-	8,238,802
Loss allowance as at June 30, 2022	6,765,083	1,201,620	71,887,863	-	79,854,566

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the year. The gross carrying amounts of investments below represent the Bank's maximum exposure to credit risk on these assets.

Debt securities	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Purchased credit-impaired $	Total $
Gross carrying amount as at July 1, 2022	878,460,614	30,588,702	1,111,449	–	910,160,765
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	444,286,640	-	-	-	444,286,640
Financial assets fully derecognised during the period	(288,381,923)	-	-	-	(288,381,923)
Changes in principal and interest	3,346,311	-	-	-	3,346,311
Gross carrying amount as at Mar 31, 2023	**1,037,711,642**	**30,588,702**	**1,111,449**	**-**	**1,069,411,793**

Gross carrying amount as at July 1, 2021	812,245,043	30,590,130	41,400,282	–	884,235,455
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	304,772,167	-	-	-	304,772,167
Financial assets fully derecognized during the year	(12,209,510)	-	(40,288,833)	-	(52,498,343)
Changes in principal and interest	(226,347,086)	(1,428)	-	-	(226,348,514)
Gross carrying amount as at June 30, 2022	**878,460,614**	**30,588,702**	**1,111,449**	**-**	**910,160,765**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values *...continued*

Loans and advances to customers	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Gross carrying amount as at July 1, 2022	603,799,000	8,232,497	443,317,670	–	1,055,349,167
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	5,222,531	(5,222,531)	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	56,887,717	-	-	-	56,887,717
Financial assets fully derecognised during the period	(17,015,726)	-	(726,284)	-	(17,742,010)
Changes in principal and interest	(25,096,620)	(1,076,924)	2,066,015	-	(24,107,529)
Gross carrying amount as at Mar 31, 2023	**1,037,711,642**	**1,933,042**	**444,657,401**	**-**	**1,070,387,345**

Gross carrying amount as at July 1, 2021	508,163,005	11,171,967	430,114,035		949,449,007
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the year	114,665,324	-	-	-	114,665,324
Changes in principal and interest	(19,029,329)	(2,939,470)	13,203,635	-	(8,765,164)
Gross carrying amount as at June 30, 2022	**603,799,000**	**8,232,497**	**443,317,670**	**-**	**1,055,349,167**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at June 30, 2021 are set out below.

		2021	2022
World GDP growth rate	Base	1.4%	5.8%
	Upside	2.6%	7.0%
	Downside	0.2%	4.6%
US GDP growth rate	Base	(0.8%)	4.0%
	Upside	0.8%	5.6%
	Downside	(2.4%)	2.4%
US inflation rate	Base	1.3%	1.7%
	Upside	2.2%	2.6%
	Downside	0.4%	0.8%
St. Kitts and Nevis GDP growth rate	Base	(16.1%)	
	Upside	0.0%	
	Downside	(16.1%)	
St. Lucia GDP growth rate	Base	(15.4%)	
	Upside	0.0%	
	Downside	(15.4%)	

The most significant period-end assumptions used for the ECL estimate as at June 30, 2022 are set out below.

		2022	2023
World GDP growth rate	Base	4.4%	3.6%
	Upside	6.2%	5.5%
	Downside	2.6%	1.7%
US GDP growth rate	Base	5.0%	3.0%
	Upside	6.9%	5.1%
	Downside	3.0%	0.9%
US inflation rate	Base		
	Upside		
	Downside		
St. Kitts and Nevis GDP growth rate	Base	6.9%	7.4%
	Upside	12.4%	12.1%
	Downside	1.4%	2.6%
St. Lucia GDP growth rate	Base	6.9%	7.9%
	Upside	12.4%	13.5%
	Downside	1.4%	2.2%

(expressed in Eastern Caribbean dollars)

Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Economic variable assumptions *...continued*

The scenario weightings assigned to each economic scenario were as follows:

	Base	Upside	Downside
June 30, 2022	80%	10%	10%
June 30, 2021	85%	5%	10%

Set out below are the changes to the ECL as at June 30, 2022 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stages 1 to 2 with respect to the credit risk:

	ECL impact of:		
Loss Given Default	Change in threshold	Increase in value	Decrease in value
Debt securities – amortised cost	+/- 5%	19,561	(19,561)
Debt securities – FVOCI	+/- 5%	20,835	(20,835)
	ECL impact of:		
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans	+/- 5%	792,042	(792,042)
Advances	+/- 5%	466,738	(466,738)

Purchased or originated credit-impaired (POCI) financial assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

Loans and advances to customers renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans at the reporting date stood at $nil (June 2022: $779,946).

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-statement of financial position and off-statement of financial position assets with credit risk exposure

The Bank operates only one business segment (commercial and retail banking) which is predominantly localised to St. Kitts and Nevis. Commercial banking activities, however, account for a significant portion of credit risk exposure.

The credit risk exposure is, therefore, spread geographically and over a diversity of personal and commercial customers.

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of Mar 31, 2023					
Cash and balances with Central Bank	35,878,399	-	-	-	35,878,399
Treasury bills	56,789,358	-	-	-	56,789,358
Deposits with other financial institutions	39,325,033	391,769,404	100,645,373	8,092,027	539,831,837
Financial asset	356,138,449	-	-	-	356,138,449
Loans and advances to customers	893,462,362	65,046,615	1,732,960	30,290,842	990,532,779
Originated debts	24,489,977	263,332,638	-	49,945,164	337,767,779
Debt investment securities	-	129,576,852	-	-	129,576,852
Acceptances, guarantees and letters of credit	6,699,682	-	-	-	6,699,682
Other assets	3,902,940	696,701	-	-	4,599,641
	1,416,686,200	**850,422,210**	**102,378,333**	**88,328,033**	**2,457,814,776**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-statement of financial position and off-statement of financial position assets with credit risk exposure *...continued*

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of June 30, 2022					
Cash and balances with Central Bank	30,652,880	-	-	-	30,652,880
Treasury bills	55,099,779	-	-	-	55,099,779
Deposits with other financial institutions	37,476,977	293,976,107	220,715,756	4,810,950	556,979,790
Financial asset	360,794,213	-	-	-	360,794,213
Loans and advances to customers	871,339,633	65,699,073	1,742,774	36,713,121	975,494,601
Originated debts	23,757,364	80,705,932	-	49,748,034	154,211,330
Debt investment securities	-	48,793,376	393,527	-	49,186,903
Acceptances, guarantees and letters of credit	6,541,015	-	-	-	6,541,015
Other assets	4,211,700	151,249	-	-	4,362,949
	1,389,873,561	**489,325,737**	**222,852,057**	**91,272,105**	**2,193,323,460**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.4 Concentration of risks of financial assets with credit exposure

The following tables break down the Bank main credit exposure at their carrying amounts, as categorised by industry sectors of our counterparties:

	Public sector	Construction	Tourism	Financial institutions	Individuals	Other industries	Total
	$	$	$	$	$	$	$
As of Mar 31, 2023							
Cash and balances with Central Bank	-	-	-	35,878,399	-	-	35,878,399
Treasury bills	56,789,358	-	-	-	-	-	56,789,358
Deposits with other financial institutions	30,307,287	-	-	509,524,550	-	-	539,831,837
Financial asset	356,138,449	-	-	-	-	-	356,138,449
Loans and advances to customers	253,807,268	109,252,816	204,440,556	45,998,828	268,764,921	108,268,390	990,532,779
Originated debts	74,435,141	-	-	263,332,638	-	-	337,767,779
Debt investment securities	47,087,296	436,077	273,622	24,076,203	-	57,703,654	129,576,852
Acceptances, guarantees and letters of credit	2,624,332	-	-	-	-	4,075,350	6,699,682
Other assets	16,844	-	-	1,910,571	1,115,942	1,556,284	4,599,641
	821,205,975	**109,688,893**	**204,714,178**	**880,721,189**	**269,880,863**	**171,603,678**	**2,457,814,776**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

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

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 2022							
Cash and balances with Central Bank	-	-	-	30,652,880	-	-	30,652,880
Treasury bills	55,099,779	-	-	-	-	-	55,099,779
Deposits with other financial institutions	30,397,664	-	-	526,582,126	-	-	556,979,790
Financial asset	360,794,213	-	-	-	-	-	360,794,213
Loans and advances to customers	257,499,911	105,643,825	196,768,644	53,375,659	256,285,145	105,921,417	975,494,601
Originated debts	73,772,405	-	-	80,438,925	-	-	154,211,330
Debt investment securities	4,891,159	483,219	-	23,772,699	-	20,039,826	49,186,903
Acceptances, guarantees and letters of credit	2,465,665	-	-	-	-	4,075,350	6,541,015
Other assets	335,829	-	-	1,708,601	777,272	1,541,247	4,362,949
	785,256,625	**106,127,044**	**196,768,644**	**716,530,890**	**257,062,417**	**131,577,840**	**2,193,323,460**

The Government of St. Kitts and Nevis accounts for $590,009,924 (June 2022: $595,291,553) or 24% (June 2022: 27%) of the total credit exposure, which represents a significant concentration of credit risk. The amounts due from the Government are included in the Public Sector category.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.2 Market risk

The Bank is exposed to market risk, 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 the market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank's exposures to market risks primarily arise from the interest rate management of the Bank retail and commercial banking assets and liabilities and equity risks arising from its available-for-sale investments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the Board of Directors. The Board of Directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

3.2.1 Price risk

The Bank is exposed to equities price risk because of investments held by the Bank and classified on the separate statement of financial position as FVTPL and FVOCI. To manage this price risk arising from investments in equity securities, the Bank diversifies its investment portfolio.

