The St. Vincent Co-operative Bank Limited

Financial Statements
Year Ended January 31, 2023
(in Eastern Caribbean dollars)

Contents

Corporate Information

REGISTERED OFFICE

Cnr. Heritage Sq. & Bay Street
Kingstown
St. Vincent and the Grenadines

DIRECTORS

Mr. G. Samuel Goodluck – President
Mr. Marcus Ballantyne – Vice President
Mr. Albert Porter – Executive Director
Mr. E. Maxim James
Mrs. Julie Lewis
Mrs. Heather Sardine
Mrs. Zhinga A. Horne-Edwards
Mr. Matthew Ferrari
Mr. Brian Glasgow *(Appointed October 2022)*
Mrs. Villette Browne *(Appointed October 2022)*
Mrs. Suzanne Joachim *(Resigned October 2022)*

SECRETARY

Mr. Albert Porter

SOLICITORS

Hughes & Company
Rochelle A. Forde
Zhinga A. Horne - Edwards

AUDITORS

Grant Thornton
Chartered Accountants
Sergeant - Jack Drive
Arnos Vale
St. Vincent

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
The St. Vincent Co-operative Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **The St. Vincent Co-operative Bank Limited**, which comprise the statement of financial position as at January 31, 2023, and the statement of changes in equity, statement of profit or loss and other comprehensive income, and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **The St. Vincent Co-operative Bank Limited** as at January 31, 2023, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the audit of the financial statements section of our report, including in relation to those matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risk of material misstatement of the financial statements. The results of our audit procedures, including the procedures to address the matters below, provide a basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How Our Audit Address the Key Audit Matter
Allowance for impaired loans The allowance for impaired loans is considered to be a significant matter as it requires the application of judgement and use of subjective assumptions by management. The identification of impairment and the determination of the recoverable amounts are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty and the timing and amount of expected future cash flows. The Bank records both collective and specific allowances for losses on loans and advances to customers. In accordance with IFRS 9 Financial Instruments: Impairment, impairment provisions are recognized at each reporting date at amounts equal to the *12-month expected credit losses* or the *lifetime expected credit losses* if the credit risk on the loan has increased significantly since initial recognition. The recoverable amount of impairment loans are assessed on an individual basis and is primarily based on the realization of the underlying collateral security. An assessment is made on the market value of the collateral and the time and cost to collect in determining the expected cash flows. Management is continuously assessing the assumptions used in determining the allowance for loan losses process, and estimates are changed to account for current market and economic conditions, including the state of the real estate market. During the current year, management reassessed and amended the loan loss provisioning policy based on their forward-looking expectations on foreclosing and realizing the underlying collateral security and based on the current economic environment.	We assessed and tested the design and operating effectiveness of controls over: ➢ Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of the loan portfolio. ➢ Data used to determine the provisions for loan impairment, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. In addition, we assessed the adequacy of the provision for loan losses by testing the key assumptions used in the Bank's specific and collective loan loss allowance calculations, including the identification of impairment, forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. ➢ We reviewed the accounting for the allowance for loan impairment policy and assessed the reasonableness of the change in estimates based on the Bank's historical experience of the realization of security, actual collection of cash flows and the current market conditions. We assessed the model and inputs and assumptions for the inherent risk provisions. In addition, we assessed the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Bank's 2023 Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Bank's 2023 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. "Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Reporting Standards on Auditing (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

The Engagement Partner on the audit resulting in this independent auditors' report is Floyd A. Patterson.

Grant Thornton

April 26, 2023

The St. Vincent Co-operative Bank Limited

Statement of Financial Position

For the Year Ended January 31, 2023

(in Eastern Caribbean dollars)

	Notes	**2023** **$**	2022 $
ASSETS			
Cash resources	6	**31,796,884**	40,037,687
Financial investments	7	**55,204,440**	42,352,217
Loans and advances to customers	8	**118,414,036**	113,604,082
Other assets	9	**2,786,708**	282,295
Property, plant and equipment	10	**10,748,645**	10,544,616
Total Assets		**218,950,713**	206,820,897
LIABILITIES			
Customers deposits	11	**166,350,336**	164,199,398
Other payables	12	**11,727,638**	2,675,083
Taxes payable		**10,602**	332,912
Dividend payable		**53,510**	63,730
Deferred tax liability	13	**89,079**	236,805
Total Liabilities		**178,231,165**	167,507,928
EQUITY			
Stated capital	14	**5,527,362**	5,527,362
General reserve	15	**5,527,362**	5,527,362
Loan loss reserve	16	**377,516**	-
Other reserve	17	**315,017**	645,994
Accumulated other comprehensive income	18	**6,344,774**	6,347,030
Retained earnings		**22,627,517**	21,265,221
		40,719,548	39,312,969
Total Liabilities and Equity		**218,950,713**	206,820,897

The financial statements were approved by the Board of Directors and authorised for issue on April 26, 2023, and signed on its behalf by:

G. Samuel Goodluck
President

Marcus Ballantyne
Vice President

Albert Porter
Secretary

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

The St. Vincent Co-operative Bank Limited

Statement of Changes in Equity

For the Year Ended January 31, 2023

(in Eastern Caribbean dollars)

	Notes	Share Capital $	General Reserve $	Loan Loss Reserve $	Other Reserve $	Accumulated Other Comprehensive Income $	Retained Earnings $	Total $
Balance as at February 1, 2021		5,527,362	5,527,362	-	1,187,031	6,325,251	17,914,577	36,481,583
Transfer from other reserve	17	-	-	-	(541,037)	-	541,037	-
Appreciation in securities at fair value through other comprehensive income	18	-	-	-	-	21,779	-	21,779
Dividend declared	19	-	-	-	-	-	(275,709)	(275,709)
Net profit for the year		-	-	-	-	-	3,085,316	3,085,316
Balance as at January 31, 2022		5,527,362	5,527,362	-	645,994	6,347,030	21,265,221	39,312,969
Transfer to loan loss reserve	16	-	-	377,516	-	-	(377,516)	-
Transfer from other reserve	17	-	-	-	(330,977)	-	330,977	-
Decrease in securities at fair value through other comprehensive income	18	-	-	-	-	(2,256)	-	(2,256)
Dividend declared	19	-	-	-	-	-	(551,421)	(551,421)
Net profit for the year		-	-	-	-	-	1,960,256	1,960,256
Balance as at January 31, 2023		**5,527,362**	**5,527,362**	**377,516**	**315,017**	**6,344,774**	**22,627,517**	**40,719,548**

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

The St. Vincent Co-operative Bank Limited

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended January 31, 2023

(in Eastern Caribbean dollars)

