Consolidated Financial Statements of

NATIONAL BANK OF DOMINICA LTD.

June 30, 2022
(Expressed in Eastern Caribbean dollars)

NATIONAL BANK OF DOMINICA LTD.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of National Bank of Dominica Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Bank of Dominica Ltd. ("the Bank") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at June 30, 2022, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of National Bank of Dominica Ltd.

Emphasis of Matter – comparative information

We draw attention to Note 39 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended June 30, 2021, has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2022 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Annual Report 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of National Bank of Dominica Ltd.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders of National Bank of Dominica Ltd.

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

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

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

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

KPMG

Chartered Accountants
Castries, Saint Lucia
March 10, 2024

National Bank of Dominica Ltd.

Consolidated Statement of Financial Position

As at June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	(Restated *) 2021 $
Assets			
Cash and balances with Central Bank	7(a)	**242,070,140**	191,230,712
Treasury bills	8	**34,099,813**	30,268,891
Due from other banks	9	**304,247,468**	275,243,884
Deposits with non-bank financial institutions	10	**31,538,986**	17,796,467
Loans and advances to customers	11	**765,414,871**	758,207,864
Investment securities	12	**248,463,463**	265,652,086
Other assets	13	**19,087,031**	31,388,999
Property and equipment	14	**15,037,956**	14,744,418
Right-of-use assets	34	**755,688**	1,117,708
Intangible assets	15	**5,763,694**	6,348,363
Total Assets		**1,666,479,110**	1,591,999,392
Liabilities			
Deposits from customers	16	**1,476,195,204**	1,405,523,924
Other liabilities	17	**18,072,643**	26,056,419
Lease liability	34	**826,523**	1,136,890
Commercial paper	18	**28,073,503**	28,069,223
Provision	33	**236,186**	236,186
Total Liabilities		**1,523,404,059**	1,461,022,642
Equity			
Share capital	19	**32,723,961**	20,000,000
Statutory reserve	20	**20,000,000**	20,000,000
Loan loss reserve	21	**24,558,289**	-
Fair value through OCI reserve	22	**11,739,328**	575,400
Retained earnings		**54,053,473**	90,401,350
Total Equity		**143,075,051**	130,976,750
Total Liabilities and Equity		**1,666,479,110**	1,591,999,392

* Refer to Note 38 for the restatement disclosure

The consolidated financial statements were approved on March 8, 2024 by the Board of Directors for issue and signed on its behalf by:

Annette Severin-Lestrade
Managing Director

Kathleen Kanhai-Bujhawan
Executive Manager Finance
and Investments

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

National Bank of Dominica Ltd.

Consolidated Statement of Changes in Equity

For the year ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	Share capital $	Statutory reserve $	Fair value through OCI reserve $	Loan loss reserve $	Retained earnings $	Total Equity $
Balance at July 1, 2020		20,000,000	18,633,672	867,734	1,109,521	70,348,113	110,959,040
Net income for the year, as previously stated		-	-	-	-	20,058,944	20,058,944
Adjustment	39	-	-	-	-	1,451,100	1,451,100
Net income for the year, as restated		-	-	-	-	21,510,044	21,510,044
Transfer to retained earnings	21	-	-	-	(1,109,521)	1,109,521	-
Allocation to statutory reserve	20	-	1,366,328	-	-	(1,366,328)	-
Change in fair value of FVOCI investment securities	22	-	-	(292,334)	-	-	(292,334)
Dividends paid	19	-	-	-	-	(1,200,000)	(1,200,000)
Balance at June 30, 2021, as restated		20,000,000	20,000,000	575,400	-	90,401,350	130,976,750
Adjustment	38	**-**	**-**	**11,690,688**	**-**	**-**	**11,690,688**
Balance at July 1, 2021 as adjusted		**20,000,000**	**20,000,000**	**12,266,088**	**-**	**90,401,350**	**142,667,438**
Net loss for the year		**-**	**-**	**-**	**-**	**(7,977,305)**	**(7,977,305)**
Share issuance	19	**12,723,961**	**-**	**-**	**-**	**-**	**12,723,961**
Transfer to loan loss reserve	21	**-**	**-**	**-**	**24,558,289**	**(24,558,289)**	**-**
Allocation to statutory reserve	20	**-**	**-**	**-**	**-**	**-**	**-**
Change in fair value of FVOCI investment securities	22	**-**	**-**	**(526,760)**	**-**	**-**	**(526,760)**
Dividends paid	19	**-**	**-**	**-**	**-**	**(3,812,283)**	**(3,812,283)**
Balance at June 30, 2022		**32,723,961**	**20,000,000**	**11,739,328**	**24,558,289**	**54,053,473**	**143,075,051**

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

National Bank of Dominica Ltd.
Consolidated Statement of Income
For the year ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	(Restated *) 2021 $
Interest income, calculated using the effective interest method	23	**63,476,760**	52,555,765
Interest expense	23	**(24,497,926)**	(22,398,442)
Net interest income		**38,978,834**	30,157,323
Net foreign exchange trading income		**8,528,075**	7,712,371
Net unrealized (loss) gain from investment securities at fair value through profit or loss	12	**(21,338,504)**	13,595,509
Net commission and other income	24	**7,540,079**	9,028,765
Revenue		**33,708,484**	60,493,968
Net impairment loss on loans and advances to customers	11	**(9,268,995)**	(14,098,760)
Impairment loss on investment securities	12	**(44,856)**	(12,800)
Impairment recovery on investment securities	12, 25	**340,375**	888,636
ECL adjustment on treasury bills, due from other banks, non-bank financial institutions and other assets	8, 9, 10, 13	**(54,680)**	1,256,491
Depreciation and amortization	14, 15, 34	**(2,636,354)**	(2,357,328)
Employee benefits expense	28	**(14,573,846)**	(13,692,070)
Operating expenses	26	**(15,447,433)**	(12,586,462)
(Loss) profit before taxation		**(7,977,305)**	19,891,675
Income tax benefit	37	**-**	1,618,369
(Loss) Profit for the year after taxation		**(7,977,305)**	21,510,044
(Loss) Earnings per share attributable to equity holders of the Group			
Basic and diluted	31	**0.28**	0.90

* Refer to Note 39 for the restatement disclosure

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

National Bank of Dominica Ltd.

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	(Restated *) 2021 $
(Loss) Profit for the year		**(7,977,305)**	**21,510,044**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net fair value loss on investments at FVOCI	12, 22	**(526,760)**	**(292,334)**
Total comprehensive (loss) income for the year		**(8,504,065)**	**21,217,710**

* Refer to Note 39 for the restatement disclosure

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

National Bank of Dominica Ltd.

Consolidated Statement of Cash Flows

For the year ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	(Restated *) 2021 $
Cash flows from operating activities			
(Loss) profit before taxation		(7,977,305)	19,891,675
Adjustments for:			
Depreciation and amortization	14, 15	2,078,027	1,820,828
Depreciation on right-of-use assets	34	558,327	536,500
Interest income	18	(63,476,760)	(52,555,765)
Interest expense		24,446,603	22,349,933
Interest on lease liability		51,323	48,509
Gain on disposal of property and equipment		(57,851)	(43,830)
Unrealized loss (gain) on investment securities at FVTPL	12	21,338,504	(13,595,509)
Impairment recovery on investment securities	12, 25	(340,375)	(888,636)
Net impairment loss on investment securities	12	44,856	12,800
ECL adjustment on treasury bills	8	234,077	(178,625)
Net impairment loss on loans and advances	11(i)	9,268,995	14,098,760
Cash flows before changes in operating assets and liabilities		(13,831,579)	(8,503,360)
Change in mandatory deposits with Central Bank		(4,245,794)	(12,121,828)
Change in loans and advances		(6.378,101)	(69,263,276)
Change in other assets		12,301,968	(19,634,241)
Change in deposits from customers and commercial paper		70,763,225	200,602,839
Change in other liabilities		(7,962,123)	(1,211,614)
Change in provisions		-	3,924
Cash from operations		50,647,596	89,872,444
Interest received		56,377,069	45,842,610
Interest paid		(24,585,591)	(21,309,956)
Income tax paid		-	-
Net cash from operating activities		82,439,074	114,405,098
Cash flows from investing activities			
Net purchase of treasury bills		(3,999,062)	(10,620,363)
Purchase of investment securities	12	(27,765,115)	(27,672,969)
Proceeds from disposal of investment securities	12	32,018,552	21,491,620
Purchase of property and equipment	14	(1,786,896)	(4,642,127)
Proceeds from disposal of property and equipment	14	57,851	44,146
Acquisition of business, net of cash acquired		-	(6,186,102)
Net cash used in investing activities		(1,474,670)	(27,585,795)
Cash flows from financing activities			
Dividends paid	19	(3,833,936)	(1,200,000)
Shares issued	19	12,723,961	-
Payment of lease liabilities	34	(506,674)	(568,332)
Net cash from (used in) financing activities		8,383,351	(1,768,332)
Net increase in cash and cash equivalents		89,347,755	85,050,971
Cash and cash equivalents – beginning of year		406,800,582	321,749,611
Cash and cash equivalents – end of year	7(b)	496,148,337	406,800,582

* Refer to Note 39 for the restatement disclosure

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

1. Reporting entity

The National Bank of Dominica Ltd. ("the Bank") and its subsidiary National Investment Corporation Ltd. (together "the Group") are domiciled in the Commonwealth of Dominica. The Group's registered office and principal place of business are both located at 64 Hillsborough Street, Roseau, Commonwealth of Dominica. These consolidated financial statements comprise the financial statements of the Group.

The Bank was established by Act of Parliament No. 27 of 1976 and commenced operations on March 15, 1978. The Bank is subject to the provisions of the Banking Act No. 4 of 2015 and the Companies Act of 1994 of the Commonwealth of Dominica.

The Eastern Caribbean Securities Exchange acts as a registrar and the transfer agent for the Bank's shares.

The Bank provides retail, corporate and investment banking services in the Commonwealth of Dominica and the rest of the Eastern Caribbean region.

The National Investment Corporation Ltd. ("NIC"), the Bank's wholly owned subsidiary, was incorporated in the Commonwealth of Dominica under the Companies Act 1994. In August 2012, NIC was amalgamated with the National Mortgage & Finance Corporation, then another wholly owned subsidiary of the Group. NIC is in the process of reviewing its mandate and is currently non-operational. However, it is proposed that it engages in capital market services, focusing initially on brokerage and trade execution services to institutions and individual clients wishing to invest funds in various securities offered in the regional capital market.

These consolidated financial statements reflect the results of the Bank and its wholly owned subsidiary for the year ended June 30, 2022.

2. Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as at June 30, 2022 (the reporting date).

(b) *Basis of measurement*

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

- financial instruments designated and measured at fair value through profit or loss
- equity investments designated at fair value through other comprehensive income

(c) *Functional and presentation currency*

These consolidated financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional currency, except otherwise indicated. All amounts have been rounded to the nearest dollar.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

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

Judgements made in the application of IFRS that have a significant effect on the amounts recognised in the consolidated financial statements, and estimates that can cause a significant adjustment in the next financial year to the carrying amounts of assets and liabilities at the reporting date are outlined below:

(i) Key sources of estimation uncertainty

1. Fair value of financial instruments
There are no quoted market prices for a significant portion of the Group's financial assets that are carried at fair value. Accordingly, fair values of several financial assets are estimated using a variety of means, including quotes published by broker/dealers and the book value of the entity, approaches in which there is inherent significant uncertainty that has resulted in these instruments being categorized as Level 2 and Level 3 in the fair value hierarchy. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instruments in an actual arm's length transaction.

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

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

3. Expected Credit Losses on Loans and Advances

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the amount of future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

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).

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

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

To the extent that the net present value of estimated cash flows differs by +/-10%, the provision would be estimated $4,649,398 lower (2021: $5,270,732 lower) or $5,251,453 higher (2021: $4,728,524 higher).

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

3. Expected Credit Losses on Loans and Advances (cont'd)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into the measurement of expected credit losses (ECL) through a scorecard model. The adjustment for forward looking information is determined based on the Bank's outlook related to multiple economic factors. For each segment, the Bank assigned weightings to macroeconomic factors to indicate their relative significance to the portfolio segment.

The Bank applied judgment to select macroeconomic factors that would most likely impact credit risk. Macroeconomic projections were incorporated for the following factors:

- GDP
- Inflation
- Fiscal Deficit
- Citizenship by Investment

The output of the approach is a multiple which is applied to the ECL calculation. The multiple is determined as follows:

1. **Select –** Management determines and select the external economic factors that will potentially affect its portfolio in the future.

2. **Weighting –** Management weights the factors based on their significance and impact on NBD's portfolio.

3. **Outlook –** For each Macroeconomic variable an outlook, either negative, stable or positive, needs to be determined. The economic outlook of each variable was determined based on data from multiple sources (IMF, ECCB etc.).

4. **Multiplier –** The multiplier effect of each variable is determined based on management's assessment. For e.g. management can determine that the multiplier is a consistent twenty five percent (25%) decrease (1 less 25% = 0.75) or 25% increase (1 plus 25% =1.25) depending on whether the outlook for the macroeconomic variable was determined to be positive or negative respectively. If the outlook was determined to be stable the multiplier would be 1.

5. **Scenario Weighting**: A percentage weighting is determined based on management's judgement. These percentage scenario weightings (probability weighted scenarios) represent the likelihood of each scenario occurring when evaluating the current and future macroeconomic conditions at a high level. The sum product of each scenario weight and macroeconomic multiple is then considered in the calculation of the ECLs.