3.2.2 Foreign exchange risk

The Bank is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total which are monitored daily. The Bank's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The Bank uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC$).

The following table summarises the Bank's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk

As at Mar 31, 2023	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Assets								
Cash and balances with Central Bank	232,646,095	7,859,451	52,484	60,318	54,569	8,965	-	240,681,882
Treasury bills	56,789,358	-	-	-	-	-	-	56,789,358
Deposits with other financial institutions	43,118,038	486,978,103	1,345,444	2,100,879	2,857,480	3,395,384	36,509	539,831,837
Financial asset	356,138,449	-	-	-	-	-	-	356,138,449
Loans and advances to customers	591,592,794	398,939,985	-	-	-	-	-	990,532,779
Originated debts	34,521,485	303,246,294	-	-	-	-	-	337,767,779
Investment securities FVOCI	9,116,311	136,232,252	-	-	-	-	-	119,181,123
Investment securities FVTPL	862,500	1,015,769,399	-	-	-	-	-	1,016,631,899
Acceptances, guarantees and letters of credit	6,699,682	-	-	-	-	-	-	6,699,682
Other assets	3,599,170	1,000,471	-	-	-	-	-	4,599,641
Total financial assets	**1,335,083,882**	**2,350,025,955**	**1,397,928**	**2,161,197**	**2,912,049**	**3,404,349**	**36,509**	**3,695,021,869**
Liabilities								
Customers' deposits	2,812,591,880	541,100,025	148,277	380,295	164,554	-	-	3,354,385,031
Borrowings	-	-	-	-	-	-	-	-
Lease Liabilities	715,672	-	-	-	-	-	-	715,672
Acceptances, guarantees and letters of credit	6,699,682	-	-	-	-	-	-	6,699,682
Accumulated provisions, creditors and accruals	21,573,353	2,982,815	43,172	523,333	87,384	217,305	2,225	25,429,587
Total financial liabilities	**2,841,580,587**	**544,082,840**	**191,449**	**903,628**	**251,938**	**217,305**	**2,225**	**3,387,229,972**
Net on-separate statement of financial position	**(1,506,496,705)**	**1,805,943,115**	**1,206,479**	**1,257,569**	**2,660,111**	**3,187,044**	**34,284**	**307,791,898**
Credit commitments	**31,215,085**	**25,092,210**						**56,307,295**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk *...continued*

As at June 30, 2022	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Assets								
Cash and balances with Central Bank	213,861,215	5,095,720	16,058	8,550	23,593	7,729	-	219,012,865
Treasury bills	55,099,779	-	-	-	-	-	-	55,099,779
Deposits with other financial institutions	40,740,824	510,540,503	1,212,713	2,514,912	1,356,842	592,536	21,460	556,979,790
Financial asset	360,794,213	-	-	-	-	-	-	360,794,213
Loans and advances to customers	577,092,218	398,402,383	-	-	-	-	-	975,494,601
Originated debts	34,011,037	120,200,293	-	-	-	-	-	154,211,330
Investment securities FVOCI	9,116,311	50,706,301	-	-	-	-	-	59,822,612
Investment securities FVTPL	862,500	1,085,270,193	-	-	-	-	-	1,086,132,693
Acceptances, guarantees and letters of credit	6,541,015	-	-	-	-	-	-	6,541,015
Other assets	3,983,489	379,460	-	-	-	-	-	4,362,949
Total financial assets	**1,302,102,601**	**2,170,594,853**	**1,228,771**	**2,523,462**	**1,380,435**	**600,265**	**21,460**	**3,478,451,847**
Liabilities								
Customers' deposits	2,567,085,678	499,619,072	141,955	24,417	243,778	-	-	3,067,114,900
Borrowings	-	21,163,983	-	-	-	-	-	21,163,983
Lease Liabilities	633,146	-	-	-	-	-	-	633,146
Acceptances, guarantees and letters of credit	6,541,015	-	-	-	-	-	-	6,541,015
Accumulated provisions, creditors and accruals	19,359,755	69,493,645	43,172	511,697	66,589	204,054	2,225	89,681,137
Total financial liabilities	**2,593,619,594**	**590,276,700**	**185,127**	**536,114**	**310,367**	**204,054**	**2,225**	**3,185,134,181**
Net on-separate statement of financial position	**(1,291,516,993)**	**1,580,318,153**	**1,043,644**	**1,987,348**	**1,070,068**	**396,211**	**19,235**	**293,317,666**
Credit commitments	**33,440,357**	**34,759,704**						**68,200,061**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*...continued*

3.2 Market risk *...continued*

3.2.3 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 losses in the event that unexpected movements arise. The Board of Directors limits the level of mismatch of interest rates repricing that may be undertaken.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.2 Market risk *…continued*

3.2.3 Interest rate risk *…continued*

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

As at Mar 31, 2023	**Up to 1 month $**	**1 to 3 months $**	**3 to 12 months $**	**1 to 5 years $**	**Over 5 years $**	**Non-interest bearing $**	**Total $**
Assets							
Cash and balances with Central Bank	-	-	-	-	-	240,681,882	240,682,882
Treasury bills	-	-	54,805,667	-	-	1,983,691	56,789,358
Deposits with other financial institutions	111,430,318	72,619,148	40,283,524	46,070,103	-	269,428,743	539,831,836
Financial asset	-	-	-	351,457,713	-	4,680,737	356,138,450
Loans and advances to customers	355,202,014	372,739	5,981,492	65,410,637	563,338,664	227,233	990,532,779
Originated debts	66,737,111	26,421,918	141,232,611	75,764,286	24,489,977	3,121,876	337,767,779
Investment securities – FVOCI	10,381,260	-	1,381,742	69,875,976	42,163,402	22,408,683	146,211,063
Investment securities – FVTPL	-	-	-	2,559,362	-	1,013,210,037	1,015,769,399
Acceptances, guarantees and letters of credit	-	-	-	-	-	6,699,682	6,699,682
Other assets	665,373	-	-	-	-	3,934,268	4,599,641
Total financial assets	**544,416,076**	**99,413,805**	**243,685,036**	**611,138,077**	**629,992,043**	**1,566,376,832**	**3,695,021,869**
Liabilities							
Customers' deposits	1,248,980,372	201,585,450	719,832,661	-	-	1,183,986,548	3,354,385,031
Other Borrowings	-	-	-	-	-	-	-
Lease Liabilities	48,474	69,046	288,409	272,191	37,552	-	715,672
Acceptances, guarantees and letters of credit	-	-	-	-	-	6,699,682	6,699,682
Accumulated provisions, creditors and accruals	1,173	-	-	-	-	25,428,414	25,429,587
Total financial liabilities	**1,249,030,019**	**201,654,496**	**720,121,070**	**272,191**	**37,552**	**1,216,116,644**	**3,387,229,972**
Total interest repricing gap	**(704,613,943)**	**(102,240,691)**	**(476,436,034)**	**610,865,886**	**629,954,491**	**350,262,188**	**307,791,897**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

