ECFH

East Caribbean Financial Holding Company

EVOLVING | ENGAGING EXCELLING

2023 ANNUAL REPORT

EVOLVING | ENGAGING | EXCELLING

IN our 2023 Annual Report, under the theme Evolving. Engaging. Excelling, ECFH outlines a pivotal year of growth and strategic achievements. Our journey of *Evolving By Innovation* has led to significant enhancements with our digital branch and the introduction of game-changing Wealth and Investment products, directly aligning with our customers' shifting needs. Alongside, our focus on *Engaging Through Inclusion* has cultivated a workplace where the diverse strengths of our team members fuel collective creativity, solidifying the core of our progress and leadership. These foundational elements have set the stage for *Excelling In Implementation*, a phase we are actively stepping into.

With early successes hinting at the potential for even greater operational effectiveness and customer satisfaction, this trajectory is a testament to our commitment to *delivering value* to our shareholders. It exemplifies ECFH's adaptability and forward-thinking in meeting the demands of the contemporary financial landscape, promising continued excellence and shareholder enrichment.

ECFH

East Caribbean Financial Holding Company

VISION

Our Bank • Strong • Secure • Profitable

MISSION

We are the bank of choice, dedicated to meeting the needs and aspirations of our people in a professional and efficient manner.

CORE VALUES

"I CARE"

- Integrity & Ethics
- Commitment to Results
- Accountability
- Respect for the Individual
- Excellence in Service

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NOTICE TWENTY THIRD ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Twenty Third Annual Meeting of the East Caribbean Financial Holding Company Limited will be held at the Finance Administrative Complex, Pointe Seraphine, Castries Saint Lucia on **Tuesday, May 28, 2024,** at 4:00 p.m., for the following purposes:

1. To consider and adopt the Report of Directors
2. To consider and adopt the Report of the Auditors and the Audited Financial Statements for the year ended December 31, 2023
3. To Sanction Dividends
4. To appoint Auditors and authorize Directors to fix their remuneration
5. To elect Directors

BY ORDER OF THE BOARD

Estherlita Cumberbatch
Corporate Secretary

NOTE:

PERSONS ENTITLED TO NOTICE

In accordance with Section 108(2) of the Companies Act, Chapter 13.01 Revised Laws of Saint Lucia 2001, the Directors of the Company have fixed April 29, 2024 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the company during usual business hours.

ECFH GROUP CORPORATE INFORMATION

REGISTERED OFFICE

1 Bridge Street
P O Box 1860
Castries, Saint Lucia, West Indies.
Tel: (758) 456 6000
Fax: (758) 456 6702
Email: ecfh@candw.lc
Website: www.ecfh.com

CHAIRMAN

Evaristus Jn Marie
M.Sc. MAAT, Acc. Dir.

CORPORATE SECRETARY

Estherlita Cumberbatch B.Sc. (Mgmt.),
LLB (Hons), FCIS

LEGAL COUNSELS

Floissac, Duboulay & Thomas
Quadrant Row
9-11 Brazil Street
P.O. Box 722
Castries, Saint Lucia

Gordon, Gordon & Co.
10 Manoel Street
P.O. Box 161
Castries, Saint Lucia

Athena Law
Unit #6 Chakiro Court
Vide Bouteille
P.O Box 1761
Castries, Saint Lucia

SUBSIDIARY

Bank of Saint Lucia Limited
1 Bridge Street
P.O. Box 1862
Castries, Saint Lucia, West Indies
Tel: (758) 456 6000
Fax: (758) 456 6720
Email: info@bankofsaintlucia.com
Website: www.bankofsaintlucia.com

REGULATORS

Eastern Caribbean Central Bank
Eastern Caribbean Securities Regulatory Commission
Financial Services Regulatory Authority - Saint Lucia

EXTERNAL AUDITOR

PricewaterhouseCoopers
East Caribbean,
Unit 111 Johnsons Centre, No. 2 Bella Rosa Road,
P.O. Box BW 304, Gros Islet, St. Lucia, West Indies
T: (758) 722 6700,
www.pwc.com/bb

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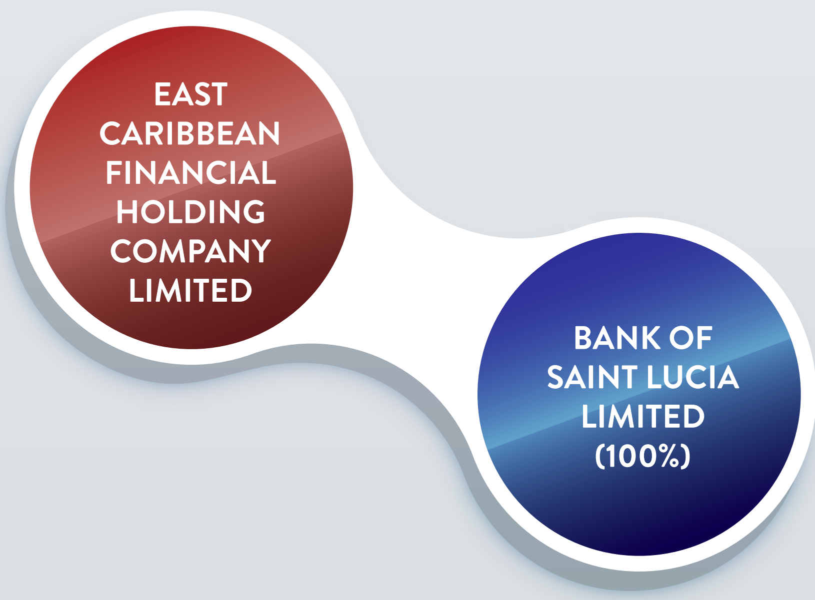
CORRESPONDENT BANKS AND RELATIONSHIPS

OECS	REGIONAL	INTERNATIONAL
Antigua Commercial Bank	First Citizens Bank Limited	Bank of America Merrill Lynch
Bank of Montserrat Ltd.	National Commercial Bank of Jamaica Limited	Banque Cramer & Cie SA
Bank of Nevis	Republic Bank Ltd	Citibank NA
Bank of St. Vincent & the Grenadines	Republic Bank (Barbados) Ltd	Crown Agents Financial Services Limited
Eastern Caribbean Amalgamated Bank (ECAB)	Republic Bank (Guyana) Ltd	London & Capital
First Citizen Investment Services Limited	RBC Dominion Securities Global Limited	Lloyds TSB Bank Plc
National Bank of Anguilla Limited	Unit Trust Corporation	Morgan Stanley Smith Barney
National Bank of Dominica Limited		Oppenheimer & Co
Republic Bank (Grenada) Limited		RBC Emerging Market Securities
Saint Kitts Nevis Anguilla National Bank Limited		Tellco AG
		Toronto Dominion Bank
		UBS International Inc.

ECFH OWNERSHIP

NAME	PERCENTAGE OF OWNERSHIP
Government of Saint Lucia	20%
National Insurance Corporation (Saint Lucia)	25%
Republic Bank Limited	11%
OECS Indigenous Banks & Financial Institutions	14%
Private Individuals & Institutions	30%

ECFH CORP STRUCTURE



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PERFORMANCE AT A GLANCE

	2024	2023
ASSETS	$3 Billion	$2.7 Billion
CUSTOMER DEPOSITS	$2.4 Billion	$2.2 Billion
NET PROFIT	$74.7 Million	$41.7 Million
RETURN ON EQUITY	23.7%	14.8%
BASIC EARNINGS PER SHARE	$3.05	$1.70
COMMON EQUITY TIER 1 RATIO	18.9%	18.2%
GROWTH IN NET INTEREST INCOME	41.6%	
NET INTEREST INCOME	75.7 Million	53.4 Million

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ECFH FINANCIAL HIGHLIGHTS

	2023 EC$000	2022 EC$000	2021 EC$000	2020 EC$000	2019 EC$000	2018 EC$000	2017 EC$000
INCOME STATEMENT							
Interest Income	102,615	80,167	73,632	79,130	88,218	84,157	80,503
- Interest Expense	26,950	26,748	27,881	28,721	28,854	27,919	32,145
= Net Interest Income	**75,665**	**53,419**	**45,751**	**50,409**	**59,364**	**56,238**	**48,358**
+ Other Income	88,323	63,631	55,083	63,396	72,579	62,597	59,916
= Operating Income	**163,988**	**117,050**	**100,834**	**113,805**	**131,943**	**118,835**	**108,274**
- Staff Costs	30,431	31,450	27,116	33,699	28,790	26,247	25,609
- Administrative Costs	57,567	47,577	42,521	37,122	40,142	38,056	36,915
- Impairment Losses/(Recovery) - Loans & Investments	(10,831)	(11,029)	5,703	28,698	6,470	8,920	16,431
= Profit before Taxes and Dividends	**86,821**	**49,052**	**25,494**	**14,286**	**56,541**	**45,612**	**29,319**
+ Profit for the year from discontinued operations		-	-	-	-	-	683
+ Gain on disposal of controlling interest in subsidiary		-	-	-	-	-	4,472
- Taxes	11,867	7,096	2,326	6,579	1,259	355	(2,806)
- Dividends on Preference Shares	291	291	291	291	291	291	291
= Net Income after Taxes	**74,663**	**41,665**	**22,877**	**7,416**	**54,991**	**44,966**	**36,989**
BALANCE SHEET							
Cash and Balances with Central Bank	274,084	245,455	270,955	258,761	184,245	223,983	347,950
+ Investments	1,254,162	1,254,163	1,141,456	1,066,621	995,534	913,045	686,651
+ Loans	859,465	860,980	803,904	799,318	838,730	849,215	874,051
+ Other	598,339	291,773	238,993	213,954	212,212	200,979	209,338
= Total Assets	**2,986,050**	**2,652,371**	**2,455,308**	**2,338,654**	**2,230,721**	**2,187,222**	**2,117,990**
Deposits	2,412,429	2,245,263	2,052,748	1,937,091	1,862,902	1,877,168	1,842,886
+ Borrowings	26,293	39,246	52,178	60,008	63,844	71,519	79,181
+ Other Liabilities	191,490	93,134	63,057	76,126	53,147	48,614	47,350
+ Capital	355,838	274,728	287,325	265,429	250,828	189,921	148,573
= Total Liabilities and Capital	**2,986,050**	**2,652,371**	**2,455,308**	**2,338,654**	**2,230,721**	**2,187,222**	**2,117,990**
OTHER INFORMATION							
ROE	**23.7%**	**14.8%**	**8.3%**	**2.9%**	**25.0%**	**26.6%**	**25.1%**
ROA	**2.6%**	**1.6%**	**1.0%**	**0.3%**	**2.5%**	**2.1%**	**1.3%**
Ordinary Dividend Payout % age	**16.4%**	**-**	**-**	**-**	**14.4%**	**-**	**-**
Book Value of Ordinary Shares ($)	**$14.54**	**$11.23**	**$11.74**	**$10.85**	**$10.25**	**$7.76**	**$6.07**
Average Market Value of Ordinary shares ($)	**$3.73**	**$3.63**	**$4.24**	**$4.44**	**$4.45**	**$4.13**	**$4.75**
Earnings per Ordinary Share ($)	**$3.05**	**$1.70**	**$0.94**	**$0.30**	**$2.25**	**$1.84**	**$1.30**
Dividends per Ordinary Share ($)	**$0.50**	**-**	**-**	**-**	**$0.30**	**-**	**-**
Provisions as % of Loan Portfolio	**6.4%**	**7.9%**	**9.7%**	**9.6%**	**7.0%**	**6.9%**	**9.9%**
Provisions as % of Non-performing	**68.9%**	**71.7%**	**78.5%**	**77.0%**	**69.7%**	**60.8%**	**59.1%**

2023 | ANNUAL REPORT

EVOLVING

by innovation

"Our Digital Branch showcases a quantum leap in banking convenience and accessibility, setting new standards in customer interaction and service delivery in the digital age."

CHAIRMAN'S REPORT TO SHAREHOLDERS

> EVOLVING, ENGAGING, AND EXCELLING, captures our resolve to lead ECFH with innovation, inclusivity, and a steadfast focus on operational excellence.

CHAIRMAN'S INTRODUCTION

I am pleased to report another successful year for the ECFH group. Our journey has been marked by a steadfast adherence to our guiding theme: Evolving, Engaging, Excelling. We are well on our way to becoming the biggest financial institution in the Eastern Caribbean, now that our asset base is nearing EC$3 billion. ECFH is purpose-driven and growing in profitability and size, making it well placed to face the challenges of competition and a heavily regulated banking environment. We have every confidence that the Bank will continue to grow to become and remain a financial institution of choice for work, investments and doing business.

YEAR IN REVIEW

This year, ECFH delivered impressive financial results, with its profit after taxes soaring to $74.7 million—a 79.2% increase over last year's $41.7 million. Our assets grew robustly by 12.6% to $2.98 billion, reflecting our enhanced capacity to adapt and thrive in a shifting economic landscape. These achievements underscore our commitment to enhancing shareholder value and customer confidence in the Bank.

STRATEGIC DIRECTION

Throughout the financial year 2023, we launched several key initiatives, including the BOSL Global Investment Fund, which broadened our investment portfolio, offering sophisticated investment opportunities to our clients. In addition, we made significant upgrades to our digital platforms, which improved our operational efficiencies and market reach. These strategic decisions were designed to fortify our market position to maintain sustainable growth and create value for our shareholders.

GOVERNANCE AND LEADERSHIP

As it relates to governance and leadership, we have strengthened our governance framework to support our expanding operations and to ensure compliance with the demands of new and evolving banking standards.

We have adopted extensive regulatory changes, reflecting our commitment to excellence and to the security of our operations. It is our way of remaining at the forefront of the banking industry, protecting our operations and shareholders' interests.

The implementation of our Corporate Succession Plan has enabled us to cater for the continuity of strong and able leadership, a precondition for the long -term success of our bank.

RISK MANAGEMENT

Our advanced risk management strategies have effectively shielded us from potential threats associated with cyber-attacks, credit, and market fluctuations. Our proactive approach has ensured the stability of our capital and the protection of shareholder value. We continue to enjoy relatively high levels of Capital Adequacy Requirements (CAR) and Liquidity, which in both cases are well above the regulatory requirements.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

ECFH remains committed to sustainable development and has launched several environmentally friendly initiatives, such as solar energy projects and community reforestation. These initiatives while contributing to the attainment of global sustainability goals, also resonate with our corporate responsibility to the communities we serve.

FINANCIAL OUTLOOK AND DIVIDEND POLICY

As we look ahead, the global economic landscape appears more challenging and uncertain, however, there is some room for optimism. Global GDP for 2024 has been revised upwards from 2.9% to 3.1%, supported by strong growth in the US, our main tourism source market. Domestically, the Saint Lucian economy is also on a recovery path, projected to grow, by some estimates, by 6.95% in 2024, driven by robust growth in the tourism and construction sectors.

After a strong financial performance, a high level of liquidity and a strong capital base, we have decided to increase our dividend payout to 60 cents per share for 2023, up 20% from the previous year (50 cents). This is a reaffirmation of our commitment to meeting the expectations of our shareholders.

APPRECIATION AND ACKNOWLEDGMENTS

I would like to express my profound appreciation to the Board of Directors for their strategic foresight and unwavering support, as well as to the Managing Director and the entire leadership team, for their visionary leadership and relentless pursuit of excellence. I am, especially, grateful to all members of staff, because without their hard work and dedication the Bank's success would not be possible. I look forward with optimism that next year, together, we can produce even better results. I must, also, extend my heartfelt thanks to the shareholders for their continued trust and engagement. Together we can keep this Bank as the premier financial institution in Saint Lucia.

CONCLUSION

As we look to the future, I am confident that ECFH is well-positioned to navigate upcoming challenges and to exploit new opportunities, in keeping with the Bank's vision. Given our solid capital base, good governance structure and able management team and staff, we are poised for continued growth and success. Thank you for your ongoing support and commitment to ECFH as we continue to evolve, engage, and excel in all our endeavors.

Evaristus Jn. Marie
Chairman

CORPORATE GOVERNANCE

The Board of Directors of East Caribbean Financial Holding Company Limited, which also serves as the Board for Bank of Saint Lucia Limited, is responsible for the governance of the Bank, and is committed to adhering and maintaining the highest standards of Corporate Governance. It is guided by a formal Corporate Governance Policy that aligns with the ECCB Guidelines on Corporate Governance and which is continuously updated to ensure that it reflects best practice.

The Board, which comprises appointed and elected directors, meets bi-monthly and extraordinary meetings are convened as necessary.

BOARD RESPONSIBILITIES

The Board provides leadership of its subsidiary Bank of Saint Lucia Limited within a framework of sound corporate governance practices, prudent and effective controls that facilitate risk assessment and management. It sets the Bank's strategic goals and financial objectives, through strategic plans, budgets, work plans and succession planning. This ensures that the Bank will continue to achieve sustained growth, efficiency and profitability. The Board establishes the Group's, and so the Bank's, values and ensures its obligations to shareholders and other stakeholders are understood and met.

INDEPENDENCE OF THE BOARD

The majority of Directors on the Board are independent in accordance with established Corporate Governance principles. The fiduciary duty of the directors requires that they exercise their responsibilities in the best interest of the Company and its shareholders. The issue of Independence and Conflict of Interest are contained in the Code of Conduct for Directors.

There is a clear delineation of the Board's responsibilities from the management's responsibilities for the operations of the Bank. The same individual cannot exercise the roles of Chairman of the Board of Directors and Managing Director. The Managing Director is the only Executive Director.

SIZE OF THE BOARD

The company's bye-laws authorises a board of eleven members, ten of whom are elected or appointed by the holders of ordinary shares and the Managing Director who is an Executive Director on the Board of Directors. In accordance with the Bye Laws, each ordinary shareholder who holds greater than 10% of the issued ordinary shares of the company shall be entitled to appoint one (1) Director for each 10% of the issued ordinary shares of the Company held. An ordinary shareholder appointing a director on the basis of a 10% ordinary shareholding in the Company shall not be eligible to vote such shares on the election of other Directors.

The composition of the Board reflects the balance of skills, expertise and experience appropriate for the requirements of the business.

CONFLICT OF INTEREST

Directors are required to complete and sign a Directors' Declaration of Interest Form upon their appointment to Office, which they are expected to update annually during their term of office with any material changes being reported immediately to the Corporate Secretary. The Code of Conduct for Directors outlines the procedures to be followed in declaring a conflict.

A member of the Board of Directors having a conflict of interest concerning a decision to be taken by the Board is required to declare it to the Chairman or Secretary of the Board in advance, or at the start of that meeting and must excuse him/herself from the discussion and voting on the matter.

DIRECTOR TENURE

Non-Executive Directors serve for a maximum period of ten years in accordance with the Corporate Governance Policy. The Managing Director, who is an ex-officio Director, retires in accordance with the terms of his contract of employment.

DIRECTOR ORIENTATION, TRAINING AND EVALUATION

Directors appointed to the Board are exposed to Director Orientation training which gives information about the operations of the Bank to enable them to gain an understanding of how it operates, the laws that govern it, the risks and industry. This provides the Director the information required to become more effective in their role.

Training is also provided to Directors to keep abreast with the constant changes in the business environment to ensure that their skills are up to date. In addition, all Directors are required to attain the designation of "Accredited Director".

Evaluation of the Board and all Committees are undertaken annually and all shortcomings identified are addressed to ensure continuous improvement and enhancement in their functions.

INTERNAL AUDIT

The Internal Audit Department, led by the Senior Manager Internal Audit is composed of trained professionals and its operations are conducted in accordance with the principles of the Institute of Internal Auditors. It provides the Board with Independent assurance on the operations of the Bank and effectiveness of Internal controls based on audit reviews of the various business units. The Senior Manager reports directly to the Audit Committee of the Board and has direct access to members of the Committee.

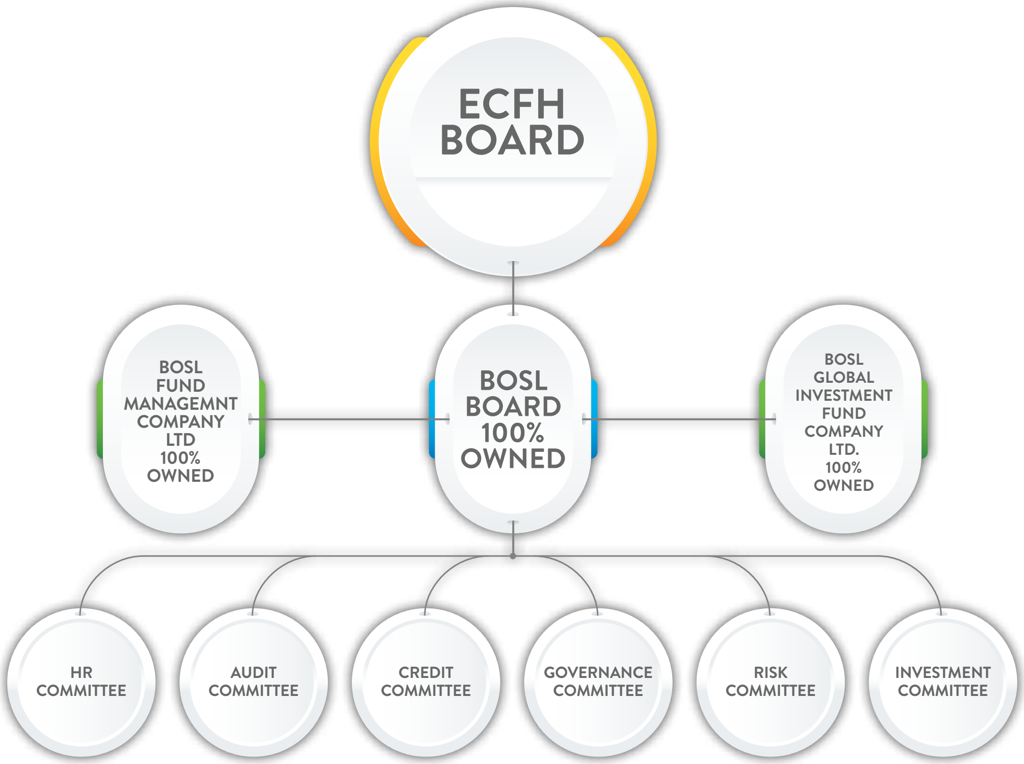
OVERSIGHT OF SUBSIDIARY BOARD

ECFH has one subsidiary, Bank of Saint Lucia Limited whose Board is comprised of the same directors. The ECFH Board has to be aware of all material risks and other issues that may ultimately affect its subsidiary to be able to exercise adequate oversight over the activities of the subsidiary. The subsidiary, Bank of Saint Lucia Limited has established two subsidiaries namely; BOSL Global Investment Fund Limited and BOSL Fund Management Company Limited.

The Board shall ensure that adequate risk management procedures are in place to identify, assess and monitor risk activities and to provide the desired balance between risk acceptance and returns. The Risk Management committee meets at least quarterly and reports to the Board quarterly.