	Notes	**2023** **$**	2022 $
Interest Income	20	**12,073,895**	13,372,664
Interest Expense	21	**(2,939,496)**	(2,881,790)
Net Interest Income		**9,134,399**	10,490,874
Less: Credit Losses on Loans/Financial Investments	22	**(1,060,239)**	(1,936,403)
		8,074,160	8,554,471
Interest Levy		**(824,942)**	(813,973)
Selling Expenses	23	**(326,991)**	(257,847)
Administrative Expenses	24	**(2,490,554)**	(1,763,069)
Staff Costs	25	**(2,658,819)**	(2,340,241)
Depreciation	10	**(213,637)**	(224,901)
		1,559,217	3,154,440
Other Income			
Fees and commission		**1,029,738**	1,007,187
Loss on disposal of fixed assets		**-**	(38,946)
Profit before Income Tax		**2,588,955**	4,122,681
Income Tax Expense	26	**(628,699)**	(1,037,365)
Net Profit for the Year		**1,960,256**	3,085,316
Other Comprehensive Income			
Other Comprehensive Income not Recyclable through Profit or Loss in Subsequent Periods			
(Decrease) appreciation in fair value of securities through other comprehensive income		**(2,256)**	21,779
		(2,256)	21,779
Comprehensive Income		**1,958,000**	3,107,095
Comprehensive Income Attributable to:			
Owners of company		**1,958,000**	3,107,095
Earnings per Share	27	**0.36**	0.56

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

The St. Vincent Co-operative Bank Limited

Statement of Cash Flows

For the Year Ended January 31, 2023

(in Eastern Caribbean dollars)

	Note	**2023** **$**	2022 $
Operating Activities			
Profit before income tax		**2,588,955**	4,122,681
Adjustments for:			
Depreciation	10	**213,637**	224,901
Investment income		**(2,537,983)**	(2,239,628)
Loss on disposal of property plant and equipment		**-**	38,946
Net Profit before Changes in Operating Assets and Liabilities		**264,609**	2,146,900
Increase in loans and advances to customers		**(4,809,954)**	(3,874,775)
Decrease (increase) in other assets		**(2,504,413)**	18,720
Increase in customers deposits		**2,150,938**	2,336,061
Increase (decrease) in other payables		**9,052,555**	(8,056,866)
Cash Generated from (Used in) Operations		**4,153,735**	(7,429,960)
Income taxes paid		**(1,098,735)**	(495,127)
Net Cash Generated from (Used in) Operating Activities		**3,055,000**	(7,925,087)
Investing Activities			
Additions to property, plant and equipment	10	**(417,666)**	(195,846)
Purchase of financial investments		**(65,830,657)**	(32,316,512)
Investment income received		**2,649,612**	2,547,220
Redemption of financial investments		**52,864,549**	21,628,886
Net Cash Used in Investing Activities		**(10,734,162)**	(8,336,252)
Financing Activity			
Dividend paid		**(561,641)**	(303,050)
Net Cash Used in Financing Activity		**(561,641)**	(303,050)
Net Movement in Cash Resources		**(8,240,803)**	(16,564,389)
Cash Resources - Beginning of Year		**40,037,687**	56,602,076
Cash Resources - End of Year	6	**31,796,884**	40,037,687

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

The St. Vincent Co-operative Bank Limited

Index to Notes to the Financial Statements

(in Eastern Caribbean dollars)

1. Incorporation and Principal Activities

The St. Vincent Co-operative Bank Limited ("the Bank") is incorporated under the laws of St. Vincent and the Grenadines as company 22 of 1944. The Bank's activities are regulated under the provisions of the Banking Act No. 4 of 2015. The Bank operates under a licence issued by the Eastern Caribbean Central Bank. The Bank is engaged in retail banking and mortgage financing activities.

2. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB), effective for reporting periods commencing after January 1, 2022.

Basis of Measurement

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

- Financial assets and liabilities measured at fair value through profit or loss (FVTPL)
- Financial assets and liabilities designated at fair value through profit or loss (FVTPL)
- Equity instruments designated at fair value through other comprehensive income (FVTOCI)
- Debt instruments measured at fair value through other comprehensive income (FVTOCI)
- Land and building measured at revalued amounts

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas where significant judgment and estimates have been made in preparing the financial statements and their effect are disclosed in **Note 5**.

Change in Accounting Policies

a. ***New and Amended Standards and Interpretations Issued but not yet Effective***

The Bank has applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 February 2022. The adoption of the new standards during the year have not had any significant impact on the financial statements. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Management anticipates that all the relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted or listed below are not expected to have a material impact on the Bank's financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2022 (Amendment to IFRS 16)

The amendment extends, by one year, the May 2021 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 April 2022. The said amendment does not have a significant impact on the Bank's financial statements.

(in Eastern Caribbean dollars)

2. Basis of Preparation …..*Cont'd*

Change in Accounting Policies …..*Cont'd*

b. *New Standards, Amendments, and Interpretations not yet Effective*

A number of new standards and amendments to standards are effective for annual periods beginning on or after February 1, 2022, and earlier application is permitted; however, the Bank has not early adopted the following new or amended standards in preparing these financial statements. The Bank intends to adopt these standards, if applicable, when they become effective. The new and amended standards and interpretations are not expected to have any significant impact on the Bank's financial statements.

i. Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and must be applied retrospectively. The Bank does not expect any effect on its financial statements.

ii. Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.
The amendments are not expected to have a material impact on the Bank.

iii. Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, The IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier adoption permitted. Since the amendments to the Practice Statement 2 provide for non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

To support the amendment, the Board and management will assess the impact of the amendments to developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 and to determine the impact that it will have on the Bank's accounting policy disclosures.

(in Eastern Caribbean dollars)

2. Basis of Preparation …..*Cont'd*

Change in Accounting Policies …..*Cont'd*

c. *New Standards, Amendments, and Interpretations not yet Effective …..Cont'd*

iv. Insurance Contracts – IFRS 17

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2023.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after January 1, 2023. The Bank is assessing the possible impact that this standard will have on its financial statements. Additional amendments have been included to capture the following:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after January 1, 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

v. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies

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

a. Cash and Cash Equivalents

Cash equivalents include highly liquid investments with insignificant interest rate risk and original maturities of ninety (90) days or less at the date of purchase. Investments with maturities between ninety (90) days and one year at the date of purchase are considered to be short-term investment securities. Short-term investment securities consist primarily of investment grade commercial paper, bankers' acceptances, and certificates of deposit.

b. Foreign Currency Translation

These financial statements are expressed in Eastern Caribbean dollars, the Bank's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

c. Offsetting Financial Instruments

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

d. Loans to Customers

Loans are stated net of allowance for loan losses. The allowance for losses is based on an annual appraisal of loans. Specific and general allowance for loan losses is based on the year-end appraisal of loans. The specific element relates to identified loans whereas the general element relates to latent bad and doubtful loans which are present in any loan portfolio but have not been specifically identified.

e. Interest Income and Expense

Interest income and expense are recognised in the statement of profit or loss for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

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

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

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies ......Cont'd

f. Fee and Commission Income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

g. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are recognized initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

h. Property, Plant and Equipment

All property, plant and equipment are stated at cost less depreciation except land, and buildings which are revalued at fair value and are carried at fair value less subsequent depreciation.

Subsequent costs 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 Bank and the cost of the item can be measured reliably.

The carrying value of items of property, plant and equipment is amortized and charged as depreciation through the profit or loss. The depreciation of items of property, plant and equipment is determined each reporting period by reference to the rate of utilization of the items relative to their expected service life to the Bank less any expected realizable value on retirement. The main classification of property, plant and equipment are depreciated on a declining balance basis using the following rate:

Buildings	2%
Furniture and fittings	15%
Office equipment	15 – 33 1/3%
Generator	20%
Motor vehicle	25%

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the profit or loss. Any gains or losses arising on the remeasured value of the Bank's property is included in other comprehensive income.