As at June 30, 2022	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances with Central Bank	-	-	-	-	-	219,012,865	219,012,865
Treasury bills	-	-	54,817,440	-	-	294,112	55,099,779
Deposits with other financial institutions	97,001,036	40,497,191	175,486,836	44,871,790	-	199,122,937	556,979,790
Financial asset	-	-	-	351,457,713	-	9,336,500	360,794,213
Loans and advances to customers	357,387,759	411,394	2,549,160	63,152,759	551,757,983	235,546	975,494,601
Originated debts	-	38,859,891	39,950,341	50,716,989	59,968,214	958,515	154,211,330
Investment securities – FVOCI	921	-	220,120	29,153,681	13,917,908	16,529,982	59,822,612
Investment securities – FVTPL	-	-	1,792,837	2,021,545	-	1,082,318,311	1,086,132,693
Acceptances, guarantees and letters of credit	-	-	-	-	-	6,541,015	6,541,015
Other assets	567,095	-	-	-	-	3,795,854	4,362,949
Total financial assets	**454,956,811**	**79,768,476**	**274,816,734**	**541,374,477**	**589,401,485**	**1,538,145,637**	**3,478,463,620**
Liabilities							
Customers' deposits	1,019,236,020	213,730,271	921,850,939	–	–	912,297,670	3,067,114,900
Borrowings	-	–	–	21,163,983	–	–	21,163,983
Lease Liabilities	48,474	69,046	288,409	189,665	37,552	–	633,146
Acceptances, guarantees and letters of credit	–	–	–	–	–	6,541,015	6,541,015
Accumulated provisions, creditors and accruals	2,531	–	–	–	–	91,768,311	91,770,842
Total financial liabilities	**1,019,287,025**	**213,799,317**	**922,139,348**	**21,353,648**	**37,552**	**1,010,606,996**	**3,187,223,886**
Total interest repricing gap	**(564,330,214)**	**(134,030,841)**	**(647,322,614)**	**520,020,829**	**589,363,933**	**527,538,641**	**291,239,734**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.3 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 fulfil commitments to lend. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters.

3.3.1 Liquidity risk management

The Bank's liquidity is managed and monitored by the Finance Division with guidance, where necessary, from the Board of Directors. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. This includes:

- Daily monitoring of the Bank's liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers;

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, industry and term;

- Daily monitoring of the separate statement of financial position liquidity ratios against internal and regulatory requirements;

- Managing the concentration and profile of debt maturities; and

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, providers, products and terms. The Bank holds a diversified portfolio of cash loans and investment securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk include the following:

- Cash and balances with Central bank;
- Deposits with other financial institutions;
- Loans and advances to customers;
- Treasury bills; and
- FVOCI debt and equity investment securities.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.3.3 Cash flows

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

As at Mar 31, 2023	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Liabilities						
Customers' deposits, including interest until maturity	2,423,881,235	206,527,328	743,669,416	-	-	3,374,077,979
Borrowings	-	-	-	-	-	-
Lease Liabilities	48,474	69,046	288,409	272,191	37,552	715,672
Acceptances, guarantees and letters of credit	-	-	-	-	6,699,682	6,699,682
Accumulated provisions, creditors and accruals	13,032,618	12,396,969	-	-	-	25,429,587
Total financial liabilities	**2,436,962,327**	**218,993,343**	**743,957,825**	**272,191**	**6,737,234**	**3,406,922,920**
Assets held to manage liquidity risk	**2,084,773,607**	**101,299,013**	**269,224,890**	**609,732,317**	**629,992,042**	**3,695,021,869**
Net liquidity gap	**(352,188,720)**	**(117,694,330)**	**(474,732,935)**	**609,460,126**	**623,254,808**	**288,098,949**
As at June 30, 2022						
Liabilities						
Customers' deposits, including interest until maturity	1,918,791,957	218,259,034	954,797,495	-	-	3,091,848,486
Borrowings	21,163,983	-	-	-	-	21,163,983
Lease Liabilities	49,932	71,704	296,299	200,823	38,640	657,398
Acceptances, guarantees and letters of credit	-	-	-	-	6,541,015	6,541,015
Accumulated provisions, creditors and accruals	78,471,615	13,299,227	-	-	-	91,770,842
Total financial liabilities	**2,018,477,487**	**231,629,965**	**955,093,794**	**200,823**	**6,579,655**	**3,211,981,724**
Assets held to manage liquidity risk	**1,966,872,834**	**91,228,522**	**290,788,030**	**576,277,380**	**589,527,701**	**3,514,694,467**
Net liquidity gap	**(51,604,653)**	**(140,401,443)**	**(664,305,764)**	**576,076,557**	**582,948,046**	**302,712,743**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.3.4 Off- balance sheet items

Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (note 28), are summarised in the table below:

As of Mar 31, 2023	**Up to 1 year $**	**1 to 3 years $**	**Over 3 years $**	**Total $**
Loan commitments	10,019,056	468,744	30,647,182	41,134,982
Credit card commitments	15,172,313	-	-	15,172,313
	25,191,369	**468,744**	**30,647,182**	**56,307,295**
As of June 30, 2022				
Loan commitments	8,824,087	87,578	45,286,778	54,198,443
Credit card commitments	14,001,618	-	-	14,001,618
	22,825,705	**87,578**	**45,286,778**	**68,200,061**

3.4 Fair values of financial assets and liabilities

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

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short-term nature. The fair values of off-statement of financial position commitments are also assumed to approximate the amount disclosed in note 28. Fair values of financial assets and financial liabilities are also determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

(i) Treasury bills

Treasury bills are assumed to approximate their carrying value due to their short-term nature.

(ii) Deposits with other financial institutions

Deposits with other financial institutions include cash on operating accounts and interest and non-interest-bearing fixed deposits both with original maturity periods under 90 days. These deposits are estimated to approximate their carrying values due to their short-term nature.

(iii) Loans and advances to customers and originated debts

The estimated fair values of loans and advances represent the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine initial loans values are taken as fair value and where observed values are different adjustments are made.

(iv) Originated debt

Originated debt securities include only interest-bearing financial assets.

(v) Customers' deposits

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 and at rates which reflect market conditions, are assumed to have fair values which approximate carrying values.

(vi) Due to financial institutions

The estimated fair value of 'due to financial institutions' is the amount payable on demand which is the amount recorded.

(vii) Other borrowed funds

Other borrowed funds are short-term in nature therefore fair value in this category is estimated to approximate carrying value.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

	Carrying value		Fair value	
	Mar 2023	**June 2022**	**Mar 2023**	**June 2022**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with Central Bank	**240,681,882**	219,012,865	**240,681,882**	219,012,865
Treasury bills	**56,789,358**	55,099,779	**56,789,358**	55,099,779
Deposits with other financial institutions	**539,831,837**	556,979,790	**539,831,837**	556,979,790
Financial asset	**356,138,449**	360,794,213	**356,138,449**	360,794,213
Loans and advances to customers	**990,532,779**	975,494,601	**990,532,779**	925,889,446
Originated debts	**337,767,779**	154,211,330	**337,767,779**	154,211,330
Acceptances, guarantees and letters of credit	**6,699,682**	6,541,015	**6,699,682**	6,541,015
Other assets	**4,599,641**	4,362,949	**4,599,641**	4,362,949
	2,533,041,407	2,332,496,542	**2,533,041,407**	2,282,891,387
Financial liabilities				
Customers' deposits	**3,354,385,031**	3,067,114,900	**3,354,385,031**	3,067,114,900
Due to other financial Inst	**-**	-	**-**	-
Borrowings	**-**	21,163,983	**-**	21,163,983
Lease Liabilities	**715,672**	633,146	**715,672**	633,146
Acceptances, guarantees and letters of credit	**6,699,682**	6,541,015	**6,699,682**	6,541,015
Accumulated provisions, creditors and accruals	**25,429,587**	91,770,842	**25,429,587**	91,770,842
	3,387,229,972	3,187,223,886	**3,387,229,972**	3,187,223,886

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.4.1 Fair value measurements recognised in the separate statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair values measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FVTPL and FVOCI investment securities

	Level 1 $	Level 2 $	Level 3 $	Total $
As at Mar 31, 2023				
Debt securities	125,314,941	-	4,261,911	129,576,852
Equities	980,557,277	912,369	50,933,964	1,032,403,610
	1,105,872,218	**912,369**	**55,195,875**	**1,161,980,462**
As at June 30, 2022				
Debt securities	43,690,736	-	5,496,167	49,186,903
Equities	1,035,662,817	16,770,804	44,334,781	1,096,768,402
	1,079,353,553	**16,770,804**	**49,830,948**	**1,145,955,305**

3.5 Fair value measurement of non-financial assets

The following table shows the level within the hierarchy of non-financial assets measured at fair value:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at Dec 31, 2022				
Land and property	**-**	**25,823,089**	**-**	**25,823,089**
As at June 30, 2022				
Land and property	–	25,823,089	–	25,823,089

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.5 Fair value measurement of non-financial assets *...continued*

The fair value of the Bank's land and buildings is estimated based on appraisals performed by an independent property valuer. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors. The appraisal was carried out primarily using a market based approach that reflects the selling prices for similar properties and incorporates adjustments for factors specific to the properties in question, including square footage, location and current condition/use.