BOARD COMMITTEES

In an effort to allocate tasks and responsibilities at the Board level effectively, the Board has established committees with clearly defined objectives, authorities, responsibilities and tenure. These committees also serve the Board of the subsidiary. The Board shall not delegate matters requiring special approvals to any of its committees.



Board Committees consist mainly of independent directors and meet at least three times a year with extraordinary meetings convened as necessary.

1. HUMAN RESOURCE

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities in the management of the Bank's human resources and providing recommendations and advice on the HR management strategies, initiatives and policies.

Members	Functions
Pat Payne – Chairperson	• Approving staff compensation
Trevor Louisy	• Approving Staff policies
Rolf Phillips	• Appointment and Performance Evaluation of Senior Management
Matthew Beaubrun	• Management Succession Planning
Stephen Louis	• Staff structure
	• Ensuring that the right skills exist for the jobs within the Bank.

2. AUDIT COMMITTEE

The Committee's purpose is to provide oversight of the company's financial operations.

Members	Functions
Marcus Joseph – Chairperson	• Ensuring the quality and integrity of the financial statements of the Group
Stewart Haynes	• Ensuring the effectiveness of the systems of internal control over financial reporting
Matthew L. Mathurin	• Reviewing the internal and external audit processes, the Bank's processes for monitoring compliance with applicable laws and regulations, risk management processes and the code of conduct.
Malcolm Alexander	• Reviewing significant accounting and reporting issues
Stephen Louis	

3. CREDIT COMMITTEE

The purpose of the Committee is to assist the Board of Directors in exercising its responsibility for the supervisory oversight of the credit portfolio.

Members	Functions
Evaristus Jn. Marie - Chairman Stewart Haynes Malcolm Alexander Matthew Beaubrun Marcus Joseph	• Reviewing and approving of all policies regarding loans and credit facilities • Setting lending limits • Approving loans above management's limit and making appropriate recommendations to the Board for approval • Recommending and monitoring portfolio/credit concentration limits • Monitoring trends in delinquencies, non-performing assets and charge-offs loans

4. GOVERNANCE COMMITTEE

The purpose of the Committee is to assist the Board in fulfilling its responsibilities in providing for qualified board succession and promoting the integrity of the Company through the establishment of appropriate corporate governance principles.

Members	Functions
Trevor Louisy- Chairman Pat Payne Matthew Beaubrun Evaristus Jn. Marie Marcus Joseph	• Make recommendations to the Board regarding the filling of vacant elective Directorships • Develop guidelines on the criteria for the selection of directors including criteria for the selection of nominees submitted by minority shareholders • Make nominations and recommendations on behalf of minority shareholders concerning new director candidates in view of pending additions, resignations or retirements • Oversee, through the Committee Chair, the process for the annual assessment of Board performance

5. RISK MANAGEMENT

The purpose of the Board's Risk Management Committee is to assist the board in overseeing the risk profile and approving the risk management framework of the Company and its subsidiary within the context of the strategy determined by the Board.

Members	Functions
Stewart Haynes- Chairman Malcolm Alexander Matthew L. Mathurin Evaristus Jn. Marie Stephen Louis	• Reviewing and monitoring aggregate risk levels in the business and the quality of risk mitigation and control for all areas of risk to the business • Making recommendations to the Board on areas for improving management and mitigation of risk • Apprising the Board of progress in implementing improvements mitigation and actions

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6. INVESTMENT COMMITTEE

The purpose of this Committee is to assist the Board in the oversight of the Investment portfolio to ensure efficacy in maintaining prudent and effective investment management policies and guidelines, and oversight of the management of funds.

Members	Functions
Matthew L. Mathurin – Chairman Stewart Haynes Rolf Phillips Trevor Louisy	• Oversee the implementation of the investment policy and guidelines • Consider the appropriate risk management policies and procedures and risk appetite statement of the Bank • Delegate authority for the day-to-day management of the institution's investments to the Investment Management Unit • Develop and approve guidelines for selecting and retaining investment managers. Also, set standards against which their performance will be measured, evaluated and a schedule for conducting evaluations • Review and approve all investment decisions and transactions

PROFILE OF DIRECTORS

Director	Date Appointed	Profession	Qualifications
Evaristus Jn. Marie	August 2021	Management	M.Sc. AAT, Acc. Dir.
Matthew Beaubrun	November 2021	Management	MBA, BA Econ, Acc. Dir
Trevor Louisy	September 2014	Engineer	BSc. (Hons) Electrical Engineering, Acc. Dir
Stewart Haynes	August 2017	Actuary	FIA, CFA, Acc. Dir
Pat Payne	January 2019	HR Professional	MSc.HR Development, Acc. Dir
Rolf Phillips	November 2020	Banker	ACIB, Acc. Dir
Malcolm Alexander	October 2021	Retired Banker	Acc. Dir, Banking Experience
Matthew L. Mathurin	November 2021	Accountant/Management	MBA, FCCA, Acc. Dir.
Marcus Joseph	July 2022	Divisional General Manager & Country Head	PGD, BSB, CGA, Acc. Dir
Stephen Louis	July 2022	Information & Communications Technology & Management Consultant	DBA, MBA, BSc (Hons), CMC, PMP, Acc. Dir

ENGAGING

through inclusion

"The vibrancy of our team scrums highlights the power of diversity, fostering a culture where innovative ideas flourish through inclusive collaboration."

PROFILE OF DIRECTORS

EVARISTUS JN. MARIE
Chairman

TREVOR LOUISY

MATTHEW L MATHURIN

PAT PAYNE

MARCUS JOSEPH

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MATTHEW BEAUBRUN

MALCOLM ALEXANDER

ROLF PHILLIPS

STEWART HAYNES

STEPHEN LOUIS

Our Journey

"EVOLVING. ENGAGING. EXCELLING...

embodies strategic foresight and collective wisdom, steering ECFH towards future marked by innovation and shareholder enrichment."

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DIRECTORS' REPORT

The Directors submit their Report for the Financial Year ended December 31, 2023.

CHANGES TO THE BOARD

The were no changes to the Board or the Committees during the financial year.

DIRECTORS' INTEREST

The interests of the Directors holding office at the end of the Company's 2023 Financial Year in the Ordinary Shares of the Company were as follows:

Director	Beneficial Interest
Trevor Louisy	200
Stewart Haynes	Nil
Pat Payne	Nil
Rolf K. Phillips	Nil
Evaristus Jn. Marie	Nil
Malcolm Alexander	2,000
Matthew L. Mathurin	8,000
Matthew Beaubrun	1,150
Marcus Joseph	2,710
Stephen Louis	800

There has been no change in these interests occurring between the end of the Company's Financial Year and one month prior to the date of the Notice convening the Annual Meeting.

At no time during or at the end of the Financial Year has any Director had any material interests in any contract or arrangement in relation to the business of the Company or any of its subsidiaries.

RESTRICTIONS OF TRADING OF SHARES BY DIRECTORS

In accordance with the Securities Act No. 23 of 2001 and the Company's policy on trading of shares by Directors and staff, Directors are restricted from trading in the shares of the company except during two (2) thirty (30) day periods per year.

Substantial Interests in Share Capital as at December 31, 2023

Name of shareholder	Class of shares	No. of shares	Percentage of ownership
GOSL	Ordinary	4,893,118	20.00%
National Insurance Corporation	Ordinary	6,116,478	25.00%
Republic Bank Limited	Ordinary	2,722,084	11.13%
National Insurance Corporation	Preference	830,000	100%

STAKEHOLDER RELATIONS

The East Caribbean Financial Holding Company Limited (ECFH) values its stakeholders and makes every effort to ensure that Employees, Regulators, Shareholders, Customers, Institutional Investors and all other groups in the communities that it serves are treated fairly. Mechanisms have been put in place to ensure that communication is maintained through a number of channels and that any feedback received is addressed to ensure a mutually rewarding relationship.

EXTERNAL AUDITORS

The Auditors Pricewaterhousecoopers (PWC) retire and offer themselves for re-appointment. A resolution to that effect will be proposed at the Annual Meeting.

In accordance with Section 162 (i) of the Companies Act, Cap.13.01, the term of the appointment of the External Auditor will extend from the close of the one Annual Meeting until the next Annual Meeting of the Company.

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EXECUTIVE MANAGEMENT TEAM

MEDFORD FRANCIS
Deputy Managing Director - Lending & Investments

ESTHERLITA CUMBERBATCH
Corporate Secretary

ROLF PHILLIPS
Managing Director

EVOLVING | ENGAGING | EXCELLING

LYNDON ARNOLD
Deputy Managing Director - Operations

KETHA AUGUSTE
Chief Financial Officer

"Through a culture of innovation and inclusivity, our management team is pivotal in evolving ECFH's operations, engaging our workforce, and excelling in implementation."

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SENIOR MANAGEMENT TEAM

PATRICIA JOSEPH
Senior Manager
Corporate Banking Services

ARLETA RATE-MITCHEL
Senior Manager
Retail Banking

DANIEL EUGENE
Senior Manager
Recoveries & Valuations

MELISSA SIMON
Senior Manager
Internal Audit

GENEVIEVE DOWNES
Senior Manager Ag.
Marketing & Corporate Communications

TADDEUS PIERROT
Senior Manager
Information Management & Technology Services

SHERMAIN GEORGE
Senior Manager-Operations

MINELVA OCULIEN
Senior Manager
Human Resources

MARCIA GEORGE
Senior Manager
Credit Administration

AYANNA CAESAR
Senior Manager
Risk Management & Compliance Services

2023 | ANNUAL REPORT

EXCELLING

in implementation

"Every captured moment between staff and customers reflects our commitment to excellence in every service, action, and interaction, consistently going beyond what's expected."

MANAGEMENT DISCUSSION AND ANALYSIS

> *GUIDED BY THE THEMES OF*
> EVOLVING, ENGAGING, AND EXCELLING,
> my vision as Managing Director is to propel ECFH towards unprecedented operational success and customer satisfaction.

OVERVIEW

The East Caribbean Financial Holding Company Limited (ECFH) and its sole subsidiary Bank of Saint Lucia Limited (BOSL) delivered another year of strong performance in 2023. The reported results reflect its resilience and the firm foundation being built to secure a successful future for the Group and all its stakeholders. These are characterized by the trust and confidence from our clients, strength of our human resources, prudent risk management, strong balance sheet, well diversified business mix and our relentless disciplined execution of strategies geared to empower all our stakeholders to succeed.

During the financial year, the operating environment continued to be masked by economic volatility and uncertainty, persistent high inflation and geopolitical challenges. Notwithstanding these challenges, the Group has positioned itself to capitalize on opportunities to be gained from existing and emerging trends including high international benchmark rates, improvements in digitization, the adoption of generative artificial intelligence (AI), leveraging cloud infrastructure and changing needs and preferences of our clients.

The Group's capital and liquidity levels strengthened further, buoyed by strong balance sheet growth and impressive net returns.

We continue to broaden our technological reach with integrated platforms and solutions.

We have improved our Digital branch capabilities with a user-friendly online account opening and loan onboarding platform and we continue to work on improving our digital capabilities to elevate service delivery. To this end, we are at advanced stages of onboarding a financial services and customer relationship management (CRM) platform, which, we expect will realize significant improvement in our turnaround time, and overall service effectiveness.

Other land mark achievements during the year include our launch of the first ever Mutual Fund within the Eastern Caribbean-BOSL Global Investment Fund. The fund consists of three specialized sub-funds uniquely designed to cater for different investment objectives and preferences. This is an important step for us in elevating our product offering and investment options available to our clients.

Another milestone achievement was the launch of our "Bank of Saint Lucia University" BOSLU set up to empower our workforce with essential skills and supporting their career aspirations. The inaugural course, "Banking Law and Practice," has seen the first cohort complete the first module, marking the beginning of a journey towards greater expertise.

In line with our commitment to become a Learning Organization, the Bank is partnering with a leading online learning platform to increase learner enrollment on BOLSU's Learning Management System to 100%. This platform will provide access to accredited courses from renowned universities, enabling us to become a learning organization dedicated to continuous growth and innovation.

We continue to harden our network infrastructure by leveraging cloud platforms to derive greater efficiencies and business continuity. We progressed on efforts towards achieving PCIDSS certification, an international standard for card data protection for which we expect full compliance by 2024. We are currently re-assessing our entire disaster recovery environment with a view of achieving tier 2 status for our on-premise disaster recovery site as well as leveraging external tier 3 to tier 4 data centers for an additional layer of redundancy.

We appreciate that initiatives to drive business growth attract significant cost outlay, but, we continue to practice prudent cost management ensuring that the net economic benefit is positive and improves the overall operational efficiency of the Group.

We are confident that along with our strong well diversified balance sheet, the strategic initiatives implemented this year to introduce more sophisticated products, improve service delivery and strengthen our human resources solidifies our position as a market leader places us at the forefront to meet our customers' lifelong financial needs and to secure long term sustained value for shareholders.

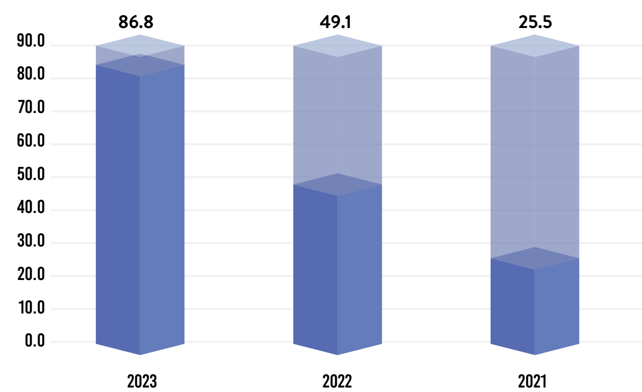
We remain grateful to our customers for continuing to place their trust in our institution and making us their bank of choice and to our management and staff for the dedication throughout the year.

FINANCIAL ANALYSIS

Summary of Group Results

The ECFH Group reported an impressive profit after tax attributable to equity shareholders of $74.7 million for the year ended December 31, 2023. This represented, an increase of $33 million or 79.2% above the profit after tax of $41.7 million reported in 2022. This year's improved performance is largely attributed to continued revenue uplift from the high US benchmark interest rates, usage and volume growth in our credit card portfolio, increased foreign exchange income and increased share of profits from our investments in associates. This sound performance is also supported by our balance sheet growth of $334 million or 12.6%, reflecting the strength of our brand and the success in the initiatives pursued in the prior years, our resilience and ability to overcome economic challenges and identify opportunities for growth.

PROFIT BEFORE TAX & DIVIDENDS



Net Interest Income

Net interest income was $75.7 million, an increase of $22.2 million or 41.6% from the prior year. The increase was driven by a $16.3 million increase in interest income on investments and bank deposits, an increase of $6.2 million in interest on loans, partially offset by a net increase in interest expense of $202 thousand.

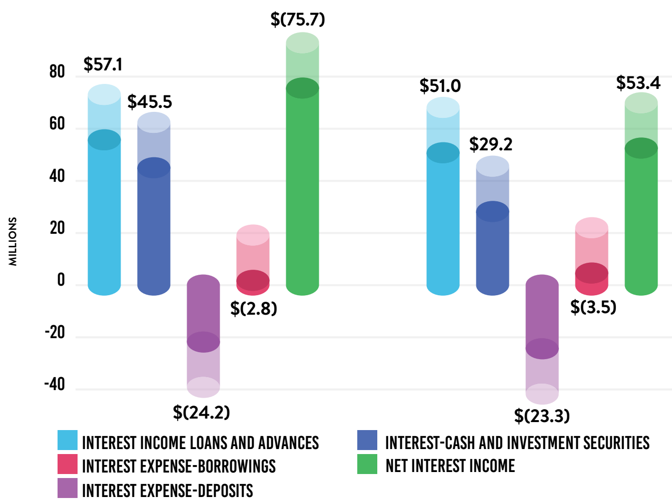
The significant boost in investment income came from the strategic placements of cash arising from investment maturities and deposit growth to short term instruments including money market and Certificates of deposits in order to benefit from high rates on the short end of the US yield curve. The Group actively monitors market sentiments and expectations to take the optimal investment decisions.

Growth in interest income on loans and advances was driven by short term growth in the corporate and overdraft portfolios within the financial year. We also benefited from growth within the retail and mortgage portfolios.

The average yield on loans remained relatively flat from 6.1% to 6% while the average yield on overdrafts improved from 11.92% to 16.33%. The average yield on overdrafts improved reflecting greater utilization of overdraft facility on higher rate accounts.

The marginal growth in interest expense reflects the net impact of increased interest cost arising from growth in customer savings deposits and term deposits respectively and the cost savings arising from principal reductions on external borrowings The average yield on deposits declined by 6 basis points from 1.10% to 1.04% as deposit growth in non-interest-bearing demand deposits surpassed growth in interest bearing deposits.

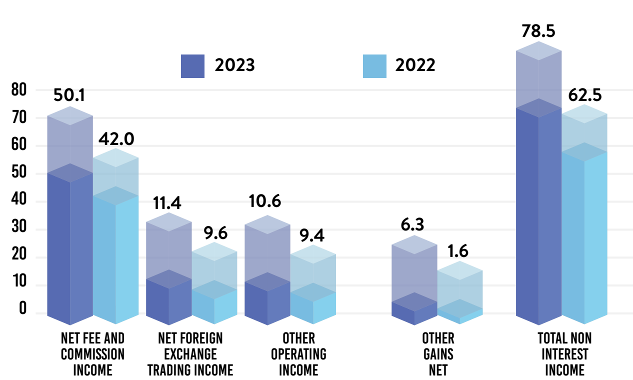
NET INTEREST INCOME



Non-Interest Income

Non-interest income was up $16 million or 25.6% from $62.5 million in 2022 to $78.5 million in 2023. This was mainly driven by increased fee and commission income, attributable to volume and usage increases in our card business and increased customer transactions. Growth in other income also benefited from increased foreign exchange income as a result of higher euro dollar trading. Additionally non-interest income also profited from fair value gains on equity investments held at fair value through Profit and Loss, realized gains on disposals of investments securities, partially offset by fair value losses on our investment property. Finally, there was $1.2 million growth in other operating income stemming from higher levels of dividend income on equity instruments and increased levels of collections from bad debts.

NON-INTEREST INCOME



Operating Expenses

Total operating expenses recorded an increase of $9 million or 11.4% to $88 million for the financial year ended 2023 from $79 million in 2022. This was reflected in a $1 million decline in staff cost and an increase of $10 million in other operating expenses. The declined staff cost was due to the net impact of, increased costs associated with retroactive salary increases following union negotiations and increased expenditure on employee engagement. These were over compensated for by the reversal of a prior period settlement cost for the conversion of employee benefits from the defined benefit plan to defined contribution plan. Increased other operating expenses was mainly driven by overall high inflation, cost associated with technological advancements, increased marketing efforts geared at promoting business growth and visibility.

Notwithstanding the increased operating expenses, efficiency ratio significantly improved from 64.1% to 49.7% indicating positive returns on our strategic expenditures as revenue generated from our business lines over compensated for the increased operating expenditure.

Credit Quality Impairment Losses

This year we recorded another net overall write back of impairment losses on the loan portfolio of $11 million, an increase of $2.3 million over the write back of $8.7 million in 2022. This is largely the result of continued improvement in credit quality as well as improved macro-economic indicators. Non-accrual loans declined $18.2 million from $102.9 million to $84.6 million and non-performing loan ratio have improved from 10.9% in 2022 to 9.2% in 2023.

Total loan loss provisions to non-performing loans ratio declined to 68.9% from 71.6% due largely to reduction in balance sheet provisions by $15.4 million from $73.7 million to $58.3 million. The Group maintains a contingency reserve as a non-distributable profit allocation to support provisioning against non-performing loans. The ratio of loan loss provisions and contingency reserves to non -accrual loans stand at 100%.

There was marginal impairment loss on the investments portfolio of $187 thousand after having recorded a write back of $2.3 million in the prior year.

Share of Profits of Associates

Share of profits from our investments in associates was $8.7 million higher than $1.1 million recorded in the prior year. Our investment in Bank of Saint Vincent and the Grenadines (BOSVG) and East Caribbean Amalgamated Bank Limited (ECAB) recorded increased returns of $3.8 million and $4.9 million respectively from the prior year. This is reflective of the much-improved financial performance of the companies attributed to improved economic fundamentals and balance sheet growth from the acquisition of international banks in both cases.

The Group's audit opinion was qualified for a second consecutive year by our auditors due to the non-receipt of audited financial statements for ECAB for their year ended September 30, 2023. The figures included in the financial statements were derived from unaudited management accounts.

Income tax

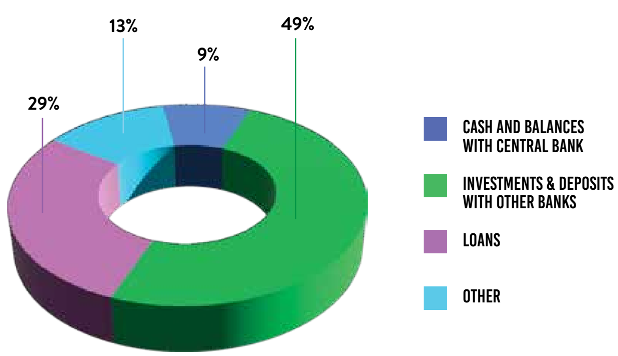
The effective tax rate declined 84 basis points from 14.6% in 2022 to 13.7% in 2023. This improved position was the result of lower relative taxable income due mainly from our investments in tax exempt securities. The tax expense was $11.9 million or 67.2% higher than the prior year due to growth in taxable income driven from higher profits.

Group Balance Sheet

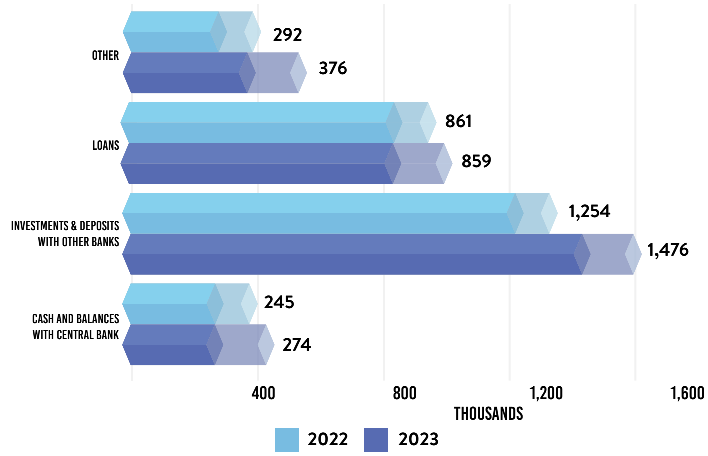
The Group's total assets increased to $3 billion, an increase of $333.7 million or 12.6% from the prior year The increase in assets was largely reflected in deposits held with other banks in the form short term US dollar certificate of deposits and money market instruments at attractive rates. At year end we carried significant balances in other assets relating to credit card receivables arising from increased level of card activity as well as a delay in payment processing from our issuer. These balances have been subsequently cleared. The balance sheet growth was largely supported by increased customer deposits. Our balance sheet remains well diversified across all asset classes enabling us to remain resilient with balanced concentration risk, satisfactory liquidity levels and a strong capital base.