6. **Score –** The product of the weighting and multiplier determines the score for each macroeconomic variable. The sum of the all the probability weighted scores determine the factor that will be applied to the portfolio.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

3. Expected Credit Losses on Loans and Advances (cont'd)

Incorporation of forward-looking information (cont'd)

NBD developed a scorecard for three scenarios: optimistic, baseline and pessimistic.

The tables below list the macroeconomic assumptions used:

June 30, 2022	GDP Growth	Inflation Rate	Fiscal Deficit rate of change	Citizenship by Investment rate of change
Economic assumptions	5.94%	6.1%	8.9% Increase	10.6% decline

June 30, 2021	GDP Growth	Inflation Rate	Fiscal Deficit	Citizenship by Investment
Economic assumptions	6.89%	0.5%	2% increase	53% decline

Notwithstanding this, the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using the Bank's judgment. At the reporting date, the overlays incorporated into the final expected credit loss for loans and advances was $11,751,992 (2021: $8,835,920). This relates mainly to potential credit exposure on the loans acquired as part of the acquisition in the previous period and there are also considerations around the changes in the regulatory loan provisioning requirements which have required increases in the level of regulatory provisioning.

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these consolidated financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The following are relevant to these consolidated financial statements:

1. Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

2. Basis of preparation (cont'd)

(e) New and amended standards that became effective during the year

Certain new and amended standards came into effect during the current financial year. The Bank has assessed them and has adopted those which are relevant to its financial statements. None of these new pronouncements resulted in any significant change to the amounts recognised or disclosed in the financial statements.

(f) New and amended standards that are not yet effective

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

(i) Amendments to IAS 37 *Provisions*, C*ontingent Liabilities and Contingent Assets* is effective for annual reporting periods beginning on or after January 1, 2022, and clarifies those costs that comprise the costs of fulfilling the contract.

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

The Bank does not expect the amendment to have a significant impact on its 2023 financial statements.

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

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

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

The Bank does not expect the amendment to have a significant impact on its 2023 financial statements.

2. Basis of preparation (cont'd)

(f) New and amended standards that are not yet effective (cont'd)

(iii) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, the standard requires that a right to defer settlement must have substance and exist at the reporting date.

It has now been clarified that a right to defer exists only if the entity complies with conditions specified in a loan agreement at the reporting date, even if the lender does not test compliance until a later date. With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a reporting entity classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Bank does not expect the amendment to have a significant impact on its 2025 financial statements.

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

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

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

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

2. Basis of preparation (cont'd)

(f) New and amended standards that are not yet effective (cont'd)

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

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

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and

- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

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

3. Significant accounting policies

(a) Basis of consolidation

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

The consolidated financial statements of the Group include the assets and liabilities and results of operations of the parent entity and its subsidiary, after elimination of intercompany transactions, balances, revenues and expenses.

(b) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3. Significant accounting policies (cont'd)

(c) Subsidiaries

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

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

3. Significant accounting policies (cont'd)

(f) Business combinations and goodwill

In accordance with IFRS 3, business combinations are accounted for using the acquisition method which requires acquired assets and liabilities, including identifiable assets that satisfy the recognition criteria within IFRS 3, as appropriate, to be included in the Group's consolidated balance sheet at fair value as at the acquisition date. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs are expensed as incurred.

Goodwill is initially measured as being the excess of the aggregate of the value of consideration transferred and the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed and is reported in the consolidated statement of financial position as an intangible asset.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses are recognized in profit or loss.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits at banks and includes unrestricted balances with the Eastern Caribbean Central Bank (ECCB). Cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and held for short-term operating, rather than investment, purposes. They comprise treasury bills with less than three months maturity from the date of acquisition, term deposits with other banks, term deposits with non-bank financial institutions, and other highly liquid short-term securities.

(h) Financial instruments

<u>*Recognition, initial measurement and derecognition*</u>

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred, or when the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control, over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3 Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

<u>*Classification and subsequent measurement of financial assets*</u>

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). For classification purposes, IFRS 9 requires all financial assets, except equity instruments and derivatives to be assessed on the basis of the entity's business model for managing the assets and the contractual cash flow characteristics of the instruments.

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group will generally therefore classify its financial assets as follows:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI);
- Equity instruments designated at fair value through other comprehensive income (FVOCI); and
- Financial assets at fair value through profit or loss (FVTPL).

<u>***Business model assessment***</u>
IFRS 9 requires that financial assets are classified on the basis of the Bank's business model for managing such assets unless it makes an irrevocable election to designate the asset at fair value through profit or loss. The business model assessment includes determining how financial assets are managed in order to generate cash flows. The Bank is guided by its strategic objectives and uses judgement in determining its business models, and this is determined at the level that best reflects how it manages its portfolios of financial assets to achieve its business objectives. Judgment is used in determining the Bank's business models that is supported by relevant, objective evidence including:

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets, (cont'd)

Business model assessment (cont'd)

- The stated policies and objectives for the portfolio and the operation of those policies in practice;

- How performance of the business model and the financial assets held within the model are evaluated and reported to key management personnel;

- How managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);

- The frequency and significance of past sales activity, the reason for those sales as well as expectations about future sales; and

- The significant risks affecting the performance of the business model for example, market risk and credit risk and the activities undertaken to manage those risks.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is forward looking in that if cash flows are realized in a manner that is different from expectations the classification of the remaining assets in the business model is not changed but instead that information is used to assess new instruments acquired.

Business models - Applicability to the Bank

The Bank's business models fall into two main categories, which are indicative of the key strategies used to generate returns as follows:

- Hold to collect contractual cash flows (HTC) - the objective of this business model is to hold assets in order to collect contractual cash flows. Under this model, the Bank holds loans and advances and investment securities to collect contractual principal and interest cash flows. Sales are expected to be insignificant or infrequent; and

- Other business model - the objective of this business model is neither to hold assets in order to collect contractual cash flows, nor both collect contractual cash flows and to sell. Under this model collecting contractual cash flows is incidental to the objective of the model and sales may be significant in value and frequent. The Bank holds certain debt and equity investments under this model.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets, (cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest - SPPI assessment

For classification purposes the Bank first reviews the terms of the instruments to determine whether they give rise on specified dates to cash flows that meet the SPPI test.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Classification and Measurement under IFRS 9 – Applicability to the Bank

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

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. The Bank has loans and advances and certain debt securities in this category, which are measured at amortised cost. These are presented net of the allowance for expected credit losses in the statement of financial position.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets, (cont'd)

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

i) Are held for trading purposes;
ii) Are held as part of a portfolio managed on a fair value basis; or
iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

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

The Bank has certain investments in this category.

Equity instruments measured at FVTPL
Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognized in profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

The Bank has certain equity investments in this category.

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

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

The Bank has certain equity investments in this category.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets

The Bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1' financial instruments. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2' financial instruments.

Credit impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

<u>*Impairment of financial assets (cont'd)*</u>

Credit impaired financial assets (cont'd)

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer, including an inability to satisfy the debt because of decreased or no cash flow (negative debt service ratio), inability to work or where the customer is unemployed in excess of 6 months;
- A breach of contract such as a default or past due event, including a history of chronic arrears;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise, or if a loan has been restructured more than three times in five years;
- Measurable decrease in the estimated future cash flows from the underlying assets that secure the loan;
- Default or delinquency in interest or principal payments;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, the Bank considers that default has occurred and classifies a retail loan as credit impaired when it is more than 90 days past due.

Staging assessment
The Group utilises qualitative and quantitative criteria in its assessment.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Twelve (12) month ECLs are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Currently, such facilities identified as:

- Those with a credit risk rating of between 1 to 3 inclusive;
- Loan repayments current or not more than 30 days past due;
- Loans rescheduled and up to date for more than 12 months; and
- Deposits on overdraft facilities over the last 30 days equal to, or in excess of the interest accrued on the facility.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Staging assessment (cont'd)

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition based on the defined criteria set out below, but that do not have objective evidence of impairment. This however excludes (non-restructured) loans assessed as having a low credit risk at the reporting date. Low credit risk refers to specific situations based on the Group's knowledge of the customer which indicates credit risk has not increased significantly. The standard states that a financial instrument is considered to have low credit risk if:

1. The financial instrument has a low risk of default.
2. The borrower has a strong capacity to meet its contractual cash flow obligations in the near term.
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial instrument is not considered to have low credit risk simply because it has a low risk of loss (e.g., for a collateralised loan), if the value of the collateral is more than the amount lent or it has lower risk of default compared with the entity's other financial instruments or relative to the credit risk of the jurisdiction within which the entity operates. According to Basel credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

For Stage 2 assets, lifetime ECLs are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. At this stage, the expected credit losses are calculated over the lifetime of the loan.

Currently, such loans are identified as those displaying any one or more of the following:

- Loan repayments in arrears between 30 – 89 days;
- Credit facilities with a risk rating of 4;
- Rescheduled or restructured loans which have been guaranteed by the Government of Dominica;
- Rescheduled or restructured loans due to deterioration which are up to date and adequately secured, for less than 1 year after rescheduling; and
- Deposits on overdraft facilities over the last 30 to 90 days equal to, or in excess of the interest accrued on the facility.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Staging assessment (cont'd)

Stage 3 – Financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognized, and interest revenue is calculated on the net carrying amount (that is, net of credit allowance). The standard requires management, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. The Group intends to utilise qualitative and quantitative criteria in its assessment of default of financial assets. The determination is based on whether the borrower is unable or unlikely to pay his/her obligations.

These criteria include any one or more of the following:

- Loans at least 90 days and more in arrears (non-performing loans);
- Credit facilities with a risk rating 5 or higher;
- Delinquent restructured loans;
- Credit cards 90 days past due converted to a loan; and
- Deposits on overdraft facilities over the last 90 days insufficient to cover the interest accrued thereon.

Significant increase in credit risk
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages and 12 month expected credit loss to lifetime credit losses as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's best credit rating criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL.

When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in profit or loss.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets *(cont'd)*

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors. The determination of whether there has been a significant increase in credit risk is the key contributing factor in the staging process.

The key factors the Group considers are:

- Changes in market or general economic conditions
- Expectation of potential breaches
- Expected delays in payment
- Deterioration of credit ratings
- Significant changes in operating results or financial position of the borrower

The Bank considers as a backstop that significant increase in credit risk occurs when an asset is more than 30 days past due and also maintains a loan watch list to assist in the assessment.

The Bank considers that significant increase in credit risk occurs for debt investments when investments with investment grade rating at acquisition moves to a non-investment grade but above a default grade. For debt investments with a non-investment grade at acquisition, a significant increase in credit risk occurs when there is an unfavorable movement in the ratings relative to the rating at initial recognition, including movement to a lower end of non-investment grade.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

– *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
– *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
– *Undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– *Financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets *(cont'd)*

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

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets *(cont'd)*

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

- Discount rate – The standard requires the ECL to be discounted using the effective interest rate (EIR).

The above five parameters are modelled and estimated independently and combined to obtain the ECL of loans.

To incorporate forward-looking macroeconomic sensitivity as required per the IFRS 9 guidance, the Bank developed an economic scorecard model based on qualitative rationale and management judgment to calculate a "Forward Looking Factor" (FLF).

The Bank applied experienced judgement in selecting macroeconomic factors that would most likely impact credit risk and leveraged various third-party macroeconomic forecasts when determining the forward looking factors. The macroeconomic projections considered by the Bank were:

- Gross Domestic Product (GDP)
- Inflation
- Fiscal Deficit
- Citizenship by Investment

The Bank then employed a Forward-Looking Factor Scorecard approach to compute adjustment factors applied to the final PD estimates used to calculate the ECLs. This approach also considered various economic scenarios (negative, stable, positive) and their estimated impacts to the ECL.

Where the Bank has assessed that the inputs and models used for calculating expected credit losses have not appropriately captured all characteristics of the market at the date of the financial statements, qualitative adjustments or overlays may be made as temporary adjustments using the Bank's judgment. These overlays can have the impact of either increasing or decreasing the calculated ECL estimate per the model.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets *(cont'd)*

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

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

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

- *Financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *Loan commitments and financial guarantee contracts*: generally, as a provision; and
- *Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components*. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets *(cont'd)*

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of income.

Classification and subsequent measurement of financial liabilities
The Bank's financial liabilities include deposits from customers, commercial paper and other liabilities and accrued expenses. Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest-related charges are included within "interest expense" in the statement of income.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a current 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.

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

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

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Fair value measurement

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

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price, and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

The Bank evaluates the leveling at each reporting period on an instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities
The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Modifications of financial assets and financial liabilities *(cont'd)*

Financial liabilities *(cont'd)*
If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(i) Property and equipment

a) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss.

b) Subsequent costs

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

3. Significant accounting policies (cont'd)

(i) Property and equipment (cont'd)

c) Depreciation

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

Building	3%
Leasehold improvements	20%
Computer equipment	14% - 33%
Furniture and equipment	14% - 20%
Motor vehicles	20%

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is then written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

(j) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software licenses and other intangible assets such as core deposits intangibles and goodwill. Intangible assets are recognized at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortized. Generally, the identified intangible assets of the Group have a definite useful life.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for measurement after recognition.

Computer software licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits of the relevant asset. Software costs are amortized on the straight-line basis in profit or loss from the date it is available for use. The estimated useful lives of software range from three (3) to five (5) years. Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary. Costs associated with maintaining computer software programs are recognized as an expense when incurred.