3.6 Capital management

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

- To comply with the capital requirement set by the Eastern Caribbean Central Bank (the "Central Bank" or "ECCB");
- 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 stipulated capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $20,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

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

- Tier 1 Capital: share capital, retained earnings and reserves created by appropriation of retained earnings; and
- Tier 2 Capital: qualifying subordinated loan capital, collective impairment allowance and unrealised gains arising on the fair valuation of security instruments held as FVOCI (2018: available-for-sale).

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

The table on the following page summarises the composition of regulatory capital and the ratios of the Bank for the two-year presentation. During those two years, the Bank complied with all of the externally imposed capital requirements.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.6 Capital management *…continued*

	Mar 2023 $	June 2022 $
Tier 1 capital		
Share capital	**141,750,000**	141,750,000
Share premium	**3,877,424**	3,877,424
Issued bonus shares from capitalisation of unrealised assets	**(4,500,000)**	(4,500,000)
Reserves	**404,783,433**	402,828,126
Add/(deduct) fair value reserves – FVOCI	**5,747,806**	7,703,113
Less Revaluation reserve – land and property	**(21,296,160)**	(21,296,160)
Retained earnings	**(168,581,145)**	(168,581,145)
Total qualifying Tier 1 capital	**361,781,358**	361,781,358

	Mar 2023 $	June 2022 $
Tier 2 capital		
Fair value reserve – FVOCI investment securities	**(5,747,806)**	(7,703,113)
Revaluation reserve – land and property	**21,296,160**	21,296,160
Issued bonus shares from capitalisation of unrealised assets	**4,500,000**	4,500,000
Accumulated Profit	**24,445,495**	-
Total qualifying Tier 2 capital	**44,493,849**	18,093,047
Brokerage Licence	**(1,000,000)**	-
Investment in subsidiaries	**(24,246,462)**	(24,246,462)
Total regulatory capital	**381,028,745**	355,627,943
Risk-weighted assets:		
On-separate statement of financial position	**1,904,755,551**	1,980,867,229
Off-separate statement of financial position	**54,533,638**	58,227,558
Total risk-weighted assets	**1,959,289,189**	2,039,094,787
Tier 1 capital ratio	**18%**	17%
Basel ratio	**19%**	18%

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

The Bank's separate financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the separate financial statements. Estimates and judgments 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.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below:

i) Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Bank's financial assets at FVOCI and FVTPL and the amounts of fair value changes recognised on those assets are disclosed in Note 10.

ii) Evaluation of business model applied in managing financial instruments

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under IFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment and trading strategies.

iii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model

In determining the classification of financial assets under IFRS 9, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria. In cases where the relationship between the passage of time

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

iii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model …continued

interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, IFRS 9 emphasises that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortised cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

iv) 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 earlier detailed, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out before in note 3.1.2 "Impairment and provisioning".

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

(v) Pension benefits

The present value of the defined benefit pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Bank 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 Bank considers the interest rates of high-quality corporate bonds 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 obligation. Additional information is disclosed in note 31.

(vi) Recognition of deferred tax assets

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

The extent to which deferred tax assets and tax credits can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The estimated deferred tax asset and tax credit may vary from the actual amounts recovered in the future.

5 Cash and balances with Central Bank

	Mar 2023 $	**June 2022** $
Cash on hand	**23,634,719**	18,601,935
Balances with Central Bank other than mandatory deposits	**35,878,399**	30,652,880
Included in cash and cash equivalents (note 30)	**59,513,118**	49,254,815
Mandatory deposits with Central Bank	**181,168,764**	169,758,050
	240,681,882	219,012,865

The Bank is required to maintain an Automated Clearing Housing (ACH) collateral amount with the Central Bank. This amount can be in the form of cash and/or ECCU member government securities issued on the Regional Government Securities Market. The Bank's collateral amount held with the Central Bank at March 31, 2023 amounted to $13,565,840 (June 2022: $11,528,205).

Commercial banks are also required under Section 57 of the Banking Act, 2015 to maintain a reserve deposit with the Central Bank equivalent to 6 percent of their total customer deposits. This reserve deposit is not available to finance the Bank's day-to-day operations.

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank *...continued*

Cash and balances with Central Bank which include mandatory and ACH collateral deposits are not interest bearing.

6 Treasury bills

	Mar 2023 $	June 2022 $
Treasury bills	**54,817,440**	54,817,440
Interest receivable	**1,983,691**	294,112
	56,801,131	55,111,552
Less: provision for expected losses	**(11,773)**	(11,773)
	56,789,358	55,099,779

Treasury bills are held with Eastern Caribbean Governments with maturities of one year. Interest on treasury bills is accrued at 4.0% per annum (2019: 4.0%).

The movement in the treasury bills during the year is as follows:

	Mar 2023 $	June 2022 $
Balance at beginning of year	**55,099,779**	55,072,234
Additions	**-**	54,817,440
Disposals (sales/redemptions)	**-**	(54,817,440)
Impairment (charge)/recovery during the period	**-**	27,545
Movement of interest receivable	**1,689,579**	-
Balance at end of year	**56,789,358**	55,099,779

The movement in the provision for expected credit losses is as follows:

	Mar 2023 $	June 2022 $
Movement in provision for expected credit losses		
Opening provision for expected credit losses	**11,773**	39,318
Expected credit losses (recoveries), net	**-**	(27,545)
Ending provision for expected credit losses	**11,773**	11,773

(expressed in Eastern Caribbean dollars)

7 Deposits with other financial institutions

	Mar 2023 $	June 2022 $
Operating cash balances	**361,622,436**	268,146,870
Interest bearing term deposits	**94,699,247**	202,843,365
Items in the course of collection	**3,804,614**	8,488,207
Included in cash and cash equivalents (note 30)	**460,126,297**	479,478,442
Interest bearing term deposits	**32,363,941**	32,329,006
Restricted term deposits	**46,070,104**	44,871,790
	538,560,342	556,679,238
Interest receivable	**1,910,765**	939,822
Total deposits with other financial institutions, gross	**540,471,107**	557,619,060
Less: provision for expected credit losses	**(639,270)**	(639,270)
	539,831,837	556,979,790
Current	**493,761,734**	512,108,000
Non-current	**46,070,103**	44,871,790
	539,831,837	556,979,790

The operating cash balances earn interest at rates of 0% to 4.55% (June 2022: 0.00% to 4%). The amounts held in these accounts are to facilitate the short-term commitments and day-to-day operations of the Bank.

Restricted term deposits are interest bearing fixed deposits collateral used in the Bank's international business operations. These deposits are not available for use in the day-to-day operations of the Bank.

Interest earned on 'Restricted term deposits' is credited to the separate statement of income. The effective interest rate on 'Deposits with other financial institutions' at March 31, 2023 is 3.47% (June 2022: 2.45%).

The movement in the provision for expected credit losses is as follows:

	Mar 2023 $	June 2022 $
Opening provision for expected credit losses	**639,270**	139,886
Recovery/charge of Expected credit losses	**-**	499,384
Ending provision for expected credit losses	**639,270**	639,270

(expressed in Eastern Caribbean dollars)

8 Loans and advances to customers

	Mar 2023 $	June 2022 $
Performing		
Demand	**421,348,466**	401,040,798
Mortgages	**135,211,904**	134,186,775
Other secured	**23,857,236**	23,743,476
Overdrafts	**26,823,120**	28,335,633
Credit cards	**9,131,352**	9,233,191
Consumer	**5,725,805**	5,743,983
Under-performing		
Demand	**776,468**	5,257,242
Mortgages	**645,818**	2,350,809
Other secured	**-**	11,668
Overdrafts	**-**	-
Credit cards	**455,213**	455,213
Consumer	**55,542**	157,565
Non-performing	**444,657,402**	443,317,670
Interest receivable	**1,699,019**	1,515,144
Total loans and advances to customers, gross	**1,070,387,345**	1,055,349,167
Less: Provision for expected credit losses	**(79,854,566)**	(79,854,566)
Total loans and advances to customers, net	**990,532,779**	975,494,601
Current	**361,783,478**	360,416,964
Non-current	**628,749,301**	615,077,637
	990,532,779	975,494,601

The weighted average effective interest rate on performing loans and advances excluding overdrafts at March 31, 2023 was 6.25% (June 2022: 6.19%) and overdrafts were 6.50% (June 2022: 6.52%).