Return on assets improved to 2.65% from 1.63% in 2022 and return on equity improved to 23.7% from 14.8% in the prior year reflecting the solid financial performance in the year.

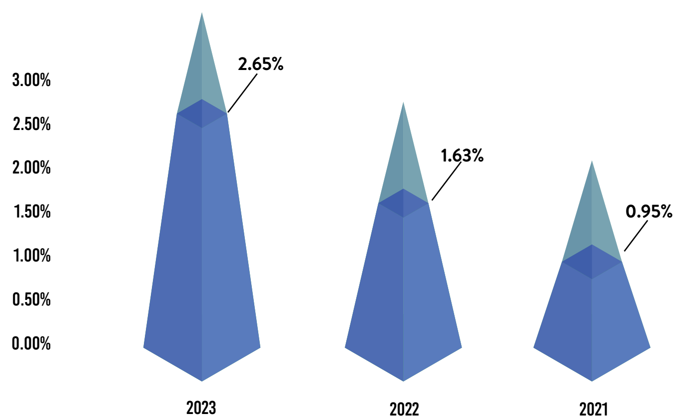
ASSET CLASS



ASSET MIX



RETURN ON ASSETS

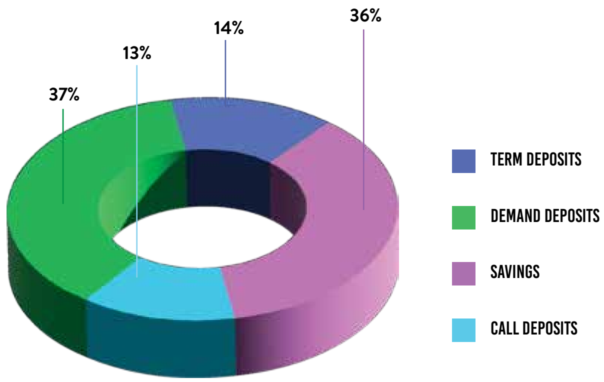


Customer Deposits

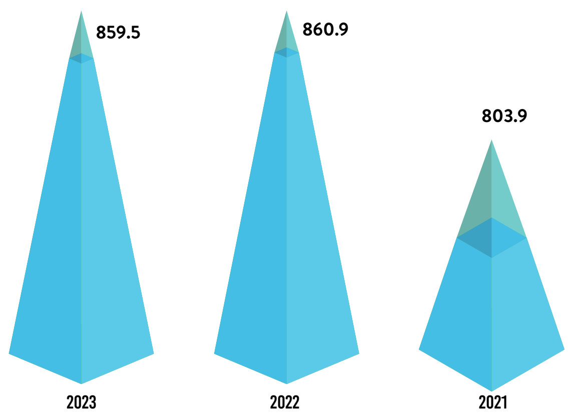
Customer deposits continued to increase, with growth of $167.4 million or 7.5% during the year to 2.4 billion from $2.2 billion in 2022. The largest growth was seen in non-interest-bearing demand deposits held largely by institutional clients. Household savings also recorded strong growth albeit below prior year growth levels. The Group's liquidity remains very strong with the ratio of loans to deposits at 38.4% at year end and duration and average maturity of our investment portfolio at 2.41 and 2.96 years, respectively.

	2023	2022	2021	Change 23/22	Change 22/21
Term Deposits	327.9	322.7	333	5.2	(10.30)
Savings	863.4	810.5	777.5	52.9	33
Call deposits	326.3	338.3	265	(12.0)	73.3
Demand deposits	872.4	751	649.7	121.3	101.3
	2,390.0	**2,222.6**	**2,025.2**	**167.4**	**197.4**

DEPOSIT MIX



LOANS AND ADVANCES



The net loans portfolio recorded a marginal reduction from $860.9 million to $859.5 million attributable to the compensating effect of reduced loan loss provisions of $15.4 million and reduction in loan balances of $16.9 million. Non-accrual loans declined $18.1 million from $102.7 million to $84.6 million through principal repayments as well as restructuring. The ratio of non-performing loans to total loans have improved from 10.9% in 2022 to 9.2% in 2023.

Investment Securities

The Group's investment portfolio recorded a net reduction of $48.5 million or 4.9% from $983.6 million in 2022 to $935.1 million. The decline was attributed to net redemptions over placements of investments and fair value gains. The excess cash arising from the net redemptions was however productively redeployed to money market accounts yielding very attractive rates as we await placements of funds on medium to long term instruments to strategically capitalize and lock in existing high market rates for a longer term.

Shareholders' Equity

Shareholders' equity increased by $81.1 million to $355.8 million from $274.7 million in the prior year. The impressive growth in overall value of the company was driven by increased net profit for the year, net fair value gains on investments held at fair value through other comprehensive income. These were partially offset by re-measurement losses on the defined benefit pension plan and dividends paid during the year.

Book value of ordinary shares increased to $14.54 in 2023 from $11.23 in the prior year reflecting the increased equity levels.

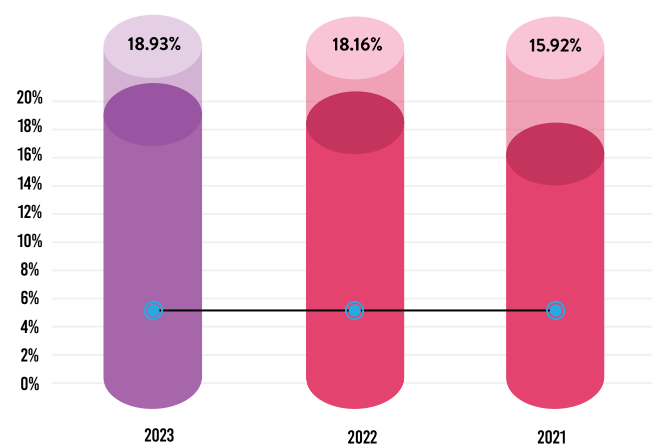
The Group remains committed to continue driving strong and sustainable profits in the long term which will provide exponential returns and value to our shareholders through share price appreciation and capital returns. We are pleased to announce that the Board of Directors have recommended an ordinary dividend of 60 cents per share for the financial year 2023, an increase of 20% on 50 cents paid in 2022.

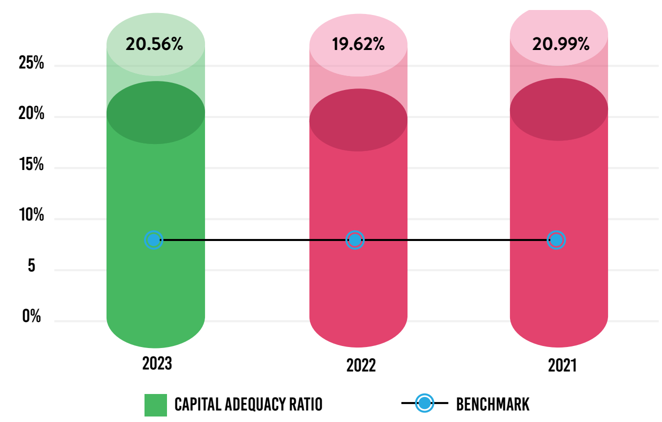
Return on average equity improved to 23.7% in 2023 from 14.8% in 2022 reflecting the improved financial performance with earnings per share up to $3.05 from $1.7 in the previous year.

The Group's financial strength and its ability to absorb shocks as measured by the BASEL 1 regulatory capital adequacy ratios remains robust.

Bank of Saint Lucia's capital adequacy ratios were maintained well above regulatory benchmarks with the tier 1 ratio improving from 18.2%% in 2022 to 18.9% in 2023. This was attributed to $53.2 million growth in tier 1 capital from the net impact of profits for the year and dividend payment relating to 2022 financial year. Increases in risk weighted assets of $205.5 million had a lessening effect on the capital ratio. Total capital adequacy ratio (tier 1 and tier 2) also remained strong and well above statutory requirement at 20.6% an improvement above last year's 19.6%. The Bank is expected to implement BASEL II/III in 2024 and we do not anticipate a reduction in capital adequacy as a result.

TIER 1 RATIO





Strategic Plan Update

As we closed 2023, we also brought the curtains down on the Strategic Plan of 2021-2023, and look forward with much anticipation of similar or greater successes of our new Strategic Plan to cover the period of 2024 to 2026. We were able to achieve a completion rate of 80% of the initiatives within the plan and that is in keeping with recognized benchmarks.

The new plan also saw the creation of an internal Strategic Leadership Team whose members were drawn from several positions across the Bank, from Management level officers to front line staff who can bring to the table some of the daily experiences of our operations and customer service delivery. This team would also have been involved alongside Board Directors, Executive and Senior Management is crafting the new plan and related initiatives to drive the bank over the next three (3) years. This approach is a first for the Bank and is intended to ensure inclusivity and ownership of the Strategic Plan at all levels within the company.

Looking back on the Strategic Plan period, some of the key initiatives that were completed included the launch of our BOSL Digital Branch which continues to perform admirably as a real option for customers needing non-cash transactions and don't wish to come into our banking halls for service. We have also launched our BOSL University as the company transitions to a learning organization with the intended purpose of providing skills development and re-skilling opportunities for staff to take advantages of opportunities within the company. The first cohort are well advanced in the initial program of Banking Law & Practice. Other key initiatives that have been successfully realized include the launch of our Mutual Fund product, succession plan for key linchpin positions within the company, enhancements to our digital product offerings via our online and mobile banking services, a complete revamping of our lending system technology and a full review of our Operations Policy and Procedures. These initiatives will assist the company to continue to build on these successes as it embarks on its strategic journey through to 2026.

Notwithstanding these, the company continues to focus on the ever-present cyber security threats and are continuously refining its strategic responses to stay abreast of these threats and also in compliance with regulatory provisions of the ECCB to ensure the safety of customers funds and banking operations.

This involves not only investments in technologies but also in its human resources to ensure that its information technology personnel are well equipped to meet this everchanging threat landscape.

Outlook

Global Growth has proven to be more resilient than initially thought. Projected global GDP for 2024 has been revised upwards from 2.9 percent to 3.1 percent. This is buoyed by resilient growth in the US as well as key emerging economies such as China and India. Generally, both public and private spending supported aggregate demand as households drew down on accumulated savings. Inflation has been falling steadily in our source markets as supply issues unwind, with labour participation increasing. This has led to further resolution of supply chain issues due to the COVID pandemic.

Inflationary pressures have been further cooled by the restrictive policy stance of the US Federal Reserve, although the tone has been for at least two rate cuts in 2024. While we view falling inflation as a positive, the escalating conflicts in Eastern Europe and the Middle East are significant drags on economic growth in our source markets.

In Latin America and the Caribbean, growth is projected at 1.9 percent for 2024, a downward revision of 0.4 percent from October 2023 projections. Comparatively, growth is projected at 2.5 percent for 2025, an upward revision of 0.1 percent from October 2023 projections. Most of this growth is centered around Brazil and Mexico while the downward revisions were fueled by negative growth prospect in Argentina. The Region, particularly Brazil and Mexico, are expected to see aggregate demand expand as key trading partners experience greater growth.

The Caribbean Development Bank is projecting that Caribbean territories grew by 5.7 percent in 2023, citing the revival of tourism and investments in energy. The impact of the pandemic across the region has been varied with more diversified economies showing greater resistance. Guyana and Trinidad benefited from high international oil prices while the tourism dependent economies benefited from increased demand leading to growth of 4.6 percent.

The estimate of growth in the Eastern Caribbean Currency Union (ECCU) for 2023 is 4.34 percent, a downward revision from the 4.7 percent initially estimated. Growth projections for the OECS are 5.21 percent and 3.59 percent in 2024 and 2025 respectively driven by strong projected growth in Tourism and Construction.

Domestically, the economy continues on its path to recovery. The economy grew by 3.44 percent in 2023 and is expected to grow by 6.95 percent and 5.59 percent in 2024 and 2025 respectively.

This growth is expected to be driven by Tourism and strong construction activity. Supporting sectors like mining and quarrying and transport services are expected to generate increased activity as well.

Our tourism industry continues to show signs of recovery. Following a 2023 recovery of stayover arrivals to 89.9 percent of the 2019 levels (2019: 423,736; 2023: 380,781), stayover arrivals for January 2024 were 8.2 percent higher year-over-year and 6.7 percent higher than 2019 levels.

We are pleased to see the unemployment rate at 14 percent, a 15-year low and positive sign for the domestic economy and signal for the recovery in tourism. The rebound is also captured in the country's total exports which increased to $211.69 million in 2022 up from $158.16 million in 2021. Exports now represent 95.5 percent of 2019 levels. This improvement in export levels did not adequately compensate for the jump in total imports hence the country's trade balance has deteriorated substantially from -$1,393.97 in 2019 to -$2,001.15 in 2022.

St. Lucia was not spared the global inflation the rest of world experienced. Inflation peaked at 8 percent in 2022 driven by increases in housing, water and fuel. This rate cooled to an average of 4 percent in 2023. The debt to GDP ratio fell to 65% in 2023 from 98% in 2021, another positive development affording more fiscal space to the local authorities.

Our Banking sector remains highly liquid as deposits continue to grow and capital buffers remain above ECCB prudential guidelines. Non-performing loans remain a concern, with financial institutions striving to meet the Eastern Caribbean Central Bank's prudential provisioning coverage ratios. While we saw some credit expansion in 2023, credit growth was still below GDP growth and largely centered around credit unions.

While these positive developments hint at good growth prospects in the short to medium term, the susceptibility of Saint Lucia's small open economy to external forces remains evident.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Risk Management Approach

Risk management is at the core of Bank of Saint Lucia's operations and aims to maintain a robust risk culture, safeguard against excessive risk taking outside the established risk appetite and enable safe and sustainable business practices. The risk management processes are guided by well-defined policies, independent risk oversight by the Risk Committee of the Board and risk monitoring through the Risk Management and Compliance Services Department. The framework is postured on ensuring a systematic approach to identifying, assessing and managing risks across all areas of the Bank.

Bank of Saint Lucia's risk management system is based on three independent defense lines: The first line is implemented by the Business Units who, design and comply with the controls embedded in processes. The second line of defense; the Risk Management and Compliance Services Unit, performs oversight of material risks and monitors risk-taking in relation to the Bank' risk appetite, independently from the first line. The third line of defense provides the senior management and the Board of Directors with assurance that the activities of the first and second lines are in line with their expectations. The third line of defense consists of the activities of the Internal Audit unit.

Risk Highlights

The Bank has traditionally maintained a fairly conservative financial risk exposure, ensuring that key financial risks; Credit, Liquidity and Market remain within the Bank's established Risk Appetite and tolerance levels.

The capital management strategy of the Bank seeks to ensure that sufficient quality and quantity of capital is maintained to finance growth, meet regulatory requirements and market expectations. In an effort to achieve this, the Bank maintains robust capital adequacy controls.

Liquidity buffers were effectively managed to maintain a sound risk profile; within regulatory limits and a profitable performance. Liquidity ratios remained significantly above the minimum prudential benchmarks, indicative of high level of buffers to withstand potential liquidity shocks.

For the year 2023, the Bank recorded a solid capital and liquidity position, with the Capital Adequacy Ratio and Liquidity ratios far exceeding the minimum regulatory requirement.

The Bank also monitors and manages its non-financial risk exposure. The material non-financial risk areas include Operational Risk, Regulatory and Compliance Risk and Information Security Risk and seeks to maintain strong internal controls in relation to these risks.

Within 2024, the Bank will work towards further developing and strengthening its risk management framework through risk awareness training, active vigilance and continued adoption of best practices.

Rolf Phillips
Managing Director

A New Era of Wealth Creation in Saint Lucia and the OECS

Bank of Saint Lucia is steadfast in our dedication to continually evolve, engage deeply with our stakeholders, and excel in our industry. In a financial landscape fraught with uncertainty, our commitment to innovation and strategic foresight has enabled us to adapt and thrive. This year, we have taken a significant step in our evolution with the strategic restructuring of our internal asset management operations into an independent entity: BOSL Fund Management Company Limited (BOSL FMC).

Originally an internal department focused on investment banking services, our asset management arm has matured in response to the increasing demands of a diverse client base, including institutional investors, high net worth individuals, and retail clients seeking sophisticated investment solutions beyond traditional banking products. As a wholly-owned subsidiary, BOSL FMC is now uniquely positioned to specialize further, enhancing our capabilities and competitive edge in the financial markets of Saint Lucia and the wider OECS.

Currently managing over EC$1.3 billion in assets, BOSL FMC offers a comprehensive range of services including investment advisory, portfolio management, mutual fund management and administration, portfolio reporting and accounting, as well as pension fund management and administration. The creation of BOSL FMC was instrumental in the development and launch of the BOSL Global Investment Fund (BOSL GIF), the first indigenous mutual fund in the OECS, which marks a significant milestone in regional financial services.

The BOSL Global Investment Fund operates under the stewardship of BOSL FMC, showcasing a seamless integration of asset management expertise with innovative financial products designed for varying investor profiles. With three distinct investment options tailored to different risk tolerances, BOSL GIF provides daily asset valuations that adhere to the highest international standards, and it exemplifies our strategic intent to democratize access to sophisticated financial instruments, promote a vibrant investment culture in the region, and empower individuals to build and secure their financial futures.

This transformation allows BOSL FMC to focus exclusively on asset management, tailoring solutions to meet the specific needs of our clients and delivering optimal investment outcomes. Operating independently enhances our ability to offer personalized services, leverage deep expertise, and implement innovative strategies that respond dynamically to the evolving needs of our clients.

The establishment of BOSL FMC and the strategic launch of BOSL GIF are pivotal in our commitment to becoming a leader in the asset management sector within the OECS. By capitalizing on our track record, strategic relationships, and extensive expertise, we aim to drive long-term value creation for our clients. This move is also poised to accelerate innovation in the investment landscape, facilitating the expansion of our client base, deepening financial markets, and ultimately enhancing shareholder value and long-term profitability.

Cedric Charles
General Manager BOSL Fund Management Company

Both BOSL FMC and BOSL GIF represent our pride in leading transformative change within the investment management landscape of our region. We are invigorated by the potential of these new developments and remain committed to delivering superior investment outcomes to our clients and sustained profitability to our shareholders. As we reflect on our accomplishments, we are eager to continue on this path of innovation, engagement, and excellence, shaping a prosperous future for all our stakeholders.

Introduction

In 2023, BOSL remained steadfast in our commitment to enhancing the well-being of our communities and fostering a sustainable environment. Through a series of impactful initiatives under the theme "Evolving, Engaging, Excelling," we expanded our reach and deepened our impact, driving positive change across various sectors of our society. This report outlines our efforts to integrate corporate social responsibility into our core business processes while ensuring we give back meaningfully to the communities we serve.

Community Support and Engagement

During the festive season, our 'Tis the Season of Winning Promotion aimed to spread joy and practical support to those in need. We executed multiple hamper drives across Gros Islet, Vieux Fort, Anse La Raye, and Castries, providing essential groceries and household items to families facing hardship, thereby ensuring they also could enjoy and feel the holiday spirit.

The Choiseul Children's Party was a highlight, drawing children from underprivileged backgrounds into a world of fun and festivities, complete with bouncy castles, games, and gifts, all crowned by a visit from the BOSL Santa. The Dunnottar School also felt the holiday cheer with a special gift distribution, impacting the lives of students with special needs.

At the Dugard Combined School in Choiseul, we enhanced the educational environment by donating fans, which improved the comfort and learning conditions for the students. In Anse La Raye, our Feed the Needy initiative provided over 150 meals to the community's most vulnerable, demonstrating our commitment to addressing food insecurity.

A wheelchair delivery to a customer in Bexon was another significant gesture, improving mobility and quality of life, reflecting our dedication to inclusivity and support for all community members.

The Soufriere Waterfront beautification project, in front of BOSL's branch, not only enhanced the aesthetic appeal of the area but also provided a more welcoming and comfortable space for the community, showing our investment in local development.

Environmental Stewardship

Our Sustainable Solutions initiatives continued with vigor throughout the year. The beach clean-ups at Soufriere and Malgretoute engaged over 50 BOSL volunteers and their families, removing significant amounts of debris and pollutants, which helped preserve the natural beauty and health of these vital ecosystems.

The tree planting event in Belle Vue, Vieux Fort, was particularly impactful, with staff and family members planting over 150 trees. This effort not only contributed to local reforestation but also helped raise awareness about the importance of environmental conservation within the community.

Cultural and Arts Support

Our engagement with the local culture was prominently displayed through our sponsorship of major events like the Saint Lucia Jazz & Arts Festival and Lucian Carnival 2023. As Gold Sponsors of Lucian Carnival and Silver Sponsors of the Saint Lucia Jazz & Arts Festival, we played a pivotal role in enriching Saint Lucia's cultural landscape.

The success of Miss BOSL Digital, Bernell St Rose, as 2nd runner up in the National Carnival Queen Pageant, highlighted our dedication to fostering local talent and promoting cultural expression.

Educational and Youth Development

BOSL continued to support educational initiatives, such as the Own Your Home Showcase & Seminar, which provided invaluable resources to prospective homeowners within the community of Soufriere. Our participation in Reading Month and the donation of Smart TVs to schools in Soufriere underscored our commitment to enhancing educational opportunities for the youth.

Technological Advancements

The launch of our 3D's initiative marked a significant milestone in our digital transformation journey. The new BOSL Website, BOSL Digital, and SME Portal are set to revolutionize the way we engage with our customers, offering streamlined services and enhanced user experiences.

In 2023, BOSL's efforts under the "Evolving, Engaging, Excelling" theme not only demonstrated our unwavering commitment to corporate social responsibility but also solidified our role as a leader in community engagement, environmental stewardship, and cultural support. Our ongoing initiatives continue to reflect our core values and our dedication to the progress and well-being of Saint Lucia and its people.

Digitization remains at the core of BOSL's approach to serving its customers. The bank has made significant technological investments aimed at improving the convenience of its banking services, introducing cutting-edge digital capabilities, and enhancing the overall customer experience.

To this end, BOSL received the 2023 ECCU's Bank of the Year Award for Technological Innovation.