3. Summary of Significant Accounting Policies ......*Cont'd*

i. Investments and Other Financial Assets

(i) *Classification*

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Measurement*

At initial recognition, the Bank measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Instrument

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank classified its debt instruments: -

- Amortised Cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair Value through Other Comprehensive Income (FVOCI): assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in the gains/(losses). Interest income from those financial assets is included in finance income using the effective interest rate method. Foreign exchange gains or losses are presented in other gains and losses and impairment expenses in other expenses.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies ......*Cont'd*

j. Investment and Financial Assets ……*Cont'd*

(ii) *Measurement ……Cont'd*

- Fair Value through Profit or Loss: assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which is arises.

Equity Instruments

The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(loss) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) *Impairment*

The Bank assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. **Note 4.1** details how the Bank determines whether there has been a significant increase in credit risk.

k. Employee Benefits

Pension Obligation

The Bank operates a defined contribution pension scheme. The scheme is generally funded through payments to trustee-administered funds, determined by the provisions of the plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(in Eastern Caribbean dollars)

3. Summary of Significant Accounting Policies ......*Cont'd*

l. Deferred Income Tax

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

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The tax effects of income tax losses available for carry-forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

m. Provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

n. Stated Capital

a) Share Issue Cost

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of the Bank's own shares are shown in equity as a deduction from the proceeds.

b) Dividends on Ordinary Shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved or declared by the Bank's shareholders.

Dividends for the year that are declared after reporting date are dealt with in the subsequent events note.

(in Eastern Caribbean dollars)

4. Financial Risk Management

Financial Risk Factors

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

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

Risk management is carried out by Management under policies approved by the Board of Directors. The Bank's Management identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

4.1. Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-reporting financial instruments, such as loan commitments. The credit risk management and control are centralised in the management team of the Bank and reported to the Board of Directors regularly.

4.1.1 Credit Risk Measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their expected credit loss measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring expected credit loss in accordance with IFRS 9 is that should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis (Stage 3).

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.1.1 Credit Risk Measurement......*Cont'd*

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in Credit Quality since Initial Recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

In determining whether there has been a significant increase in credit risk, the Bank considers the probability of default upon initial recognition of asset on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated: -

(i) internal credit rating

(ii) external credit rating (as far as available)

(iii) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

(iv) actual or expected significant changes in the operating results of the borrower

(v) significant increases in credit risk or other financial instruments of the same borrower

(vi) significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

(vii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating result of the borrower,

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

The presumption that there is a significant increase in the credit risk has been rebutted, as there is no conclusive historic evidence that demonstrates a significant increase in a risk of default and loans being 30 days past due.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as customer failing to engage in a repayment plan with the Bank. The Bank categorises a loan or receivable for write off when a customer fails to make contractual payments greater than 120 days past due. Where loans have been written off, the Bank continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.1.1 Credit Risk Measurement......*Cont'd*

The Bank's process for identifying and measuring ECL in accordance with IFRS 9, shall at minimum, include:

- The method and process for identifying the staging of individual loans and advances.
- Segmentation of loans into appropriate categories to determine historical loss information which will be subsequently updated to reflect the effects of forward-looking information.
- Fair value of collateral
- The approximate recovery cost and discount rate
- Estimation of current and future probability of default (PD), exposure at default (EAD), loss given default (LGD), and discount rate, incorporating forward-looking information and modelling scenarios. For significant drivers, future variables are required and shall be considered when calculating expected credit loss.
- Assessment of whether there has been a significant increase in credit risk for the portfolio.
- Modelling scenarios into the business cycle based on historical information, including determination of the number of scenarios used to evaluate the performance of each segment of the portfolio, and the weightings associated with each scenario.
- Delinquency and non-accrual/non-performing reports.

  The Bank uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings recommended by the Eastern Caribbean Central Bank.

Investment Securities

Management uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL. The same model is used to estimate lifetime PD for rated sovereign and corporate financial instruments. The Bank's internal credit rating model is a scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is summarized in the following table:

Internal Rating	Classification	External Ratings – S&P or Equivalent
Low Risk	Investment Grade	AAA -BBB
Medium Risk	Non-Investment Grade	BB - B
High Risk	Non-Investment Grade	CCC - C
Default	Default	D

For investment securities, once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Management has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade is considered low credit risk.

Stage 1 instruments are classified as follows:

i. investment grade; or,
ii. below investment grade at origination and have not been downgraded more than 2 notches since origination.

Stage 2 instruments are assets which:

i. have been downgraded from investment grade to below investment grade; or,
ii. are rated below investment grade at origination and have been downgraded more than 2 notches since origination.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses the Bank expects to incur.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.1.1 Credit Risk Measurement......*Cont'd*

Corporate and Sovereign Debt Securities

The sovereign debt is inherently the low-default portfolio, which is challenging for any kind of PD modelling. This applies in particular to higher rating grades, where there are usually no observed defaults within 12 months horizon.

The exposure in the context of calculating the ECL is determined based on the expected cash flows on the financial instrument from the measurement date (i.e. the balance sheet date) to the last cash flow date (i.e. end of lifetime – estimated and/or contractual).

The LGD should be estimated over future periods to include the term of exposures and incorporate expectations about future.

A summary of the assumptions underpinning the Bank's expected credit loss model is as follows: -

Category	Bank Definition of Category	Basis of Recognition of Expected Credit Loss Provision
Stage 1 – Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected loss. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2 – Non-Performing	Loans for which there is a significant increase in credit risk as evidenced by: - - absence of up-to-date financial information on file - inadequate credit documentation to support borrowings which may result in losses if not corrected - initiation of legal action, assets transferred to real estate - breach of loan covenants - other potential weaknesses that deserve management's attention but do not expose the Bank to significant risk	Lifetime expected losses
Stage 3 – Default	- All or most of the weaknesses of 'non-performing' above - Full liquidation or collection of debt improbable	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.1.1 Credit Risk Measurement ……*Cont'd*

Over the term of the loans, the Bank accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. 12-month expected credit losses are the product of the Probability of Default (PD), Exposure to Default (EAD), and Loss Given Default (LGD), as defined as follows: -

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above) over the next 12 months of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months. For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated as the percentage of loss expected to be made if the default occurs in the next 12 months.
- Discount Rate - Lifetime expected credit losses are the discounted loss given default. The discount rate used in the expected credit loss calculation is the original effective interest rate or an approximation thereof.

Incorporation of Forward-Looking Information.

IFRS 9 requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Management 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. When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type and historical performance. There is often limited timely macro-economic data for Caribbean markets. Management assesses data sources from local government, International Monetary Fund, and other reliable data sources.

In its model, management developed an economic scorecard model based on qualitative rationale and management judgment to calculate a "Forward Looking Factor" (FLF). The macroeconomic projections considered by management were:

- Housing market
- Unemployment rate
- Interest rates

Management 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 (base case, upside, downside), indicator multiplier (positive, stable, negative) and their estimated impacts to the ECL.