The movement in the provision for expected credit losses is as follows:

	Mar 2023 $	June 2022 $
Movement in provision for expected credit losses		
Opening provision for expected credit losses	**79,854,566**	71,615,764
Write offs during the year	**-**	-
Impairment charge – net (note 23)	**-**	8,238,802
Ending provision for expected credit losses	**79,854,566**	79,854,566

(expressed in Eastern Caribbean dollars)

9 Originated debts

	Mar 2023 $	June 2022 $
Local sovereign bonds	**24,495,476**	23,731,094
Regional sovereign bonds	**48,799,082**	49,156,225
Certificates of participation	**-**	-
International sovereign bonds	**234,413,382**	-
International corporate bonds	**27,026,000**	80,453,533
	334,733,940	153,340,852
International commercial paper (included in cash equivalents)	**-**	-
	334,733,940	153,340,852
Interest receivable	**3,121,876**	958,515
Less: Provision for expected credit losses	**(88,037)**	(88,037)
	337,767,779	154,211,330
Current	**237,513,517**	79,743,381
Non-current	**100,254,262**	74,467,949
	337,767,779	154,211,330

Originated debts are bonds held with sovereigns in the Eastern Caribbean Currency Union (ECCU), certificates of participation in the Government of Antigua and Barbuda, bonds in a regional financial institution and international financial institutions as well as short term commercial paper in an international financial institution.

a) Local and regional sovereign bonds

The Bank has certain investment securities which comprise of sovereign fixed rate held with sovereigns in the ECCU. Bonds yield interest at rates of 1.5% - 6.75% (June 2022: 1.5% - 6.75%). Bonds have terms ranging from 2 – 45 years (June 2022: 2 – 45 years) and will mature between July 18, 2023 and April 18, 2057 (June 2022: September 10, 2022 and April 18, 2057) and pay semi-annual coupon interest payments until maturity.

b) International sovereign securities

The Bank purchased US Government Treasury bills during the quarter through Wells Fargo which are denominated in United States Dollars. These Treasury bills have an average discount rate of 4.29% with maturity dates ranging from April 4, 2023 to February 15, 2024.

c) International corporate bonds

The Bank holds various bonds with Wells Fargo which are denominated in United States Dollars, and which yield an average interest rate of 3.05% The Bonds have maturity dates ranging from December 23, 2024 to June 9, 2025.

(expressed in Eastern Caribbean dollars)

9 Originated debts*...continued*

The movement in the originated debts during the year is as follows:

	Mar 2023 $	June 2022 $
Balance at beginning of year	**154,211,330**	110,311,503
Additions	**300,800,541**	121,902,232
Disposals (sales/redemptions)	**(119,407,453)**	(42,214,436)
Direct write off during the year	**-**	(36,242,620)
Impairment recovery/(charge) during the period	**-**	194,194
Movement in interest receivable	**2,163,361**	260,457
Balance at end of year	**337,767,779**	154,211,330

The movement in the provision for expected credit losses is as follows:

	Mar 2023 $	June 2022 $
Movement in the provision for expected credit losses		
Opening provision for expected credit losses	**88,037**	282,231
Recovery/Charge of expected credit losses	**-**	(194,194)
Ending provision for expected credit losses	**88,037**	88,037

(expressed in Eastern Caribbean dollars)

10 Investment securities

FVTPL

	Mar 2023 $	June 2022 $
Equity investments	**1,014,072,537**	1,082,318,311
Debt investments	**2,559,362**	3,814,382
	1,016,631,899	1,086,132,693

FVOCI – equity securities

Quoted equity investments	**9,209,614**	5,328,632
Unquoted equity investments	**9,121,459**	9,121,459
	18,331,073	14,450,091

FVOCI – debt securities

Quoted corporate bonds	**77,266,755**	40,084,297
Quoted sovereign bonds	**33,320,118**	4,871,126
Gov't sponsored enterprise debentures	**13,292,691**	-
Certificate of Deposits	**1,625,365**	-
Interest receivable	**1,512,561**	417,098
Total debt securities – FVOCI (gross)	**127,017,490**	45,372,521
Less provision for expected credit losses	**-**	-
Total debt securities – FVOCI (net)	**127,017,490**	45,372,521
Total investment securities	**1,161,980,462**	1,145,955,305
Current	**1,047,381,722**	1,100,862,171
Non-current	**114,598,740**	45,093,134
Total investment securities	**1,161,980,462**	1,145,955,305

(expressed in Eastern Caribbean dollars)

10 Investment securities *…continued*

The movement in investment securities during the quarter is as follows:

			Mar 2023	
	FVTPL $	**Equity securities – FVOCI $**	**Debt securities – FVOCI $**	**Total $**
Balance as at July 1, 2022	1,086,132,693	14,450,091	45,372,521	1,145,955,305
Additions	210,154,001	3,869,090	128,047,019	342,070,110
Disposals (sales/redemptions)	(353,128,368)	(3,869,317)	(46,534,779)	(403,532,464)
Fair value gains on disposal of investment securities	42,423,225	106	481,845	42,905,176
Fair value gains/(losses) on exiting securities	31,050,348	3,881,103	(1,444,579)	33,486,872
Movement of interest receivable	-	-	1,095,463	1,095,463
Balance as at Mar 31, 2023	**1,016,631,899**	**18,331,073**	**127,017,490**	**1,161,980,462**

			June 2022	
	FVTPL $	**Equity securities – FVOCI $**	**Debt securities – FVOCI $**	**Total $**
Balance as at June 30, 2021	1,249,045,144	36,436,745	41,112,049	1,326,593,938
Additions	714,866,602	-	21,309,483	736,176,085
Disposals (sales/redemptions)	(562,307,719)	(29,840,370)	(12,209,510)	(604,357,599)
Fair value gains/(losses) on disposal of investment securities	51,407,973	(9,122,839)	686,516	42,971,650
Fair value (losses) on existing securities	(366,879,307)	16,976,555	(5,312,032)	(355,215,784)
Movement of interest receivable	-	-	(212,985)	(212,985)
Balance at June 30, 2022	**1,086,132,693**	**14,450,091**	**45,372,521**	**1,145,955,305**

a) FVTPL – quoted debt and equity instruments

The Bank maintains certain debt and equity instruments trading in regional and international markets denominated in USD and XCD currency.

(expressed in Eastern Caribbean dollars)

10 Investment securities *...continued*

b) FVOCI – equity instruments

The Bank maintains certain equity instruments which are quoted and unquoted. The instruments are denominated in USD and XCD currency. The Bank has made the irrevocable election to classify these securities as FVOCI – equity instruments as management has not obtained these instruments for the purposes of speculation or active trading.

For unquoted securities, the Bank undertakes a fair value assessment at each reporting date to assess the gains or losses attributable to such assets. During the quarter ended December 2022, net fair value losses related to financial assets in equity securities which are not trading in an active market amounted to nil.

c) FVOCI – debt securities – Quoted corporate and sovereign bonds

The Bank has certain investment securities which comprise of quoted corporate and sovereign fixed rate bonds trading. Bonds have coupon rates of 0.88% to 9.00%; whilst, the effective interest rate for these bonds ranges from 0.95% to 7.50%. Bonds have an average term of ten (10) years and will mature between January 2023 and March 2032 and pay semi-annual coupon interest payments until maturity. As at March 31, 2023, the fair values of these amounted to $127,017,490 (June 2022: $45,372,521).

The movement in provision for expected credit losses as follows:

	Mar 2023 $	June 2022 $
Movement in provision for expected credit losses		
Opening provision for expected credit losses	-	-
Expected credit losses, net	-	-
Ending expected credit losses	**-**	**-**

(expressed in Eastern Caribbean dollars)

11 Investment in subsidiaries

	Mar 2023 $	June 2022 $
St. Kitts and Nevis Mortgage and Investment Company Limited	**12,000,000**	12,000,000
National Caribbean Insurance Company Limited	**9,000,000**	9,000,000
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited	**5,750,000**	5,750,000
	26,750,000	26,750,000
Less: Provision for expected credit losses	**(2,503,538)**	(2,503,538)
	24,246,462	24,246,462

All subsidiaries are wholly owned by the Bank. National Caribbean Insurance Company Limited (NCIC) is 90 percent owned directly by the Bank and National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited, which is a wholly owned subsidiary of the Bank, owns the remaining 10 percent.