Bank of Saint Lucia Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	2023 $	2022 $
Assets		
Cash and balances with Central Bank	**274,084**	245,455
Deposits with other banks	**508,924**	223,147
Deposits with non-bank financial institutions	**16,841**	30,314
Treasury bills	**–**	1,787
Financial assets held for trading	**15,375**	15,360
Investment securities	**935,864**	984,346
Due from related parties	**71,534**	76,263
Loans and advances to customers	**859,465**	860,980
Property and equipment	**69,446**	65,036
Intangible assets	**900**	1,656
Right-of-use-lease asset	**971**	1,456
Other assets	**181,849**	105,725
Investment in associate	**39,042**	33,112
Investment properties	**31,282**	31,748
Retirement benefit asset	**14,738**	14,612
Income tax recoverable	**–**	4,731
Total assets	**3,020,315**	2,695,728
Liabilities		
Deposits from banks	**22,429**	22,696
Due to customers	**2,393,006**	2,225,574
Lease liability	**1,088**	1,500
Income tax payable	**4,458**	-
Deferred tax liability	**2,149**	1,400
Borrowings	**26,293**	39,246
Dividends payable	**581**	291
Preference shares	**4,150**	4,150
Other liabilities	**179,063**	85,793
Total liabilities	**2,633,217**	2,380,650

Bank of Saint Lucia Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ...CONTINUED

As at December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Equity		
Share capital	**265,103**	265,103
Reserves	**178,021**	168,113
Revaluation reserve	**26,428**	26,428
Fair value through OCI reserve	**(27,671)**	(46,506)
Accumulated deficit	**(54,783)**	(98,060)
Total equity	**387,098**	315,078
Total liabilities and equity	**3,020,315**	2,695,728

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

Approved by the Directors on March 26, 2024

_________________ Director   _________________ Director

Bank of Saint Lucia Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Interest income	**102,615**	80,167
Interest expense	**(26,950)**	(26,748)
Net interest income	**75,665**	53,419
Fee and commission income	**50,145**	41,980
Dividend income	**1,072**	573
Net foreign exchange trading income	**11,418**	9,576
Other income	**9,568**	8,787
Share of profits of associate	**5,437**	3,759
Other gains, net	**6,275**	1,582
Impairment recovery on loans and advances	**11,017**	8,729
Impairment (losses)/recovery on investment securities	**(186)**	2,300
Operating expenses	**(87,998)**	(79,027)
Profit before income tax and dividends on preference shares	**82,413**	51,678
Dividends on preference shares	**(291)**	(291)
Profit before income tax	**82,122**	51,387
Income tax expense	**(11,867)**	(7,096)
Profit for the year after taxation	**70,255**	44,291

FINANCIAL REPORTING RESPONSIBILITIES

The management of the East Caribbean Financial Holding Company Limited is responsible for the preparation and fair presentation of the financial statements and other financial information contained within this Annual Report. The accompanying financial statements were prepared in accordance with IFRS Accounting Standards. Where amounts had to be based on estimates and judgments, these represent the best estimates and judgments of Management. In discharging its responsibility for the integrity and fairness of the financial statements, and for the accounting systems from which they were derived, Management has developed and maintains a system of accounting and reporting which provides the necessary internal controls that ensure transactions are properly authorized, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

This is supported by written policies and procedures; quality standards in recruiting and training employees; and an established organizational structure that permits accountability for performance within appropriate and well-defined areas of responsibility. An Audit Unit that conducts periodic audits of all aspects of the Group's operations further supports the system of internal controls

The Board of Directors oversees Management's responsibility for financial reporting through the Audit Committee, which comprises only Directors who are neither officers nor staff of the Bank. The primary responsibility of the Audit Committee is to review the Group's internal control procedures including any planned revision of those procedures, and to advise Directors on auditing matters and financial reporting issues. The Group's Head of Internal Audit has full and unrestricted access to the Audit Committee.

The Eastern Caribbean Central Bank conducts examinations and makes inquiries into the affairs of the Group as deemed necessary to ensure that the provision of the Banking Act relating to safety of depositors' funds and shareholders' equity is being observed and that the Group is in a sound financial condition.

PriceWaterhouseCoopers appointed as Auditor by the shareholders of the Group, have examined the financial statements and their report follows. The shareholders' auditor has full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Group's financial reporting and adequacy of the systems of internal control.

Rolf Phillips
Managing Director

Ketha Auguste
Chief Financial Officer

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Independent auditors' report

To the Shareholders of East Caribbean Financial Holding Company Limited

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of East Caribbean Financial Holding Company Limited (the Company) and its subsidiaries (together 'the Group') as at December 31, 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for qualified opinion

The Group's investment in Eastern Caribbean Amalgamated Bank Limited of Antigua (ECAB), an associate accounted for by the equity method, is carried at $39,042,000 (2022 - $33,112,000) on the consolidated statement of financial position as at December 31, 2023, and the Group's share of ECAB's net income of $5,437,000 (2022 - $3,759,000) and comprehensive income of $493,000 (2022 - $189,000) are included in the consolidated statements of profit or loss and comprehensive income respectively, for the year then ended.

Management derived the carrying amount of the Group's investment in ECAB, the Group's share of ECAB's net income and comprehensive income and the related note disclosures from ECAB's unaudited management accounts. We were unable to obtain sufficient appropriate audit evidence because audited financial information of ECAB was not available and because we were unable to perform audit procedures over the unaudited management accounts sufficient to satisfy ourselves as to the carrying amount of the Group's investment in ECAB, its share of ECAB's net income and comprehensive income and the related note disclosures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary and as a result we have modified our opinion on the current period consolidated financial statements. Our opinion on the prior period consolidated financial statements was modified for the same reasons.

PricewaterhouseCoopers East Caribbean, Unit 111 Johnsons Centre, No. 2 Bella Rosa Road, P.O. Box BW 304,
Gros Islet, St. Lucia, West Indies
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We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

- Overall group materiality: $3,018,000, which represents approximately 1% of net assets.

- We conducted full scope audits of the Company and its principal subsidiary (Bank of Saint Lucia Limited 'BOSL'), which were both identified as individually financially significant components.
  - The audit engagement team was the auditor for both the Company and the subsidiary.

- Expected credit loss (ECL) allowances for Stages 1 and 2 of loans and advances to customers - probability of default and loss given default.
- Credit impaired (Stage 3) loans and advances to customers.

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the engagement team. This consisted of full scope audits on the Company and its principal subsidiary (BOSL) as each were identified as individually financially significant components. The audit engagement team was the auditor for both the Company and the subsidiary.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	$3,018,000
How we determined it	Approximately 1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose approximately 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $150,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key audit matter	How our audit addressed the key audit matter
Expected credit loss (ECL) allowances for Stages 1 and 2 of loans and advances to customers - probability of default and loss given default *Refer to notes 2d, 4, 11 and 12 to the consolidated financial statements for disclosures of related accounting policies and balances.*	
As at December 31, 2023, a total of $2.9 million of Stage 1 and 2 expected credit losses (ECL) was recognised within the loans portfolio. The measurement of ECL allowances for financial assets at amortised cost is an area that requires the use of complex models and significant management assumptions. We focused on management's judgements in relation to the probability of default and loss given default due to the inherent subjectivity in determining these assumptions and the complexity involved in deriving the estimate.	With the assistance of our internal specialists, we performed the following procedures, amongst others: Obtained an understanding of the methodology and assumptions used by management and the related controls. Evaluated the appropriateness of the Group's ECL model methodology in comparison to the Group's accounting policy and the requirements of the applicable accounting standards.
Probability of default Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. Management's probability of default assumptions are derived from the Group's loan portfolio experience. Historical default data covering 23 years was used to calculate default rates by loan age for loans aged 1 - 22 years and for the different products based on origination year. The results per year were weighted by the number of loans originated compared to the total population considered. The PD curve is smoothed and extended to year 40 assuming a constant PD in the later years.	**Probability of default** On a sample basis: • Agreed defaulted loans to the PD calculation to test completeness of historical data. • Agreed the inputs within the PD calculation including loan type, origination date and default date to supporting documentation for a sample of loans. • Performed an independent recalculation of PDs using the historical loan portfolio data and compared to the results calculated by management.
Loss given default Loss given default (LGD) is an estimate of the loss arising in instances where a default occurs at a given time. Management's loss given default assumptions are derived from the Group's historical loan portfolio experience. Defaulted loans from	**Loss given default** On a sample basis: • Agreed defaulted loans to the LGD calculation to test completeness of historical data.

1999 to 2023 were assessed for their loss experience to determine an average LGD by product type. In doing so management considered each defaulted loan's status across six recovery categories including; cured, paid in full, write-off, collateral recovery, restructured and still non-performing.

- Agreed inputs in the LGD calculation including loan type, recovery category, write-offs, recovery proceeds, date of transfer to non-accrual and interest rates to supporting documentation.

- Independently recalculated LGDs using the Group's portfolio data and compared to the results calculated by management.

The results of our procedures indicated that management's assumptions and results pertaining to PDs and LGDs were not unreasonable.

Credit impaired (Stage 3) loans and advances to customers

Refer to notes 2(d), 11 and 12 to the consolidated financial statements for disclosures of related accounting policies and balances.

At December 31, 2023 the Lifetime ECL on credit impaired loans for Stage 3 totalled $55.4 million.

The assumptions used for estimating the amount of the ECL provisions for credit impaired loans involve significant judgement by management. We focused our testing on this area due to the significant inputs and assumptions used by management to determine the ECL provision, which included:

Collateral value
Valuation of real estate property pledged as collateral for credit impaired loans. This is the most significant input to the projected cash flows of impaired loans. The collateral value depends on market trends as well as the circumstances of the specific property and involves judgement and the use of specialised skills depending on the nature of the property. Management engaged independent valuation experts to assist in determining the valuation of real estate property pledged as collateral.

Forced Sale Value (FSV)
A FSV haircut is applied to the collateral value. The FSV assumption takes into account the

With the assistance of our internal valuation experts, we performed the following procedures, amongst others:

Assessed the competence and objectivity of the management appointed real estate appraisers.

On a sample basis, agreed the collateral values recorded by management to the valuation reports.

For a sample of valuation reports:

- Assessed the reasonableness of the methodology used in comparison with standard property valuation practices such as the income and market approaches and comparable sale listings.
- Developed a possible range of recovery values considering the age of the valuation and costs to sell.

Obtained management's calculation of the FSV and TTC assumptions and reperformed the mathematical accuracy of the calculations. This also included agreeing the default date, collateral sale date, proceeds and prior collateral value to supporting documentation on a sample basis.

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Group's historical data of foreclosed properties through comparison of the sale proceeds to the previous collateral valuation.

Time To Collect (TTC)
A TTC assumption is used to discount the projected future cash flows of impaired loans. The TTC assumption takes into account the Group's historical recovery data for commercial, term and mortgage loans. The TTC applied is dependent on the loan type.

The results of our procedures indicated that management's collateral valuations, assumptions and determination of Stage 3 ECL were not unreasonable.

Other information

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient appropriate audit evidence relating to the Group's investment in ECAB. When we read the Annual Report, where relevant, we will be unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Tonya Graham.

PricewaterhouseCoopers

Chartered Accountants
Castries, St. Lucia
March 28, 2024

East Caribbean Financial Holding Company Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Assets		
Cash and balances with Central Bank (note 6)	**274,084**	245,455
Treasury bills (note 7)	**–**	1,787
Deposits with other banks (note 8)	**508,924**	223,147
Financial assets held for trading (note 9)	**15,375**	15,360
Deposits with non-bank financial institutions (note 10)	**16,841**	30,314
Investment securities (note 14)	**935,072**	983,554
Loans and advances to customers (note 11)	**859,465**	860,980
Investment in associates (note 15)	**76,885**	66,639
Property and equipment (note 16)	**69,446**	65,036
Intangible assets (note 17)	**900**	1,656
Investment properties (note 18)	**31,282**	31,748
Right-of-use lease asset (note 19)	**971**	1,456
Other assets (note 20)	**182,067**	105,896
Retirement benefit asset (note 22)	**14,738**	14,612
Income tax recoverable	**–**	4,731
Total Assets	**2,986,050**	2,652,371
Liabilities		
Deposits from banks (note 23)	**22,429**	22,696
Due to customers (note 24)	**2,390,000**	2,222,567
Lease liability (note 19)	**1,088**	1,500
Deferred tax liability (note 27)	**2,149**	1,400
Income tax payable	**4,458**	–
Dividends payable	**581**	291
Borrowings (note 25)	**26,293**	39,246
Cumulative preference shares (note 44)	**4,150**	4,150
Other liabilities (note 26)	**179,064**	85,793
Total Liabilities	**2,630,212**	2,377,643

East Caribbean Financial Holding Company Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION...CONTINUED
As at December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Equity		
Share capital (note 28)	**170,081**	170,081
Contributed capital (note 29)	**1,118**	1,118
Reserves (note 30)	**192,969**	183,016
Revaluation reserve	**26,428**	26,428
Fair value through OCI reserve	**(24,852)**	(43,895)
Accumulated deficit	**(9,906)**	(62,020)
Total Equity	**355,838**	274,728
Total Liabilities and Equity	**2,986,050**	2,652,371

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

Approved by the Directors on March 26, 2024

_______________ Director   _______________ Director

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East Caribbean Financial Holding Company Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FFor the year ended December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	Share capital $	Contributed capital $	Reserves $	Revaluation reserve $	Fair value through OCI reserve $	Accumulated deficit $	Total $
Balance as at January 1, 2022	170,081	1,118	174,664	26,428	6,094	(91,060)	287,325
Total comprehensive loss for the year	–	–	–	–	(49,989)	37,371	(12,618)
Transfers to reserves	–	–	8,331	–	–	(8,331)	–
Contributions (note 30)	–	–	21	–	–	–	21
Balance as at December 31, 2022	170,081	1,118	183,016	26,428	(43,895)	(62,020)	274,728
Balance as at January 1, 2023	170,081	1,118	183,016	26,428	(43,895)	(62,020)	274,728
Total comprehensive income for the year	–	–	–	–	19,043	74,255	93,298
Transfers to reserves	–	–	9,908	–	–	(9,908)	–
Dividends paid (note 46)	–	–	–	–	–	(12,233)	(12,233)
Contributions (note 30)	–	–	45	–	–	–	45
Balance as at December 31, 2023	**170,081**	**1,118**	**192,969**	**26,428**	**(24,852)**	**(9,906)**	**355,838**

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

East Caribbean Financial Holding Company Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Interest income (note 32)	**102,615**	80,167
Interest expense (note 32)	**(26,950)**	(26,748)
Net interest income	**75,665**	53,419
Other operating income (notes 33 - 36)	**78,478**	62,498
Impairment recovery - loans (note 12)	**11,017**	8,729
Impairment (losses)/recovery - investment securities (note 13)	**(186)**	2,300
Operating expenses (note 37)	**(87,998)**	(79,027)
Operating profit	**76,976**	47,919
Share of profit of associates (note 15)	**9,845**	1,133
Profit for the year before income tax and dividends on preference shares	**86,821**	49,052
Dividends on preference shares (note 44)	**(291)**	(291)
Profit for the year before income tax	**86,530**	48,761
Income tax expense (note 39)	**(11,867)**	(7,096)
Profit for the year after taxation	**74,663**	41,665
Profit per share attributable to the equity holders of the Company during the year (note 40)		
- basic	**3.05**	1.70
- diluted	**2.95**	1.65

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

East Caribbean Financial Holding Company Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Profit for the year	**74,663**	41,665
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Net gain/(loss) on revaluation of FVOCI instruments	**16,629**	(50,187)
Realized gain/(loss) transferred to profit or loss	**1,713**	(688)
	18,342	(50,875)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Share of fair value gain on assets of associated companies carried at fair value (note 15)	**701**	886
	19,043	(49,989)
Re-measurement loss on defined benefit pension scheme (note 22)	**(583)**	(6,134)
Income tax effect (note 27)	**175**	1,840
Net re-measurement loss	**(408)**	(4,294)
	18,635	(54,283)
Total comprehensive income/(loss) for the year (net of tax)	**93,298**	(12,618)

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

East Caribbean Financial Holding Company Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Cash flows from operating activities		
Profit after tax	**74,663**	41,665
Adjustments for:		
Interest income (note 32)	**(102,615)**	(80,167)
Depreciation and amortization (notes 16, 17 and 19)	**6,161**	5,762
Impairment gains on loans and advances (note 12)	**(11,017)**	(8,729)
Impairment losses/(gain) on investment securities (note 13)	**186**	(2,300)
Unrealized (gain)/loss on investment securities at fair value through profit or loss (note 36)	**(6,128)**	2,331
Interest expense (note 32)	**26,950**	26,748
Retirement benefit expense (note 22)	**1,897**	1,335
Loss on disposal of property and equipment and intangible assets	**49**	–
Fair value loss/(gain) on investment property (note 36)	**466**	(3,729)
Share of profit of associates (note 15)	**(9,845)**	(1,133)
Net gains on disposal of investment securities (note 36)	**(613)**	(184)
Amortized premium on investment securities (note 14)	**160**	2,192
Retirement benefit contributions paid (note 22)	**(2,606)**	(2,512)
Dividends on preference shares (note 44)	**291**	291
Dividend income from equity instruments (note 35)	**(1,072)**	(573)
Income tax expense (note 39)	**11,867**	7,096
Cash flows before changes in operating assets and liabilities	**(11,206)**	(11,907)
Changes in:		
Mandatory deposits with Eastern Caribbean Central Bank	**(9,988)**	(13,138)
Loans and advances to customers	**12,767**	(52,553)
Other assets	**(76,171)**	(51,746)
Due to customers	**167,153**	197,524
Deposits from banks	**(267)**	(4,889)
Other liabilities	**93,270**	31,304
Cash flows generated from operating activities	**175,558**	94,595
Income tax paid	**(1,752)**	(2,116)
Interest received from investment securities	**33,198**	25,088
Interest received on loans and advances	**56,873**	55,158
Interest received on bank and financial institution deposits	**7,602**	1,050
Interest paid on customer deposits	**(24,338)**	(23,864)
Interest paid on other borrowed funds	**(2,612)**	(3,331)
Dividend received from associate (note 15)	**300**	–
Dividends received from equity instruments	**1,072**	573
Net cash generated from operating activities	**245,901**	147,153

East Caribbean Financial Holding Company Limited

CONSOLIDATED STATEMENT OF CASH FLOWS...CONTINUED

For the year ended December 31, 2023

(expressed in thousands of Eastern Caribbean dollars)

	2023 $	2022 $
Net cash generated from operating activities ...*b/fwd*	**245,901**	147,153
Cash flows from investing activities		
Purchase of investment securities	**(333,121)**	(404,044)
Proceeds from disposal and redemption of investment securities	**406,723**	234,233
Pledged assets	**–**	903
Treasury bills	**1,788**	–
Financial assets held for trading	**(15)**	(903)
Repurchase agreements	**–**	(876)
Deposits with non-bank financial institutions	**1,455**	(45)
Deposits with other banks	**(151,016)**	(94,500)
Purchase of property and equipment and intangible assets (notes 16 and 17)	**(9,379)**	(8,787)
Proceeds from disposal of property and equipment and intangible assets	**2**	23
Additions to right-of-use lease assets (note 19)	**–**	(892)
Net cash used in investing activities	**(83,563)**	(274,888)
Cash flows from financing activities		
Dividends paid (note 46)	**(12,233)**	(581)
Proceeds from capital contributions (note 30)	**45**	21
Repayment of borrowings	**(12,675)**	(12,675)
Principal payments on lease liability	**(412)**	(441)
Modification to lease liability	**–**	963
Net cash used in financing activities	**(25,275)**	(12,713)
Net increase/(decrease) in cash and cash equivalents	**137,063**	(140,448)
Cash and cash equivalents at beginning of year	**234,157**	374,605
Cash and cash equivalents at end of year (note 41)	**371,220**	234,157

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

East Caribbean Financial Holding Company Limited

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(expressed in thousands of Eastern Caribbean dollars)

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1 Corporate information

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

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

The Group is in compliance with the Companies Act and Banking Act and the provisions of the Insurance Act, 1995.

The shareholding of the Group is stated in Note 43.

ECFH is listed on the Eastern Caribbean Securities Exchange.

2 Summary of material accounting policies

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

Statement of compliance
East Caribbean Financial Holding Company Limited's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) as at December 31, 2023 (the reporting date).

a) Basis of preparation

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

- Financial assets measured at fair value through profit or loss
- Debt instruments measured at fair value through other comprehensive income
- Property and equipment – Land and Buildings
- Investment properties
- Retirement benefit asset/liability

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

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

a) Basis of preparation *...continued*

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

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

Amendments to IAS 12, Deferred Tax
The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendment did not have an impact on the consolidated financial statements of the Group.

Amendment to IAS 12, International tax reform
The amendment gives companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendment also introduces targeted disclosure requirements for affected companies.

The amendment did not have an impact on the consolidated financial statements of the Group.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

The amendments did not have an impact on the consolidated financial statements of the Group.

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

a) Basis of preparation *...continued*

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

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

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

Amendments to IFRS 16, Leases
The amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The amendments are effective for annual periods beginning on or after January 1, 2024.

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

Amendments to IAS 1, Non-Current Liabilities with Covenants
The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendment is applicable for annual periods beginning on or after January 1, 2024.

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

Amendments to IAS 21, Lack of exchangeability
The amendments affect entities with transactions or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency, and transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendment is effective for annual periods beginning on or after January 1, 2025. The group is assessing the impact that the amendments will have on its consolidated financial statements.

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

a) Basis of preparation *...continued*

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

IFRS S1, General requirements for disclosure of sustainability-related financial information
This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across the Company's value chain.

The standard is effective for reporting periods beginning on or after January 1, 2024 subject to endorsement in our jurisdiction.

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

IFRS S2, Climate-related disclosures
This standard sets out the requirements for entities to disclose information about climate-related risks and opportunities.

The standard is effective for reporting periods beginning on or after January 1, 2024 subject to endorsement in our jurisdiction.

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

Given that the Eastern Caribbean Central Bank is in the process of issuing sustainability standards, we believe that IFRS S1 and S2 will be relevant.

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

The consolidated financial statements of the Group comprise the financial statements of the parent entity and its subsidiary as at December 31, 2023.

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

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

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

a) Basis of preparation *...continued*

Consolidation *...continued*

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

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

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

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

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

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

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

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

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

a) Basis of preparation *...continued*

Consolidation *...continued*

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

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

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

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

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

Associates

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

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

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

a) Basis of preparation *...continued*

Consolidation *...continued*

Associates *...continued*

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

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

b) Fair value measurement

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

Disclosures for valuation methods, significant estimates and assumptions	Notes 2, 3, 4, 16 and 18
Quantitative disclosures of fair value measurement hierarchy	Note 3
Investment properties	Note 18
Financial instruments (including those carried at amortized cost)	Notes 7, 9 and 14
Land and buildings	Note 16
Retirement benefit assets	Note 22

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.

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

b) Fair value measurement *...continued*

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

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

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

c) Cash and cash equivalents

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

d) Financial assets

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

Classification
Under IFRS 9, financial assets are classified into one of the following measurements:
- Amortized cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

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

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

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

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

d) Financial assets *...continued*

Investments in debt instruments are measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

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

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

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The model is not assessed on an instrument-by-instrument basis, but rather at a portfolio level and based on factors such as:

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

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

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

d) Financial assets *...continued*

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

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

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

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

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

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

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

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

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the consolidated statement of financial position, which remains at its fair value.

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

d) Financial assets *...continued*

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

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

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

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

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

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

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

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

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

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

d) Financial assets *...continued*

Recognition/derecognition *...continued*
Financial assets at fair value through profit or loss are recognized initially at fair value. All other financial assets are recognized initially at fair value plus directly attributable transaction costs.