Forward-looking economic information is also included in determining the PD, EAD, LGD and realization horizon. These assumptions vary by product type. The above five parameters are modelled and estimated independently and combined to obtain the ECL of loans.

The assumptions underlying the expected credit loss calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.1.1 Credit Risk Measurement ……*Cont'd*

The Bank provides for credit losses against loans to customers as follows: -

Bank Internal Credit Rating	Sub-category (if any)	Basis for Recognition of Expected Credit Loss Provision	Expected Credit Loss Rate	Estimated Gross Carrying Amount at Default	Carrying Amount (Net of Impairment Provision)	Basis of Calculation of Interest Revenue
Performing	Consumer Loans	12-month expected losses	1.32%	23,732,177	23,417,969	Gross carrying amount
	Other Mortgages	12-month expected losses	0.08%	57,978,333	57,934,211	Gross carrying amount
	Residential Mortgages	12-month expected losses	0.14%	33,936,602	33,888,012	Gross carrying amount
Non-Performing	Consumer Loans	Lifetime expected losses	27.42%	670,597	482,716	Gross carrying amount
	Other Mortgages	Lifetime expected losses	0.01%	200,663	200,635	Gross carrying amount
	Residential Mortgages	Lifetime expected losses	0.00%	344,563	344,563	Gross carrying amount
Default	Consumer Loans	Lifetime expected losses	91.38%	536,799	46,295	Amortised cost carrying amount (net of credit allowance)
	Other Mortgages	Lifetime expected losses	75.19%	7,521,183	1,865,666	
	Residential Mortgages	Lifetime expected losses	5.60%	1,062,126	1,002,679	

No significant changes to estimation techniques or assumptions were made during the reporting period.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.1.1 Credit Risk Measurement ……*Cont'd*

The allowance for losses on loans to customers as at January 31, 2023 reconciles to the opening loss allowance for that provision as follows: -

	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Opening loss allowance as at January 31, 2022	373,627	213,271	6,926,830	7,513,728
Individual financial assets transferred to non-performing (Lifetime expected credit losses)	(8,948)	139,871	(130,923)	-
Individual financial assets transferred to default (credit impaired financial assets)	(19,261)	-	19,261	-
New financial assets	341,691	138,992	125,962	606,645
Recoveries/write-offs	(141,298)	(10,539)	(718,398)	(870,235)
Changes in risk parameters	(138,891)	(293,685)	1,762,482	1,329,906
Closing loss allowance as at January 31, 2023	**406,920**	**187,910**	**7,985,214**	**8,580,044**

Loans with a contractual amount of $195,263 (2022: $664,863) written off during the period are still subject to enforcement action.

Analysis of Credit Quality

Loans and advances to customers

	Stage 1		**Stage 2**		**Stage 3**	
	12 Months expected Credit Losses not Credit Impaired		Lifetime expected Credit Losses not Credit Impaired		Lifetime expected Credit Losses Credit Impaired	
	2023 **$**	2022 $	**2023** **$**	2022 $	**2023** **$**	2022 $
Gross exposure	**116,189,527**	110,505,847	**1,233,445**	891,500	**9,571,108**	9,720,463
Less: allowance for impairment on loans and advances	**(406,920)**	(373,627)	**(187,910)**	(213,271)	**(7,985,214)**	(6,926,830)
Net exposure	**115,782,607**	110,132,220	**1,045,535**	678,229	**1,585,894**	2,793,633

Sensitivity

The sensitivity of the loss allowance to changes in significant management estimates is:

	Change in Assumption	Impact on Loss Allowance	
		12 Month Expected Loss	Lifetime Expected Loss
Collateral realization timeline	+/- 1 year	Nil	-/+ $96,830
Realization costs	+/- 100 basis points	Nil	-/+ $347,227
Collateral value discount rates	+/- 100 basis points	Nil	-/+ $107,211

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the loss allowance to significant management assumptions, the same method has been applied as when calculating the loss allowance recognised in the statement of financial position.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors …...*Cont'd*

4.1.2 Risk Limit Control and Mitigation Policies

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

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

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

Some other specific control and mitigation measures are outlined below.

Collateral

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

i. Mortgages over residential properties;

ii. Charges over business assets such as premises;

iii. Charges over financial instruments such as debt securities and equities.

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

The following summarises the Bank's maximum credit risk exposures to financial instruments recognized on the statement of financial position:

	2023	2022
	$	$
Deposits with commercial banks	**30,881,122**	38,099,155
Financial investments	**55,204,440**	42,352,217
Loans	**118,414,036**	113,604,082
Other assets	**70,343**	47,218
	204,569,941	194,102,672

The exposures set out above are based on net carrying amounts as reported in the statements of financial position and represent a worst-case scenario of credit risk exposure as at January 31, 2023 and 2022 without taking account of any collateral held or other credit enhancements attached.

The following summarises the Bank's maximum credit risk exposures to off-statement of financial position financial instruments:

	2023	2022
	$	$
Loan commitments and other related obligations	**4,191,073**	4,109,039

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors …...*Cont'd*

4.1.2 Risk Limit Control and Mitigation Policies ……*Cont'd*

Collateral ……*Cont'd*

The table below represents an analysis of the Bank's deposits with other banks (**Note 6**), treasury bills, debt and equity securities (**Note 7**), loans (**Note 8**), and other assets by rating agency designation at January 31, 2023 and 2022, based on CariCRIS's ratings or equivalent: -

	Cash Resources $	**Financial Investments $**	**Loans $**	**Other Assets $**	**Total $**
At January 31, 2023					
AA	**-**	**-**	**-**	**-**	**-**
A	**-**	**19,085,371**	**-**	**-**	**19,085,371**
A-	**-**	**-**	**-**	**-**	**-**
B	**-**	**3,662,107**	**-**	**-**	**3,662,107**
BB	**-**	**20,236,817**	**-**	**-**	**20,236,817**
BBB	**-**	**12,090,567**	**-**	**-**	**12,090,567**
Unrated	**30,881,122**	**129,578**	**118,414,036**	**70,343**	**149,495,079**
	30,881,122	**55,204,440**	**118,414,036**	**70,343**	**204,569,941**

	Cash Resources $	Financial Investments $	Loans $	Other Assets $	Total $
At January 31, 2022					
AA	-	4,621,713	-	-	4,621,713
A	-	9,858,433	-	-	9,858,433
A-	-	22,469,500	-	-	22,469,500
B	-	5,008,914	-	-	5,008,914
BBB	-	-	-	-	-
Unrated	38,099,155	393,657	113,604,082	47,218	152,144,112
	38,099,155	42,352,217	113,604,082	47,218	194,102,672

4.2. Market Risk

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

The market risks arising from trading and non-trading activities are regularly reported to the Board of Directors.

The Bank is not engaged in any market trading activities on behalf of any client or customer.

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

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.2.1. Interest Rate Risk

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

The table below summarizes the Bank's exposure to interest rate risks.