(expressed in Eastern Caribbean dollars)

12 Property and equipment

	Land and property $	Equipment $	Furniture & fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Year ended June 30, 2022							
Opening net book value	25,521,977	2,034,169	431,189	602,770	85	1,377,645	29,967,835
Additions	864,832	592,231	50,772	127,000	-	31,552	1,666,387
Disposals	-	(995,594)	(170,021)	(112,000)	-	-	(1,277,615)
Depreciation charge	(563,749)	(658,277)	(124,605)	(182,915)	-	-	(1,529,546)
Write-back on disposals	-	995,384	169,840	111,999	-	-	1,277,223
Revaluation loss	-	-	-	-	-	-	-
Closing net book value	**25,823,060**	**1,967,913**	**357,175**	**546,854**	**85**	**1,409,197**	**30,104,284**
At June 30, 2022							
Cost or valuation	28,142,057	15,407,957	3,411,160	1,070,460	140,368	1,409,197	49,581,199
Accumulated depreciation	(2,318,997)	(13,440,044)	(3,053,985)	(523,606)	(140,283)	-	(19,476,915)
Net book value	**25,823,060**	**1,967,913**	**357,175**	**546,854**	**85**	**1,409,197**	**30,104,284**

(expressed in Eastern Caribbean dollars)

12 Property and equipment *...continued*

	Land and property $	Equipment $	Furniture & fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Quarter ended Mar 31, 2023							
Opening net book value	25,823,060	1,967,913	357,175	546,854	85	1,409,197	30,104,284
Additions	-	1,325,160	170,179	397,667	-	246,053	2,139,059
Disposals	-	-	-	(301,000)	-	-	(301,000)
Depreciation charge	(895,299)	(842,562)	(389,264)	(137,187)	-	-	(2,264,312)
Write-back on disposals	-	-	-	82,891	-	-	82,891
Revaluation loss	-	-	-	-	-	-	-
Closing net book value	**24,927,761**	**2,450,511**	**138,090**	**589,225**	**85**	**1,655,250**	**29,760,922**
At Mar 31, 2023							
Cost or valuation	28,142,057	16,733,117	3,581,339	1,167,127	140,368	1,655,250	51,419,258
Accumulated depreciation	(3,214,296)	(14,282,606)	(3,443,249)	(577,902)	(140,283)	-	(21,658,336)
Net book value	**24,927,761**	**2,450,511**	**138,090**	**589,225**	**85**	**1,655,250**	**29,760,922**

(expressed in Eastern Caribbean dollars)

12 Property and equipment *...continued*

Included in Property is land at a carrying value of $4,347,412. This is made up as follows:

	Mar 2023 $	**June 2022 $**
Headquarters (Basseterre)	**2,206,260**	2,206,000
Nevis	**1,120,000**	1,120,000
West Independence Square	**900,000**	900,000
Rosemary Lane (#1)	**500,000**	500,000
Rosemary Lane (#2)	**412,000**	412,000
Sandy Point (#1)	**44,000**	44,000
Saddlers	**30,000**	30,000
Saddlers – Lavington	**864,832**	864,832
Sandy Point (#2)	**24,300**	24,300
Total	**6,101,132**	6,101,132

In 2020, the Bank's land and property were revalued based on the appraisal made by an independent firm of appraisers. Valuations were made on the basis of comparative recent market transactions on arm's length terms. The revaluation surplus was credited to 'property revaluation reserve' in shareholders' equity.

The following is the historical cost carrying amount of land and property carried at revalued amounts.

	Land $	**Property $**	**Total $**
At Mar 31, 2023			
Cost	3,793,203	13,722,199	17,515,402
Accumulated depreciation	-	(5,064,286)	(5,064,286)
Net book value	**3,793,203**	**8,657,913**	**12,451,116**

	Land $	**Property $**	**Total $**
At June 30, 2022			
Cost	3,793,203	13,722,199	17,515,402
Accumulated depreciation	–	(5,064,286)	(5,064,286)
Net book value	**3,793,203**	**8,657,913**	**12,451,116**

(expressed in Eastern Caribbean dollars)

13 Intangible assets

	Computer software $
At June 30, 2022	
Cost	7,342,511
Accumulated amortisation	(6,987,085)
Net book value	**355,426**
Year ended June 30, 2022	
Opening balance	355,426
Additions	258,504
Amortisation charge	(289,346)
Closing net book value	**324,584**
At June 30, 2022	
Cost	7,601,014
Accumulated amortisation	(7,276,430)
Net book value	**324,584**
Year ended Mar 31, 2023	
Opening balance	324,584
Additions	112,225
Amortisation charge	(135,085)
Closing net book value	**301,724**
At Mar 31, 2023	
Cost	7,713,240
Accumulated amortisation	(7,411,516)
Net book value	**301,724**

(expressed in Eastern Caribbean dollars)

14 Leases

The Bank leases properties and equipment for its operations with lease terms ranging from 3 to 10 years. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases for which the lease term ends within 12 months.

Information about leases for which the Bank is a lessee is presented below:

(a) Amounts recognised in the statement of financial position**:**

Right of use asset

	Buildings $
Year ended June 30, 2022	
Opening balance	1,260,300
Additions	-
Disposals	-
Write-back on disposals	-
Depreciation charge	(647,449)
Closing net book value	**612,851**
At June 30, 2022	
Cost	2,404,578
Accumulated amortisation	(1,791,727)
Balance as at June 30, 2022	**612,851**
Quarter ended Mar 31, 2023	
Opening balance	612,851
Additions	247,448
Depreciation charge	(163,917)
Closing net book value	**696,382**
At Mar 31, 2023	
Cost	2,652,022
Accumulated amortisation	(1,955,640)
Balance as at Mar 31, 2023	**696,382**

(expressed in Eastern Caribbean dollars)

14 Leases…………*continued*

Lease liabilites	**$**
Year ended June 30, 2022	
Opening balance	1,286,277
Additions	-
Interest Expense	27,954
Lease payments	(681,085)
Balance as at June 30, 2022	**633,146**
Quarter ended Mar 31, 2023	
Opening balance	633,146
Additions	247,448
Interest Expense	5,349
Lease payments	(170,271)
Balance as at Mar 31, 2023	**715,672**
Current	405,929
Non-current	227,217
Balance as at Mar 31, 2023	**715,672**

(expressed in Eastern Caribbean dollars)

14 Leases…………*continued*

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Lease is either a non-cancellable or may only be cancelled by incurring a substantive termination fee. The Bank is prohibited from selling or pledging the underlying leased asset as security. Further, the Bank must keep the office building in a good state of repair and return the property in its original condition at the end of the lease. Also, the Bank must insure items or property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Bank's leasing activity by type of right-of-use asset recognised on the statement of financial position.

Right-of-use asset	No. of right-of-use asset leased	Range of remaining term	Average remaining lease term	No. of leases with extension option	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No, of leases with termination options
Office building	6	Up to 8 years	3 years	5	-	-	4
Storage facilities	2	1 – 2 years	1.5 years	2	-	-	1
IT equipment	8	Up to 2 years	2 years	8	-	-	-

Lease payments not recognised as a liability

The Bank has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expenses on a straight-line basis.

(expressed in Eastern Caribbean dollars)

15 Other assets

	Mar 2023 $	June 2022 $
Other receivables, gross	**3,566,622**	3,396,565
Less: Provision for expected credit losses	**(296,682)**	(296,682)
Other receivables, net	**3,269,940**	3,099,883
Net defined benefit asset (note 32)	**9,822,749**	9,822,749
Suspense assets and prepayments	**1,352,018**	1,285,382
Stationery	**945,444**	952,530
	15,390,151	15,160,544
Current	**4,621,958**	4,385,265
Non-current	**10,768,193**	10,775,279
	15,390,151	15,160,544

16 Customers' deposits

	Mar 2023 $	June 2022 $
Fixed deposit accounts	**1,417,937,740**	1,416,867,929
Direct demand accounts	**1,163,550,906**	897,245,568
Savings accounts	**666,730,769**	621,727,237
Call accounts	**85,729,974**	116,222,063
	3,333,949,389	3,052,062,797
Interest payable	**20,435,641**	15,052,103
	3,354,385,030	3,067,114,900

Customers' deposits represent all types of deposit accounts held by the Bank on behalf of customers. The deposits include demand deposit accounts, call accounts, savings accounts and fixed deposits. All customers' deposits were current for both years.

The Bank pays interest on all categories of customers' deposits except demand deposits. At the reporting date, total interest expense on deposit accounts for the quarter amounted to $43,358,744 (Mar 2022: $42,434,753). The average effective rate of interest paid on customers' deposits was 2.65% (June 2022: 2.87%).