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

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

Impairment of financial assets
IFRS 9 impairment model is a forward-looking three-stage expected credit loss (ECL) approach. The expected credit loss model is applicable to the following categories of financial assets:

- Amortized cost financial assets;
- Debt instruments measured at fair value through other comprehensive income;
- Off-balance sheet loan commitments; and
- Letters of credit and guarantees.

Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

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

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

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life and calculates the ECL as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.

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

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- EAD - The exposure at default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

Measurement of expected credit losses (ECL) *...continued*

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

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

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

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

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

Financial assets may no longer meet the definition of default (Stage 3) if the borrower no longer meets any of the criteria included in the Group's definition of default for a consecutive 12-month period and management is of the view that the fundamentals of the credit has improved to a sustainable level. In these circumstances, the loan will move from stage 3 to stage 2. The factors the Group considers in arriving at the assessment include: job stability, ability to repay, debt service ratio, and security held. The Group's 12-month period is based on its regulatory requirements as well as its "reversion analysis" of cured loans returning to default.

A loan may move from stage 2 to stage one 1 if it is not outstanding for more than thirty (30) days for a consecutive three-month period.

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

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

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Undrawn loan commitments generally as a provision in other liabilities;
- Debt instruments measured at fair value through OCI: the loss allowance is recorded in Other Comprehensive Income in the consolidated statement of Financial Position and recognized in the consolidated statement of profit or loss. The loss allowance is not recorded against the gross carrying amounts of the investment securities because the carrying amount of debt investment securities at FVOCI remain their fair value.

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

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Group recalculates the gross carrying amount of the financial asset and amortizes the amount arising from adjusting the gross carrying value over the remaining life of the asset.

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

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

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

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

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

The Group considers as a backstop, that default has occurred and classifies assets as credit impaired when it is more than 90 days past due.

Expected Credit Losses on Revolving Credit Facilities
The Group's product offerings include corporate and retail credit cards and overdraft facilities in which the Group has the right to cancel or reduce the facilities. Overdrafts are typically for one year while credit cards have no maturity dates as such. The Group therefore calculates ECL for stage 1 and stage 2 on such facilities on the facilities limits over a period that reflects the Group's expectations of the customer's behaviour, its likelihood of default and the Group's risk mitigation procedures which include cancellations or reducing the facilities.

The inputs for ECLs for revolving credit facilities are as follows:

- Exposure at default calculated as the higher of either the outstanding balance or the approved credit limit of the facility.
- Loss rate is the percentage loss the Group will realize when the customer defaults.
- Churn rate which measures the rate at which facilities are lost per year.

Staging
Credit Cards
Similar to loans the (average) number of days past due will be used as the back stop for the staging criteria. Other features of the customer will support the staging criteria. As a general rule credit cards at least 30 days and more past due but less than 90 days in arrears will represents a significant increase in credit risk and will be classified as stage 2. Credit cards above 90 days past due are considered default and would be classified as stage 3.

2 Summary of material accounting policies *…continued*

d) Financial assets *…continued*

Impairment of financial assets *…continued*

Overdrafts
Overdraft facilities within their credit limits with regular transactions are classified as stage 1 and overdraft facilities that were at or above their limits are included in stage 2. Stage three overdraft facilities include overdraft facilities above their credit limit with no activity for at least ninety (90) days.

ECL Scenario Analysis
The assessment of credit risk and estimation of ECLs are unbiased and probability-weighted and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In the Group's ECL model, forward-looking information were taken into consideration by incorporating GDP forecasts into the model.

Despite some economic recovery in 2023, management continues to exercise a high degree of caution both in the selection of economic scenarios and their weightings through management judgmental adjustments.

Methodology
Forecasts of economic data were derived from the International Monetary fund for 2024 to 2026. Management defines the published economic data as the base case. The model utilizes real GDP growth to capture the macroeconomic impact on the loan portfolio.

The model used a simple linear regression to estimate the relationship between lagged macroeconomic variables (GDP, Unemployment, Inflation and Remittances) and the probability of default. The model was estimated using ordinary least squares with robust standard errors. The output produced an Economic Adjustment Coefficient to capture the relationship between the macroeconomic environment and credit risk (Vanek, 2016).

The model incorporates an economic adjustment weight which adjusts the intensity of the economic data feeding into the model. The Economic Adjustment Coefficient (Vanek, 2016) as well as the positive, base and adverse scenarios were defined based on consensus with management in the context of the published economic estimates. The higher the weighting, the more intense the effect of the economic data, that is, the higher the impact that the prevailing market conditions are expected to have in the model. Each scenario was probability weighted on management's assessment of various economic indices.

The model also allows for a positive and adverse scenario which directly adjusts the macroeconomic impact growth variable.

In arriving at Group's ECL measurement, we formed three distinct scenarios based on economic forecasts from regional authorities:

- A base case which utilized the economic growth variable forecasts with no adjustment and an economic weight of 60.
- A downside scenario which represents a 10% contraction on all forecasts with economic weights of 30.
- A positive scenario which represented a 10% increase in all forecasts with an economic weight of 10.

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

ECL Scenario Analysis *...continued*

Consensus Scenario
The Group utilized a probability weighted average of the three scenarios to arrive at its ECL. The Group anticipates that economic conditions globally will remain highly uncertain in 2024. While headline inflation has moderated somewhat due to energy prices, core inflation remains stubbornly high. We anticipate that the deteriorating geopolitical environment in Eastern Europe, Middle East and Africa will be a significant downside risk for energy price moderation and may fuel inflationary pressures.

Facing diminished excess savings in the US, higher rates on consumer debt and less pent-up demand the stage has been set for slower consumer spending growth in 2024. Additionally, with student loan payments having restarted, and delinquencies increasing in subprime auto loans and millennial credit cards, signs of stress for some consumers are beginning to emerge. Recessionary fears have also remained elevated with the market probability of recession sitting at over 50 percent. In line with expected weaker economic conditions in our key source market we expect there to be a measured slow down in arrivals as consumer spending diminishes in 2024.

The following table shows the key macro-economic variables for the St. Lucian economy used in the base case and downside scenario at December 31:

	Base Case			Downside Case		
	Financial Year			Financial Year		
	2024 %	2025 %	2026 %	2024 %	2025 %	2026 %
GDP Growth Rate	2.3	2.3	1.8	2.07	2.07	1.62

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

d) Financial assets *...continued*

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

e) Offsetting financial instruments

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

f) Sale and repurchase agreements

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

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

g) Property and equipment

Land and buildings comprise mainly branches and offices occupied by the parent or its subsidiary. Land and buildings are shown at their fair values less subsequent depreciation for buildings.

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

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

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

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

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

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

h) Investment properties

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

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

h) Investment properties *...continued*

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

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

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

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

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

i) Intangible assets

Intangible assets comprise of computer software licences. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives. Software has a maximum expected useful life of 3 years. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

j) Impairment of other non-financial assets

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

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

k) Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

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

l) Financial liabilities

The Group's holding in financial liabilities are at amortized cost. Financial liabilities are derecognized when extinguished.

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

m) Borrowings

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

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

n) Provisions

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

o) Redeemable preference shares

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

p) Employee benefits

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

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

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

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

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

p) Employee benefits *...continued*

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

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

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

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

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

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

q) Guarantees and letters of credit

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

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

Loan commitments are firm commitments to provide credit under the pre-specified terms and conditions. The Group recognizes loss allowance for undrawn loan commitments.

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

r) Fiduciary activities

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

s) Share capital

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

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

Interest income and expense are recognized in profit or loss for all financial instruments measured at amortized cost, financial instruments designated at fair value through profit or loss and interest-bearing financial assets measured at fair value through other comprehensive income using the effective interest method.

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

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

t) 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. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time apportioned basis. Asset management fees related to investment funds are recognized rateably over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

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

u) Dividend income

Dividend income is recognized when the entity's right to receive payment is established.

v) Rental income

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

w) Foreign currency translation

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

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

Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date December 31, 2023. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition and non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined.

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

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

x) Leases

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

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

x) Leases *...continued*

Definition of a lease

A Group company is the lessee

1) Right-of-Use Asset

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment disclosed in note 2g. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2) Lease Liability

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

A Group company is the lessor

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

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

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

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

x) Leases *...continued*

A Group company is the lessor *...continued*

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

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

y) Segment reporting

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

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

In accordance with IFRS 8, the Group had five reportable segments: Bank of St. Lucia Limited (BOSL), Investment Banking Services (IBS) - incorporating Capital market activities and Merchant Banking, BOSL Fund Management Company Limited, BOSL Global Investment Fund Limited and Other, which comprises of the holding company of the Group.

3 Financial risk management

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

a) Strategy in using financial instruments

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

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

3 Financial risk management *...continued*

a) Strategy in using financial instruments *...continued*

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

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

b) Credit risk

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

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

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

3 Financial risk management *...continued*

b) Credit risk *...continued*

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

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

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

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

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

Some other specific control and mitigation measures are outlined below.

3 Financial risk management *...continued*

b) Credit risk *...continued*

Collateral

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

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

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

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

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

Credit-related commitments

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

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

3 Financial risk management *...continued*

b) Credit risk *...continued*

Impairment and provisioning policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes using a three-stage expected credit loss approach. Stages 1 and 2 credit losses are made for assets that are not credit impaired and stage 3 credit losses are for assets which are credit impaired.

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

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Loan payments are outstanding for 90 days

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

Maximum exposure to credit risk
Maximum credit risk exposures relating to the financial assets in the consolidated statement of financial position are as follows:

	Maximum exposure	
	2023 **$**	**2022** **$**
Balances with Central Bank	**234,344**	207,538
Treasury bills	**–**	1,787
Deposits with other banks	**508,924**	223,147
Deposits with non-bank financial institutions	**16,841**	30,314
Loans and advances to customers:		
Large corporate loans	**251,105**	267,084
Term loans	**185,235**	166,382
Mortgages	**404,208**	388,699
Overdrafts and credit cards	**18,917**	38,815
Financial assets held for trading	**15,375**	15,360
Investment securities	**871,728**	925,164
Other assets	**177,568**	102,131
	2,684,245	2,366,421

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

Loan commitments	**160,274**	140,611
Guarantees and letters of credit	**10,199**	8,475
	170,473	149,086
	2,854,718	2,515,507

The above table represents a worst-case scenario of credit risk exposure to the Group at December 31, 2023 and 2022 without taking account of any collateral held or other credit enhancements attached. For assets included on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as at the reporting date.

As shown above 30% (2022 - 34%) of the total maximum exposure is derived from loans and advances to customers and 31% (2022 - 37%) represents investments in debt securities.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

Loans and advances are summarized as follows:

	Loans and advances for which the loss allowance is measured at:							
	Stage 1 12-month ECL		Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		Total	
	2023 $	**2022 $**	**2023 $**	**2022 $**	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Gross	**708,633**	675,175	**53,414**	72,153	**155,714**	187,336	**917,761**	934,664
Less allowance for impairment on loans and advances	**(2,710)**	(6,777)	**(230)**	(1,065)	**(55,356)**	(65,842)	**(58,296)**	(73,684)
Net	**705,923**	668,398	**53,184**	71,088	**100,358**	121,494	**859,465**	860,980

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

Loans and advances to customers individually impaired

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

	Overdrafts and credit cards $	Term loans $	Mortgages $	Large corporate loans $	Total $
December 31, 2023	**2,259**	**24,064**	**49,683**	**79,708**	**155,714**
December 31, 2022	8,510	32,783	57,100	88,943	187,336

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

Debt securities and treasury bills

The table below presents an analysis of debt securities and treasury bills, net of expected credit loss, by rating agency designation at December 31, 2023 and 2022, based on Standard & Poor's, Moody's, Fitch and CariCris ratings:

	Financial assets held for trading $	Investment securities $	Treasury bills $	Total $
At December 31, 2023				
AA- to A+	–	**194,727**	–	**194,727**
Lower than A+	–	**248,340**	–	**248,340**
Unrated	**15,375**	**428,661**	–	**444,036**
	15,375	**871,728**	–	**887,103**
At December 31, 2022				
AA- to A+	–	196,796	–	196,796
Lower than A+	–	198,669	–	198,669
Unrated	15,360	529,699	1,787	546,846
	15,360	925,164	1,787	942,311

Concentrations of risks of financial assets with credit exposure

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

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

	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
At December 31, 2023								
Balances with Central Bank	234,344	–	–	–	–	–	–	234,344
Deposits with other banks	508,924	–	–	–	–	–	–	508,924
Deposits with non-bank financial institutions	16,841	–	–	–	–	–	–	16,841
Loans and advances to Customers (net)								
Overdrafts and credit cards	–	1,815	1,029	1	18	12,861	3,193	18,917
Term loans	–	721	3,466	48	6,459	129,707	44,834	185,235
Large corporate loans	8,951	29,167	52,223	30,742	3,915	7,175	118,932	251,105
Mortgages	–	–	–	–	–	404,208	–	404,208
Financial assets held for trading	–	–	–	15,375	–	–	–	15,375
Investment securities	316,166	–	–	156,101	–	–	399,461	871,728
Other assets	166,308	–	–	850	–	–	10,410	177,568
	1,251,534	31,703	56,718	203,117	10,392	553,951	576,830	2,684,245
Guarantees and letters of credit	–	193	15	31	169	5,541	4,250	10,199
Loan commitments	8,175	9,772	1,007	104,502	726	19,289	16,803	160,274

*Other industries include construction and land development.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management ...*continued*

b) Credit risk ...*continued*

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

	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
At December 31, 2022								
Balances with Central Bank	207,538	–	–	–	–	–	–	207,538
Treasury bills	–	–	–	1,787	–	–	–	1,787
Deposits with other banks	223,147	–	–	–	–	–	–	223,147
Deposits with non-bank financial institutions	30,314	–	–	–	–	–	–	30,314
Loans and advances to Customers (net)								
Overdrafts and credit cards	–	820	3,048	20,556	74	9,710	4,607	38,815
Term loans	–	806	3,814	80	6,985	109,438	45,259	166,382
Large corporate loans	–	261	56,009	42,126	5,235	7,319	156,134	267,084
Mortgages	–	–	–	–	–	388,699		388,699
Financial assets held for trading	–	–	–	15,360	–	–	–	15,360
Investment securities	318,266	–	–	93,283	–	–	513,615	925,164
Other assets	84,283	–	–	855	–	–	16,993	102,131
	863,548	1,887	62,871	174,047	12,294	515,166	736,608	2,366,421
Guarantees and letters of credit	–	193	15	31	169	6,211	1,856	8,475
Loan commitments	5,000	1,219	1,553	82,512	322	19,369	30,636	140,611

*Other industries include construction and land development.

3 Financial risk management *...continued*

c) Market risk

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

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's investment securities at fair value through other comprehensive income (note 14).

Sensitivity analysis
At December 31, 2023, if prices were 10% higher/lower with all other variables held constant, the unrealized loss in equity would have been $328 (2022 - $326) higher/lower arising on equity investment securities held at fair value through other comprehensive income and post-tax profit/(loss) would have been $2,960 (2022 - $4,125) higher/lower arising on equity securities held at fair value through profit or loss.

d) Currency risk

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2023								
Cash and balances with Central Bank	**267,950**	**5,012**	**127**	**377**	**175**	**400**	**43**	**274,084**
Deposits with other banks	**93,221**	**396,891**	**3,619**	**12,848**	**1,263**	**729**	**353**	**508,924**
Financial assets held for trading	**15,375**	–	–	–	–	–	–	**15,375**
Deposits with non-bank financial institutions	–	**16,349**	–	**460**	**32**	–	–	**16,841**
Net loans and advances To customers	**835,795**	**23,670**	–	–	–	–	–	**859,465**
Investment securities:								
Amortized cost	**6,090**	**251,102**	–	–	–	–	–	**257,192**
FVOCI	**51,184**	**591,427**	–	–	–	–	–	**642,611**
FVTPL - equities	**1,156**	**34,113**	–	–	–	–	–	**35,269**
Other assets	**172,357**	**5,211**	–	–	–	–	–	**177,568**
Total financial assets	**1,443,128**	**1,323,775**	**3,746**	**13,685**	**1,470**	**1,129**	**396**	**2,787,329**

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2023								
Liabilities								
Deposits from banks	22,429	–	–	–	–	–	–	22,429
Due to customers	2,140,897	235,655	–	13,448	–	–	–	2,390,000
Borrowings	25,616	677	–	–	–	–	–	26,293
Preference shares	4,150	–	–	–	–	–	–	4,150
Other liabilities	178,938	126	–	–	–	–	–	179,064
Total financial liabilities	2,372,030	236,458	–	13,448	–	–	–	2,621,936
Net assets/(liabilities)	(928,902)	1,087,317	3,746	237	1,470	1,129	396	165,393
Guarantees and letters of credit	10,199	–	–	–	–	–	–	10,199
Loan commitments	160,274	–	–	–	–	–	–	160,274

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2022								
Cash and balances with Central Bank	238,738	5,616	135	374	199	349	44	245,455
Treasury bills	1,787	–	–	–	–	–	–	1,787
Deposits with other banks	59,083	150,533	2,834	6,991	1,156	837	1,713	223,147
Financial assets held for trading	15,360	–	–	–	–	–	–	15,360
Deposits with non-bank financial institutions	15,785	14,104	–	400	25	–	–	30,314
Net loans and advances To customers	794,518	66,462	–	–	–	–	–	860,980
Investment securities:								
Amortized cost	9,908	235,152	–	–	–	–	–	245,060
FVOCI	164,403	542,381	–	–	–	–	–	706,784
FVTPL - equities	1,156	30,554	–	–	–	–	–	31,710
Other assets	101,193	938	–	–	–	–	–	102,131
Total financial assets	1,401,931	1,045,740	2,969	7,765	1,380	1,186	1,757	2,462,728

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2022								
Liabilities								
Deposits from banks	22,696	–	–	–	–	–	–	22,696
Due to customers	2,026,288	187,959	–	8,320	–	–	–	2,222,567
Borrowings	35,862	3,384	–	–	–	–	–	39,246
Preference shares	4,150	–	–	–	–	–	–	4,150
Other liabilities	84,294	1,499	–	–	–	–	–	85,793
Total financial liabilities	2,173,290	192,842	–	8,320	–	–	–	2,374,452
Net assets/(liabilities)	(771,359)	852,898	2,969	(555)	1,380	1,186	1,757	88,276
Guarantees and letters of credit	8,475	–	–	–	–	–	–	8,475
Loan commitments	140,611	–	–	–	–	–	–	140,611

3 Financial risk management *...continued*

e) Interest rate risk

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

Sensitivity analysis
Cash flow interest rate risk arises from loans and advances to customers, borrowings and due to customers at variable rates. At December 31, 2023, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $1,805 (2022 - $1,631) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

Fair value interest rate risk arises from investment securities at variable rates. At December 31, 2023, if variable interest rates were 0.5% higher/lower with all other variables held constant, the unrealized loss in equity would have been $7,636 (2022 - $8,100) higher/lower arising on investment securities held at fair value through other comprehensive income and post-tax profit/(loss) would have been $124 (2022 - $183) higher/lower arising on debt securities held at fair value through profit or loss.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk *...continued*

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

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2023							
Financial assets							
Cash and balances with Central Bank	–	–	–	–	–	274,084	274,084
Deposits with other banks	36,082	42,761	212,171	-	8,547	209,363	508,924
Financial assets held for trading	–	–	–	15,375	–	–	15,375
Deposits with non-bank financial institutions	–	–	14,330	–	–	2,511	16,841
Net loans and advances to customers	3,256	5,335	17,969	159,337	673,568	–	859,465
Investment securities:							
- amortized cost	1,224	20,020	34,453	157,821	43,674	–	257,192
- FVOCI	18,138	21,039	106,350	323,195	145,814	–	614,536
Other assets	–	–	–	–	–	177,568	177,568
Total financial assets	**58,700**	**89,155**	**385,273**	**655,728**	**871,603**	**663,526**	**2,723,985**

(expressed in thousands of Eastern Caribbean dollars)

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3 Financial risk management *...continued*

e) Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2023							
Financial liabilities							
Deposits from banks	8,618	3,184	10,627	–	–	–	22,429
Due to customers	1,122,283	79,008	240,114	47,684	54,281	846,630	2,390,000
Borrowings	677	5,616	5,000	15,000	–	–	26,293
Preference shares	–	–	–	–	4,150	–	4,150
Other liabilities	–	–	–	–	–	179,064	179,064
Total financial liabilities	1,131,578	87,808	255,741	62,684	58,431	1,025,694	2,621,936
Total interest repricing gap	(1,072,878)	1,347	129,532	593,044	813,172	(362,168)	102,049

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2022							
Financial assets							
Cash and balances with Central Bank	–	–	–	–	–	245,455	245,455
Treasury bills	1,787	–	–	–	–	–	1,787
Deposits with other banks	19,476	40,935	66,062	–	–	96,674	223,147
Financial assets held for trading	–	–	–	13,463	1,897	–	15,360
Deposits with non-bank financial institutions	–	13,691	15,780	–	–	843	30,314
Loans and advances to customers	45,548	3,355	41,593	200,306	570,178	–	860,980
Investment securities:							
- amortized cost	3,511	8,039	17,995	162,804	52,711	–	245,060
- FVOCI	12,905	11,592	184,660	331,647	139,300	–	680,104
Other assets	–	–	–	–	–	102,131	102,131
Total financial assets	83,227	77,612	326,090	708,220	764,086	445,103	2,404,338

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(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2022							
Financial liabilities							
Deposits from banks	8,995	3,151	10,550	–	–	–	22,696
Due to customers	1,059,545	78,852	234,522	38,360	52,307	758,981	2,222,567
Borrowings	709	5,861	7,007	25,669	–	–	39,246
Preference shares	–	–	–	–	4,150	–	4,150
Other liabilities	–	–	–	–	–	85,793	85,793
Total financial liabilities	1,069,249	87,864	252,079	64,029	56,457	844,774	2,374,452
Total interest repricing gap	(986,022)	(10,252)	74,011	644,191	707,629	(399,671)	29,886

3 Financial risk management *...continued*

f) Liquidity risk

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

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

Liquidity risk management process

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

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

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

Funding approach

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk *...continued*

Non-derivative cash flows

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

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
At December 31, 2023						
Financial liabilities						
Deposits from banks	8,618	3,193	10,694	–	–	22,505
Due to customers	1,968,523	79,208	242,430	47,684	53,957	2,391,802
Borrowings	677	5,914	5,723	16,089	–	28,403
Preference shares	–	–	–	–	4,150	4,150
Other liabilities	–	–	179,064	–	–	179,064
Total financial liabilities	1,977,818	88,315	437,911	63,773	58,107	2,625,924
Financial assets						
Cash and balances with Central Bank	248,575	–	25,509	–	–	274,084
Deposits with other banks	253,908	43,224	221,123	–	–	518,255
Financial assets held for trading	–	–	–	17,482	–	17,482
Deposits with non-bank financial institutions	2,511	–	14,330	–	–	16,841
Investment securities	19,388	41,211	143,092	529,660	237,986	971,337
Loans and advances to customers (net)	19,355	20,743	102,269	436,441	620,660	1,199,468
Other assets	167,279	390	9,504	395	–	177,568
Total financial assets	711,016	105,568	515,827	983,978	858,646	3,175,035
Net assets/(liabilities)	(1,266,802)	17,253	77,916	920,205	800,539	549,111

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
At December 31, 2022						
Financial liabilities						
Deposits from banks	8,996	3,159	10,616	–	–	22,771
Due to customers	1,823,102	79,051	236,385	38,360	52,307	2,229,205
Borrowings	709	6,272	8,169	28,403	–	43,553
Preference shares	–	–	–	–	4,150	4,150
Other liabilities	–	–	85,793	–	–	85,793
Total financial liabilities	1,832,807	88,482	340,963	66,763	56,457	2,385,472
Financial assets						
Cash and balances with Central Bank	224,103	–	21,352	–	–	245,455
Treasury bills	1,790	–	–	–	–	1,790
Deposits with other banks	116,150	41,594	67,065	–	–	224,809
Financial assets held for trading	–	–	–	15,913	2,664	18,577
Deposits with non-bank financial institutions	843	29,785	–	–	–	30,628
Investment securities	16,357	19,717	206,359	543,224	243,500	1,029,157
Loans and advances to customers	49,849	28,553	130,610	416,039	599,076	1,224,127
Other assets	85,854	–	15,876	401	–	102,131
Total financial assets	494,946	119,649	441,262	975,577	845,240	2,876,674
Net assets/(liabilities)	(1,337,861)	31,167	100,299	908,814	788,783	491,202

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk *...continued*

Assets held for managing liquidity risk
The Group holds a diversified portfolio of cash and investment securities to support payment obligations.