3. Significant accounting policies (cont'd)

(k) Impairment of other non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists for any asset, then that asset's recoverable amount is estimated. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present vale using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.
Impairment losses are recognised in profit or loss.

(l) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income, in which case they are recognised in equity or other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any tax adjustment to tax payable in respect of previous years. Income tax payable is calculated on the basis of the applicable tax laws in the Commonwealth of Dominica and is recognized as an expense (income) for the period, except to the extent that current tax relates to items that are charged or credited in other comprehensive income; in these circumstances, current tax is charged or credited to other comprehensive income. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

3. Significant accounting policies (cont'd)

(ii) Deferred tax

Deferred income tax is provided on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the difference between the carrying amounts of property and equipment and intangible assets and their tax bases and unutilized tax losses.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

However, deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

(m) Borrowings

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

(n) Guarantees and letters of credit

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

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount of the loss allowance and the amount initially recognized less cumulative amortization where appropriate. The amount of the loss allowance at each subsequent period equals the 12-month expected credit losses. However, where there has been a significant increase in the risk that the specified debtor will default on the contract, the calculation is for lifetime expected credit losses. The fee income earned is recognized on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the profit or loss within other operating expenses.

(o) Equity and reserves

Stated capital represents the issue price multiplied by the number of shares that have been issued. Any transaction costs associated with the issuing of shares are shown in equity as a deduction, net of any related income tax benefits.

Other components of equity include the following:

- Other reserves – comprises statutory and loan loss reserves as stipulated by the Banking Act and the Eastern Caribbean Central Bank (see note 20 and 21); and
- Retained earnings, which includes all current and prior period retained profits.

<u>Dividends on ordinary shares</u>

Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are, however, disclosed in the notes to the consolidated financial statements.

3. Significant accounting policies (cont'd)

(p) Interest income and expense

Interest income and expense are recognized in profit or loss for all financial instruments using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial assets 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 and 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 liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation of the effective interest rate includes all transaction costs and fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(q) Fee and commission income

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

(r) Dividend income

Dividend income is recognized in profit or loss when the Group's right to receive payment is established. Dividends are presented in net interest, commission and other income in the consolidated statement of income.

(s) Employee benefits

(i) Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans:

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognized as personnel expenses in profit or loss. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3. Significant accounting policies (cont'd)

(t) Foreign currency

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign currency differences arising on translation are generally recognized in profit or loss.

(u) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- The Group is the lessee.

  The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

  (i) Right-of-use assets

  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right of use asset has been depreciated on a straight-line basis over the remaining lease term for each lease.

  (ii) Lease liabilities

  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

3. Significant accounting policies (cont'd)

(u) Leases (cont'd)

- The Group is the lessee (cont'd)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office floor lease (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. Group analysis

The Group has voluntarily presented an analysis by entity as part of the consolidated financial statements.

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

The revenue from external parties reported to the Group's Board of Directors is measured in a manner consistent with that in the consolidated statement of income. Revenue from external customers is recorded as such and can be directly traced to each entity.

The Group's management reporting is based on a measure of operating profit comprising net interest income, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from each entity such as legal expenses and audit fees.

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

Assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position. Transactions between entities are on an arms-length basis and are eliminated on consolidation and reflected in the consolidation entries. There were no revenues derived from transactions with a single external customer that amount to 10% or more of the Group's revenue.

4. Group analysis (cont'd)

	NBD $	NIC $	Total $
At June 30, 2022			
Net interest income	38,838,834	140,000	38,978,834
Net commission and other income	15,978,894	89,260	16,068,154
Fair value gain on investment securities	(21,338,504)	-	(21,338,504)
Impairment recovery on investment securities	340,375	-	340,375
Net impairment loss on loans and advances	(9,268,995)	-	(9,268,995)
Operating and other expenses	(32,752,169)	(5,000)	(32,757,169)
Profit before taxation	(8,201,565)	224,260	(7,977,305)
Total assets	1,655,315,747	11,163,363	1,666,479,110
Total liabilities	1,521,815,315	1,588,744	1,523,404,059

	NBD $	NIC $	Total $
At June 30, 2021			
Net interest income	30,017,323	140,000	30,157,323
Net commission and other income	16,656,498	84,638	16,741,136
Fair value gain on investment securities	13,595,509	-	13,595,509
Impairment recovery on investment securities	2,140,244	(7,917)	2,132,327
Net impairment loss on loans and advances	(14,098,760)	-	(14,098,760)
Operating expenses	(28,630,760)	(5,100)	(28,635,860)
Profit before taxation	19,680,054	211,621	19,891,675
Total assets	1,581,082,088	10,917,304	1,591,999,392
Total liabilities	1,459,630,544	1,392,098	1,461,022,642

5. Financial risk management

(a) *Risk management framework*

This note presents information about the Group's objectives, policies, and processes for measuring and managing risk. The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to retail banking, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's performance.

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

Risk management is carried out mainly by the Finance Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks that arise from the use of financial instruments are:

- Credit risk
- Liquidity risk
- Market risk (includes currency risk, interest rate risk, and equity price risk)
- Operational risk

(b) *Credit risk*

Credit risk is the risk of the Group suffering financial loss should a customer or a counterparty to a financial instrument fail to meet its contractual obligations to the Group, and arises principally from loans and advances, which includes commercial and customer loans, credit cards, loan commitments arising from such lending activities. It can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from balances with central bank, deposits with non-financial institutions, other assets, investments in debt securities and other exposures arising from its trading activities ("trading exposures"), including non-equity trading portfolio assets. For risk management purposes, the Group considers and consolidates all elements of credit risk exposure – e.g., individual obligor default risk, country and sector risk.

Loans and advances

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

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Probability of default

The Group assesses the probability of default of individual counterparties using an internal rating tool with grades from 1- 5 tailored to the various categories of counterparty. They have been aligned to the Eastern Caribbean Central Bank prudential guidelines in which borrowing customers of the Group are segmented into five rating classes as follows:

(i) Pass
(ii) Special mention
(iii) Sub-standard
(iv) Doubtful
(v) Loss

The rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The rating tool is kept under review and upgraded as necessary.

Debt securities and other bills

For debt securities and other bills, external rating agencies such as Standard & Poor's, Moody's and CariCRIS or their equivalents are used by the Asset and Liability Committee (ALCO) for the management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Risk limit control and mitigation policies

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of related borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or, when considered necessary by the Board of Directors, more frequent review. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(i) Collateral

It is the Group's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources, rather than rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk. Depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit amount and pricing. In the event of default, the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group and excess value is returned to the borrower.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial 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 are generally secured, while revolving individual credit facilities are generally unsecured.

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

The collateral values are updated annually (including but not limited to professional valuations) with special focus given to individual collateral values when the loan is assessed as impaired.

At the reporting date, the fair value of collateral held against loans and advances (value of collateral is capped at the nominal amount of the loan that it is held against) was $643,371,155 (2021: $523,487,845). Additionally, the value of loans and advances for which the Bank has not recognised a loss allowance because of the collateral in place is $88,793,763 (2021: $41,896,829).

Repossessed collateral

The Group enforces its power of sale agreements over various types of collateral (as noted above) as a consequence of failure by borrowers or counterparties to honour their financial obligations to the Group. Appraisals are obtained for the current value of the collateral as an input to the impairment measurement, and once repossessed, the collateral is sold as soon as practicable. The proceeds net of disposal cost are applied to the outstanding debt.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(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 Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions) are collaterised 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 authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Impairment and provisioning policies

The impairment provision shown in the consolidated statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom three grades.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

The table below shows the percentage of the Group's loans and advances and the associated regulatory impairment provision for each of the Group's rating categories:

	Loans to Customers		**Impairment Provision**		**Net Total**
	$	**%**	**$**	**%**	**$**
At June 30, 2022					
Pass	**426,591,136**	**52**	-	**-**	**426,591,136**
Special mention	**225,526,771**	**27**	**11,253,436**	**14**	**214,273,335**
Substandard	**57,774,602**	**7**	**14,445,831**	**17**	**43,328,771**
Doubtful	**14,436,063**	**2**	**8,701,053**	**10**	**5,735,010**
Loss	**98,090,509**	**12**	**49,045,254**	**59**	**49,045,255**
Unrated	**1,921,505**	**-**	**38,430**	**-**	**1,883,075**
Total	**824,340,586**	**100**	**83,484,003**	**100**	**740,856,583**

	Loans to Customers		**Impairment Provision**		**Net Total**
	$	**%**	**$**	**%**	**$**
At June 30, 2021					
Pass	392,549,332	48	-	-	392,549,332
Special mention	229,163,367	28	-	-	229,163,367
Substandard	102,121,345	13	10,212,134	27	91,909,211
Doubtful	32,094,157	4	16,047,078	43	16,047,079
Loss	11,315,454	1	11,315,454	30	-
Unrated	149,184	-	1,492	-	147,692
Interest Receivable	43,985,931		-		43,985,931
Total	**811,378,770**	**100**	**37,576,158**	**100**	**773,802,612**

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

The analysis of the statutory expected credit loss by category and IFRS 9 stage is as follows: (NB: Under the statutory guidelines, a certain percentage of the Bank's loans can remain as Unrated. However, under the IFRS 9 requirements, these are required to be allocated to a Stage for ECL purposes): [Information provided for 2022 only].

Statutory Rating	**IFRS Rating**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Pass	424,144,029	2,447,107	-	426,591,136
Special Mention	1,359,027	224,167,744	-	225,526,771
Sub-Standard	224,998	14,702,837	42,846,767	57,774,602
Doubtful	-	10,721	14,425,342	14,436,063
Loss	-	-	98,090,509	98,090,509
Unrated	1,878,149	6,521	36,835	1,921,505
Gross Carrying Amount	**427,606,203**	**241,334,930**	**155,399,453**	**824,340,586**
Statutory Loss Allowance	(161,764)	(14,881,627)	(68,440,612)	(83,484,003)
Net Carrying Amount	**427,444,439**	**226,453,303**	**86,958,841**	**740,856,583**

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IFRS 9 based on the following criteria set out by the Group:

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The table below represents a worst-case scenario of credit risk exposure to the Group at June 30, 2022 and 2021 without taking account of any collateral held or other credit enhancements attached.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown below 48% (2021 – 56%) of the total maximum exposure is derived from loans and receivables whilst 14% (2021 – 20%) represents investment securities.

- Management is confident in its ability to continue to control and sustain minimal exposure to credit risk to the Group resulting from its loans and advances portfolio based on the following:

- 83% (2021 – 51%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;

- Large corporate customer loans, which represent the biggest group in the portfolio, are backed by collateral;

- 79% (2021 – 78%) of the loans and advances portfolio are considered to be not past due;

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

Maximum exposure to credit risk is as follows:

	Notes	2022 $	2021 $
Cash and balances with central bank		**217,530,384**	167,897,398
Treasury bills		**34,099,813**	30,268,891
Due from other banks		**304,247,468**	275,243,884
Deposits with non-bank financial institutions		**31,538,986**	17,796,467
Loans and advances to customers		**765,414,871**	758,207,864
Investments:			
- Amortised cost		**122,978,800**	118,032,298
- FVTPL		**98,573,711**	96,473,294
Other assets		**12,850,930**	26,820,822
		1,587,234,963	1,490,740,918
Loan commitments	33	**53,159,829**	61,517,897
Financial guarantees and other financial facilities	33	**15,035,520**	16,635,201
		68,195,349	78,153,098
		1,655,430,312	1,568,894,016

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iv) Concentration of risk by location

Loans and advances to customers	**2022 $**	**2021 $**
Domestic	**697,924,397**	697,432,392
ECCU area	**33,915,248**	35,644,801
Non-ECCU area	**33,575,226**	25,130,671
Total loans and advances	**765,414,871**	758,207,864

Investment and debts securities	**2022 $**	**2021 $**
Domestic- primarily in Dominica	**97,553,563**	96,281,576
ECCU area	**25,425,237**	21,750,722
Non-ECCU area	**98,573,711**	96,473,294
	221,552,511	214,505,592

Lending commitments and financial guarantees	**2022 $**	**2021 $**
Domestic- primarily in Dominica	**68,195,349**	78,153,098

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iv) Concentration of risk by location (cont'd)

Concentration of risks of financial assets with credit exposure

2022	Financial institutions	Construction & Land Development	Real Estate Activities	Public Administration	Utilities	Transport & Storage	Wholesale & Retail	Information & Communication	Private Household	Other Industries	Total
	$		$	$	$	$	$	$	$	$	$
Cash and balances with Central bank	242,070,140	-	-	-	-	-	-	-	-	-	242,070,140
Treasury bills	-	-	-	34,099,813	-	-	-	-	-	-	34,099,813
Due from banks	304,247,468	-	-	-	-	-	-	-	-	-	304,247,468
Deposits with non-bank financial institution	31,538,986	-	-	-	-	-	-	-	-	-	31,538,986
Loans and advances	44,613,273	122,417,600	184,958,861	193,356,120	49,703,499	33,390,593	48,104,824	23,738,809	23,510,590	41,620,702	765,414,871
Investment securities	138,677,114	-	-	109,786,349	-	-	-	-	-	-	248,463,463
Other assets	12,850,930	-	-	-	-	-	-	-	-	-	12,850,930
Total	773,997,911	122,417,600	184,958,861	337,242,282	49,703,499	33,390,593	48,104,824	23,738,809	23,510,590	41,620,702	1,638,685,671
Loan commitments	-	39,214,147	6,129,069	-	-	975,400	2,440,815	-	1,283,367	3,117,031	53,159,829
Financial guarantees	-	14,999,737	-	-	-	-	35,783	-	-	-	15,035,520
Total	-	54,213,884	6,129,069	-	-	975,400	2,476,598	-	1,283,367	3,117,031	68,195,349