(expressed in Eastern Caribbean dollars)

17 Accumulated provisions, creditors and accruals

	Mar 2023 $	June 2022 $
Suspense liabilities	**1,125**	66,806,560
Other payables	**11,241,726**	11,278,195
Employee related payables	**7,267,019**	10,638,626
Unpaid drafts on other banks	**3,562,421**	3,338,097
Managers' cheques and bankers' payments	**3,357,296**	1,799,069
	25,429,587	93,860,547

18 Taxation

18.1 Deferred tax asset/(liability)

The movements on the deferred tax asset/(liability) are as follows:

	Mar 2023 $	June 2022 $
Balance, beginning of year	**5,387,185**	4,177,730
Movement in accelerated depreciation	**-**	(33,179)
Movement in net unrealized losses on investments	**(963,062)**	(1,064,969)
Unutilised tax losses	**-**	2,280,710
Unutilised capital cost allowances		456,234
Movement in re-measurement of defined benefit asset	**-**	(429,341)
Balance, end of year	**4,424,123**	5,387,185

18.2 Income tax recoverable

Included in the separate statement of financial position is an amount of $14,557,305 (2022: $14,557,305) that relates to income tax credits/advance tax payments due from the Inland Revenue Department in respect of tax assessments that were finalised up to the year ended June 30, 2014, and the change in the Bank's estimate of the current income tax expense based on a settlement agreement with the IRD. The amount may be applied against any future taxes payable by the Bank, with certain agreed restrictions.
The movement in the income tax recoverable is as follows during the year:

	Mar 2023 $	June 2022 $
Balance, beginning of year	**19,263,187**	1,030,303
Current year's income tax credit	**-**	8,843,684
Advance taxes paid during the year	**9,000,000**	8,500,000
Transfer of overpayment on advance corporation tax	**-**	1,836,279
Payment previously applied to tax liability reclassified	**-**	(948,309)
Prior year over-provision in tax liability offset amount	**--**	1,230
Current year's income tax credit	**-**	-
Balance, end of year	**28,263,187**	19,263,187

(expressed in Eastern Caribbean dollars)

18 Taxation *...continued*

18.3 Income taxes payable

	Mar 2023 $	June 2022 $
Balance, beginning of year	-	11,612,337
Income tax payments made during year	-	(12,500,000)
Payments previously applied to tax recoverable reclassified	-	(948,309)
Transfer of Advance tax overpayment to tax recoverable	-	1,836,279
Prior year over-provision in tax payable	-	(307)
Balance, end of year	-	-

19 Share capital

	Mar 2023 $	June 2022 $
Authorised		
270,000,000 Ordinary shares of $1 each	**270,000,000**	270,000,000
Issued and fully paid		
141,750,000 Ordinary shares of $1 each	**141,750,000**	141,750,000

20 Reserves

	Mar 2023 $	June 2022 $
Statutory reserve	**144,456,807**	144,456,807
Revaluation reserves	**21,296,160**	21,296,160
Fair value reserves – FVOCI	**(5,747,806)**	(7,703,113)
Other reserves	**244,778,272**	244,778,272
	404,783,433	402,828,126

a) Statutory reserve

	Mar 2023 $	June 2022 $
Balance at beginning of year	**144,456,807**	**144,456,807**
Addition	-	-
Balance at end of year	**144,456,807**	**144,456,807**

(expressed in Eastern Caribbean dollars)

20 Reserves *...continued*

a) Statutory reserve *...continued*

In accordance with Section 45 (1) of Saint Christopher and Nevis Banking Act, 2015, the Bank is required to maintain a reserve fund into which it shall transfer not less than 20% of its net income of each year whenever the reserve fund is less than the Bank's paid-up capital.

b) Revaluation reserves

	Mar 2023 $	June 2022 $
Opening balance at beginning of year	**21,296,160**	21,296,160
Increase in fair value of properties	**-**	-
Balance at end of year	**21,296,160**	21,296,160
Revaluation reserves is represented by:		
Land and properties	**21,296,160**	21,296,160
Balance at end of year	**21,296,160**	21,296,160

c) FVOCI reserves

	Mar 2023 $	June 2022 $
Opening balance at beginning of year	**(7,703,113)**	(9,870,480)
Movement in market value of securities, net	**1,955,307**	(4,679,906)
Expected credit losses recognised on investment securities	**-**	5,144
Transferred to retained earnings, net of tax	**-**	6,842,129
Balance at end of year	**(5,747,806)**	(7,703,113)

d) Other reserves

	Mar 2023 $	June 2022 $
Balance at beginning of year	**244,778,272**	180,290,539
Transfer to regulatory reserve for loan impairment	**-**	66,000,000
Remeasurement loss on defined benefit asset, net of tax	**-**	(1,512,267)
Balance at end of year	**244,778,272**	244,778,272

(expressed in Eastern Caribbean dollars)

20 Reserves *...continued*

d) Other reserves *...continued*

	Mar 2023 $	June 2022 $
Other reserves is represented by:		
Regulatory reserve for interest accrued on non-performing loans (note 3.1.2)	**59,674,816**	59,674,816
Regulatory reserve for loan impairment (note 3.1.2)	**141,604,754**	141,604,754
Defined benefit pension plan reserve	**4,124,686**	4,124,686
General reserve	**39,374,016**	39,374,016
	244,778,272	244,778,272

Other reserves
Included in these reserves are the following individual reserves:

Regulatory reserve for interest accrued on non-performing loans
This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9 (2018: IAS 39). The prudential guidelines of the ECCB do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve and it is not available for distribution to shareholders until collected.

Regulatory reserve for loan impairment
Regulatory reserve represents cumulative amounts appropriated from retained earnings based on the prudential guidelines of the ECCB. When the ECCB loan provision is greater than the loan provision calculated under IFRS 9 (2018: IAS 39), the difference is set aside in equity.

Defined benefit pension plan reserve
This reserve is used to record the actuarial re-measurement of the defined benefit pension asset in other comprehensive income.

General reserve
General reserve is used from time to time to transfer profits from retained earnings at the discretion of the Board of Directors. There is no policy of regular transfer.

21 Net interest income

	Mar 2023 $	Mar 2022 $
Interest income		
Loans and advances to customers	**27,775,957**	26,040,582
Financial asset (note 29)	**4,215,762**	6,974,146
Investment securities at FVTPL & FVOCI	**4,383,434**	1,600,548
Originated debts	**6,798,874**	3,159,213
Deposits with other financial institutions	**3,958,795**	845,736
Treasury bills	**1,689,579**	1,689,579
Interest income for the year	**48,822,401**	40,309,804

(expressed in Eastern Caribbean dollars)

21 Net interest income *...continued*

	Mar 2023 $	Mar 2022 $
Interest expense		
Fixed deposits	**32,866,911**	32,594,841
Savings accounts	**9,118,928**	8,637,477
Debt and other related accounts	**560,678**	675,753
Call accounts	**198,421**	217,041
Line of Credit	**608,457**	288,828
Lease Liability	**5,349**	20,814
Interest expense for the year	**43,358,744**	42,434,754
Net interest income	**5,463,657**	(2,124,950)

22 Net fees and commission income

	Mar 2023 $	Mar 2022 $
Fees and commission income		
International business and foreign exchange	**15,826,163**	11,643,436
Credit related fees and commission	**2,873,052**	2,763,529
Brokerage and other fees and commission	**2,382,473**	2,418,415
Fees and commission income for year	**21,081,688**	16,825,380
Fee expenses		
International business and foreign exchange	**11,577,347**	10,392,709
Other fee expenses	**1,767,467**	974,383
Brokerage and other related fee expenses	**91,847**	67,496
Fee expenses for year	**13,436,661**	11,434,588
Net fees and commission income	**7,645,057**	5,390,792

(expressed in Eastern Caribbean dollars)

23 Net gains from investments in debt and equity instruments

	Mar 2023 $	Mar 2022 $
Net gains/(losses) on FVTPL investment securities	**35,507,620**	989,465
Net gains on financial assets measured at FVOCI reclassified to profit and loss	**322,836**	707,607
Net gains/(losses) from investment securities	**35,830,456**	1,697,072

24 Credit and other impairment charges

	Mar 2023 $	June 2022 $
Loans and advances to customers (note 8)	-	8,238,802
Investments and other financial assets at amortised costs	-	4,057,505
Investment in subsidiaries		478,696
Other assets	-	(4,860,980)
Total credit and other impairment charges	**-**	**7,914,023**

(expressed in Eastern Caribbean dollars)

25 Administrative and general expenses

	Mar 2023 $	Mar 2022 $
Employee cost (note 25.1)	**16,277,023**	15,803,009
Management Fees	**7,120,047**	8,085,210
Repairs and maintenance	**5,025,833**	3,805,496
Other general	**703,073**	887,470
Communication	**648,009**	697,166
Advertisement and marketing	**463,578**	598,103
Stationery and supplies	**498,730**	424,353
Utilities	**509,397**	469,491
Insurance	**292,325**	683,824
Rent and occupancy	**421,820**	65,399
Security services	**481,154**	455,073
Legal fees and expenses	**330,259**	347,026
Anniversary celebrations	**32,279**	146,163
Shareholders' expenses	**314,757**	292,647
Taxes and licences	**295,901**	215,957
Sundry losses	**2,746**	17,945
Premises upkeep	**71,783**	68,305
	33,488,714	33,062,637

25.1 Employee costs

The details of the employee cost are shown below.