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

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

g) Off-balance sheet items

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

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

	<1 Year $	**Total $**
As at December 31, 2023		
Loan commitments	**160,274**	**160,274**
Guarantees and letters of credit	**10,199**	**10,199**
Total	**170,473**	**170,473**
As at December 31, 2022		
Loan commitments	140,611	140,611
Guarantees and letters of credit	8,475	8,475
Total	149,086	149,086

3 Financial risk management *...continued*

h) Fair values of financial assets and financial liabilities

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

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

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

<u>Investment securities</u>
Investment securities include interest bearing debt and equity securities measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. Assets classified as fair value through other comprehensive income and fair value through profit or loss 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, discounted cash flow models and current rates.

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

	Carrying value		Fair value	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers				
- Large corporate loans	**251,105**	267,084	**228,031**	248,611
- Term loans	**185,235**	166,382	**149,317**	134,827
- Mortgages	**404,208**	388,699	**266,826**	254,648
- Overdrafts and credit cards	**18,917**	38,815	**18,917**	38,815
Investment securities at amortized cost	**257,192**	245,060	**248,129**	230,859
Financial liabilities				
Borrowings	**26,293**	39,246	**25,443**	36,995

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as DAX, FTSE 100 and Dow Jones.

- 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.

(expressed in thousands of Eastern Caribbean dollars)

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3 Financial risk management *...continued*

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

Fair value hierarchy ...continued

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

Determination of fair values and fair value hierarchies:

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2023				
Assets measured at fair value:				
Investment property	–	–	31,282	31,282
Land and buildings	–	–	48,106	48,106
Total land and buildings and investment property	–	–	79,388	79,388
Financial assets held for trading				
- debt securities	–	–	15,375	15,375
Financial assets at FVTPL				
- equity securities	34,096	17	1,156	35,269
Financial assets at FVOCI				
- debt securities	28,646	536,726	49,164	614,536
- equity securities	–	26,054	2,021	28,075
Total financial assets	62,742	562,797	67,716	693,255

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

Fair value hierarchy ...continued

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2022				
Assets measured at fair value:				
Investment property	–	–	31,748	31,748
Land and buildings	–	–	48,157	48,157
Total land and buildings and investment property	–	–	79,905	79,905
Financial assets held for trading				
- debt securities	–	–	15,360	15,360
Financial assets at FVTPL				
- equity securities	30,554	11	1,145	31,710
Financial assets at FVOCI				
- debt securities	10,159	506,868	163,077	680,104
- equity securities	–	24,659	2,021	26,680
Total financial assets	40,713	531,538	181,603	753,854

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

Fair value hierarchy ...continued

Assets for which fair values are disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2023				
Loans and advances to customers	**–**	**–**	**662,183**	**662,183**
Investment securities				
- Amortized cost	**11,722**	**229,906**	**6,501**	**248,129**
Total financial assets	**11,722**	**229,906**	**668,684**	**910,312**
December 31, 2022				
Loans and advances to customers	–	–	676,901	676,901
Investment securities				
- Amortized cost	57	220,572	10,230	230,859
Total financial assets	57	220,572	687,131	907,760

Liabilities for which fair values are disclosed

	Level 3 $	Total $
December 31, 2023		
Borrowings	**25,443**	**25,443**
December 31, 2022		
Borrowings	36,995	36,995

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *…continued*

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

Fair value hierarchy …continued

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

	2023			2022		
	Debt securities $	**Equity securities $**	**Total $**	**Debt securities $**	**Equity securities $**	**Total $**
At beginning of year	**178,437**	**3,442**	**181,879**	101,805	3,579	105,384
(Disposals)/additions	**(114,062)**	**–**	**(114,062)**	76,493	(132)	76,361
Unrealized gain/(loss)	**164**	**11**	**175**	139	(5)	134
At end of year	**64,539**	**3,453**	**67,992**	178,437	3,442	181,879

3 Financial risk management *...continued*

i) Capital management

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

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

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

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

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent equity, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, unrealized gains arising on the fair valuation of equity instruments held as fair value through other comprehensive income and fixed asset revaluation reserves (limited to 50% of Tier 1 capital).

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

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

i) Capital management *...continued*

The table below summarizes the Group's capital adequacy position in accordance with Basel standards for the years ended December 31, 2023 and 2022.

	2023 $	2022 $
Tier 1 capital		
Share capital	**170,081**	170,081
Reserves	**192,969**	183,016
Accumulated deficit	**(9,906)**	(62,020)
Total qualifying Tier 1 capital	**353,144**	291,077
Tier 2 capital		
Revaluation reserve	**26,428**	26,428
Redeemable preference shares	**4,150**	4,150
Reserves - FVOCI	**(24,852)**	(43,895)
Subordinated debt (limited to 50% of tier 1 capital)	**25,000**	35,000
Collective impairment allowance (limited to 1.25% of risk weighted assets)	**5,482**	7,842
Total qualifying Tier 2 capital	**36,208**	29,525
Total regulatory capital	**389,352**	320,602
Risk-weighted assets:		
On-balance sheet	**1,977,834**	1,766,969
Off-balance sheet	**40,962**	35,503
Total risk-weighted assets	**2,018,796**	1,802,472
Basel capital adequacy ratio	**19.29%**	17.79%

In both years, the banking subsidiary of the Group - Bank of Saint Lucia Limited, complied with all of the externally imposed capital requirements to which it is subject as follows:

	2023	2022
Basel capital adequacy ratio	**20.52%**	19.62%

3 Financial risk management *...continued*

j) Fiduciary activities

The Group provides investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

4 Critical accounting estimates, and judgements in applying accounting policies

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

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2.

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

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

Assumptions specific to the respective variables in the impairment model are as follows:

PD - Probability of default assumptions are calculated using the Group's loan portfolio experience. Historical default data covering 23 years was used to calculate default rates by loan age for loans aged 1-22 years and for the different products based on origination year. The results per year were weighted by the number of loans opened compared to the total population considered. The PD curve is smoothed and extended to year 40 assuming a constant PD in the later years.

LGD - Loss given default assumptions are based on the Group's historical loan portfolio experience. Defaulted loans for 13 years were assessed for their loss experience to determine an average LGD by product type. In doing so management considered each defaulted loan's status across six recovery categories including; cured, paid in full, write-off, collateral recovery, restructured and still non-performing.

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

Measurement of the expected credit loss allowance*...continued*

Collateral value - Valuation of real estate property pledged as collateral for credit impaired loans. This is the most significant input to the projected cash flows of impaired loans. The collateral value depends on market trends as well as the circumstances of the specific property and involves judgement and the use of specialized skills depending on the nature of the property. Independent valuation experts are engaged to assist in determining the valuation of real estate property pledged as collateral.

Forced Sale Value (FSV) - A FSV haircut is applied to the collateral value. The FSV assumption considers the Group's historical data of foreclosed properties through comparison of the sale proceeds to the previous collateral valuation.

Time to Collect (TTC) - A TTC assumption is used to discount the projected future cash flows of impaired loans. The TTC assumption considers the Group’s historical recovery data for commercial, term and mortgage loans. The TTC applied is dependent on the loan type.

Fair value of financial instruments
Financial instruments, including those within the retirement benefit asset, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group’s best estimates of the most appropriate model assumptions. See sensitivity analysis in notes 3c and 3e for further details.

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

Valuation of land and buildings and investment property was arrived at using the income approach. A market capitalization rate was assumed for the respective properties, taking into account mortgage interest rates, increasing development costs and an adjustment for risk. If the capitalization rates were 0.5% higher/lower, post-tax profits for 2023 and 2022 would be $2,706/$1,974 lower/higher (2022 - $2,533/$2,646) and other comprehensive income would be $2,378/$3,266 lower/higher (2022 - $2,541/$3,181).

Retirement benefits
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Were the discount rate used to increase/(decrease) by 1% from management’s estimates, the defined benefit obligation for pension benefits would be an estimated $6,214 lower or $9,020 higher (2022 - $5,075 lower or $8,715 higher).

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

Retirement benefits *...continued*

Were the estimated salary increases used to increase/(decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated $3,491 higher or $2,920 lower (2022 - $3,490 higher or $2,536 lower).

Were life expectancy to increase by 1 year, the defined benefit obligation would be $720 (2022 - $656) higher.

5 Segment analysis

Segment reporting by the Group is prepared in accordance with IFRS 8 Operating segments.

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

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

- Bank of Saint Lucia Limited (BOSL) - operating in St. Lucia and provides domestic banking services.
- Investment Banking Services (IBS) - incorporating Capital market activities and Merchant Banking.
- BOSL Fund Management Company Limited (BOSL FMC) - operating in St. Lucia and provides wealth and asset management services.
- BOSL Global Investment Fund Limited (BOSL GIF) - operates in St. Lucia as a collective investment scheme.
- Other - comprises of the holding company of the Group.

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

The revenue from external parties reported to the Company's Board of Directors is measured in a manner consistent with that in profit or loss. Revenue from external customers is recorded as such and can be directly traced to each business segment.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses and the fair value through other comprehensive income movement on investment securities.

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position. Transactions between business segments are eliminated on consolidation and reflected in the consolidation entries.

(expressed in thousands of Eastern Caribbean dollars)

5 **Segment analysis** *...continued*

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

	BOSL $	IBS $	BOSL FMC $	BOSL GIF $	Other $	Total $	Consolidation entries $	Total $
At December 31, 2023								
Net interest income	74,927	728	–	10	–	75,665	–	75,665
Net fee and commission income	41,973	8,165	1,025	–	–	51,163	(1,018)	50,145
Other income	23,621	4,760	–	–	–	28,381	(48)	28,333
Dividend income	–	–	–		16,662	16,662	(16,662)	–
Share of profit of associate	5,437	–	–	–	4,408	9,845	–	9,845
Impairment charge on customer loans and investment securities	10,831	–	–	–	–	10,831	–	10,831
Depreciation and amortization	(6,151)	(10)	–	–	–	(6,161)	–	(6,161)
Operating expenses	(81,465)	(1,182)	(256)	–	–	(82,903)	1,066	(81,837)
Profit before taxation	69,173	12,461	769	10	21,070	103,483	(16,662)	86,821
Dividends on preference shares	(291)	–	–	–	–	(291)	–	(291)
Income tax expense	(11,637)	–	(230)	–	–	(11,867)	–	(11,867)
Profit for the year	57,245	12,461	539	10	21,070	91,325	(16,662)	74,663
Total assets	2,933,587	88,474	1,080	10,047	302,946	3,336,134	(350,084)	2,986,050
Total liabilities	2,605,974	29,538	291	8,538	71,534	2,715,875	(85,663)	2,630,212

(expressed in thousands of Eastern Caribbean dollars)

5 Segment analysis *...continued*

	BOSL $	IMU $	Other $	Total $	Consolidation entries $	Total $
At December 31, 2022						
Net interest income	53,016	403	–	53,419		53,419
Net fee and commission income	31,496	10,484	–	41,980		41,980
Other income	20,435	83		20,518		20,518
Share of profit of associate	3,759	–	581	4,340	(3,207)	1,133
Impairment charge on customer loans and investment securities	11,029	–	–	11,029		11,029
Depreciation and amortization	(5,748)	(14)	–	(5,762)		(5,762)
Operating expenses	(71,990)	(1,275)	–	(73,265)		(73,265)
Profit before taxation	41,997	9,681	581	52,259	(3,207)	49,052
Dividends on preference shares	(291)	–	–	(291)	–	(291)
Income tax expense	(7,096)	–	–	(7,096)	–	(7,096)
Profit for the year	34,610	9,681	581	44,872	(3,207)	41,665
Total assets	2,625,648	70,083	298,630	2,994,361	(341,990)	2,652,371
Total liabilities	2,357,458	23,192	76,263	2,456,913	(79,270)	2,377,643

(expressed in thousands of Eastern Caribbean dollars)

6 Cash and balances with Central Bank

	2023 $	2022 $
Cash in hand	**39,740**	37,917
Balances with Central Bank other than mandatory deposits	**71,124**	54,306
Included in cash and cash equivalents (note 41)	**110,864**	92,223
Mandatory deposits with Central Bank	**163,220**	153,232
	274,084	245,455

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

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

The deposits with the Central Bank were all non-interest bearing for 2023 and 2022.

7 Treasury bills

	2023 $	2022 $
Treasury bills	–	1,789
Impairment allowance - nil (2022 - stage 1) (note 13)	–	(2)
	–	1,787

Treasury bills are debt securities issued by the Government of Saint Lucia. The weighted average effective interest rate at December 31, 2023 was 0% (2022 - 4.5%).

8 Deposits with other banks

	2023 $	2022 $
Items in the course of collection with other banks	**7,121**	4,240
Placements with other banks	**250,724**	123,165
Included in cash and cash equivalents (note 41)	**257,845**	127,405
Interest bearing deposits more than 90 days to maturity	**251,079**	95,742
	508,924	223,147

The weighted average effective interest rate of interest-bearing deposits at December 31, 2023 is 5.76% (2022 - 2.24%).

(expressed in thousands of Eastern Caribbean dollars)

9 Financial assets held for trading

	2023 $	2022 $
Financial assets through profit or loss - HFT		
Debt securities - listed	**15,375**	15,360

Trading financial assets were acquired for selling in the near term and would otherwise have been classified as amortized cost investment securities. The weighted average interest rate earned on held-for-trading investment debt securities was 7.47% (2022 - 7.47%).

10 Deposits with non-bank financial institutions

	2023 $	2022 $
Deposits - cash and cash equivalents (note 41)	**2,511**	14,529
Deposits - more than 90 days to maturity	**14,330**	15,785
	16,841	30,314

Interest rates on deposits depends on the value of deposits held. The weighted average interest rate in respect of interest-bearing deposits at December 31, 2023 was 4.08% (2022 - 2.5%).

11 Loans and advances to customers

	2023 $	2022 $
Large corporate loans	**280,211**	298,197
Term loans	**194,907**	178,755
Mortgage loans	**420,463**	411,607
Overdrafts and credit cards	**22,180**	46,105
Gross	**917,761**	934,664
Less allowance for impairment losses on loans and advances (note 12)	**(58,296)**	(73,684)
Net	**859,465**	860,980

The weighted average effective interest rate on productive loans stated at amortized cost at December 31, 2023 was 6.03% (2022 - 6.11%) and productive overdrafts and credit cards stated at amortized cost was 16.33% (2022 - 11.92%).

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers

The tables below show the staging of advances and the related ECLs based on the Group's criteria explained in note 2.

Large Corporate Loans	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Gross carrying amounts as at January 1, 2022	57,924	75,856	126,599	260,379
Transfers:				
Transfers from stage 1 to stage 2	(1,249)	1,249	–	–
Transfers from stage 1 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	50,007	(50,007)	–	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 3 to stage 2	–	499	(499)	–
Transfers from stage 3 to stage 1	26,151	–	(26,151)	–
Financial assets derecognized during the year other than write-offs	(2,648)	(23,648)	(5,161)	(31,457)
New financial assets originated or purchased	88,333	4,612	779	93,724
Financial assets written off	–	–	–	–
Repayments	(24,955)	(107)	(7,392)	(32,454)
Modification of contractual cash flows of financial assets	8,892	1	2,854	11,747
Changes in interest accrual	535	(2,191)	(2,086)	(3,742)
Gross carrying amounts as at December 31, 2022	202,990	6,264	88,943	298,197
Gross carrying amounts as at January 1, 2023	**202,990**	**6,264**	**88,943**	**298,197**
Transfers:				
Transfers from stage 1 to stage 2	**(1,622)**	**1,622**	–	–
Transfers from stage 1 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	**5,036**	**(5,036)**	–	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	–	–	–	–
Financial assets derecognized during the year other than write-offs	**(57,109)**	–	**(3,269)**	**(60,378)**
New financial assets originated or purchased	**58,555**	–	**1,256**	**59,811**
Financial assets written off	–	–	**(1,280)**	**(1,280)**
Repayments	**(27,887)**	**(447)**	**(1,029)**	**(29,363)**
Modification of contractual cash flows of financial assets	**17,211**	**475**	**(4,885)**	**12,801**
Changes in interest accrual	**560**	**(109)**	**(28)**	**423**
Gross carrying amounts as at December 31, 2023	**197,734**	**2,769**	**79,708**	**280,211**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Term Loans	ECL $	ECL $	ECL $	Total $
Gross carrying amounts as at January 1, 2022	94,027	44,494	40,796	179,317
Transfers:				
Transfers from stage 1 to stage 2	(2,138)	2,138	–	–
Transfers from stage 1 to stage 3	(862)	–	862	–
Transfers from stage 2 to stage 3	–	(3,151)	3,151	–
Transfers from stage 2 to stage 1	432	(432)	–	–
Transfers from stage 3 to stage 2		267	(267)	–
Transfers from stage 3 to stage 1	1,828	–	(1,828)	–
Financial assets derecognized during the year other than write-offs	(15,420)	(5,310)	(5,467)	(26,197)
New financial assets originated or purchased	46,902	3,117	1,140	51,159
Financial assets written off	(20)	(256)	(1,182)	(1,458)
Repayments	(22,324)	(3,551)	(4,679)	(30,554)
Modification of contractual cash flows of financial assets	23,197	(16,701)	417	6,913
Changes in interest accrual	384	(649)	(160)	(425)
Gross carrying amounts as at December 31, 2022	126,006	19,966	32,783	178,755
Gross carrying amounts as at January 1, 2023	**126,006**	**19,966**	**32,783**	**178,755**
Transfers:				
Transfers from stage 1 to stage 2	**(5,040)**	**5,040**	**–**	**–**
Transfers from stage 1 to stage 3	**(438)**	**–**	**438**	**–**
Transfers from stage 2 to stage 3	**–**	**(1,181)**	**1,181**	**–**
Transfers from stage 2 to stage 1	**6,512**	**(6,512)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**–**	**–**	**–**
Transfers from stage 3 to stage 1	**1,656**	**–**	**(1,656)**	**–**
Financial assets derecognized during the year other than write-offs	**(23,305)**	**(3,747)**	**(3,885)**	**(30,937)**
New financial assets originated or purchased	**70,413**	**1,082**	**218**	**71,713**
Financial assets written off	**(6)**	**(14)**	**(1,770)**	**(1,790)**
Repayments	**(27,276)**	**(951)**	**(2,132)**	**(30,359)**
Modification of contractual cash flows of financial assets	**9,731**	**(930)**	**224**	**9,025**
Changes in interest accrual	**34**	**(197)**	**(1,337)**	**(1,500)**
Gross carrying amounts as at December 31, 2023	**158,287**	**12,556**	**24,064**	**194,907**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Mortgage Loans	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Gross carrying amounts as at January 1, 2022	234,990	105,644	65,973	406,607
Transfers:				
Transfers from stage 1 to stage 2	(2,024)	2,024	–	–
Transfers from stage 1 to stage 3	(600)	–	600	–
Transfers from stage 2 to stage 3	–	(3,725)	3,725	–
Transfers from stage 2 to stage 1	56,939	(56,939)	–	–
Transfers from stage 3 to stage 2	–	862	(862)	–
Transfers from stage 3 to stage 1	5,919	–	(5,919)	–
Financial assets derecognized during the year other than write offs	(11,367)	(6,866)	(3,858)	(22,091)
New financial assets originated or purchased	39,486	5,821	888	46,195
Financial assets written off	–	(4)	(19)	(23)
Repayments	(20,783)	(2,793)	(4,401)	(27,977)
Modification of contractual cash flows of financial assets	7,215	910	901	9,026
Changes in interest accrual	986	(1,188)	72	(130)
Gross carrying amounts as at December 31, 2022	310,761	43,746	57,100	411,607
Gross carrying amounts as at January 1, 2023	**310,761**	**43,746**	**57,100**	**411,607**
Transfers:				
Transfers from stage 1 to stage 2	**(10,061)**	**10,061**	–	–
Transfers from stage 1 to stage 3	**(464)**	–	**464**	–
Transfers from stage 2 to stage 3	–	**(1,748)**	**1,748**	–
Transfers from stage 2 to stage 1	**11,484**	**(11,484)**	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	**1,739**	–	**(1,739)**	–
Financial assets derecognized during the year other than write offs	**(16,571)**	**(3,788)**	**(4,419)**	**(24,778)**
New financial assets originated or purchased	**49,129**	**1,510**	**785**	**51,424**
Financial assets written off	–	–	**(963)**	**(963)**
Repayments	**(24,873)**	**(770)**	**(2,918)**	**(28,561)**
Modification of contractual cash flows of financial assets	**13,433**	**(1,103)**	**(376)**	**11,954**
Changes in interest accrual	**4**	**(224)**	–	**(220)**
Gross carrying amounts as at December 31, 2023	**334,581**	**36,200**	**49,682**	**420,463**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Overdrafts and credit cards	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Gross carrying amounts as at January 1, 2022	32,957	1,366	9,549	43,872
Transfers:				
Transfers from stage 1 to stage 2	(1,189)	1,189	–	–
Transfers from stage 1 to stage 3	(227)	–	227	–
Transfers from stage 2 to stage 3	–	(86)	86	–
Transfers from stage 2 to stage 1	837	(837)	–	–
Transfers from stage 3 to stage 2	–	24	(24)	–
Transfers from stage 3 to stage 1	(81)	–	81	–
Financial assets derecognized during the year other than write offs	(2,332)	(258)	(1,477)	(4,067)
New financial assets originated or purchased	1,739	449	42	2,230
Financial assets written off	(54)	(4)	(283)	(341)
Repayments	(393)	(19)	(413)	(825)
Modification of contractual cash flows of financial assets	4,147	355	761	5,263
Changes in interest accrual	12	–	(39)	(27)
Gross carrying amounts as at December 31, 2022	35,416	2,179	8,510	46,105
Gross carrying amounts as at January 1, 2023	**35,416**	**2,179**	**8,510**	**46,105**
Transfers:				
Transfers from stage 1 to stage 2	**(638)**	**638**	**–**	**–**
Transfers from stage 1 to stage 3	**(37)**	**–**	**37**	**–**
Transfers from stage 2 to stage 3	**–**	**(129)**	**129**	**–**
Transfers from stage 2 to stage 1	**1,083**	**(1,083)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**–**	**–**	**–**
Transfers from stage 3 to stage 1	**4,238**	**–**	**(4,238)**	**–**
Financial assets derecognized during the year other than write offs	**(22,607)**	**(121)**	**(1,571)**	**(24,299)**
New financial assets originated or purchased	**3,485**	**442**	**1**	**3,928**
Financial assets written off	**(1)**	**(2)**	**(300)**	**(303)**
Repayments	**(367)**	**(2)**	**–**	**(369)**
Modification of contractual cash flows of financial assets	**(2,569)**	**(40)**	**(302)**	**(2,911)**
Changes in interest accrual	**30**	**6**	**(7)**	**29**
Gross carrying amounts as at December 31, 2023	**18,033**	**1,888**	**2,259**	**22,180**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Total gross carrying amounts	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Gross carrying amounts at January 1, 2022	419,900	227,358	242,917	890,175
Transfers:				
Transfers from stage 1 to stage 2	(6,601)	6,601	–	–
Transfers from stage 1 to stage 3	(1,689)	–	1,689	
Transfers from stage 2 to stage 3	–	(6,962)	6,962	–
Transfers from stage 2 to stage 1	108,216	(108,216)	–	–
Transfers from stage 3 to stage 2	–	1,652	(1,652)	–
Transfers from stage 3 to stage 1	33,817	–	(33,817)	–
Financial assets derecognized during the year other than write offs	(31,768)	(36,082)	(15,963)	(83,813)
New financial assets originated or purchased	176,460	13,999	2,848	193,307
Financial assets written off	(74)	(264)	(1,485)	(1,823)
Repayments	(68,454)	(6,468)	(16,883)	(91,805)
Modification of contractual cash flows of financial assets	43,450	(15,435)	4,933	32,948
Changes in interest accrual	1,918	(4,030)	(2,213)	(4,325)
Gross carrying amount at December 31, 2022	675,175	72,153	187,336	934,664
Gross carrying amounts at January 1, 2023	**675,175**	**72,153**	**187,336**	**934,664**
Transfers:				
Transfers from stage 1 to stage 2	**(17,361)**	**17,361**	–	–
Transfers from stage 1 to stage 3	**(938)**	**-**	**938**	–
Transfers from stage 2 to stage 3	–	**(3,059)**	**3,059**	–
Transfers from stage 2 to stage 1	**24,112**	**(24,112)**	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	**7,632**	–	**(7,632)**	–
Financial assets derecognized during the year other than write offs	**(119,592)**	**(7,656)**	**(13,145)**	**(140,393)**
New financial assets originated or purchased	**181,581**	**3,035**	**2,261**	**186,877**
Financial assets written off	**(7)**	**(16)**	**(4,313)**	**(4,336)**
Repayments	**(80,403)**	**(2,169)**	**(6,080)**	**(88,652)**
Modification of contractual cash flows of financial assets	**37,806**	**(1,599)**	**(5,338)**	**30,869**
Changes in interest accrual	**628**	**(524)**	**(1,372)**	**(1,268)**
Gross carrying amount at December 31, 2023	**708,633**	**53,414**	**155,714**	**917,761**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

