BANK OF ST. VINCENT AND THE GRENADINES LTD.

ANNUAL REPORT

2021

Shaping the Future Through Adversity

Photograph by:
Kamillo Edwards
KB Pixels Photography
One of BOSVG's Youthful Visionaries 2022

It is said that adversity fuels greatness as it shapes our identity and strengthens our character in a way that passive times simply cannot. The year 2021 has provided us with an incredible opportunity to achieve greatness.

The eruption of our La Soufriere Volcano, in conjunction with the rigours of the ongoing Pandemic, has not only reshaped and reaffirmed our way forward, but has additionally deepened our resolve as an institution. As a people, our response has been innovative, agile and resilient. And we are. BOSVG is leading the way! We have risen to the challenge by investing heavily in technology and manpower.

We have re-engineered our digital footprint by making contactless banking seamless and accessible. Our staff is meaningfully and consistently engaged in re-tooling ourselves for this 21st Century development. Simply for this reason, we provide service of the highest standard to our customers. Through it all, we have never lost sight of our Corporate Social Responsibility as we continue to contribute to the recovery of our people, as well as to investment heavily in our youth. As a consequence, we provide sponsorship for culturally enriching endeavors.

The future is unknown. Nonetheless, we have strategically re-positioned ourselves to ensure the delivery of exceptional quality service to all of our stakeholders.

Rest assured, that with BOSVG you are in safe hands now and for generations to come.

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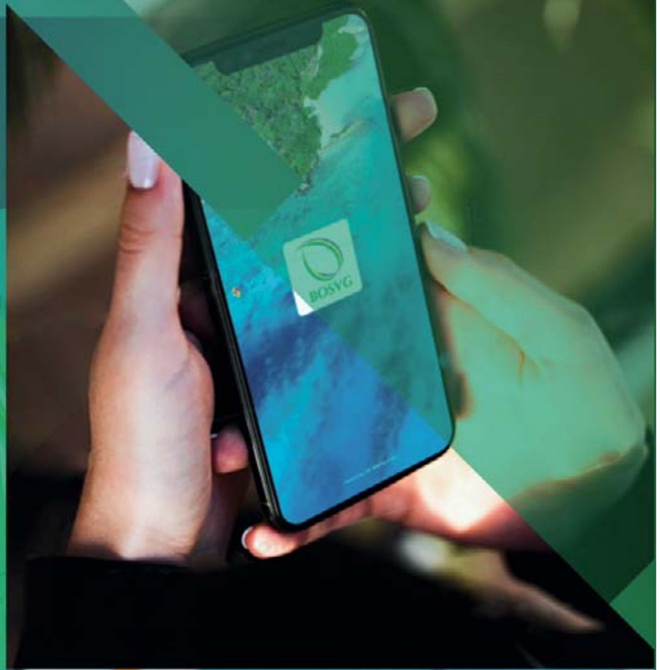
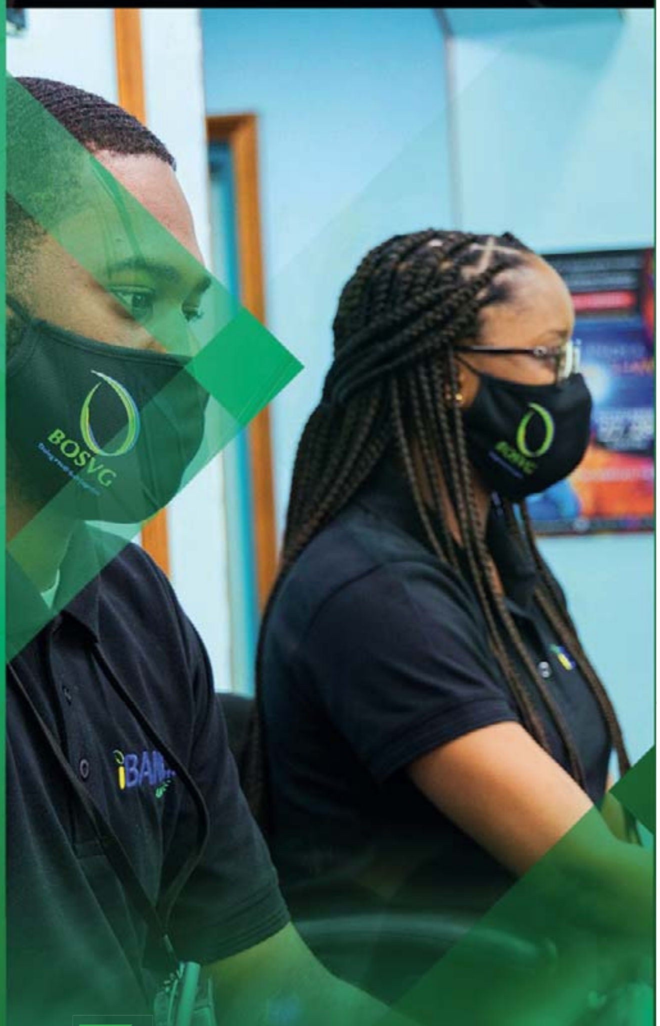




MISSION STATEMENT
We are the providers of diverse financial solutions, adding value to our shareholders, customers, employees and community built on a foundation of excellent service, efficient operations and good governance.