	Mar 2023 $	Mar 2022 $
Salaries and wages	**13,448,277**	13,280,619
Insurance and other benefits	**-**	-
Other staff cost	**2,828,746**	2,522,390
Pension expense (note 31)	**-**	-
	16,277,023	15,803,009

(expressed in Eastern Caribbean dollars)

26 Dividends

The separate financial statements do not reflect dividends as no dividend payment was made during the quarter ended March 31, 2023.

27 Related parties, balances and transactions

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

(expressed in Eastern Caribbean dollars)

27 Related parties, balances and transactions *...continued*

Government of St. Kitts and Nevis

The Government of St. Kitts and Nevis holds 51% of the Bank's issued share capital. The remaining 49% of the issued share capital is held by individuals and other institutions (approximately 5,500 shareholders). The Government is also a customer of the Bank and, as such, all transactions executed by the Bank on behalf of the Government are performed on strict commercial banking terms at existing market rates.

	Mar 2023 $	June 2022 $
Central Government and statutory bodies (public sector)		
Deposits	**1,505,718,344**	1,342,753,003
Financial asset	**356,138,449**	360,794,213
Loans and advances	**372,158,101**	375,078,453
Interest on deposits	**24,092,901**	31,699,278
Interest on financial asset	**4,215,762**	9,255,300
Interest on loans and advances	**9,075,777**	11,953,995
Subsidiaries		
Deposits	**249,809,389**	251,791,991
Loans and advances	**11,321,923**	11,079,018
Interest on deposits	**7,189,459**	9,386,670
Interest from loans and advances	**416,232**	553,786
Associated companies		
Loans and advances	**69,881,615**	69,881,615
Deposits	**17,295,093**	7,378,324
Interest on deposits	**45,182**	59,913
Interest from loans and advances	**-**	-
Directors and associates		
Loans and advances	**845,287**	204,183
Directors' fees and expense	**1,281,352**	1,007,310
Deposits	**1,856,480**	1,647,406
Interest from loans and advances	**43,841**	50,334
Interest on deposits	**25,825**	27,196
Key management		
Loans and advances	**2,717,786**	3,018,422
Total remuneration	**4,016,730**	3,349,798
Deposits	**2,536,703**	2,106,442
Interest from loans and advances	**47,425**	170,530
Interest on deposits	**23,297**	36,495

As at March 31, 2023, directors held total shares in the Bank of 78,535 (June 2022: 147,657) and key management held total shares in the Bank of 15,990 (June 2022: 15,577).

(expressed in Eastern Caribbean dollars)

27 Related parties, balances and transactions *...continued*

Loans advanced to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 6.44% (June 2022: 6.09%). Secured loans are collaterised by cash and mortgages over properties.

A provision of $18,629,886 (June 2022: $18,629,886) has been recognised in respect to advances made to a related party (associated company).

28 Commitments and contingencies

Commitments
At the separate statement of financial position date, the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Mar 2023 **$**	**June 2022** **$**
Loan commitments	**41,134,982**	54,198,443
Credit card commitments	**15,172,313**	14,001,618
	56,307,295	68,200,061

Contingent tax liability
On January 29, 2016, the Inland Revenue Department (IRD) assessed the Bank with additional corporate income taxes for the financial years 2012 to 2014. The Bank disputed the assessment and filed an objection with the IRD. A settlement agreement was reached during the financial year in July 2018 and as such, there are no further outstanding corporate tax liabilities to the IRD in respect of the financial years 2012 to 2014.

29 Financial asset

The financial asset of $356,138,449 (June 2022: $360,794,213) with the provision for expected credit losses of $2,398,483 (June 2022: $2,398,483) represents the Bank’s right to that amount of cash flows from the sale of certain lands pursuant to a Shareholder’s Agreement (Agreement) dated April 18, 2012 and September 4, 2014 between the Bank and its majority shareholder, the Government of St. Kitts & Nevis (“GOSKN”), and the Nevis Island Administration (“NIA”) respectively. Under the terms of the Agreement, the secured debt obligations owed to the Bank by the GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets to the Bank. Further, the unsecured debt obligations owed to the Bank by GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain unencumbered land assets to a specially created entity, Special Land Sales Company (St. Kitts) Limited (“SLSC”) and the allocation of certain shares in SLSC to the Bank. SLSC was incorporated for the purpose of selling land assets in order to fulfill the terms of the Agreement of the contracting parties. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreement of the contracting parties.

(expressed in Eastern Caribbean dollars)

29 Financial asset *…continued*

By way of supplemental agreements, the effective date of the Agreement was amended to July 1, 2013. Accordingly, the first step in the 'Land for Debt' swap took place on July 1, 2013 in the amount of $565,069,905, which is the value of the 1,200 acres of land in the first tranche based on an independent valuation. The second and third tranches were completed during 2015 and the amounts swapped amounted to $230,950,666 which is the value of 735 acres of land.

Based on the terms of the Agreement:

1. On the effective date, SLSC shall use all appropriate commercial efforts to sell the secured land assets that were vested to the Bank at the best price reasonably possible and as soon as reasonably practicable.

2. Commencing from the effective date of the Agreement, July 1, 2013, the Bank is entitled to receive interest payments at a rate of 3.5% per annum on the face value of the eligible secured debt that was exchanged for the secured land assets. The amount is to be paid by the GOSKN annually from the effective date. Subsequently, the interest rate was reduced to 2.75% for the period July 1, 2017 to June 30, 2019 and 1.75% for the period July 1, 2019 to June 30, 2021.

3. Distribution of sales proceeds of the Bank land assets shall be applied as follows:

   a. First towards the payment of selling and operational costs of SLSC;

   b. Secondly to the Bank until the Bank has received the face amount of the eligible secured debt immediately prior to the effective date and the interest payments, less amounts paid to the Bank;

   c. Thirdly to the Bank in exchange for the redemption of its relative interest in SLSC which was allotted for the release of eligible unsecured debt that was owed to the Bank prior to the effective date; and

   d. Fourthly to the Government of St. Kitts and Nevis.

For the period ended March 31, 2023, the Bank's statement of income includes interest income amounting to $4,215,762 (June 2022: $8,575,595). Further, as of March 31, 2023, interest receivable of $6,252,808 (June 2022: $9,336,500) was recorded in the Financial Statements.

Based on the terms of the Agreement, all of the risks and rewards of ownership of the secured land assets have not been transferred to the Bank. The Bank is only entitled to receive cash flows from the sales of said lands up to the face value of the eligible secured debt that was exchanged and any interest payments as noted above. Additionally, if the lands are sold for less than the value that was transferred, the GOSKN and NIA are obligated to transfer additional lands to make up for the shortfall. The Bank's interest in the land assets is not subject to variation of returns as there is no risk of loss for the Bank, and also the Bank does not stand to benefit should the lands be sold for more than the value. Therefore, the Bank has not classified the amounts received in exchange for the loans as inventory, but as a financial asset based on its rights to the cash flows from the sales of the land assets under the Agreement.

The Bank has not included in these separate financial statements any investment in SLSC and the Bank has not invested any funds in SLSC.

(expressed in Eastern Caribbean dollars)

30 Cash and cash equivalents

	Mar 2023 $	June 2022 $
Deposits with other financial institutions (note 7)	**460,126,297**	479,478,442
Cash and balances with Central Bank (note 5)	**59,513,118**	49,254,815
	519,639,415	528,733,257
Operating line of credit	**-**	(21,163,983)
	519,639,415	507,569,274