	Up to One Year $	One to Five Years $	Over Five Years $	Non-Interest Bearing $	Total $
At January 31, 2023					
Financial Assets					
Cash resources	**30,477,305**	**-**	**-**	**1,319,579**	**31,796,884**
Financial investments	**25,805,170**	**18,965,255**	**9,665,812**	**768,203**	**55,204,440**
Loans	**8,686,378**	**35,108,012**	**73,575,217**	**1,044,429**	**118,414,036**
Other assets	**-**	**-**	**-**	**70,343**	**70,343**
Total Financial Assets	**64,968,853**	**54,073,267**	**83,241,029**	**3,202,554**	**205,485,703**
Financial Liabilities					
Deposits	**166,298,615**	**-**	**-**	**51,721**	**166,350,336**
Other liabilities	**-**	**-**	**-**	**11,727,638**	**11,727,638**
Total Financial Liabilities	**166,298,615**	**-**	**-**	**11,779,359**	**178,077,974**
Interest Sensitivity Gap	**(101,329,762)**	**54,073,267**	**83,241,029**	**(8,576,805)**	**27,407,729**

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.2.1 Interest Rate Risk……*Cont'd*

	Up to One Year $	One to Five Years $	Over Five Years $	Non-Interest Bearing $	Total $
At January 31, 2022					
Financial Assets					
Cash resources	36,207,460	-	-	3,830,227	40,037,687
Financial investments	31,936,835	7,533,807	1,999,487	882,088	42,352,217
Loans	9,765,720	34,851,977	67,108,603	1,877,782	113,604,082
Other assets	-	-	-	47,218	47,218
Total Financial Assets	77,910,015	42,385,784	69,108,090	6,637,315	196,041,204
Financial Liabilities					
Deposits	164,138,910	-	-	60,488	164,199,398
Other liabilities	-	-	-	2,675,083	2,675,083
Total Financial Liabilities	164,138,910	-	-	2,735,571	166,874,481
Interest Sensitivity Gap	(86,228,895)	42,385,784	69,108,090	3,901,744	29,166,723

Sensitivity

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's exposure to interest rate risk is solely to the extent that interest-earning assets mature or re-price at different times or in differing amounts.

4.2.2. Price Risk

The Bank's exposure to debt and equity securities price risk arises from investments held by the Bank that are publicly traded and classified in the statement of financial position as fair value through other comprehensive income.

To manage its price risk arising from investments in debt and equity securities, the Bank diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Bank.

The Bank's publicly traded equity investments are included in the Eastern Caribbean Stock Exchange Index.

The Banks debt security is listed on the Eastern Caribbean Stock Exchange. A change in either the issuer's credit rating or the market's perception of the issuer's overall risk position will affect the pricing of its outstanding bonds. Ratings are intended to reflect the issuer's overall risk profile on a relative basis.

Sensitivity

Assuming that the equity index had been 100 basis points higher/lower with all other variables held constant, and that all the Bank's equity instruments moved in line with the index, accumulated other comprehensive income for the year would have been $8,174 (2022: $8,070) higher/lower.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.3. Liquidity Risk

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

4.3.1 Liquidity Risk Management Process

The Bank's liquidity management process, as carried out within the Bank and monitored by Management, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring reporting liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

4.3.2 Funding Approach

Sources of liquidity are regularly reviewed by executive management.

4.3.3 Non-Derivative Cash Flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining maturities at the reporting date. The amounts disclosed in the table are the contracted undiscounted cash flows; whereas the Bank manages the inherent liquidity risk based on expected discounted cash inflows.

	Up to One Year $	One to Five Years $	Over Five Years $	Total $
At January 31, 2023				
Financial Assets				
Cash resources	**31,796,884**	**-**	**-**	**31,796,884**
Financial investments	**29,433,019**	**19,593,444**	**8,602,316**	**57,628,779**
Loans	**28,327,612**	**77,183,271**	**101,397,702**	**206,908,585**
Other assets	**70,343**	**-**	**-**	**70,343**
Total Financial Assets	**89,627,858**	**96,776,715**	**110,000,018**	**296,404,591**
Financial Liabilities				
Deposits	**166,350,336**	**-**	**-**	**166,350,336**
Other liabilities	**11,727,638**	**-**	**-**	**11,727,638**
Total Financial Liabilities	**178,077,974**	**-**	**-**	**178,077,974**
Net Liquidity Gap	**(88,450,116)**	**96,776,715**	**110,000,018**	**118,326,617**

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.3.4 Non-Derivative Cash Flows ......*Cont'd*

	Up to One Year $	One to Five Years $	Over Five Years $	Total $
At January 31, 2022				
Financial Assets				
Cash resources	40,037,687	-	-	40,037,687
Financial investments	32,738,574	7,533,806	2,079,837	42,352,217
Loans	24,198,182	73,851,999	100,747,363	198,797,544
Other assets	47,218	-	-	47,218
Total Financial Assets	97,021,661	81,385,805	102,827,200	281,234,666
Financial Liabilities				
Deposits	164,199,398	-	-	164,199,398
Other liabilities	2,675,083	-	-	2,675,083
Total Financial Liabilities	166,874,481	-	-	166,874,481
Interest Sensitivity Gap	(69,852,820)	81,385,805	102,827,200	114,360,185

Off-Statement of Financial Position Instruments

Loan Commitments and Other Related Obligations

As of reporting date, the contractual amounts of the Bank's off-statement of financial position instruments that commit it to extend credit to customers and other facilities (**Note 28**), are summarized in the table below: -

	2023 $	2022 $
Loan commitments and other related obligations	**4,191,073**	4,109,039

4.4. Capital Management

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

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

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

The ECCB requires each bank or banking group to: (a) hold the minimum level of regulatory capital of $5,000,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the minimum indicated in the prudential guidelines of 8%.

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available-for-sale and fixed assets revaluation reserves.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

4.4. Capital Management ……*Cont'd*

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

The following table summarizes the composition of regulatory capital and the ratios of the Bank as of reporting date. During the reporting periods, the Bank complied with all of the ECCB capital requirements.

	2023 **$**	2022 $
Tier 1 Capital:		
Paid up ordinary share capital	**5,527,362**	5,527,362
General reserves	**5,527,362**	5,527,362
Retained earnings	**22,627,517**	21,265,221
Total Qualifying Tier 1 Capital	**33,682,241**	32,319,945
Tier 2 Capital:		
Fixed assets revaluation reserves	**6,316,663**	5,846,926
Loan Loss reserve	**377,516**	-
General provisions	**406,920**	373,627
Total Qualifying Tier 2 Capital	**7,101,099**	6,220,553
Total Qualifying Capital	**40,783,340**	38,540,498

	2023 **$**	2022 $
Risk Weighted Assets:		
On statement of financial position	**133,623,113**	130,984,062
Off statement of financial position	**4,191,073**	4,109,039
Total Risk – Weighted Assets	**137,814,186**	135,093,101
Capital Adequacy Ratio	**29.57%**	27.73%

The Capital Adequacy ratio is calculated as total Qualifying Capital divided by total Risk-Weighted Assets.

Financial Value of Financial Assets and Liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by quoted market value, if one exists.

The fair values of cash resources, other assets and liabilities, cheques, and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature. Debt securities are carried at amortized cost in the absence of market value and are considered to reflect fair value. Equity investments that are unquoted are carried at cost less impairment which is management's estimate of fair value. The fair value of off- statement of financial position commitments are also assumed to approximate the amounts disclosed due to their short-term nature.