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

Large corporate loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Balance at January 1, 2022	877	4,261	26,574	31,712
Changes due to financial assets recognized in the opening balance that have:				
Transfers from stage 1 to stage 2	(24)	24	–	–
Transfers from stage 1 to stage 3	–	–	–	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	3,101	(3,101)	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	640	–	(640)	–
New financial assets originated or purchased	1,360	245	220	1,825
Financial assets that have been derecognized	(36)	(1,161)	(2,176)	(3,373)
Bad debts written off	–	–	–	–
Provision/(recovery) for the year	(2,850)	81	3,793	1,024
Balance at December 31, 2022	3,068	349	27,771	31,188
Balance at January 1, 2023	**3,068**	**349**	**27,771**	**31,188**
Changes due to financial assets recognized in the opening balance that have:				
Transfers from stage 1 to stage 2	**(27)**	**27**	–	–
Transfers from stage 1 to stage 3	–	-	–	–
Transfers from stage 2 to stage 3	**254**	**(254)**	–	–
Transfers from stage 2 to stage 1	–	–	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	–	–	–	–
New financial assets originated or purchased	**569**	–	**1,031**	**1,600**
Financial assets that have been derecognized	**(895)**	–	**(1,411)**	**(2,306)**
Modification of contractual cash flows of financial assets	–	–	–	–
Bad debts written off	–	–	**(803)**	**(803)**
Provision/(recovery) for the year	**(1,177)**	**17**	**587**	**(573)**
Balance at December 31, 2023	**1,792**	**139**	**27,175**	**29,106**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Term loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	528	2,146	13,728	16,402
Transfers from stage 1 to stage 2	(86)	86	–	–
Transfers from stage 1 to stage 3	(6)	–	6	–
Transfers from stage 2 to stage 3	–	(222)	222	–
Transfers from stage 2 to stage 1	794	(794)	–	–
Transfers from stage 3 to stage 2	–	69	(69)	–
Transfers from stage 3 to stage 1	155	–	(155)	–
New financial assets originated or purchased	334	79	721	1,134
Financial assets that have been derecognized	(68)	(230)	(842)	(1,140)
Bad debts written off	(20)	(257)	(1,181)	(1,458)
Provision/(recovery) for the year	(1,407)	(712)	(494)	(2,613)
Balance at December 31, 2022	224	165	11,936	12,325
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2023	**224**	**165**	**11,936**	**12,325**
Transfers from stage 1 to stage 2	**(35)**	**35**	–	–
Transfers from stage 1 to stage 3	**(3)**	–	**3**	–
Transfers from stage 2 to stage 3	–	**(15)**	**15**	–
Transfers from stage 2 to stage 1	**144**	**(144)**	–	–
Transfers from stage 3 to stage 2		–	–	–
Transfers from stage 3 to stage 1	**282**	–	**(282)**	–
New financial assets originated or purchased	**637**	**28**	**171**	**836**
Financial assets that have been derecognized	**(170)**	**(66)**	**(1,396)**	**(1,632)**
Modification of contractual cash flows of financial assets	**225**	**4**	**(3)**	**226**
Bad debts written off	–	–	**(1,579)**	**(1,579)**
Provision/(recovery) for the year	**(657)**	**(74)**	**227**	**(504)**
Balance at December 31, 2023	**647**	**(67)**	**9,092**	**9,672**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Mortgage loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total provisions $**
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	773	3,947	21,734	26,454
Transfers from stage 1 to stage 2	(27)	27	–	–
Transfers from stage 1 to stage 3	(1)	–	1	–
Transfers from stage 2 to stage 3		(553)	553	–
Transfers from stage 2 to stage 1	1,740	(1,740)	–	–
Transfers from stage 3 to stage 2	–	260	(260)	–
Transfers from stage 3 to stage 1	637	–	(637)	–
New financial assets originated or purchased	76	104	359	539
Financial assets that have been derecognized	(23)	(279)	(718)	(1,020)
Bad debts written off	–	(4)	(18)	(22)
Provision/(recovery) for the year	(2,482)	(1,939)	1,382	(3,039)
Balance at December 31, 2022	693	(177)	22,396	22,912
Balance at January 1, 2023	**693**	**(177)**	**22,396**	**22,912**
Transfers from stage 1 to stage 2	**(25)**	**25**	**–**	**–**
Transfers from stage 1 to stage 3	**(1)**	**–**	**1**	**–**
Transfers from stage 2 to stage 3	**–**	**(24)**	**24**	**–**
Transfers from stage 2 to stage 1	**301**	**(301)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**–**	**–**	**–**
Transfers from stage 3 to stage 1	**499**	**–**	**(499)**	**–**
New financial assets originated or purchased	**25**	**–**	**99**	**124**
Financial assets that have been derecognized	**(47)**	**(65)**	**(1,945)**	**(2,057)**
Modification of contractual cash flows of financial assets	**104**	**406**	**(1)**	**509**
Bad debts written off	**–**	**–**	**(652)**	**(652)**
Provision/(recovery) for the year	**(1,988)**	**(523)**	**(2,070)**	**(4,581)**
Balance at December 31, 2023	**(439)**	**(659)**	**17,353**	**16,255**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Overdrafts and credit cards	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	4,007	515	7,180	11,702
Transfers from stage 1 to stage 2	(69)	69	–	–
Transfers from stage 1 to stage 3	(123)	–	123	–
Transfers from stage 2 to stage 3	–	(25)	25	–
Transfers from stage 2 to stage 1	346	(346)	–	–
Transfers from stage 3 to stage 2	–	24	(24)	–
Transfers from stage 3 to stage 1	103	–	(103)	–
New financial assets originated or purchased	264	152	42	458
Financial assets that have been derecognized	(229)	(83)	(146)	(458)
Bad debts written off	(54)	(4)	(284)	(342)
Provision/(recovery) for the year	(1,455)	425	(3,071)	(4,101)
Balance at December 31, 2022	2,790	727	3,742	7,259
Balance at January 1, 2023	**2,790**	**727**	**3,742**	**7,259**
Transfers from stage 1 to stage 2	**(49)**	**49**	–	–
Transfers from stage 1 to stage 3	**(3)**	–	**3**	–
Transfers from stage 2 to stage 3	–	**(13)**	**13**	–
Transfers from stage 2 to stage 1	**451**	**(451)**		–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	**1,487**		**(1,487)**	–
New financial assets originated or purchased	**3,496**	**106**	**1**	**3,603**
Financial assets that have been derecognized	**(1,582)**	**(108)**	**(497)**	**(2,187)**
Modification of contractual cash flows of financial assets	–	–	–	–
Bad debts written off	–	–	**(50)**	**(50)**
Provision/(recovery) for the year	**(5,884)**	**508**	**14**	**(5,362)**
Balance at December 31, 2023	**706**	**818**	**1,739**	**3,263**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

Total credit provisioning	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	6,184	10,871	69,216	86,271
Transfers from stage 1 to stage 2	(206)	206	–	–
Transfers from stage 1 to stage 3	(130)	–	130	–
Transfers from stage 2 to stage 3	–	(801)	801	–
Transfers from stage 2 to stage 1	5,981	(5,981)	–	–
Transfers from stage 3 to stage 2		353	(353)	–
Transfers from stage 3 to stage 1	1,536	–	(1,536)	–
New financial assets originated or purchased	2,034	579	1,342	3,955
Financial assets that have been derecognized	(355)	(1,752)	(3,882)	(5,989)
Bad debts written off	(74)	(265)	(1,485)	(1,824)
Provision/(recovery) for the year	(8,193)	(2,145)	1,609	(8,729)
Balance at December 31, 2022	6,777	1,065	65,842	73,684
Balance at January 1, 2023	**6,777**	**1,065**	**65,842**	**73,684**
Transfers from stage 1 to stage 2	**(136)**	**136**	**–**	**–**
Transfers from stage 1 to stage 3	**(8)**	**–**	**8**	**–**
Transfers from stage 2 to stage 3	**–**	**(52)**	**52**	**–**
Transfers from stage 2 to stage 1	**1,150**	**(1,150)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**–**	**–**	**–**
Transfers from stage 3 to stage 1	**2,269**	**–**	**(2,269)**	**–**
New financial assets originated or purchased	**4,728**	**132**	**1,303**	**6,163**
Financial assets that have been derecognized	**(2693)**	**(239)**	**(5,249)**	**(8,181)**
Modification of contractual cash flows of financial assets	**328**	**409**	**(4)**	**733**
Bad debts written off	**–**	**–**	**(3,086)**	**(3,086)**
Provision/(recovery) for the year	**(9,705)**	**(71)**	**(1,241)**	**(11,017)**
Balance at December 31, 2023	**2,710**	**230**	**55,356**	**58,296**

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers *...continued*

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

	$
Balance at January 1, 2022	173,701
Change in allowance for impairment	3,374
Classified as credit impaired during the year	11,499
Transferred to performing during the year	(35,469)
Net repayments	(19,096)
Write-offs and amounts derecognized	(12,515)
Balance at December 31, 2022	121,494
Balance at January 1, 2023	**121,494**
Change in allowance for impairment	**10,486**
Classified as credit impaired during the year	**6,258**
Transferred to performing during the year	**(7,632)**
Net repayments	**(7,452)**
Write-offs and amounts derecognized	**(22,796)**
Balance at December 31, 2023	**100,358**

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

	$
Financial assets modified during the year ended December 31, 2023	
At amortized cost before modification	**7,795**
Net modification gain	**(329)**
Financial assets modified since initial recognition at December 31, 2023	
Gross carrying amount at December 31, 2022 of financial assets for which loss allowance has changed to 12-month measurement during the year	**3,133**
Financial assets modified during the year ended December 31, 2022	
At amortized cost before modification	29,374
Net modification loss	2,986
Financial assets modified since initial recognition at December 31, 2022	
Gross carrying amount at December 31, 2022 of financial assets for which loss allowance has changed to 12-month measurement during the year	957

(expressed in thousands of Eastern Caribbean dollars)

13 Impairment losses on investment securities

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Total $
Debt investment securities at FVOCI			
Balance at January 1, 2022	1,343	1,791	3,134
Remeasurement of loss allowance	(59)	(1,791)	(1,850)
Balance at December 31, 2022	1,284	–	1,284
Balance at January 1, 2023	**1,284**	**–**	**1,284**
Remeasurement of loss allowance	**(8)**	**141**	**133**
Balance at December 31, 2023	**1,276**	**141**	**1,417**

The above loss allowance is recorded in Other Comprehensive Income within the fair value through OCI reserve in the consolidated statement of financial position and recognized in the consolidated statement of profit or loss. The loss allowance is not recorded against the gross carrying amounts of the investment securities because the carrying amount of debt investment securities at FVOCI is their fair value.

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Debt investment securities at amortized cost				
Balance at January 1, 2022	216	31	4,506	4,753
Remeasurement of loss allowance	77	269	(735)	(389)
Balance at December 31, 2022	293	300	3,771	4,364
Balance at January 1, 2023	**293**	**300**	**3,771**	**4,364**
Write offs during the year	**–**	**–**	**(3,771)**	**(3,771)**
Remeasurement of loss allowance	**(52)**	**107**	**–**	**55**
Balance at December 31, 2023	**241**	**407**	**–**	**648**

(expressed in thousands of Eastern Caribbean dollars)

13 Impairment losses on investment securities *...continued*

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Treasury bills				
Balance at January 1, 2022	–	63	–	63
Remeasurement of loss allowance	2	(63)	–	(61)
Balance at December 31, 2022	2	–	–	2
Balance at January 1, 2023	**2**	**–**	**–**	**2**
Remeasurement of loss allowance	**(2)**	**–**	**–**	**(2)**
Balance at December 31, 2023	**–**	**–**	**–**	**–**

Total investment provisions were as follows:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance at January 1, 2022	1,559	1,885	4,506	7,950
Remeasurement of loss allowance	20	(1,585)	(735)	(2,300)
Balance at December 31, 2022	1,579	300	3,771	5,650
Balance at January 1, 2023	**1,579**	**300**	**3,771**	**5,650**
Write offs during the year	**–**	**–**	**(3,771)**	**(3,771)**
Remeasurement of loss allowance	**(62)**	**248**	**–**	**186**
Balance at December 31, 2023	**1,517**	**548**	**–**	**2,065**

(expressed in thousands of Eastern Caribbean dollars)

14 Investment securities

	Amortized cost $	FVOCI - Debt $	FVOCI - Equity $	FVTPL - Equities $	Total $
At January 1, 2022	184,770	632,659	35,429	12,530	865,388
Additions	113,617	263,956	–	26,471	404,044
Movements in interest accrued	1,092	737	–	–	1,829
Disposals (maturities)	(33,999)	(123,167)	–	–	(157,166)
Disposal (sales)	(20,536)	(43,630)	(8,383)	(4,333)	(76,882)
Changes in fair values	–	(48,532)	(366)	(2,958)	(51,856)
Provision for the year	389	–	–	–	389
Amortization of premium/discount	(273)	(1,919)	–	–	(2,192)
At December 31, 2022	245,060	680,104	26,680	31,710	983,554
At January 1, 2023	**245,060**	**680,104**	**26,680**	**31,710**	**983,554**
Additions	**53,984**	**278,625**	–	**512**	**333,121**
Movements in interest accrued	**390**	**75**	–	–	**465**
Disposals (maturities)	**(35,167)**	**(310,804)**	–	–	**(345,971)**
Disposal (sales)	**(7,003)**	**(50,078)**	–	**(3,613)**	**(60,694)**
Changes in fair values	–	**16,757**	**1,395**	**6,660**	**24,812**
Provision for the year	**(55)**	–	–	–	**(55)**
Amortization of premium/discount	**(17)**	**(143)**	–	–	**(160)**
At December 31, 2023	**257,192**	**614,536**	**28,075**	**35,269**	**935,072**

(expressed in thousands of Eastern Caribbean dollars)

14 Investment securities *...continued*

	2023 $	2022 $
Securities measured at amortized cost		
Debt securities at amortized cost		
- Unlisted	**6,501**	9,686
- Listed	**251,339**	239,738
Less allowance for impairment	**(648)**	(4,364)
	257,192	245,060
Securities measured at fair value through OCI		
Debt securities at fair value		
- Unlisted	**40,608**	127,803
- Listed	**573,928**	552,301
Total debt securities	**614,536**	680,104
Equity securities at fair value		
- Unlisted	**1,946**	1,529
- Listed	**26,129**	25,151
Total equity securities	**28,075**	26,680
Total securities at fair value through OCI	**642,611**	706,784
Securities measured at fair value through P&L		
- Listed	**35,269**	31,663
- Unlisted	**–**	47
Total securities at fair value through P&L	**35,269**	31,710
Total investment securities	**935,072**	983,554

The weighted average effective interest rate on securities at fair value through other comprehensive income at December 31, 2023 was 3.51% (2022 - 3.21%).

The weighted average effective interest rate on securities at amortized cost at December 31, 2023 was 3.46% (2022 - 3.26%).

(expressed in thousands of Eastern Caribbean dollars)

15 Investment in associates

The investments in associates are as follows:

	2023 $	2022 $
At beginning of year	**66,639**	64,620
Share of profit of associates	**9,845**	886
Dividend income	**(300)**	–
Share of other comprehensive income	**701**	1,133
At end of year	**76,885**	66,639

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

Eastern Caribbean Amalgamated Bank Limited of Antigua's financial reporting period ends on September 30.

The adjustments for share of profits of ECAB for 2023 were based on management accounts at September 30, 2023 and December 31, 2023.

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

	2023 $	2022 $
Assets	**2,271,969**	2,265,617
Liabilities	**(2,028,888)**	(2,052,186)
Preference shares	**(47,869)**	(47,869)
Equity	**195,212**	165,562
% ownership	**20%**	20%
Share of equity in associate	**39,042**	33,112
Carrying amount of the investment	**39,042**	33,112

The Group invested $4.8 million representing a 20% shareholding in ECAB in 2012. Investments in associates are recorded using the equity method of accounting and as such, the carrying balance is initially recorded at cost and subsequently at the investors' share of the investee's net assets.

(expressed in thousands of Eastern Caribbean dollars)

15 Investment in associates *...continued*

Summarized statement of profit or loss of Eastern Caribbean Amalgamated Bank Limited as at December 31 is as follows:

	2023 $	2022 $
Revenue	**105,393**	100,888
Administrative cost	**(57,592)**	(64,756)
Depreciation	**(7,772)**	(9,144)
Profit for the year	**40,029**	26,988
Tax expense	**(12,155)**	(7,402)
Net income	**27,874**	19,586
Retained earnings adjustment	**(687)**	(791)
	27,187	18,795
% ownership	**20%**	20%
Share of profits	**5,437**	3,759
Other comprehensive income	**2,464**	946
Ownership	**20%**	20%
Share of other comprehensive income	**493**	189
Total comprehensive income	**5,930**	3,948

(expressed in thousands of Eastern Caribbean dollars)

15 Investment in associates *...continued*

Investment in Bank of St. Vincent and the Grenadines Limited (BOSVG)
In 2017, the Group disposed of majority interest (31%) in BOSVG, retaining 20%. The transaction resulted in a gain on disposal of $5.3M representing the excess of the fair value of the purchase consideration over the carrying value of the subsidiary. The fair value of the purchase consideration in this case was the cash proceeds received and fair value of the 20% interest retained. The investment in associates was at that point recorded at fair value plus the $5.3M (2022 - $5.3M).

Bank of St. Vincent and the Grenadines Limited's financial reporting period ends on December 31.

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

	2023 $	2022 $
Assets	**1,901,594**	1,323,231
Liabilities	**(1,738,937)**	(1,182,155)
Equity	**162,657**	141,076
% ownership	**20%**	20%
Share of equity in associate	**32,531**	28,215
Equity method goodwill	**5,312**	5,312
Carrying amount of the investment	**37,843**	33,527

(expressed in thousands of Eastern Caribbean dollars)

15 Investment in associates *...continued*

Summarized statement of profit or loss of Bank of St. Vincent & the Grenadines Limited at December 31 is as follows:

	2023 $	2022 $
Revenue	**90,672**	51,289
Administrative cost	**(62,797)**	(45,418)
Profit for the year	**27,875**	5,871
Tax expense	**(5,835)**	(2,964)
Net income	**22,040**	2,907
% ownership	**20%**	20%
Share of profits	**4,408**	581
Other comprehensive income	**1,042**	3,485
% ownership	**20%**	20%
Share of comprehensive income	**208**	697
Total comprehensive income	**4,616**	1,278

(expressed in thousands of Eastern Caribbean dollars)

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16 Property and equipment

	Land and buildings $	Leasehold improvements $	Motor vehicles $	Office furniture and equipment $	Computer equipment $	Work-in-progress $	Total $
Year ended December 31, 2023							
Opening net book amount	48,157	82	7,865	1,869	6,426	637	65,036
Additions	–	–	3,747	2,155	3,084	160	9,146
Disposals at cost	–	–	(1,295)	(225)	–	–	(1,520)
Transfers	1,066	843	290	–	(2,199)	–	–
Accumulated depreciation on disposal	–	–	1,247	224	–	–	1,471
Depreciation charge	(1,117)	(29)	(1,970)	(1,328)	–	(243)	(4,687)
Closing net book amount	48,106	896	9,884	2,695	7,311	554	69,446
At December 31, 2023							
Cost or valuation	50,341	1,471	21,954	6,828	7,311	1,470	89,375
Accumulated depreciation	(2,235)	(575)	(12,070)	(4,133)	–	(916)	(19,929)
Net book amount	48,106	896	9,884	2,695	7,311	554	69,446

(expressed in thousands of Eastern Caribbean dollars)

16 Property and equipment *...continued*

	Land and buildings $	Leasehold improvements $	Office furniture and equipment $	Computer equipment $	Work-in-progress $	Motor vehicles $	Total $
Year ended December 31, 2022							
Opening net book amount	47,848	181	8,905	1,617	1,978	741	61,270
Additions	–	–	595	1,362	6,039	158	8,154
Disposals at cost	–	(9,320)	(12,685)	(10,711)	–	–	(32,716)
Transfers	1,427	–	164	–	(1,591)	–	–
Accumulated depreciation on disposal	–	9,320	12,678	10,695	–	–	32,693
Depreciation charge	(1,118)	(99)	(1,792)	(1,094)	–	(262)	(4,365)
Closing net book amount	48,157	82	7,865	1,869	6,426	637	65,036
At December 31, 2022							
Cost or valuation	49,275	627	19,212	4,898	6,426	1,310	81,748
Accumulated depreciation	(1,118)	(545)	(11,347)	(3,029)	–	(673)	(16,712)
Net book amount	48,157	82	7,865	1,869	6,426	637	65,036

(expressed in thousands of Eastern Caribbean dollars)

16 Property and equipment *...continued*

The major component of land and buildings were revalued on January 7, 2022 by an independent valuer based on the income approach.