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(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iv) Concentration of risk by location (cont'd)

Concentration of risks of financial assets with credit exposure

2021	Financial institutions	Construction & Land Development	Real Estate Activities	Public Administration	Utilities	Transport & Storage	Wholesale & Retail	Information & Communication	Private Household	Other Industries*	Total
	$		$	$	$	$	$	$	$	$	$
Cash and balances with central bank	167,897,398	-	-	-	-	-	-	-	-	-	167,897,398
Treasury bills		-	-	30,268,891	-	-	-	-	-	-	30,268,891
Due from banks	275,243,884	-	-	-	-	-	-	-	-	-	275,243,884
Deposits with non-bank financial institution	17,796,467	-	-	-	-	-	-	-	-	-	17,796,467
Loans and advances	47,948,826	94,024,778	200,346,552	201,996,818	50,060,453	29,224,248	46,960,775	20,355,881	21,633,058	45,656,475	758,207,864
Investment securities	155,704,240	-	-	109,947,846	-	-	-	-	-	-	265,652,086
Other assets	26,820,822	-	-	-	-	-	-	-	-	-	26,820,822
Total	691,411,637	94,024,778	200,346,552	342,213,555	50,060,453	29,224,248	46,960,775	20,355,881	21,633,058	45,656,475	1,541,887,412
Loan commitments	-	41,999,980	1,887,767	6,000,000	5,918,615	204,754	2,280,437	299,982	1,080,161	1,846,201	61,517,897
Financial guarantees	-	16,349,906	-	-	-	-	285,295	-	-	-	16,635,201
Total	-	58,349,886	1,887,767	6,000,000	5,918,615	204,754	2,565,732	299,982	1,080,161	1,846,201	78,153,098

**Other industries include professional services, education, accommodation and food services*

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(v) Loans and advances to customers

Loans and advances to customers are summarized as follows:

	2022 $	2021 $
Loans and advances to customers		
Not past due	**648,534,077**	636,497,446
Past due	**83,909,060**	85,035,454
Impaired	**91,897,448**	91,086,049
	824,340,585	812,618,949
Less: unearned interest	**-**	(40,172)
Gross	**824,340,585**	812,578,777
Less: impairment provision	**(58,925,714)**	(54,370,913)
Net	**765,414,871**	758,207,864

The total impairment provision for losses on loans and advances is $58,925,714 (2021 - $54,370,913) of which $50,912,640 (2021 - $41,086,447) relates to the individually impaired loans and the remaining amount of $8,013,075 (2021 - $13,284,466) is the portfolio provision. Further information on impairment is included in note 11.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(vi) Loans and advances not past due

The credit quality of the portfolio of loans and advances that are not past due can be assessed by reference to the internal rating system adopted by the Group as follows:

	Overdrafts $	Term loans $	Credit card $	Mortgages $	Large corporate customers $	Total loans and advances $
June 30, 2022						
Loans and advances to customers – Pass	**24,987,066**	**65,789,614**	**4,856,224**	**171,373,024**	**381,528,148**	**648,534,076**
June 30, 2021						
Loans and advances to customers – Pass	66,497,170	45,245,680	3,819,251	179,633,108	341,302,237	636,497,446

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(vii) Loans and advances past due

Loans and advances past due are those for which contractual interest or principal payments are past due. The gross amount of loans and advances by class to customers that were past due, net of unearned interest, were as follows:

	Overdrafts $	Term loans $	Credit cards $	Mortgages $	Large corporate customers $	Total loans and advances to customers $
June 30, 2022						
Past due up to 30 days	**4,326,899**	**2,246,131**	**462,655**	**3,476,780**	**2,363,724**	**12,876,189**
Past due 30 – 60 days	**106,358**	**110,997**	**131,362**	**933,676**	**3,449,506**	**4,731,899**
Past due 60 – 90 days	**3,156**	**192,450**	**55,005**	**201,718**		**452,329**
Over 90 days	**29,302,895**	**8,965,016**		**8,615,053**	**18,965,680**	**65,848,644**
Net	**33,739,308**	**11,514,594**	**649,022**	**13,227,227**	**24,778,910**	**83,909,061**
June 30, 2021						
Past due up to 30 days	4,359,464	2,124,807	460,206	9,356,519	1,102,020	17,403,016
Past due 30 – 60 days		512,906	488,797	1,218,618	24,995,125	27,215,446
Past due 60 – 90 days	260,469	-	-	-		260,469
Over 90 days	194,899	10,061,161	-	10,639,299	19,261,164	40,156,523
Gross	4,814,832	12,698,874	949,003	21,214,436	45,358,309	85,035,454
Less unearned interest in discount loans	-	(40,172)	-	-	-	(40,172)
Net	4,814,832	12,658,702	949,003	21,214,436	45,358,309	84,995,282

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(viii) Loans and advances individually impaired

The individually impaired loans and advances to customers, before taking into consideration the cash flows from collateral held and unearned interest on discount loans is $91,897,448 (2021 - $91,086,049). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

	Overdrafts $	Term loans $	Credit Card $	Mortgages $	Large Corporate customers $	Total loans and advances to customers $
June 30, 2022						
Individually impaired loans	**7,809,663**	**23,856,334**	**843,067**	**16,119,024**	**43,269,360**	**91,897,448**
June 30, 2021						
Individually impaired loans	5,742,989	5,424,622	321,559	41,852,278	37,744,601	91,086,049

(ix) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These accounts are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired at June 30, 2022 amounted to $29,381,400 (2021 - $31,626,488). This did not lead to any material modification gains or losses.

(x) Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2022, based on Standard & Poor's ratings or their equivalent.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(x) Debt securities, treasury bills and other eligible bills (cont'd)

	Financial assets at fair value through profit or loss	Treasury bills	Investment securities	Total
	$	**$**	**$**	**$**
June 30, 2022				
A- to AA+	**93,683,996**	**-**	**-**	**93,683,996**
BB- to BBB+	**1,719,462**	34,099,813	122,978,800	**158,798,075**
Un-rated	**-**			
	95,403,458	**34,099,813**	**122,978,800**	**252,482,071**
June 30, 2021				
A- to AA+	94,856,038	-	-	94,856,038
BB- to BBB+	1,617,256	30,268,891	118,032,298	149,918,445
Un-rated	-			
	96,473,294	30,268,891	118,032,298	244,774,483

	2022	2021
	$	**$**
Treasury bills	**34,099,813**	30,268,891
Investment securities	**122,978,800**	118,032,298
	157,078,613	148,301,189

(c) Market risk

The Group takes on exposure to market risks, which is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to control and manage market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

The Group's exposure to market risks arises from its non-trading portfolios. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's fair value investments.

5. Financial risk management (cont'd)

(c) Market risk (cont'd)

Management of market risk

The Group's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component.

Market risk arising from the Group's trading activities is managed in accordance with Board-approved policies and limits.

(i) *Currency risk*

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The Group's exposure to various currencies at June 30, 2021 is depicted in the following table. Included in the table are the Group's financial instruments at carrying amounts, categorized by currency.

5. Financial risk management (cont'd)

(c) *Market risk (cont'd)*

(i) *Currency risk (cont'd)*

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2022								
Assets								
Cash and balances with ECCB	**240,197,268**	**848,818**	**114,475**	**526,057**	**153,853**	**229,669**	**-**	**242,070,140**
Treasury bills	**34,099,813**	-	-	-	-	-	-	**34,099,813**
Due from other banks	**40,297,485**	**243,424,785**	**385,618**	**4,191,957**	**693,454**	**1,388,623**	**13,865,546**	**304,247,468**
Deposits with non-bank financ institutions	**31,538,986**	**-**	-	-	-	-	**-**	**31,538,986**
Loans and advances to customers	**760,591,582**	**4,823,289**	-	-	-	-	-	**765,414,871**
Investment securities:								
Amortised cost	**122,207,661**	**771,139**	-	-	-	-	-	**122,978,800**
FVOCI	**26,910,952**	**-**	-	-	-	-	-	**26,910,952**
FVTPL	-	**96,854,249**	-	-	-	-	**1,719,462**	**98,573,711**
Other assets	**19,087,031**	-	-	-	-	-	-	**19,087,031**
Total financial assets	**1,274,930,778**	**346,722,280**	**500,093**	**4,718,014**	**847,307**	**1,618,292**	**15,585,008**	**1,644,921,772**
Liabilities								
Deposits from customers	**1,387,204,718**	**83,768,751**	-	**4,778,450**	**103,705**	**339,580**	-	**1,476,195,204**
Commercial paper	**28,073,503**	-	-	-	-	-	-	**28,073,503**
Other liabilities	**18,072,642**	**-**	-	-	-	-	-	**18,072,642**
Total financial liabilities	**1,433,350,863**	**83,768,751**	-	**4,778,450**	**103,705**	**339,580**	-	**1,522,341,349**
Net currency exposure	**(158,420,085)**	**262,953,529**	**500,093**	**(60,436)**	**743,602**	**1,278,712**	**15,585,008**	**122,580,423**
Loan commitments and financial guarantees	**68,195,349**	**-**	**-**	**-**	**-**	**-**	**-**	**68,195,349**

5. Financial risk management (cont'd)

(c) *Market risk (cont'd)*

(i) *Currency risk (cont'd)*

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2021								
Assets								
Cash and balances with ECCB	188,593,639	1,035,666	120,263	1,154,785	186,217	140,142	-	191,230,712
Treasury bills	30,268,891	-	-	-	-	-	-	30,268,891
Due from other banks	46,092,277	209,946,275	120,263	2,386,136	569,266	2,283,080	13,846,587	275,243,884
Deposits with non-bank finar institutions	617,921	15,476,056	-	-	-	-	1,702,490	17,796,467
Loans and advances to customers	755,264,850	2,943,014	-	-	-	-	-	758,207,864
Investment securities:								
Amortised cost	114,449,060	3,583,238	-	-	-	-	-	118,032,298
FVOCI	15,747,024	-	-	-	-	-	-	15,747,024
FVTPL	-	130,255,508	-	-	-	-	1,617,256	131,872,764
Other assets	31,388,999	-	-	-	-	-	-	31,388,999
Total financial assets	1,182,422,661	363,239,757	240,526	3,540,921	755,483	2,423,222	17,166,333	1,569,788,903
Liabilities								
Deposits from customers	1,330,214,274	71,905,632	-	3,176,996	114,008	113,014	-	1,405,523,924
Commercial paper	28,069,223	-	-	-	-	-	-	28,069,223
Other liabilities	26,056,419	-	-	-	-	-	-	26,056,419
Total financial liabilities	1,384,339,916	71,905,632	-	3,176,996	114,008	113,014	-	1,459,649,566
Net currency exposure	(201,917,255)	291,334,125	240,526	363,925	641,475	2,310,208	17,166,333	110,139,337
Loan commitments and financial guarantees	78,153,098	-	-	-	-	-	-	78,153,098

5. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's interest- bearing financial assets and financial liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates.

	Up to 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2022					
Assets					
Cash and balances with ECCB	-	-	-	242,070,140	242,070,140
Treasury bills	34,099,813	-	-	-	34,099,813
Due from other banks	217,382,971	-	2,255,705	84,608,792	304,247,468
Deposits with non-bank financial institutions	618,329	-	-	30,920,657	31,538,986
Loans and advances to customers	220,369,842	107,025,865	438,019,164	-	765,414,871
Investment securities:					
- Amortised cost	33,632,942	14,214,576	75,131,282	-	122,978,800
- FVOCI	-	-	-	26,910,952	26,910,952
- FVTPL	56,183,169	11,627,816	4,618,950	26,143,776	98,573,711
Other assets	-	-	-	19,087,031	19,087,031
Total financial assets	562,287,066	132,868,257	520,025,101	429,741,348	1,644,921,772
Liabilities					
Deposits from customers	987,867,256	128,896,647	297,498	359,133,803	1,476,195,204
Other liabilities				18,072,642	18,072,642
Commercial paper	18,005,319	10,068,184			28,073,503
Total financial liabilities	1,005,872,575	138,964,831	297,498	377,206,445	1,522,341,349
Interest sensitivity gap	(443,585,509)	(6,096,574)	519,727,603	52,534,903	122,580,423

5. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd

	Up to 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2021					
Assets					
Cash and balances with ECCB	-	-	-	191,230,712	191,230,712
Treasury bills	30,268,891	-	-		30,268,891
Due from other banks	152,494,004	-	-	122,749,880	275,243,884
Deposits with non-bank financial institutions	617,921	-	-	17,178,546	17,796,467
Loans and advances to customers	123,476,156	216,947,097	417,784,611	-	758,207,864
Investment securities:					
- Amortised cost	11,211,736	21,466,156	85,354,406	-	118,032,298
- FVOCI	-	-	-	15,747,024	15,747,024
- FVTPL	84,262,521	6,046,877	6,163,896	35,399,470	131,872,764
Other assets	-	-	-	31,388,999	31,388,999
Total financial assets	402,331,229	244,460,130	509,302,913	413,694,631	1,569,788,903
Liabilities					
Deposits from customers	964,712,368	163,537,187	900,831	276,373,538	1,405,523,924
Other liabilities				26,056,419	26,056,419
Commercial paper	18,005,319	10,063,904	-	-	28,069,223
Total financial liabilities	982,717,687	173,601,091	900,831	302,429,957	1,459,649,566
Interest sensitivity gap	(580,386,458)	70,859,039	508,402,082	111,264,674	110,139,337

5. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Equity price risk

Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The Group is exposed to equity security price risk because of investments held by the Group that are classified on the consolidated statement of financial position as fair value through other comprehensive income and at fair value through profit or loss. The primary exposure to equity prices arises from trading activities. The Group manages its non-trading equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

Sensitivity analysis – Equity price risk

If market rates at June 30, 2022 had been 1% higher, with all other variables held constant, consolidated comprehensive income for the year would have been $1,492 (2021 - $2,923) higher as a result of the increase in the fair value equity securities. An equivalent decrease would have resulted in an equivalent amount stated above but with opposite impact. For such investments classified as fair value through profit or loss, the impact on consolidated profit or loss and equity would have been an increase or decrease of $213,385 (2021 - $135,955).