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

4.4 Capital Management …..*Cont'd*

Financial Value of Financial Assets and Liabilities ......*Cont'd*

The following methods and assumptions have been used to estimate the fair value of each class of financial assets and liabilities for which it is practical to estimate a value.

a. Customers Deposits

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

b. Financial Investments

Financial investments include interest bearing debt and equity securities. Debt securities are carried at amortized cost in the absence of market value and are considered to reflect fair value. Assets classified for sale are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

c. Loans and Advances to Customers

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

The Bank measures financial investments and Loans at fair value at each reporting date.

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

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

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

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

	Carrying Value		Fair Value	
	2023	2022	**2023**	2022
	$	$	**$**	$
Financial Assets				
Cash resources	**31,796,884**	40,037,687	**31,796,884**	40,037,687
Financial investments	**55,204,440**	42,352,217	**55,204,440**	42,352,217
Loans	**118,414,036**	113,604,082	**105,054,990**	102,860,057
Other assets	**70,343**	47,218	**70,343**	47,218
	205,485,703	196,041,204	**192,126,657**	185,297,179

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.4. Capital Management ……*Cont'd*

Financial Value of Financial Assets and Liabilities ……*Cont'd*

	Carrying Value		Fair Value	
	2023	2022	**2023**	2022
	$	$	**$**	$
Financial Liabilities				
Deposits	**166,350,336**	164,199,398	**166,350,336**	164,199,398
Other payables	**11,727,638**	2,675,083	**11,727,638**	2,675,083
	178,077,974	166,874,481	**178,077,974**	166,874,481
Off-Statement of Financial Position Items				
Loan commitments and other related obligations	**4,191,073**	4,109,039	**4,191,073**	4,109,039

The following methods and assumptions have been used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value: -

Short-term Financial Assets and Liabilities: The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of deposits with other commercial banks (**Note 6**), financial investments (**Note 7**), loans and interest receivable **(Note 8)**, and certain other assets. Short-term financial liabilities are comprised of customers' deposits and certain other liabilities.

Long-term Loans and Receivables: The estimated fair value of long-term loans to members is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining terms of maturity. Some of the financial assets included in financial investments are long-term.

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 Bank'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 Barbados and Eastern Caribbean.
- 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.

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

	Level 1
	$
At January 31, 2023	
Investment securities at fair value through other comprehensive income	
- equity securities	**49,982**
Total Financial Assets	**49,982**

(in Eastern Caribbean dollars)

4. Financial Risk Management ……*Cont'd*

Financial Risk Factors ......*Cont'd*

4.4. Capital Management ......*Cont'd*

Fair Value Measurement of Non-Financial Assets ......*Cont'd*

	Level 1 $
At January 31, 2022	
Investment securities at fair value through other comprehensive income	
- equity securities	49,982
Total Financial Assets	49,982

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis: -

	Level 3 **$**
At January 31, 2023	
Property, plant and equipment	**7,283,250**
Total Non-Financial Assets	**7,283,250**

	Level 3 $
At January 31, 2022	
Property, plant and equipment	7,283,250
Total Non-Financial Assets	7,283,250

Fair value of the Bank's real properties was revalued by an independent, professionally qualified property valuator. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and Audit Committee and adopted at reporting date. The valuation approach used prices and other relevant information generated by market transactions involving identical or comparable assets. Under the market approach, the value is determined based on comparable transactions. Management is of the opinion that these properties fair value will determine the current market value.

5. Critical Accounting Estimates and Judgements

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

a. Financial Assets at Amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified at amortised cost. The Bank intends to hold these assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the outstanding principal amount.

b. Financial Assets at Fair Value Through Other Comprehensive Income

The Bank has elected to present in other comprehensive income changes in the fair value of its equity investments, because these investments are not held for trading.

(in Eastern Caribbean dollars)

5. Critical Accounting Estimates and Judgements ……*Cont'd*

c. Measurement of the Expected Credit Loss Allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is detailed in **Note 4.1.1**, which also sets out key sensitivities of the expected credit loss to changes in these elements.

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

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

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in **Note 4.1.1**.

d. Revaluation of Land and Buildings

The Bank measures its land and buildings at revalued amounts with changes in fair value being recognized in the statement of comprehensive income. The Bank engages independent valuation specialists to determine fair value of its land and buildings. The valuators use judgement in the application of valuation techniques such as replacement costs, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

6. Cash Resources

	2023	2022
	$	$
Cash on hand	**799,797**	1,747,472
Cheques and other items in transit	**115,965**	191,060
Deposits with other banks	**30,881,122**	38,099,155
	31,796,884	40,037,687

The Bank's cash resources and balances with other banks are denominated in Eastern Caribbean currency.

7. Financial Investments

The Bank holds the following financial investments: -

	2023	2022
	$	$
Securities at amortised cost		
- Treasury bill	**16,573,020**	4,996,912
- Corporate paper	**19,000,000**	22,357,000
- Bonds	**19,045,992**	9,635,714
- Term deposits	**-**	4,533,985
	54,619,012	41,523,611
Less: allowance for impairment	**(182,775)**	(53,482)
Interest receivable	**690,110**	801,739
	55,126,347	42,271,868
Securities at fair value through other comprehensive income		
- Quoted equity securities	**78,093**	80,349
	55,204,440	42,352,217

(in Eastern Caribbean dollars)

7. Financial Investments ……*Cont'd*

The effective yields on securities held to maturity at reporting date were as follows:-

	2023	2022
	%	%
Treasury bills	**4.36**	4.25
Bonds	**6.46**	7.20
Term deposits	**-**	3.63
Corporate paper	**2.50**	2.60

Fair value (loss)/gain of ($2,256) (2022: $21,779) has been recognised as a (decrease)/appreciation in fair value of securities through other comprehensive income'.

As of reporting date, the maturity distribution of debt securities was as follows: -

	2023	2022
	$	$
One year	**26,417,187**	32,658,226
From 1 to 5 years	**18,965,255**	7,533,806
Over 5 years	**9,743,905**	2,079,836
	55,126,347	42,271,868

The Bank's financial investments are denominated in Eastern Caribbean currency.

The Bank holds British American Insurance Company Limited flexible annuity securities having a nominal value of $12,000,000, which are deemed to be fully impaired.

British American Insurance Company Limited has defaulted on its flexible annuity securities and is under judicial management.

8. Loans and Advances to Customers

	2023	2022
	$	$
Residential mortgages	**35,343,290**	29,756,014
Other mortgages	**65,665,835**	68,873,052
Consumer loans	**24,940,526**	20,610,962
	125,949,651	119,240,028
Less: allowance for impairment	**(8,580,044)**	(7,513,728)
	117,369,607	111,726,300
Interest receivable net	**1,044,429**	1,877,782
	118,414,036	113,604,082
Due within one year	**18,310,851**	11,643,503
Due after one year	**100,103,185**	101,960,579
	118,414,036	113,604,082

The effective interest yield on loans and advances was 8.79% (2022: 8.72%).

During the year, interest income of $471,849 (2022: $772,911) was derecognized on non-performing loans.