The historical cost of land and buildings is as follows:

	2023 **$**	**2022** **$**
Cost	**44,908**	43,842
Accumulated depreciation based on historical cost	**(25,999)**	(24,881)
Depreciated historical cost	**18,909**	18,961

17 Intangible assets

	Computer software **$**
Year ended December 31, 2023	
Balance at January 1, 2023	**1,656**
Additions	**233**
Amortization	**(989)**
Closing net book value	**900**
At December 31, 2023	
Cost	**15,284**
Accumulated amortization	**(14,384)**
Net book value	**900**
Year ended December 31, 2022	
Balance at January 1, 2022	1,934
Additions	633
Disposals at cost	(1,212)
Accumulated amortization on disposals	1,212
Amortization	(911)
Closing net book value	1,656
At December 31, 2022	
Cost	15,051
Accumulated amortization	(13,395)
Net book value	1,656

(expressed in thousands of Eastern Caribbean dollars)

18 Investment properties

	2023 $	2022 $
Land and buildings		
At beginning of year	**31,748**	28,019
Fair value (loss)/gain	**(466)**	3,729
At end of year	**31,282**	31,748

The investment properties are composed of land and buildings. The investment properties are valued annually based on the income approach by an independent, professionally qualified valuer.

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

The following amounts have been recognized in profit or loss:

	2023 $	2022 $
Rental income	**1,534**	1,536
Direct operating expenses arising from investment properties that generated rental income	**(509)**	(448)
	1,025	1,088

(expressed in thousands of Eastern Caribbean dollars)

19 Right-of-use lease asset

The Group leases a facility to house operations of one of the branches of its subsidiary. The lease typically runs for a period of two years, with an option to renew the lease at expiration. Lease payments are negotiated with every new lease contract to reflect market rentals.

Right-of-use assets related to leased properties are as follows:

	Land and buildings $
Balance at January 1, 2023	**1,456**
Depreciation	**(485)**
At December 31, 2023	**971**
Balance at January 1, 2022	1,050
Additions	892
Depreciation	(486)
At December 31, 2022	1,456

The Group had a lease liability of $1,088 (2022 - $1,500) against the lease asset.

Amounts recognized in the consolidated statement of profit or loss were as follows:

	2023 $	**2022 $**
Depreciation charge on right-of-use asset	**485**	486
Interest expense	**138**	109
Total cash outflow for right-of-use lease liability	**550**	550

(expressed in thousands of Eastern Caribbean dollars)

20 Other assets

	2023 $	2022 $
Suspense accounts and other receivables	7,523	12,575
Other receivables - card services	170,720	89,502
Rent receivable	1,037	1,579
	179,280	103,656
Less provision for impairment of other receivables (note 21)	(1,712)	(1,525)
	177,568	102,131
Stationery and supplies	610	647
Prepaid expenses	3,889	3,118
	4,499	3,765
	182,067	105,896

As of December 31, 2023, trade receivables of $731 (2022 - $1,281) were past due but not impaired. These relate mainly to receivables from existing customers with some defaults in the past but all amounts due were fully recovered. The aging analysis of these trade receivables is as follows:

	2023 $	2022 $
Greater than 30 days but less than 60 days	125	118
Greater than 60 days but less than 90 days	125	121
Greater than 90 days	481	1,042
	731	1,281

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

(expressed in thousands of Eastern Caribbean dollars)

21 Provision for impairment of other assets

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

	2023 $	2022 $
At beginning of year	**1,525**	1,536
Provisions made during the year	**746**	591
Recoveries during the year	**(45)**	-
Write offs during the year	**(514)**	(602)
At end of year	**1,712**	1,525

22 Retirement benefit asset

A retirement benefit asset is included within the consolidated statement of financial position for the defined contribution plan as the Group determines the return of the defined contribution plan, similar to its defined benefit plan. The actual rates of return differ from the credited rates, resulting in a (liability)/asset on the consolidated statement of financial position.

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

	Defined Benefit 2023 $	 2022 $	Defined Contribution 2023 $	 2022 $
Fair value of plan assets	**75,777**	73,281	**13,846**	10,088
Present value of funded obligations	**(61,010)**	(58,600)	**(13,875)**	(10,157)
Asset in the consolidated statement of financial position	**14,767**	14,681	**(29)**	(69)

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

	Defined Benefit 2023 $	 2022 $	Defined Contribution 2023 $	 2022 $
Beginning of year	**58,600**	56,811	**10,157**	6,548
Current service cost	**–**	–	**2,606**	2,512
Interest cost	**4,303**	4,184	**447**	77
Employee contribution	**–**	–	**881**	848
Actuarial gain	**547**	(335)	**(108)**	276
Benefits paid	**(2,440)**	(2,060)	**(108)**	(104)
End of year	**61,010**	58,600	**13,875**	10,157

(expressed in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset *...continued*

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

	Defined Benefit		Defined Contribution	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Beginning of year	**73,281**	76,169	**10,088**	6,759
Actual return on plans assets	**5,231**	(590)	**405**	88
Employer contributions	**–**	–	**2,606**	2,512
Employee contribution	**–**	–	**881**	848
Benefits paid	**(2,440)**	(2,060)	**(108)**	(104)
Administrative expenses	**(295)**	(238)	**(26)**	(15)
End of year	**75,777**	73,281	**13,846**	10,088

The movement in the net retirement benefit asset recognized in the consolidated statement of financial position is as follows:

	Defined Benefit		Defined Contribution	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Beginning of year	**14,681**	19,358	**(69)**	211
Net periodic cost	**795**	1,204	**(2,692)**	(2,539)
Contributions paid	**–**	–	**2,606**	2,512
Effect on the consolidated statement of comprehensive income	**(709)**	(5,881)	**126**	(253)
End of year	**14,767**	14,681	**(29)**	(69)

(expressed in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset *...continued*

The net benefit cost recognized in the consolidated statement of profit or loss is as follows:

	Defined Benefit		Defined Contribution	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Current service cost	**–**	–	**2,606**	2,512
Net interest on net defined benefit (liability)/asset	**4,303**	4,184	**447**	77
Expected return on plan assets	**(5,393)**	(5,626)	**(387)**	(65)
Administrative expenses	**295**	238	**26**	15
Consolidated statement of profit or loss	**(795)**	(1,204)	**2,692**	2,539

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

	Defined Benefit		Defined Contribution	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Gain from change in assumptions	**–**	–	**–**	–
(Gain)/loss from experience	**546**	(335)	**(108)**	276
Expected return on plan assets	**5,393**	5,626	**387**	65
Actual return on plan assets	**(5,230)**	590	**(405)**	(88)
Consolidated statement of comprehensive income	**709**	5,881	**(126)**	253

(expressed in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset *...continued*

The principal actuarial assumptions used were as follows:

	2023 %	2022 %
Discount rate	**7.5**	7.5
Future promotional salary increases	**4.5**	3.5 - 4.5
Future inflationary salary increases	**2**	1 - 2

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

Plan assets allocation is as follows:

	2023 %	2022 %
Debt securities	**77**	70
Equity securities	**14**	14
Other	**9**	16
	100	100

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

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

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

	2023	2022
Male	**25.19**	25.11
Female	**27.11**	27.07

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

(expressed in thousands of Eastern Caribbean dollars)

22 Retirement benefit asset *...continued*

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

	Defined Benefit 2023 $	Defined Benefit 2022 $	Defined Contribution 2023 $	Defined Contribution 2022 $
Investment securities quoted in active markets:				
Quoted equity securities:				
- Energy	**42**	28	**–**	–
- Consumer staples	**3,751**	3,562	**–**	–
- Other	**7,460**	6,705	**570**	528
Quoted debt securities:				
- Sovereign bonds	**24,861**	22,407	**3,037**	1,452
- Industrial	**5,899**	793	**1,541**	544
- Financial	**428**		**867**	
- Other	**7,784**	9,583	**1,619**	896
Cash and cash equivalents	**5,073**	9,849	**3,051**	3,921
Unquoted investment securities				
Unquoted debt securities:				
- Sovereign bonds	**17,354**	16,966	**3,161**	2,747
Financial	**1,054**	–	**–**	–
- Other	**1,666**	2,948	**–**	–
Unquoted equity securities:				
- Other	**405**	440	**–**	–
Total	**75,777**	73,281	**13,846**	10,088

At December 31, 2023, the Pension fund assets included $4,157 (2022 - $8,390) cash held with related company Bank of Saint Lucia Limited.

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

	2023 $	2022 $
Within the next 12 months	**1,519**	1,326
Between 1 and 5 years	**7,985**	7,122
Between 5 and 10 years	**17,562**	15,855
Total expected payments	**27,066**	24,303

The average duration of the defined benefit plan obligation at the end of the reporting period is 12.50 years (2022 - 11.78 years).

At December 31, 2023, there were 346 (2022 - 330) members of the defined contribution section of the plan.

(expressed in thousands of Eastern Caribbean dollars)

23 Deposits from banks

	2023 $	2022 $
Deposits from banks	**22,429**	22,696

The weighted average effective interest rate on deposits from banks at December 31, 2023 was 0.77% (2022 - 0.77%).

24 Due to customers

	2023 $	2022 $
Term deposits	**327,895**	322,700
Savings deposits	**863,397**	810,502
Call deposits	**326,335**	338,325
Demand deposits	**872,373**	751,040
	2,390,000	2,222,567

The weighted average effective interest rate of customers' deposits at December 31, 2023 was 1.04% (2022 - 1.10%).

25 Borrowings

		2023		2022	
	Due	Interest rate %	$	Interest rate %	$
Other borrowed funds					
Caribbean Development Bank	2024	**4.9**	**677**	4.75	3,384
National Insurance Corporation (Saint Lucia)	2026	**7.25**	**25,616**	7.25	35,862
			26,293		39,246

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

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

(expressed in thousands of Eastern Caribbean dollars)

26 Other liabilities

	2023 $	2022 $
Other payables and suspense	**174,252**	81,180
Managers' cheques outstanding	**4,321**	3,431
Agency loans	**491**	1,182
	179,064	85,793

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

27 Deferred tax

The movements on the deferred tax asset are as follows:

	2023 $	2022 $
Net deferred tax position at beginning of year	**1,400**	1,911
Deferred tax charge to the income statement:		
Arising from retirement benefit plan	**213**	354
Arising from other timing differences	**711**	(84)
Arising from tax losses not utilized	**–**	1,059
Deferred tax charge for the year (note 39)	**924**	1,329
Deferred tax charge to other comprehensive income		
Deferred tax arising from retirement benefit plan	**(175)**	(1,840)
Deferred tax liability at end of year	**2,149**	1,400

The deferred tax account is detailed as follows:

	2023 $	2022 $
Accelerated capital allowances	**(2,273)**	(2,984)
Fair value of pension assets	**4,422**	4,384
Net deferred tax liability	**2,149**	1,400

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

(expressed in thousands of Eastern Caribbean dollars)

28 Share capital

	2023		2022	
	No of shares	$	No of shares	$
Ordinary shares				
Authorized:				
Unlimited ordinary shares of no par value				
Issued and fully paid				
At beginning and end of year	**24,465,589**	**170,081**	24,465,589	170,081

29 Contributed capital

Total capital contributions received at December 31 were as follows:

	2023 $	2022 $
Productive Sector Equity Fund	**1,118**	1,118

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

30 Reserves

	2023 $	2022 $
(a) General reserve	**14,005**	14,005
(b) Statutory reserve	**139,693**	125,449
(c) Student loan guarantee fund reserve	**943**	898
(d) Retirement benefit reserve	**14,738**	14,612
(e) Contingency reserve	**23,590**	28,052
Total reserves at December 31	**192,969**	183,016

Movements in reserves were as follows:

	2023 $	2022 $
(a) General		
At beginning and end of the year	**–**	–

It is the policy of the Group to maintain a general reserve for reinvestment in operations. Transfers to the reserve are based on a maximum of 35% of the consolidated Group's profit for the year after transfers to the statutory reserve. There were no transfers to reserves in 2023 and 2022.

(expressed in thousands of Eastern Caribbean dollars)

30 Reserves *...continued*

	2023 $	2022 $
(b) Statutory		
At beginning of the year	**125,449**	116,590
Allocated from profits during the year	**14,244**	8,859
At end of the year	**139,693**	125,449

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

	2023 $	2022 $
(c) Student loan guarantee fund		
At beginning of the year	**898**	877
Contributions received during the year	**45**	21
At end of the year	**943**	898

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

	2023 $	2022 $
(d) Retirement benefit		
At beginning of the year	**14,612**	19,569
Allocated from profits/(transferred to accumulated deficit) during the year	**126**	(4,957)
At end of the year	**14,738**	14,612

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

(expressed in thousands of Eastern Caribbean dollars)

30 Reserves *...continued*

	2023 $	2022 $
(e) Contingency		
At beginning of the year	**28,052**	23,623
(Transferred to accumulated deficit)/allocated from profits during the year	**(4,462)**	4,429
At end of the year	**23,590**	28,052

The contingency reserve fund is created as an appropriation from retained earnings to set aside a portion of profits against loan loss provisions. This reserve will be funded annually until the total loan loss provisions and the contingency reserve equates to non-performing loans.

31 Related party transactions and balances

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

The following accounts maintained by related parties are included under due to customers and deposits from banks:

	2023 $	2022 $
Bank of St. Vincent and the Grenadines Limited		
Current account	**6,836**	1,350
Fixed deposit	–	7,418
EC Global Insurance Company Limited		
Current account	**7,645**	4,464
Fixed deposit	**355**	352
Eastern Caribbean Amalgamated Bank		
Current account	**197**	676
Fixed deposit	**13,715**	13,605

(expressed in thousands of Eastern Caribbean dollars)

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

The following transactions were carried out with related company:

	2023 $	2022 $
Income		
Bank of St. Vincent and the Grenadines Limited	**18**	147
Grace Kennedy Limited	**12**	12
Total service and management fees (note 35)	**30**	159

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

	2023 $	2022 $
Liabilities	**83**	82
Commissions	**1,292**	1,820
Expenses	**683**	1,185

Other related parties

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

Other related parties' balances with the Group were as follows:

	2023		2022	
	Loans $	Deposits $	Loans $	Deposits $
Directors and key management	**4,021**	**4,323**	5,794	4,547

The loans issued to directors and other key management personnel are repayable monthly over an average of 8 years (2022 - 5 years) and have a weighted average effective interest rate of 5.36% (2022 - 5.66%). The loans advanced to the directors are secured by mortgages over residential properties.

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

	2023		2022	
	Income $	Expense $	Income $	Expense $
Directors and key management	**199**	**100**	279	103

(expressed in thousands of Eastern Caribbean dollars)

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

Key management compensation

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

	2023 $	2022 $
Salaries and other short-term benefits	**3,292**	3,327
Pension costs	**311**	343
	3,603	3,670
Directors' remuneration	**395**	410

The Government of St. Lucia has a significant shareholding in ECFH and the exemption allowed under IAS 24 which allows exemption for disclosure of information for government related entities, was adopted. A number of Banking transactions are entered into with the Government of St. Lucia in the normal course of business, including loans and overdrafts and the related interest income, deposits and the related interest expense, investment securities, brokerage services and payment of taxes.

32 Net interest income

	2023 $	2022 $
Interest income		
Loans and advances	**57,108**	50,954
Treasury bills and investment securities	**33,593**	26,921
Deposits with banks	**11,914**	2,292
	102,615	80,167
Interest expense		
Term deposits	**(5,982)**	(5,636)
Savings	**(17,993)**	(17,058)
Other borrowed funds	**(2,792)**	(3,460)
Demand deposits	**(12)**	(400)
Correspondent banks	**(171)**	(194)
	(26,950)	(26,748)
Net interest income	**75,665**	53,419

(expressed in thousands of Eastern Caribbean dollars)

33 Net fee and commission income

	2023 $	2022 $
Fee and commission income		
Credit related fees and commissions	**44,627**	35,082
Brokerage related fees and commissions	**4,798**	6,476
Asset management and related fees	**720**	422
	50,145	41,980

34 Net foreign exchange trading income

	2023 $	2022 $
Foreign exchange		
Transaction gains, net	**9,965**	9,108
Translation gains, net	**1,453**	468
	11,418	9,576

35 Other operating income

	2023 $	2022 $
Rental income	**2,519**	2,519
Bad debt recovery income	**7,019**	6,109
Dividend income	**1,072**	573
Service and management fees (note 31)	**30**	159
	10,640	9,360

36 Other gains, net

	2023 $	2022 $
Losses on disposal of FVOCI investment securities	**(244)**	(128)
Losses on disposal of amortized cost investment securities	**(64)**	(31)
Gains on disposal of FVTPL investment securities	**921**	343
Unrealized gains/(losses) on FVTPL investment securities	**6,128**	(2,331)
Fair value (loss)/gain on investment property	**(466)**	3,729
	6,275	1,582

(expressed in thousands of Eastern Caribbean dollars)

37 Operating expenses

	2023 $	2022 $
Employee benefit expense (note 38)	**30,431**	31,450
Depreciation and amortization (notes 16, 17 and 19)	**6,161**	5,762
Utilities	**5,287**	4,957
Repairs and maintenance	**13,370**	8,899
Advertising and promotion	**2,434**	1,639
Bank and other licences	**215**	240
Security	**1,916**	1,696
Printing and stationery	**943**	709
Legal and professional fees	**874**	832
Audit Fees	**762**	700
Insurance	**1,121**	1,034
Credit card expenses	**13,059**	10,424
Bank charges	**1,773**	1,492
Travel and entertainment	**180**	134
Other expenses	**9,472**	9,059
	87,998	**79,027**

38 Employee benefit expense

	2023 $	2022 $
Wages and salaries	**26,254**	21,860
Other staff costs	**9,490**	8,255
Pension (recovery)/expense	**(5,313)**	1,335
	30,431	31,450

Included in employee benefit expense is the reversal of an accrual of $7,210 which was recorded for the expected settlement loss on the transfer of employee accrued benefits from the defined benefit to the defined contribution section of the pension plan. Heritage members of the defined benefit plan have opted to retain their accrued benefits in this section at December 31, 2023.

(expressed in thousands of Eastern Caribbean dollars)

39 Income tax expense

	2023 $	2022 $
Current tax	**10,943**	2,629
Prior year tax	**–**	3,138
Deferred tax charge (note 27)	**924**	1,329
	11,867	7,096
Deferred tax on other comprehensive income:		
Deferred tax release arising from defined benefit pension plan	**(175)**	(1,840)
	11,692	5,256

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

	2023 $	2022 $
Profit for the year before income tax and dividends on preference shares	**86,821**	49,052
Tax calculated at the applicable tax rate of 30%	**26,046**	14,716
Tax effect of income not subject to tax	**(13,045)**	(7,569)
Deferred tax asset recognized on tax losses	**–**	1,060
Prior year tax	**–**	3,138
(Recovery)/expense not deductible for tax purposes	**(1,134)**	(1,620)
Tax effect of utilized losses	**–**	(2,629)
	11,867	7,096

Income not subject to tax includes income derived from investments in securities issued by the Government of St. Lucia, investment securities issued outside St. Lucia (Income Tax (Amendment) Act No 12 of 2018, income from housing mortgages (section 28 of the Income Tax Act Chapter 15.02) and income from associates recognized under the equity method of accounting for Investments in Associates.

(expressed in thousands of Eastern Caribbean dollars)

40 Earnings per share

Basic and diluted

Basic profit per share is calculated by dividing profit for the year attributable to ordinary shareholders of $74,663 (2022 - $41,665) by the weighted average number of ordinary shares in issue each year of 24,465,589 (2022 - 24,465,589). Profit attributable to shareholders is profit after deducting preference dividends of $291 (2022 - $291).

Diluted profit per share is calculated by dividing profit for the year attributable to ordinary shareholders of $74,663 (2022 - $41,665) by the weighted average number of dilutive shares of 25,295,589 (2022 - 25,295,589) being the total number of shares that would exist if all the preference shares are converted to ordinary shares. Profit attributable to shareholders is profit after deducting preference dividends of $291 (2022 - $291).

41 Cash and cash equivalents

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

	2023 $	2022 $
Cash and balances with Central Bank (note 6)	**110,864**	92,223
Deposits with other banks (note 8)	**257,845**	127,405
Deposits with non-bank financial institutions (note 10)	**2,511**	14,529
	371,220	234,157

(expressed in thousands of Eastern Caribbean dollars)

42 Contingent liabilities and commitments

Commitments

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

	2023 $	2022 $
Loan commitments	**160,274**	140,611
Guarantees and letters of credit	**10,199**	8,475
	170,473	149,086

43 Principal subsidiary undertakings

	Holding	
	2023 %	2022 %
Bank of Saint Lucia Limited	**100**	100

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

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

(expressed in thousands of Eastern Caribbean dollars)

44 Cumulative preference shares

	2023		2022	
	No. of shares	**$**	**No. of shares**	**$**
7% Cumulative preference shares				
Authorized:				
11,550,000 preference shares				
At beginning and end of year	**830,000**	**4,150**	830,000	4,150

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

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

Dividends declared and unpaid on the preference shares during the year amounted to $291 (2022 - $291).

45 Comparatives

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

46 Dividends

On March 26, 2024 the Directors declared a dividend of $0.60 (2022 - $0.50) per ordinary share to shareholders in respect of the 2023 financial year.

Conceptualized, Designed and Produced by Blackbox Communications inc

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