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its payment obligations associated with its financial liabilities when they fall due or upon demand. The Group is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

5. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

Management of liquidity risk

The matching and controlled mismatching of the contractual maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. The key elements of the liquidity management process are as follows:

Daily and weekly monitoring to ensure that requirements are met. This includes the replenishment of funds as they mature or as borrowed by customers. The Group ensures that sufficient funds are held in the one-to-thirty-day maturity bucket to satisfy liquidity requirements.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen liquidity problems. Additionally, the investment portfolio is fairly diversified by currency, geography, issuer, product and term.
- Weekly monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

5. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

Maturities of financial liabilities

The tables below disclose the contractual undiscounted cashflows of the Group's financial liabilities whereas the Group manages liquidity risk based on expected discounted cashflows.

June 30, 2022	Up to 1 year $	1 to 5 years $	Over 5 years $	Total $
Liabilities				
Deposits from customers	**1,348,685,944**	**130,914,524**	**297,498**	**1,479,897,966**
Other liabilities	**18,072,643**	**-**	**-**	**18,072,643**
Lease liabilities	**619,759**	**206,764**	**-**	**826,523**
Commercial paper	**17,351,250**	**11,355,000**	**-**	**28,706,250**
Total financial liabilities	**1,384,729,596**	**142,476,288**	**297,498**	**1,527,503,382**

June 30, 2021	Up to 1 year $	1 to 5 years $	Over 5 years $	Total $
Liabilities				
Deposits from customers	1,247,029,634	194,917,088	1,115,700	1,443,062,422
Other liabilities	23,497,581	-	-	23,497,581
Lease liabilities	602,329	534,561	-	1,136,890
Commercial paper	18,351,250	10,355,000	-	28,706,250
Total financial liabilities	1,289,480,794	205,806,649	1,115,700	1,496,403,143

5. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

Residual contractual maturities relating to off-balance sheet items

Loan commitments
The dates of the contractual amounts of the Group's off-balance sheet instruments that commit it to extend credit to customers and other facilities (note 33) are summarized in the table below:

Financial guarantees and other financial facilities
Financial guarantee facilities, which are included in other liabilities (note 17) are also included in the table below, based on the earliest contractual maturity date.

	1 year	**1 – 5 years**	**Total**
	$	**$**	**$**
30-Jun-22			
Loan commitments	27,149,283	26,010,546	53,159,829
Financial guarantees and other financial facilities	15,035,520	-	15,035,520
	42,184,803	**26,010,546**	**68,195,349**
30-Jun-21			
Loan commitments	25,167,668	36,350,229	61,517,897
Financial guarantees and other financial facilities	16,635,201	-	16,635,201
	41,802,869	**36,350,229**	**78,153,098**

(e) Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors.

5. Financial risk management (cont'd)

(e) Operational risk (cont'd)

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas. These standards address the following requirements:

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

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the Board of Directors.

(f) Capital management

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

- to comply with the capital requirements set by the Eastern Caribbean Central Bank ("ECCB");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

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

Under the Banking Act, No. 4 of 2015, the ECCB requires each bank or banking group to:

(a) hold the minimum level paid up share capital of EC$20,000,000, and;
(b) maintain a ratio of total regulatory capital to the risk weighted assets ("the Basel ratio") at or above the minimum 8% indicated in the ECCB Prudential Guidelines. However, due to the acquisition of RBC Dominica Banking Operations, the Group's minimum regulatory capital requirement is 10%.

5. Financial risk management (cont'd)

(f) Capital management (cont'd)

The Group is in compliance with the minimum capital requirement as per the Banking Act. No. 4 of 2015. The Group will also be seeking injections of new capital in the medium term.

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment losses, and unrealized gains arising on the fair valuation of FVOCI equity instruments (limited to 20% of Tier 1 capital).

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

The table below summarizes the composition of regulatory capital and the ratios of the Group. The Group complied with all of the externally imposed capital requirements to which it was subject.

	Notes	2022 $	2021 $
Tier 1 capital			
Share capital	19	**32,723,961**	20,000,000
Statutory reserve	20	**20,000,000**	20,000,000
Retained earnings		**54,053,473**	90,401,350
Total tier 1 capital		**106,777,434**	130,401,350
Tier 2 capital			
Loan loss reserve	21	**24,558,289**	-
Unrealised gain on FVOCI investments	22	**11,739,328**	575,400
		36,297,617	
Less Excess Reserves – Tier 2 limitation for 20% Tier 1		**(14,942,130)**	
Total qualifying tier 2 capital		**21,355,487**	575,400
Total regulatory capital		**128,132,921**	130,976,750
Risk weighed assets		**710,701,921**	736,904,190
Capital adequacy ratio			
- Required		**10%**	10%
- Actual		**18.03%**	17.8%

6. Fair values of financial instruments

Fair value is defined in note 3(h)(v). The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash and cash equivalents, other assets and other liabilities and due to other banks are assumed to approximate their carrying values due to their short-term nature.

The fair values of listed securities are assumed to be equal to their quoted market values. The fair values of unlisted securities was estimated using valuation techniques.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at market interest rates prevailing at the reporting date.

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

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

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

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

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

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

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(Expressed in Eastern Caribbean Dollars)

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

As at June 30, 2022	Notes	FVTPL	Amortised cost	FVOCI	Other financial liabilities	Total carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost										
Cash and cash equivalents	7	-	577,856,594	-	-	577,856,594	-	-	-	
Treasury bills	8	-	34,099,813	-	-	34,099,813	-	34,099,813	-	34,099,813
Loans and advances to customers	11	-	765,414,871	-	-	765,414,871	-	-	765,414,871	765,414,871
Investment securities:										
Unquoted securities	12	-	122,978,800	-	-	122,978,800	-	122,978,800	-	122,978,800
Financial assets measured at FVOCI										
Quoted securities	12	-	-	5,311,199	-	5,311,199	-	5,311,199	-	5,311,199
Unquoted	12	-	-	21,599,753	-	21,599,753	-	-	21,599,753	21,599,753
Financial assets measured at fair value										
Corporate bonds	12	69,259,682	-	-	-	69,259,682	69,259,682	-	-	69,259,682
Quoted equity securities	12	26,143,776	-	-	-	26,143,776	26,143,776	-	-	26,143,776
Debt securities	12	3,170,253	-	-	-	3,170,253	3,170,253	-	-	3,170,253
Total assets		98,573,711	1,500,350,078	26,910,953	-	1,625,834,741	98,573,711	162,389,812	787,014,624	1,047,978,147
Deposit from customers	16	-	1,476,195,204	-	-	1,476,195,204	-	-	-	-
Trading liabilities	17	-	-	-	18,072,642	18,072,642	-	-	-	-
Lease liabilities	34	-	826,523	-	-	826,523				
Commercial paper	18	-	28,073,503	-	-	28,073,503	-	-	-	-
Total liabilities			1,505,095,230	-	18,072,642	1,523,167,872	-	-	-	-

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

As at June 30, 2021	Notes	FVTPL	Amortised cost	FVOCI	Other financial liabilities	Total carrying value	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at amortised cost										
Cash and cash equivalents	7	-	484,271,063	-	-	484,271,063	-	-	-	-
Treasury bills	8	-	24,001,436	-	-	24,001,436	-	24,001,436	-	24,001,436
Loans and advances to customers	11	-	758,207,864	-	-	758,207,864	-	-	758,207,864	758,207,864
Investment securities:										
Unquoted securities	12	-	118,032,298	-	-	118,032,298	-	118,032,298	-	118,032,298
Financial assets measured at FVOCI										
Quoted securities	12	-	-	5,460,350	-	5,460,350	-	5,460,350	-	5,460,350
Unquoted	12	-	-	10,286,674	-	10,286,674	-	-	10,286,674	10,286,674
Financial assets measured at fair value										
Corporate bonds	12	92,101,205	-	-	-	92,101,205	92,101,205	-	-	92,101,205
Quoted equity securities	12	35,399,470	-	-	-	35,399,470	35,399,470	-	-	35,399,470
Debt securities	12	4,372,089	-	-	-	4,372,089	4,372,089	-	-	4,372,089
Total assets		131,872,764	1,384,512,661	15,747,024	-	1,532,132,449	131,872,764	147,494,084	768,464,538	1,047,861,386
Deposit from customers	16	-	1,405,523,924	-	-	1,405,523,924	-	-	-	-
Trading liabilities	17	-	-	-	26,059,419	26,059,419	-	-	-	-
Lease liabilities	34	-	1,136,890		-	1,136,890				
Commercial paper	18	-	28,069,223	-	-	28,069,223	-	-	-	-
Total liabilities		-	1,434,730,037	-	26,059,419	1,460,789,456	-	-	-	-

7. Cash and balances with Central Bank

(a) Cash and balances with Central Bank

	Note	2022 $	2021 $
Cash in hand		**24,539,756**	23,333,314
Cash at ECCB other than mandatory deposits		**129,546,654**	84,159,462
Included in cash and cash equivalents	7(b)	**154,086,410**	107,492,776
Mandatory deposits		**87,983,730**	83,737,936
		242,070,140	191,230,712

Deposits with the ECCB are non-interest bearing.

Mandatory deposits

Section 45 of the Dominica Banking Act No. 4 of 2015, and the Eastern Caribbean Central Bank Agreement Act of 1983, prescribes the maintenance of a reserve, including marginal required reserves, against deposits and other similar liabilities specified for that purpose. Such reserves shall be maintained either by way of notes and coins, cash holdings with other financial institutions or by way of deposits with the ECCB. Such mandatory deposits are not available to finance the Group's day-to-day operations.

(b) Cash and cash equivalents

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

	Notes	2022 $	2021 $
Cash and balances with ECCB	7(a)	**154,086,410**	107,492,776
Treasury bills	8	**6,275,473**	6,267,455
Due from other banks	9	**304,247,468**	275,243,884
Deposits with non-bank financial institutions	10	**31,538,986**	17,796,467
		496,148,337	406,800,582

Treasury bills of $6,275,473 (2021 - $6,267,455) comprise bills with less than three months' maturity from the date of acquisition and forms part of the total of $34,099,813 (2021 - $30,268,891) in note 8.

8. Treasury bills

	Notes	2022 $	2021 $
Treasury bills issued by domestic and regional governments	7(b)	**34,099,813**	**30,268,891**

The weighted average effective interest rate in respect of treasury bills for the year was 3.98% (2021 – 4.33%).

During the year, the Group recognized an increase in ECL on treasury bills of $234,078 (2021 increase - $178,625) for a total ECL allowance of $682,564 (2021 - $448,486) at year end.

9. Due from other banks

	Notes	2022 $	2021 $
Items in the course of collection		**94,421**	101,666
Placements with other banks		**88,231,083**	123,849,571
Interest bearing deposits		**215,921,964**	151,292,647
	7(b)	**304,247,468**	275,243,884

The weighted average effective interest rate in respect of interest-bearing deposits for the year was 0.72% (2021 – 0.35%). Placements with other banks include the amount of $1,215,486 (2021 - $1,172,408) received on behalf of customers that was in the process of clearing at end of year. These funds are not available for the Bank's use in its normal operations until processed. Interest-bearing deposits have been adjusted for a reduction in ECL of $226,858 (2021 increase – $109,617) for a total ECL on due from banks of $695,198 (2021 – $922,056).

10. Deposits with non-bank financial institutions

	Notes	2022 $	2021 $
Interest bearing deposits		**618,329**	617,921
Held by broker		**30,920,657**	17,178,546
	7(b)	**31,538,986**	17,796,467

The weighted average effective interest rate in respect of interest-bearing deposits for the year was 2% (2021 – 2%). During the year, the Group recognized a reduction in ECL on deposits with non-bank financial institutions of $2,523 (2021 decrease - $3,064) for a total ECL allowance of $4,310 (2021 - $6,833) at year end.

11. Loans and advances to customers

	2022 $	2021 $
Mortgage loans	220,800,037	242,699,822
Large corporate customers	449,576,418	424,405,147
Overdrafts	66,536,037	77,054,991
Credit Cards	6,348,314	5,089,813
Term loans	81,079,779	63,369,176
Gross balance	**824,340,585**	**812,618,949**
Unearned interest	-	(40,172)
Provision for loan impairment	(58,925,714)	(54,370,913)
Net balance	**765,414,871**	**758,207,864**
Current	220,380,212	123,409,274
Non-current	545,034,659	634,798,590
	765,414,871	**758,207,864**

The weighted average effective interest rate on loans and overdrafts stated at amortized cost at June 30, 2022 was 4.5% (2021 – 5.7%) and overdrafts stated at amortized cost was 5.71% (2021 – 5.9%).