(in Eastern Caribbean dollars)

8. Loans and Advances to Customers ......*Cont'd*

The following summarizes the staging of the loan's portfolio as of reporting date:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Residential loans	**34,049,403**	**346,252**	**1,497,569**	**35,893,224**
Other mortgages	**58,313,240**	**201,996**	**7,527,334**	**66,042,570**
Consumer loans	**23,826,884**	**685,197**	**546,205**	**25,058,286**
	116,189,527	**1,233,445**	**9,571,108**	**126,994,080**
Less: allowance for impairment	**(406,920)**	**(187,910)**	**(7,985,214)**	**(8,580,044)**
	115,782,607	**1,045,535**	**1,585,894**	**118,414,036**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Residential loans	28,067,566	374,304	2,334,465	30,776,335
Other mortgages	62,506,944	200,247	6,932,595	69,639,786
Consumer loans	19,931,337	316,949	453,403	20,701,689
	110,505,847	891,500	9,720,463	121,117,810
Less: allowance for impairment	(373,627)	(213,271)	(6,926,830)	(7,513,728)
	110,132,220	678,229	2,793,633	113,604,082

Weighted Average Effective Rate 8.82% (2022: 8.73%).

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

	Stage 1	**Stage 2**	**Stage 3**	**Total**
January 31, 2023	**$**	**$**	**$**	**$**
Residential loans	**48,590**	**-**	**59,447**	**108,037**
Consumer loans	**314,208**	**187,881**	**581,854**	**1,083,943**
Other mortgages	**44,122**	**29**	**7,343,913**	**7,388,064**
	406,920	**187,910**	**7,985,214**	**8,580,044**

	Stage 1	Stage 2	Stage 3	Total
January 31, 2022	$	$	$	$
Residential loans	17,764	55,034	62,620	135,418
Consumer loans	302,414	157,410	519,623	979,447
Other mortgages	53,449	827	6,344,587	6,398,863
	373,627	213,271	6,926,830	7,513,728

9. Other Assets

	2023	2022
	$	$
Prepaid expenses	**278,518**	205,288
Other receivables	**2,508,190**	77,007
	2,786,708	282,295

(in Eastern Caribbean dollars)

10. Property, Plant and Equipment

	Land $	Building $	Furniture & Fittings $	Office Equipment $	Motor Vehicle $	Generator $	Total $
At January 31, 2021							
Cost or valuation	7,283,250	2,522,000	425,180	1,822,053	110,871	33,349	12,196,703
Accumulated depreciation	-	25,220	295,473	1,140,011	90,042	33,340	1,584,086
Net book amount	7,283,250	2,496,780	129,707	682,042	20,829	9	10,612,617
Year Ended January 31, 2022							
Opening net book amount	7,283,250	2,496,780	129,707	682,042	20,829	9	10,612,617
Additions/revaluation	-	-	7,007	188,839	-	-	195,846
Disposal	-	-	(7,085)	(31,861)	-	-	(38,946)
Depreciation charge	-	(49,936)	(19,294)	(150,456)	(5,207)	(8)	(224,901)
Closing net book amount	7,283,250	2,446,844	110,335	688,564	15,622	1	10,544,616
At January 31, 2022							
Cost or valuation	7,283,250	2,522,000	390,691	1,635,656	110,871	33,349	11,975,817
Accumulated depreciation	-	75,156	280,356	947,092	95,249	33,348	1,431,201
Net book amount	7,283,250	2,446,844	110,335	688,564	15,622	1	10,544,616
Year Ended January 31, 2023							
Opening net book amount	7,283,250	2,446,844	110,335	688,564	15,622	1	10,544,616
Additions/revaluation	-	233,715	30,450	153,501	-	-	417,666
Depreciation charge	-	(49,808)	(18,291)	(141,632)	(3,906)	-	(213,637)
Closing net book amount	7,283,250	2,630,751	122,494	700,433	11,716	1	10,748,645
At January 31, 2023							
Cost or valuation	7,283,250	2,755,715	421,141	1,789,157	110,871	33,349	12,393,483
Accumulated depreciation	-	124,964	298,647	1,088,724	99,155	33,348	1,644,838
Net book amount	7,283,250	2,630,751	122,494	700,433	11,716	1	10,748,645

On June 11, 2020, the Bank's land and building were valued by Franklyn Browne, an independent valuator, using the open market approach. The Board of Directors adopted the combined appraisal value of $9,805,250 in the Bank's records on July 9, 2020. In 2020, the excess of the revaluation of freehold land and building of $717,603 over the carrying value was credited to revaluation surplus and flowed through the other comprehensive income in that year.

(in Eastern Caribbean dollars)

10. Property, Plant and Equipment ......*Cont'd*

Depreciation of $213,637 (2022: $224,893) was charged to the profit or loss before income tax.

The following is the historical cost carrying amount of land and building : -

	Land	Buildings	Total
	$	$	$
Cost	2,200,000	1,600,000	3,800,000
Accumulated depreciation	-	617,818	617,818
At January 31, 2023	**2,200,000**	**982,182**	**3,182,182**
At January 31, 2022	2,200,000	1,014,182	3,214,182

11. Customers Deposits

	2023	2022
	$	$
Payable after notice	**145,801,732**	140,870,639
Payable on a fixed date	**20,496,883**	23,268,271
	166,298,615	164,138,910
Interest payable on deposits	**51,721**	60,488
	166,350,336	164,199,398

The effective interest rates at the reporting date were as follows: -

	2023	2022
	%	%
Payable after notice	**2.02**	1.98
Payable on a fixed date	**1.00**	1.00

Customers' deposits are denominated in Eastern Caribbean Currency.

11.1. Sectoral Analysis

	2023	2022
	$	$
Private sector	**166,197,470**	164,038,769
Financial institutions	**101,145**	100,141
	166,298,615	164,138,910

12. Other Payables

	2023	2022
	$	$
Inter-bank clearings	**575,552**	545,162
Interest levy payable	**893,263**	881,182
Other accounts payable	**10,258,823**	1,248,739
	11,727,638	2,675,083

The Bank's other payables are denominated in Eastern Caribbean currency.

(in Eastern Caribbean dollars)

13. Deferred Tax Liability

Deferred income taxes are calculated in full on temporary differences under the liability method using statutory tax rate, 28% (2022: 30%), which is expected to be in force in the upcoming financial year. Deferred tax liability comprises: -

	2023	2022
	$	$
Temporary difference on capital assets	**75,930**	72,040
Temporary difference on interest income	**134,533**	(112,088)
Taxed provision	**(121,384)**	276,853
	89,079	236,805

This balance includes the following: -

	2023	2022
	$	$
Deferred tax liabilities to be settled after more than 12 months	**89,079**	236,805

The gross movement on the deferred income tax is as follows: -

	2023	2022
	$	$
Balance - beginning of the year	**236,805**	444,365
Income statement charge (credit) (**Note 25**)	**(147,726)**	(207,560)
Balance - end of the year	**89,079**	236,805

14. Stated Capital

	2023	2022	**2023**	2022
	No. of Shares		**$**	$
Authorized Capital				
Ordinary voting shares	**Unlimited**	Unlimited	**Unlimited**	Unlimited
Issued and Fully Paid Capital				
Ordinary voting shares of $1.00 par value				
Balance - beginning of year	**5,514,211**	5,514,211	**5,527,362**	5,527,362
Balance - end of year	**5,514,211**	5,514,211	**5,527,362**	5,527,362

15. General Reserve

	2023	2022
	$	$
Balance – beginning of year	**5,527,362**	5,527,362
Balance – end of year	**5,527,362**	5,527,362

The Banking Act No. 4 of 2015, requires licensed Banks to maintain a reserve, which is not available for distribution, equivalent to their paid-up capital.