The Group, as part of its strategic initiatives has entered into syndicated arrangements for the funding of loan facilities domestically where the exposure exceeds the Tier I requirement. These loans are backed by commercial paper. The Group's exposure net of syndicated arrangements is therefore $22,352,270 (2021: $28,435,467).

The weighted average effective interest rate for the year in respect of these syndicated loans at amortized cost was 5.3% (2021 – 5.3%).

(i) Charges against profits

	2022 $	2021 $
Increase in provision for impairment	**(10,157,735)**	(19,049,731)
Legal and professional fees	**(505,718)**	-
Impairment recoveries on loans and advances	**1,394,458**	4,950,971
Net impairment charged in profit or loss	**(9,268,995)**	(14,098,760)

11. Loans and advances to customers (cont'd)

(ii) Provision for impairment of loans and advances to customers

Reconciliation of the allowance account for losses on loans and advances to customers by class is as follows:

	Large Corporate	Term Loans & Credit Cards	Mortgage Loans	Overdraft	Total
June 30, 2022	**$**	**$**	**$**	**$**	**$**
Balance at July 1, 2021	**26,560,443**	**3,865,909**	**19,648,524**	**4,296,037**	**54,370,913**
Provision for expected credit loss	**4,454,295**	**1,820,564**	**2,554,766**	**1,328,110**	**10,157,735**
Loans written off during the year	**(1,282,551)**	**(2,393,308)**	**(1,904,139)**	**(22,936)**	**(5,602,934)**
Balance at June 30, 2022	**29,732,187**	**3,293,165**	**20,299,151**	**5,601,211**	**58,925,714**
June 30, 2021	**$**	**$**	**$**	**$**	**$**
Balance at July 1, 2020	14,961,870	2,211,393	16,494,871	1,362,616	35,030,750
On purchase of loans	4,331,514	5,220,878	3,968,989	-	13,521,381
Provision for expected credit loss	7,267,059	5,040,171	3,530,898	3,211,603	19,049,731
Loans written off during the year	-	(8,606,533)	(4,346,234)	(278,182)	(13,230,949)
Balance at June 30, 2021	26,560,443	3,865,909	19,648,524	4,296,037	54,370,913

(ii) Provision for impairment of loans and advances to customers(cont'd)

A breakdown of the staging of advances and the related ECLs for loans and advances to customers is illustrated below:

	Large Corporate	Term Loans & Credit Cards	Mortgage Loans	Overdrafts	Total
June 30, 2022	**$**	**$**	**$**	**$**	**$**
Gross Loans and advances to customers	449,576,418	87,428,093	220,800,037	66,536,037	824,340,585
Stage 1: 12 months ECL	(1,366,592)	(696,094)	(1,609,080)	(297,956)	(3,969,722)
Stage 2: Lifetime ECL	(3,721,505)	(111,037)	(201,182)	(9,629)	(4,043,353)
Stage 3: Credit impaired	(24,644,089)	(2,486,034)	(18,488,889)	(5,293,627)	(50,912,639)
Financial Assets - Net	**419,844,232**	**84,134,928**	**200,500,886**	**60,934,825**	**765,414,871**

A breakdown of the staging of advances to customers and the related ECLs for loans and advances is illustrated below:

	Large corporate	Term Loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2021	**$**	**$**	**$**	**$**	**$**
Gross loans and advances to customers	424,405,147	68,458,989	242,699,822	77,054,991	812,618,949
Stage 1: 12 months ECL	(2,658,282)	(845,210)	(1,736,415)	(281,182)	(5,521,089)
Stage 2: Lifetime ECL	(7,288,041)	(136,123)	(270,313)	(68,901)	(7,763,378)
Stage 3: Credit impaired	(16,614,120)	(2,884,576)	(17,641,796)	(3,945,954)	(41,086,446)
Financial Assets - Net	**397,844,704**	**64,593,080**	**223,051,298**	**72,758,954**	**758,248,036**

11. Loans and advances to customers (cont'd)

	Large corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2022	**$**	**$**	**$**	**$**	**$**
Gross Loans and advances to customers	449,576,418	87,428,093	220,800,037	66,536,037	824,340,585
Provision for expected credit loss	(29,732,186)	(3,293,165)	(20,299,151)	(5,601,212)	(58,925,714)
Net loans and advances to customers	419,844,232	84,134,928	200,500,886	60,934,825	765,414,871

	Large corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2021	**$**	**$**	**$**	**$**	**$**
Gross Loans and advances to customers	424,405,147	68,458,989	242,699,822	77,054,991	812,618,949
Provision for expected credit loss	(26,560,443)	(3,865,909)	(19,648,524)	(4,296,037)	(54,370,913)
Net loans and advances to customers	397,844,704	64,593,080	223,051,298	72,758,954	758,248,036

11. Loans and advances to customers (cont'd)

(ii) Provision for impairment of loans and advances to customers(cont'd)

	Large corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2022					
Stage 1: 12 months ECL					
ECL allowance at July 1, 2021	2,658,282	845,210	1,736,415	281,182	5,521,089
Credit loss movement (new loans, repayment etc.)	(1,291,690)	(149,116)	(127,335)	16,774	(1,551,367)
As at June 30, 2022	1,366,592	696,094	1,609,080	297,956	3,969,722
Stage 2: Life ECL					
ECL allowance at July 1, 2021	7,288,041	136,123	270,313	68,901	7,763,378
Credit loss movement (new loans, repayment etc.)	(3,566,535)	(25,087)	(69,131)	(59,272)	(3,720,025)
As at June 30, 2022	3,721,506	111,036	201,182	9,629	4,043,353
Stage 3: Credit impaired					
ECL allowance at July1, 2021	16,614,120	2,884,576	17,641,796	3,945,954	41,086,446
Credit loss experience -	9,312,520	1,994,766	2,751,232	1,370,609	15,429,127
Write – offs	(1,282,551)	(2,393,308)	(1,904,139)	(22,936)	(5,602,934)
As at June 30, 2022	24,644,089	2,486,034	18,488,889	5,293,627	50,912,639
Total	**29,732,187**	**3,293,164**	**20,299,151**	**5,601,212**	**58,925,714**

11. Loans and advances to customers (cont'd)

(ii) Provision for impairment of loans and advances to customers(cont'd)

A breakdown of the staging of advances to customers and the related ECLs for loans and advances is illustrated below:

	Large corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2021					
Stage 1: 12 months ECL					
ECL allowance at July 1, 2019	1,668,747	309,342	558,815	5,465	2,542,369
Credit loss movement (new loans, repayment etc.)	989,535	535,868	1,177,600	275,717	2,978,720
As at June 30, 2021	2,658,282	845,210	1,736,415	281,182	5,521,089
Stage 2: Life ECL					
ECL allowance at July 1, 2019	1,982,381	52,123	173,197	1,647	2,209,348
Credit loss movement (new loans, repayment etc.)	5,305,660	84,000	97,116	67,254	5,554,030
As at June 30, 2021	7,288,041	136,123	270,313	68,901	7,763,378
Stage 3: Credit impaired					
ECL allowance at July1, 2019	11,310,742	1,849,928	15,762,859	1,355,504	30,279,033
Credit loss experience -	5,303,378	9,641,181	6,225,171	2,590,450	23,760,180
Write – offs	-	(8,606,533)	(4,346,234)	-	(12,952,767)
As at June 30, 2021	16,614,120	2,884,576	17,641,796	3,945,954	41,086,446
Total	**26,560,443**	**3,865,909**	**19,648,524**	**4,296,037**	**54,370,913**

12. Investment securities

	2022 $	2021 $
Amortized cost	**122,978,800**	118,032,298
FVOCI	**26,910,952**	15,747,024
FVTPL	**98,573,711**	131,872,764
	248,463,463	265,652,086

A. Amortized cost

	2022 $	2021 $
Government bonds	**111,059,062**	111,178,070
Corporate bonds	**25,700,909**	20,590,556
Asset-backed securities	**3,863,531**	3,863,518
	140,623,502	135,632,144
Less allowance for impairment	**(17,644,702)**	(17,599,846)
Debt securities	**122,978,800**	118,032,298

B. Fair value through other comprehensive income

	2022 $	2021 $
Equity securities	**5,311,200**	5,619,440
Unquoted equity securities	**21,599,752**	10,127,584
	26,910,952	15,747,024

C. Fair value through profit or loss

	2022 $	2021 $
Corporate bonds	**69,259,682**	92,101,205
Debt securities	**26,143,776**	4,372,089
Equities	**3,170,253**	35,399,470
	98,573,711	131,872,764

12. Investment securities (cont'd)

	Stage1 12 Month ECL	Lifetime ECL Not Credit-Impaired	Credit Impaired Financial Assets Lifetime ECL	Total
	$	$	$	$
Debt investment securities at amortised cost				
Balance as at July 1, 2020	2,283,559	278,211	15,025,298	17,587,068
Net remeasurement of loss allowance	25,617	(12,817)	-	12,800
Recoveries	-	-	(22)	(22)
Balance as at July 1, 2021	**2,309,176**	**265,394**	**15,025,276**	**17,599,846**
Net remeasurement of loss allowance	**47,094**	**(2,238)**	**-**	**44,856**
Recoveries	**-**	**-**	**-**	**-**
Balance as at June 30, 2022	**2,356,270**	**263,156**	**15,025,276**	**17,644,702**

12. Investment securities (cont'd)

	FVOCI Listed $	FVOCI Unlisted $	FVOCI Total $	Amortised Cost $	FVTPL $	TOTAL $
Balance at July 1, 2020	6,611,963	9,268,306	15,880,269	121,518,778	107,892,679	245,291,726
Additions	-	159,089	159,089	1,337,800	26,176,080	27,672,969
Disposals	-	-		(5,700,116)	(15,791,504)	(21,491,620)
Unrealised (loss) gain from changes in fair value	(292,334)	-	(292,334)	-	13,595,509	13,303,175
Allowance for expected credit losses	-	-	-	(12,800)	-	(12,800)
Impairment recovery on investment	-	-	-	888,636	-	888,636
Balance at July 30, 2021	6,319,629	9,427,395	15,747,024	118,032,298	131,872,764	265,652,086
Opening balance adjustment	-	11,690,688	11,690,688	-	-	11,690,688
Additions	**-**	-	-	**10,149,292**	**17,615,823**	**27,765,115**
Disposals	**-**	-	-	**(5,157,934)**	**(29,576,373)**	**(34,734,307)**
Unrealised loss from changes in fair value	**(149,150)**	**(377,610)**	**(526,760)**	**-**	**(21,338,504)**	**(21,865,264)**
Allowance for expected credit losses	**-**	**-**	**-**	**(44,856)**	**-**	**(44,856)**
Impairment recovery on investment	**-**	**-**	**-**	**-**	**-**	**-**
Balance at June 30, 2022	**6,170,479**	**20,740,473**	**26,910,952**	**122,978,800**	**98,573,711**	**248,463,463**

The weighted average effective interest rate for the year in respect of securities at amortized cost was 4.04% (2021 – 4.17%).

Impairment loss on investment securities at amortized cost comprises of expected credit loss of $2,592,426 (2021: $2,574,570) and provisioning on fully impaired assets $15,025,278 (2021: $15,025,278).

During the year, the Bank recovered $340,375 (2021: $965,185) on amounts due from other financial institutions for which 100% provisioning was made during prior years.

13. Other assets

	2022 $	(Restated *) 2021
Prepayments and advances	**5,399,182**	3,791,084
Clearings	**2,387,944**	11,889,049
Stationery	**836,919**	777,093
Merchant settlements	**10,351,377**	14,820,164
Income tax recoverable	**111,609**	111,609
	19,087,031	31,388,999

* *Refer to Note 39 for the restatement disclosure*

Clearings are non-NBD cheques held for settlement with other banks.

Merchant settlements are funds received through the processing of card transactions which are then credited to the respective merchant business account.