(in Eastern Caribbean dollars)

16. Loan Loss Reserve

	2023 **$**	2022 $
Balance - beginning of year	**-**	-
Transfer from retained earnings	**377,516**	-
Balance - end of year	**377,516**	-

This reserve represents the additional allowance for impairment in loan required under the Eastern Caribbean Central Bank's prudential guidelines as compared to the allowance for impairment measured in accordance with International Financial Reporting Standards.

The difference shall be a deduction from the licensed financial institution's Tier 1 capital (appropriated from Retained Earnings) and placed in Regulatory Loan Loss Reserves in Tier II Capital.

17. Other Reserve

	2023 **$**	2022 $
Balance - beginning of year	**645,994**	1,187,031
Transfer to retained earnings	**(330,977)**	(541,037)
Balance - end of year	**315,017**	645,994

To satisfy the Eastern Caribbean Central Bank's requirements concerning the suspension of interest income on non-performing loans which was recognized under IFRS 9, the portion of interest income relating to these loans have been separated from retained earnings and transferred to other reserve. This interest income is transferred to retained earnings when collected. The other reserve is not available for distribution to shareholders, nor does it qualify to be included in regulatory capital.

18. Accumulated Other Comprehensive Income

	Revaluation Surplus on Property $	Valuation Gain (Loss) on Securities at FVOCI $	Total $
Balance as of January 31, 2022	6,316,663	30,367	6,347,030
Balance as of February 1, 2022	6,316,663	30,367	6,347,030
Appreciation in fair value of security	-	(2,256)	(2,256)
Balance as of January 31, 2023	**6,316,663**	**28,111**	**6,344,774**

19. Dividends

During the year, a dividend of $551,421 (2021: $275,709) was declared to shareholders of record as of January 31, 2022.

20. Interest Income

	2023 **$**	2022 $
Income from loans and advances	**9,535,912**	11,106,203
Income from investment securities	**2,343,357**	1,629,270
Income from deposits with other banks	**194,626**	637,191
	12,073,895	13,372,664

(in Eastern Caribbean dollars)

21. Interest Expense

	2023	2022
	$	$
Interest on savings deposits	**2,720,420**	2,642,254
Interest on fixed deposits	**219,076**	239,536
	2,939,496	2,881,790

22. Credit Losses on Loan/Financial Investments

	2023	2022
	$	$
Allowance for loan loss	**(1,261,579)**	(216,527)
Bad Debts written off	**(164,218)**	(1,804,334)
Bad Debts recovered	**494,851**	111,282
Expected credit loss on financial investments	**(129,293)**	(26,824)
	(1,060,239)	(1,936,403)

23. Selling Expenses

	2023	2022
	$	$
Advertising and promotion	**131,110**	108,615
Other business promotion	**195,881**	149,232
	326,991	257,847

24. Administrative Expenses

The following summarises administrative expenses on a functional basis:

	2023	2022
	$	$
Communications	**131,525**	110,526
Energy	**111,518**	84,437
Information technology costs	**1,084,887**	610,663
Other administrative costs	**862,209**	590,109
Property related expenditure	**300,415**	367,334
	2,490,554	1,763,069

25. Staff Costs

	2023	2022
	$	$
Bonus	**82,973**	166,351
Health insurance	**22,386**	18,114
National Insurance Services	**74,499**	66,178
Other staff benefits	**105,853**	48,969
Pension	**76,981**	59,748
Salaries and allowances	**2,114,153**	1,872,975
Severance	**-**	82,242
Staff training	**123,216**	17,158
Uniforms	**58,758**	8,506
	2,658,819	2,340,241

At reporting date, the Bank’s staff complement included 34 (2022: 27) full time employees.

(in Eastern Caribbean dollars)

26. Income Tax

	2023	2022
	$	$
Current tax	**776,425**	(1,244,925)
Deferred tax expense	**(147,726)**	207,560
	628,699	(1,037,365)

Deferred tax expense for the year comprises: -

	2023	2022
	$	$
Temporary differences in property, plant and equipment	**(5,128)**	(440)
Temporary differences in taxed provisions	**150,684**	208,000
Prior year charge/(release) to deferred tax	**2,170**	-
	147,726	207,560

The income tax charge differs from the amount computed by applying the tax statutes income tax rate, 29.83% (2022: 30.0%), to earnings before tax. The differences in the effective rate of tax are accounted for follows: -

	2023		2022	
	$	**%**	$	%
Profit before tax	**2,588,955**	**100.00**	4,122,681	100.00
Tax calculated at the statutory rate	**772,285**	**29.83**	1,236,804	30.00
Income not subject to taxation	**(834,615)**	**(32.23)**	(758,009)	(18.39)
Expenses not deductible for tax purposes	**693,199**	**26.78**	558,570	13.55
Overstatement of prior year's deferred tax	**(2,170)**	**(0.99)**	-	-
Tax charge	**628,699**	**23.39**	1,037,365	25.16

27. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2023	2022
	$	$
Profit attributable to equity holders of the Bank	**1,960,256**	3,085,316
Weighted average number of ordinary shares in issue	**5,514,211**	5,514,211
	0.36	0.56

28. Contingencies

a. Interest Levy Assessment

On August 26, 2013, the Bank was subject to an assessment for additional interest levy of $670,092 and $713,829 in respect of the years 2012 and 2013 respectively. The Bank objected to the additional assessment. As of reporting date, no determination has been made in respect of the additional assessment. If upon final determination of the assessment the Bank is found liable for the additional interest levy, the effects will be charged to profit or loss.

b. Undrawn Loan Commitments and Other Related Obligations

As of reporting date, the Bank had contractual amounts of off-statement of financial position financial instruments that commit it to extend credit to customers as follows: -

	2023	2022
	$	$
Undrawn loan commitments	**4,191,073**	4,109,039

(in Eastern Caribbean dollars)

29. Related Party Transactions

The following summarises transactions, in the ordinary course of business, with related parties: -

Loans and Advances to Directors

	2023 **$**	2022 $
Directors and key management personnel (and their families)	**5,520,127**	5,475,317

Deposits and Other Liabilities

	2023 **$**	2022 $
Directors and key management personnel (and their families)	**5,222,674**	3,004,803

Interest Income

	2023 **$**	2022 $
Directors and key management personnel (and their families)	**276,846**	102,403

Interest Expense

	2023 **$**	2022 $
Directors and key management personnel (and their families)	**73,679**	54,199

Services Rendered

	2023 **$**	2022 $
Directors and their companies	**30,252**	18,230

No specific provisions have been recognised in respect to loans to related parties.

	2023 **$**	2022 $
Key management compensation	**1,206,342**	1,097,917
Directors' fees	**249,733**	189,600

30. Comparative Figures

Certain of the comparative figures were restated to accord with the current year's presentation.