(Expressed in Eastern Caribbean Dollars)

14. Property and equipment

	Land $	Building $	Leasehold improvement $	Computer equipment $	Furniture & equipment $	Motor vehicles $	Total $
COST							
Balance at July 1, 2020	4,256,681	9,024,220	613,992	9,736,291	16,980,575	1,129,652	41,741,411
Additions	1,613,400	1,584,876	-	911,832	532,019	-	4,642,127
Disposals	-	-	-	-	(313,676)	-	(313,676)
Balance at June 30, 2021	5,870,081	10,609,096	613,992	10,648,123	17,198,918	1,129,652	46,069,862
Additions	**-**	**536,003**	**-**	**315,936**	**558,957**	**376,000**	**1,786,896**
Disposals	**-**	**-**	**-**	**-**	**-**	**(363,500)**	**(363,500)**
Balance at June 30, 2022	**5,870,081**	**11,145,099**	**613,992**	**10,964,059**	**17,757,875**	**1,142,152**	**47,493,258**
ACCUMULATED DEPRECIATION							
Balance at July 1, 2020	-	(5,045,754)	(613,992)	(8,394,319)	(15,106,397)	(1,013,941)	(30,174,403)
Charge for the period	-	(221,021)	-	(607,467)	(588,379)	(47,534)	(1,464,401)
Depreciation eliminated on disposals	-	-	-	-	313,360	-	313,360
Balance at June 30, 2021	-	(5,266,775)	(613,992)	(9,001,786)	(15,381,416)	(1,061,475)	(31,325,444)
Change for the period	**-**	**(276,054)**	**-**	**(572,501)**	**(574,156)**	**(70,647)**	**(1,493,358)**
Depreciation eliminated on disposals	**-**	**-**	**-**	**-**	**-**	**363,500**	**363,500**
Balance at June 30, 2022	**-**	**(5,542,829)**	**(613,992)**	**(9,574,287)**	**(15,955,572)**	**(768,622)**	**(32,455,302)**
CARRYING VALUES							
Balance as at June 30, 2022	**5,870,081**	**5,602,270**	**-**	**1,389,772**	**1,802,303**	**373,530**	**15,037,956**
Balance as at June 30, 2021	5,870,081	5,342,321	-	1,646,337	1,817,502	68,177	14,744,418

(Expressed in Eastern Caribbean Dollars)

15. Intangible assets

	2022 $	2021 $
Software	**226,057**	417,060
Core Deposits	**3,444,519**	3,838,185
Goodwill (see note 37)	**2,093,118**	2,093,118
	5,763,694	6,348,363

Software

	Total $
COST	
Balance at July 1, 2020	8,404,763
Additions	156,384
Disposal	-
Balance at June 30, 2021	**8,561,147**
Additions	**-**
Disposal	**-**
Balance at June 30, 2022	**8,561,147**
ACCUMULATED DEPRECIATION	
Balance at July 1, 2020	7,886,075
Charge for the year	258,012
Balance at June 30, 2021	**8, 144,087**
Charge for the year	**191,003**
Balance at June 30, 2022	**8,335,090**
CARRYING VALUES	
Balance at June 30, 2022	**226,057**
Balance as at June 30, 2021	417,060

(Expressed in Eastern Caribbean Dollars)

15. Intangible assets (cont'd)

Core deposits

	2022 $	2021 $
Cost at acquisition	**3,936,600**	3,936,600
Amortization	**(492,081)**	(98,415)
Net book value	**3,444,519**	3,838,185

Core deposit intangibles acquired through the acquisition of the assets and assumed liabilities of Royal Bank of Canada (Roseau) Branch in 2021 have been determined to have a life of 10 years from acquisition date.

16. Deposits from customers

	2022 $	2021 $
Demand deposits	**355,445,716**	341,619,015
Savings accounts	**846,290,595**	782,964,672
Term deposits	**274,458,893**	280,940,237
	1,476,195,204	1,405,523,924
Current	**1,255,645,060**	1,241,085,894
Non-current	**220,550,144**	164,438,030
	1,476,195,204	1,405,523,924

The weighted average effective interest rate for the year in respect of customers' deposits was 1.67% (2021 - 1.55%).

(Expressed in Eastern Caribbean Dollars)

17. Other liabilities

		2022 $	(Restated *) 2021 $
Manager's cheques		**1,650,507**	2,310,524
Bankers' payments		**1,749,448**	2,457,645
Staff gratuities benefit		**3,372,285**	3,602,308
Unclaimed dividends		**332,307**	353,960
Uncleared funds		**783,000**	5,182,346
Other accounts payable and accrued liabilities		**10,185,096**	12,149,636
		18,072,643	26,056,419
Current	$	18,072,643	26,056,419
Non-current		-	-

** Refer to Note 39 for the restatement disclosure*

Manager's cheques and bankers' payments are financial instruments issued by the Bank on behalf of its account holders. The Bank has an obligation to pay once these instruments are presented by the customers.

The provision for staff gratuities is pursuant to a union agreement to provide employees with a gratuity upon termination. The gratuity is provided by the Group to staff with a minimum of 10 years of service. The funds are being held by the Group. Uncleared funds represent amounts received on behalf of customers which were in the process of clearing at year end. These funds are not available for the Group's use in its normal operations until processed.

Other accounts payable and accrued liabilities include accrued liabilities, stamp duties, internal accounts, sundry creditors and credit card settlements.

18. Commercial paper

The Group entered into syndicated loan arrangements for which funding exceeded the statutory Tier 1 requirement. To comply with this requirement, the Group issued commercial paper in order to fund these facilities. The commercial paper is issued for a maximum period of three years with the option of renewal. As at the reporting date, the Group had commercial paper of $28,073,503 (2021: $28,069,223). Interest expense on the Commercial paper was $538,750 (2021: $569,495)

The effective interest rates are 2.78% (2021: 2.89%).

Commercial paper	**Current** **$**	**Non-current** **$**	**Total** **$**
As at June 30, 2022	**20,027,476**	**8,046,027**	**28,073,503**
As at June 30, 2021	**18,005,319**	**10,063,904**	**28,069,223**

(Expressed in Eastern Caribbean Dollars)

19. Share capital

	Number of shares	2022 $	2021 $
Authorized			
40,000,000 ordinary shares of no par value			
Issued and fully paid			
Ordinary shares at the beginning of the year	**24,000,000**	**20,000,000**	20,000,000
Shares issued during the year	**4,245,725**	**12,723,961**	-
Ordinary shares at end of the year	**28,245,725**	**32,723,961**	20,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

Over the period May 17 to June 18, 2021, the Bank offered, to existing shareholders under a Rights Issue, one share for every four shares held (1:4). In accordance with the Prospectus, Rights not exercised was offered to the public under an Additional Public Offering over the period June 21 to July 16, 2021. A total of 4,245,725 shares were sold at a value of $12,723,961. Allocation of shares began July 23, 2021 for both issues.

Dividends paid
During the year, the Bank paid dividends of $3,812,283 (2021: $1,200,000).

This was further to a Board resolution passed on July 28, 2021 where the Board resolved to pay:
i. interim dividend of ten cent ($0.10) per share totalling XCD$2.40M to shareholders on record as at June 30, 2021.
ii. final dividend for the financial year ended June 30, 2021 of five cent ($0.05) per share totalling to $1.40M for shareholders on record as at July 28, 2021.

The dividend per share paid during the year ended June 30, 2021 was five cent ($0.05).

20. Statutory reserve

Pursuant to Section 45 of the Banking Act No. 4 of 2015, the Group shall, out of its net profits of each year, transfer to a reserve "not less than 20% of the annual net earnings of the Group to a reserve fund whenever the fund is less than one hundred percent of the issued and paid-up capital of the Group". At the previous reporting date of June 30, 2021, the Group's statutory reserve was $20,000,000 which was equal to paid-up capital at that date. During 2021, based on the opening value of the reserve, only a transfer of $1,366,328 was required to be transferred to statutory reserve to ensure it was equal to $20,000,000. During the year ended June 30, 2022, issued and paid-up capital of the Group increased to $32,723,961. However, on the basis that the Group incurred a loss for the year ended June 30, 2022, no transfer was made to statutory reserve.

(Expressed in Eastern Caribbean Dollars)

21. Loan loss reserve

As at June 30, 2022, the Group's regulatory loan provisioning was $83,484,004 which is in excess of the IFRS expected credit loss provision of $58,925,715. Therefore, at the reporting date, the Group's loan loss reserve was $24,558,289 (2021: $nil).

This reserve represents the additional loan loss provision required by the Eastern Caribbean Central Bank's (ECCB) prudential guidelines as compared to the provision measured in accordance with International Financial Reporting Standards (IFRS). As disclosed above, at the end of 2022, the provision under the ECCB's guidelines is more than that as required under IFRS 9, and therefore there is a requirement to maintain an amount in the reserve in respect of this aspect representing the excess amount. This is not distributable.

22. Fair Value through OCI Reserve

Unrealized gains or losses on investment securities at FVOCI reflect the difference between their cost and fair value.

	2022 $	2021 $
Balance at beginning of year	**575,400**	867,734
Adjustment to opening balance (Note 38)	**11,690,688**	-
Loss on changes in fair value during the period	**(526,760)**	(292,334)
Balance at end of year	**11,739,328**	575,400

23. Net interest income

	2022 $	2021 $
Interest income		
Loans and advances to customers	**55,036,062**	44,752,886
Treasury bills and investment securities	**7,625,138**	7,158,605
Due from other banks	**815,560**	644,274
Total Interest Income	**63,476,760**	52,555,765
Interest expense		
Time deposits and commercial paper	**8,352,089**	8,800,268
Savings accounts	**15,825,007**	13,369,654
Demand deposits	**268,658**	179,210
Correspondent banks	**849**	800
Lease interest	**51,323**	48,510
Total Interest Expense	**24,497,926**	22,398,442
Net Interest Income	**38,978,834**	30,157,323

(Expressed in Eastern Caribbean Dollars)

24. Commission and other income

	2022 $	(Restated *) 2021 $
Dividend income	**1,112,563**	1,236,676
Foreign currency account commission	**972,832**	824,296
Loan fees	**1,531,149**	1,403,970
Net credit card revenue	**(403,198)**	-
Others	**2,530,695**	4,071,662
Service charges	**1,796,038**	1,492,161
Total Commissions and Other Income	**7,540,079**	9,028,765

* *Refer to Note 39 for the restatement disclosure*

Others consists of commissions on bills and LCs, commission on cheque books, rental of equipment, gain on disposals and commission sundries.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition policies under IFRS 15*
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

(Expressed in Eastern Caribbean Dollars)

25. Impairment (recovery of) loss on investment securities

	2022 $	**2021 $**
Impairment on investments at amortised cost	**-**	-
Expected credit loss on amortised cost investment securities	**44,856**	-
Impairment loss on investment securities	**44,856**	12,800
Investment recovered during the year on amortised cost	**(340,375)**	(888,636)

Impairment losses are reflected in the consolidated statement of income for the year ended June 30, 2022 and represents expected credit loss for investment securities classified at amortised cost under IFRS 9.

See Note 12 for the effect of the impairment on the consolidated statement of financial position.

26. Operating expenses

	Notes	**2022 $**	**2021 $**
Audit fees and expenses		**481,662**	378,600
Directors' expenses		**59,490**	47,046
Directors' fees	28	**394,545**	313,245
Directors' training and development		**71,606**	99,688
Insurance		**532,233**	510,400
Legal and other professional fees		**2,379,613**	1,747,941
Office expenses		**1,093,048**	871,838
Other expenses	27	**4,139,996**	3,383,980
Rental of premises and equipment		**93,224**	110,147
Repairs and maintenance:			
Building		**1,555,394**	1,533,333
Computer		**1,952,280**	1,689,437
Other		**659,874**	472,757
Utilities			
Electricity and water		**1,135,061**	835,694
Telephone		**899,407**	592,356
		15,447,433	12,586,462

(Expressed in Eastern Caribbean Dollars)

27. Other expenses

	Notes	2022 $	2021 $
Advertising and promotions		**840,234**	872,688
Agency fees		**1,339,068**	1,146,118
Fees incurred - collateral revaluation		**7,990**	94,084
Meetings and conferences		**9,878**	-
Miscellaneous		**775,465**	749,719
Scholarships expenses		**9,184**	23,947
Security – cash in transit		**157,944**	124,952
Subscription and levies		**705,575**	337,104
Sundry losses		**294,658**	35,368
	26	**4,139,996**	3,383,980

28. Compensation

	Notes	2022 $	2021 $
Employees			
Wages and salaries		**11,674,112**	10,378,192
Other staff costs		**638,084**	461,035
Training		**415,545**	170,306
Social security cost		**749,524**	644,107
Retirement benefit and gratuity		**620,111**	1,452,864
Group insurance		**404,698**	349,464
Staff uniform		**71,771**	236,102
		14,573,846	13,692,070
Key management compensation			
Salaries and other short-term benefits		**1,548,793**	1,396,903
Post-employment benefits		**243,829**	215,265
		1,792,622	1,612,168
Directors' fees	26	**394,545**	313,245

(Expressed in Eastern Caribbean Dollars)

29. Income tax expense

	2022 $	2021 $
Current tax	-	-
Deferred tax credit	-	(1,618,369)
	-	(1,618,369)

The tax on the operating profit differs from the theoretical amount that would arise by applying the basic tax rate of 25% to the consolidated (loss) / profit, as follows:

	2022 $	2021 $
Profit Before Tax	**(7,977,305)**	19,891,675
Tax (credit) expense calculated at the applicable rate of 25%	**(1,994,326)**	4,972,919
Tax impact of non-deductible expenses	**2,564,126**	5,402,861
Tax impact of exempt income	**(8,286,892)**	(7,340,077)
Deferred tax impact of acquisition	-	(1,618,369)
Deferred taxes not recognized	**7,717,092**	-
Utilization of deferred tax asset not previously recognised	-	(3,035,703)
Total	-	(1,618,369)

The components of the deferred tax asset not recognised are as follows:

		2022	2021
Expected credit losses – Stage 1 and 2	$	7,359,750	8,677,598
Decelerated capital allowances		144,810	(190,645)
Tax losses carried forward		8,794,428	169,269
	$	16,298,988	8,656,222

(Expressed in Eastern Caribbean Dollars)

30. Income tax losses

At the end of the year, the Group had income tax losses of $35,177,712 (2021 – $379,773) to carry forward against future tax liabilities. These losses, which have not been confirmed or agreed by the Inland Revenue Department, will expire as follows if not utilised:

Income Year	Expiry year	Losses arising $	Losses expired/utilised $	Losses b/f $	Accumulated losses c/f $
2019	2024	19,389,758	-	-	19,389,758
2020	2025	-	**(8,318,273)**	19,389,758	11,071,485
2021	2026	-	**(10,691,712)**	11,071,485	379,773
2022	2027	34,797,939	-	379,773	35,177,712

31. Basic and diluted profit/(loss) per share

The calculation of earnings per share is based on the net income/(loss) attributable to ordinary shareholders for the year ended June 30, 2022 of ($7,977,305) [2021 – $21,510,044] divided by 27,891,915 (2021 - 24,000,000), being the weighted average number of ordinary shares in issue during the year.

(Expressed in Eastern Caribbean Dollars)

32. Related party transactions and balances

A related party is a person or entity that is related to the Group.

A party is related to the Group, if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled, or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

(Expressed in Eastern Caribbean Dollars)

32. Related party transactions and balances (cont'd)

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

	2022		2021	
	Income $	**Expense $**	**Income $**	**Expense $**
Government of Dominica	**12,278,807**	**596,404**	9,207,501	932,987
Statutory bodies	**751,685**	**4,196,936**	789,880	2,235,502
Directors and related entities	**40,541**	**16,587**	57,198	14,377
Key management	**73,870**	**21,295**	79,140	20,801

At June 30, 2022, related parties had the following balances with the Group:

	2022		2021	
	Loans $	**Deposits $**	**Loans $**	**Deposits $**
Government of Dominica	**184,642,193**	**140,604,494**	209,233,806	133,198,213
Statutory bodies	**12,610,787**	**101,443,063**	13,366,836	85,880,262
Directors and related entities	**1,052,135**	**911,562**	879,587	761,363
Key management	**2,973,220**	**1,080,330**	2,496,600	968,075

As at the reporting date, the Group's single largest shareholder was the Government of the Commonwealth of Dominica holding directly 51.9% (2021 - 48.89%) of the issued share capital, and 58.06% (2021 - 55.05%) when considered in concert with other shareholding entities owned and controlled by the Government. In addition, the loan balances of the Government of Dominica at $184,642,193 (2021 - $209,233,806) constituted 23.9% (2021 –26%) of the loans and advances outstanding from customers at June 30, 2022.

At the reporting date, the Bank held Treasury bills as issued by the Government of the Commonwealth of Dominica in the amount of $20,743,183 (2021: $16,736,102).

Directors' shareholdings as at the end of the financial year are as follows: 17,300 shares or 0.06% (2021 – 8,427 shares or 0.03%).

Refer to Note 28 for disclosure of key management compensation.

(Expressed in Eastern Caribbean Dollars)

33. Commitments and contingencies

	2022 $	2021 $
Loan commitments	**53,159,829**	61,517,897
Financial guarantees and other financial facilities	**15,035,520**	16,635,201
	68,195,349	78,153,098

Loan commitments for the year disclosed above amounted to $53,159,829 (2021 - $61,517,897). The expected credit losses on loan commitments totalled $121,160 (2021 - $121,160) and this is presented as part of 'Provision' on the statement of financial position.

Acceptances, guarantees and letters of credit that remain open at the year-end amounted to $15,035,520 (2021 - $16,635,201). The expected credit losses on guarantees totaled $115,026 (2021 - $115,026) and this is presented as part of 'Provision' on the statement of financial position.

34. Leases

The Group leases office buildings and land for operating use. These leases typically run for a period of 3 years and lease payments are renegotiated every 3 years to reflect market rates. The Group is also restricted from entering into any sub-letting arrangements without the permission of the landlord. Such permission is not to be unreasonably withheld.

The existing lease agreements are set to mature on July 31, 2023.

The Group also has other short term and/or leases of low-value payments for which the Group has elected not to recognise right-of-use assets given the underlying assets are of low value.

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

Lease Liability	**$**
Balance as at July 1, 2021	1,136,890
Additions	196,256
Lease payments	(557,946)
Interest expense	51,323
Balance as at June 30, 2022	**826,523**

Land & Buildings

Right-of-Use Assets (ROU)	**$**
Balance as at July 1st, 2021	1,117,708
Additions	196,307
Amortization charge	(558,327)
Balance as at June 30, 2022	**755,688**

(Expressed in Eastern Caribbean Dollars)

34. Leases (cont'd)

The following table sets out a maturity analysis of lease liability after the reporting date.

	2022 $	2021 $
Within one year	619,759	602,329
Over one year	156,234	47,212

35. Human capital management

	2022	2021
Number of employees	**178**	153

(Expressed in Eastern Caribbean Dollars)

36. Impairment Testing for CGU containing goodwill

Goodwill arising from the April 1, 2021 acquisition of the assumed assets and liabilities of Royal Bank of Canada Roseau Branch was determined based on independent valuation of the fair value of the net assets acquired as compared to the consideration transferred.

	2022	2021
	$	$
Goodwill on acquisition	2,093,118	2,093,118

The goodwill is attributable to the combined years of banking experience, technical knowledge in credit risk assessment and evaluation processes and other synergies expected to be achieved from the acquisition. None of the goodwill recognised is expected to be tax deductible.

For the purposes of impairment testing, goodwill is allocated to the relevant cash-generating unit (CGU) identified – in this case the RBC branch which was acquired in the prior year.

In accordance with IFRS 3, goodwill was reviewed for impairment as at June 30, 2022 using the 'value in use' method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present cash flows. In each case, the cash flow projections are based on financial budgets approved by senior management and the values assigned to key assumptions reflects past performance.

The impact of COVID-19 and the Ukraine/Russia war has created uncertainty in the estimation of cash flow projections, terminal growth rates and discount rates. The goodwill impairment test was conducted using sensitivity analysis, including a range of growth rates, recovery assumptions, interest rates, discount rates and macro-economic outlooks in arriving at a probability-weighted expected cash flow projection.

The key assumptions used in the estimation of the recoverable amount are as set out below:

Terminal growth rate: 2.50%
Discount rate: 12.38%
Inflation rate: 2.18%

The discount rate was a post-tax measure estimated based on the historical industry average cost of equity, at a market interest rate of 18.55%.

The cash flow projections included some specific estimates for three years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate for Net income, consistent with the assumptions that a market participant would make.

The estimated recoverable amount of the CGU exceeded its carrying value.

No impairment losses on goodwill were recognized during the year ended June 30, 2022 (2021: nil).

(Expressed in Eastern Caribbean Dollars)

37. Investment in Associate

As part of the acquisitions during the previous period, the Bank acquired a 20% interest in RBTT Bank Caribbean Limited (‘RBTT’). This interest was acquired for NIL consideration and was obtained to facilitate the overall acquisitions by the consortium of banks that acquired the interests of Royal Bank of Canada in the Eastern Caribbean. The interest was intended to be held for a short period of time until certain regulatory requirements were satisfied at the level of RBTT Bank Caribbean Limited and another bank within the consortium.

The acquisition of the 20% interest enabled the Bank to have one appointee to the Board of Directors. The Bank was however not involved in the running of RBTT Bank Caribbean Limited and was not involved in the making of any policy decisions, there was no interchange of managerial personnel and NBD did not provide essential technical information to RBTT. As part of the process, an interim operating agreement was executed between RBTT and another bank within the consortium to provide that bank the full ability to operate and manage RBTT’s banking business. NBD was indemnified under a separate agreement with the other bank from any loss related to this transaction and the operation of RBTT.

Further to an assessment performed by management, it was concluded that this interest did not provide the Bank with significant influence and additionally it was determined that the fair value of this interest on initial recognition was NIL as there was no economic benefit to be gained from the transaction. As such, no amounts were recorded in these financial statements related to this transaction.

During the period, no financial or other support was provided to RBTT. The Bank did not receive any financial information for RBTT Caribbean as at September 30, 2023, and is therefore unable to disclose such. As at the reporting date, the shares in RBTT Bank Caribbean Limited as initially issued, remain in favour of the Bank. RBTT is in the process of wind up and is not currently carrying on any operations. It will be voluntarily liquidated subsequently.

(Expressed in Eastern Caribbean Dollars)

38. Opening Adjustment

During the current period, the Bank performed a detailed assessment of the fair value of its unquoted FVOCI equity interests as disclosed in Note 12. Under the requirements of the reporting framework, these are required to be carried at fair value. A similar assessment was not previously performed. Based on this, it was determined that the fair value as at June 30, 2022 required adjustment to increase it by $11,313,078 to $21,599,753. Based on the fact that this assessment was not previously performed, this was deemed to be a prior period error. Under the requirements of IAS 8, this is required to be adjusted retrospectively by adjusting the beginning of the earliest period presented within these financial statements. However, it was concluded that this could not be done without the use of hindsight and only the current period was adjusted. To ensure however that only the change in value over 2022 was reflected in these accounts, the Bank determined a fair value as at July 1, 2021 of $21,977,363 and the resulting change in fair value at that date of $11,690,688 was adjusted within the opening value of "fair value through OCI reserve" as shown within the statement of changes in equity. The investment balance and other comprehensive income as at and for the year ended June 30, 2021 or for any prior period has not been adjusted. The movement in value within 2022 representing the change from July 1, 2021 to June 30, 2022 which is a decline in value of $377,610 has been included within the "change in fair value of FVOCI investment securities" within the statement of changes in equity. This overall movement is also reflected in Note 22.

39. Restatement of Prior Period Balances

The financial statements for the year ended June 30, 2021 have been restated to reflect the below errors identified. This is the only period affected.

(1) During the preparation of the 2022 financial statements, it was determined that a reclassification adjustment in the 2021 financial statements between "other assets" and "other liabilities" had not been made correctly. To correct this error, the Bank was required to increase both line items by $4,009,938 within the June 30, 2021 statement of financial position.

(2) During the preparation of the 2022 financial statements, it was determined that an entry had been incorrectly credited to "other liabilities" when it should have been reflected within "other income". To correct this error, the Bank was required to reduce "other liabilities" within the June 30, 2021 statement of financial position and increase "other income" within the June 30, 2021 statement of profit or loss.

The effects of these restatements are shown in the table below:

(Expressed in Eastern Caribbean Dollars)

39. Restatement of Prior Period Balances (cont'd)

(a) *The effects on the statement of financial position:*

		Impact of adjustment	
	As previously reported	**Adjustments**	**As restated**
June 30, 2021			
Other assets	27,379,061	4,009,938	31,388,999
Others	1,560,610,393	-	1,560,610,393
Total assets	**1,587,989,454**	**4,009,938**	**1,591,999,392**
Other liabilities	23,497,581	2,558,838	26,056,419
Others	1,434,966,223	-	1,434,966,223
Total liabilities	**1,458,463,804**	**2,558,838**	**1,461,022,642**
Retained earnings	88,950,250	1,451,100	90,401,350
Others	40,575,400	-	40,575,400
Total equity	**129,525,650**	**1,451,100**	**130,976,750**

(b) *Effects on the statement of profit or loss and other comprehensive income:*

		Impact of adjustment	
	As previously reported	**Adjustments**	**As restated**
June 30, 2021			
Net commission and other income	7,577,665	1,451,100	9,028,765
Profit after tax	**20,058,944**	**1,451,100**	**21,510,044**
Total comprehensive income	**19,766,610**	**1,451,100**	**21,217,710**

(Expressed in Eastern Caribbean Dollars)

39. Restatement of Prior Period Balances (cont'd)

(c) Effects on the statement of cash flows:

	Impact of adjustment		
	As previously reported	**Adjustments**	**As restated**
June 30, 2021			
Profit before tax	18,440,575	1,451,100	19,891,675
Change in other assets	**(15,624,303)**	**(4,009,938)**	**(19,634,241)**
Change in other liabilities	**(3,770,452)**	**2,558,838**	**(1,211,614)**

(d) Effects on the notes to the financial statements for the year ended June 30, 2021:

Adjustments were made to the following notes to reflect the restated values for 2021 as reflected above in (a), (b) and (c).

- Note 13
- Note 17
- Note 24
- Note 31

(Expressed in Eastern Caribbean Dollars)

39. Restatement of Prior Period Balances (cont'd)

Restatement of Prior Year Statement of Cash Flows

Certain components within the statement of cash flows for the year ended June 30, 2021 have been restated to correct the presentation as follows:

(1) Interest income and interest expense – have been restated to reflect the entire amount as included within the Statement of Income

(2) Interest received and interest paid – have been restated to reflect that received and paid from/to all sources

(3) Change in loans and advances and change in deposits from customers and commercial paper – have been restated to reflect the impact of the changes in (1) and (2)

The effects of these restatements are shown in the table below:

	Impact of adjustment		
	As previously reported	**Adjustments**	**As restated**
June 30, 2021			
Interest income	(7,802,879)	(44,752,886)	(52,555,765)
Interest expense	569,495	21,780,438	22,349,933
Interest received	7,798,856	38,043,754	45,842,610
Interest paid	(569,497)	(20,740,459)	(21,309,956)
Change in loans and advances	(76,781,592)	7,518,316	(69,263,276)
Change in deposits from customers and commercial paper	200,833,633	(230,794)	200,602,839
Net cash from operating activities	114,405,098	-	114,405,098

(Expressed in Eastern Caribbean Dollars)

39. Restatement of Prior Period Balances (cont'd)

Presentation Adjustments – Statement of Income

During the preparation of the June 30, 2022, financial statements, the following presentation adjustments were made in the Statement of Income to conform to the current period's presentation:

(1) Operating expenses was disaggregated further by separately presenting 'Depreciation and amortization' and 'Employee benefits expense' which were previously included in the total operating expenses.

The effects of this presentation adjustment are shown in the table below:

		Impact of adjustment	
	As previously reported	**Adjustments**	**As restated**
June 30, 2021			
Depreciation and amortization	-	2,357,328	2,357,328
Employee benefits expense	-	13,692,070	13,692,070
Operating expenses	28,635,860	(16,049,398)	12,586,462

(2) The total for 'Net unrealized gain from investment securities at fair value through profit or loss' has been included within a new subtotal for 'Revenue' as presented on the statement of income. There was no change in the amount.