VISION STATEMENT
To be the premier financial institution in St. Vincent and the Grenadines

CORE VALUES
Professionalism
Accountability & Transparency
Integrity
Innovation
Continuous Learning
Results Orientation

NextGen2022

THE PROMISE OF A BRIGHTER TOMORROW

Celebrating the achievements of young Vincentians

As the debilitating impact of the global pandemic continues to affect lives and livelihood here in SVG and abroad, it is particularly refreshing and reassuring to witness first hand, the fortitude of young Vincentians who have soared through the ashes of the La Soufriere Volcano and have given exceptional performance. Indeed, such is the context within which the 2022 cohort of Youthful Visionaries fostered the requisite tenacity and motivation which led them in their respective enterprises in ways that can be best described as truly inspirational.

Their stories remind us that, in the midst of threats, opportunities exist. Moreover, they convey to us a clear message that even though we momentarily pause, it is mandatory that we get up and forge ahead in order to be successful. Against such background, this, our 8th Edition of the NextGen Calendar is profoundly meaningful as it displays the wisdom, strength, courage, and tenacity of twelve (12) young Vincentians.

We are proud to feature these truly outstanding stories that we hope will continue to motivate those who are already on this journey. At the same time, we hope that they inspire those persons who are still contemplating entrepreneurship. We thank all of you who have supported, and still continue to champion your cause. You have all made your collective contribution to St. Vincent and the Grenadines.

BOSVG offers you best wishes for 2022 as we continue - Doing More Together

YOUTHFUL VISIONARIES
BOSVG
Doing more Together

Pictured above centred:
Mr. Derry Williams Managing Director flanked by Isaiah Toney (left - Top Performer at the CPEA Exams 2021) and Jarell Charles (right - 3rd for Boys/4th Overall at the CPEA Exams 2021).

Pictured top clockwise:
Toni Pompey Toni's Cheesecake, Kenesha Charles Bug's Creative Designs, Jared Craigg LAC Services, Alejandro Tesorero Paletta Pops SVG, Roneisha Latham Ronz Organic Seamoss Gel, Joshua Anderson Imagine Images SVG, Shamique Haynes-Gopalakrishnan VV Virgin Coconut Oil, Shackheil Simmons Astound Salon & Hair Care, Nafesha Richardson Spark SVG, Joel Bute Nahum's Delight, Roleza Samuel RoMax, Kamillo Edwards KB Pixels Photography.

Notice of Annual Meeting

Notice is hereby given that the 36th Annual Meeting of the Shareholders of the Bank of St. Vincent and the Grenadines Ltd. will be held at the Methodist Church Building, Grenville Street, Kingstown, Wednesday, June 01, 2022 at 4:30 pm, for the following purposes:

1. To consider and adopt the Report of the Auditors and Audited Financial Statements of the Company or the year ended December 31, 2021

2. To consider and adopt the Directors' Report

3. To appoint Auditors for the financial year January to December 2022

4. To elect Directors

5. To discuss any other business which may be properly considered at the Annual Meeting

Note: Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company. A person appointed by proxy need not be a shareholder. A proxy is enclosed for the use of shareholders and must reach the Corporate Secretary at least 48 hours prior to the date of the meeting.

By Order of the Board

Nandi Williams-Morgan
SENIOR MANAGER LEGAL & CORPORATE SERVICES/
CORPORATE SECRETARY

Bank of St. Vincent and the Grenadines Ltd. Corporate Information

REGISTERED OFFICE & POSTAL ADDRESS:

Reigate
Granby Street
P.O. Box 880
Kingstown
VC0 100
St. Vincent and the Grenadines
West Indies

Email:info@bosvg.com
Website:www.bosvg.com
Telephone: (784) 457-1844
Fax: (784) 456-2612

Chairman: Mr. Maurice Edwards
Secretary: Mrs. Nandi Williams-Morgan

LEGAL COUNSELS:

Williams & Williams
Chambers, Middle Street
P.O. Box 589
Kingstown
St. Vincent
Telephone: (784) 456-1757
Fax: (784) 456-2259

Regal Chambers
Second Floor, Regal Building
Middle Street, Kingstown
St. Vincent
Telephone: (784) 457-2210
Fax: (784) 457-1823
Principal: Mr. Grahame Bollers

Cardinal Law Firm
114 Granby Street
P.O. Box 401
Kingstown
St. Vincent
Telephone: (784) 456-1954
Fax: (784) 451-2391

SUBSIDIARY COMPANY:

Property Holdings SVG Ltd.
Bedford Street
P.O. Box 880
Kingstown
St. Vincent and the Grenadines
Telephone: (784) 457-1844
Fax: (784) 456-2612

AFFILIATIONS:

Members of:
Caribbean Association of Banks
Caribbean Association of Audit Committee Members
Caribbean Banks Users Group
Eastern Caribbean Institute of Banking
ECCU Bankers Association
St. Vincent and the Grenadines Bankers Association
St. Vincent and the Grenadines Chamber of Industry and Commerce
St. Vincent Employers' Federation
East Caribbean Financial Holding Company Ltd. (ECFH)

REGULATORS:

Eastern Caribbean Central Bank
Eastern Caribbean Securities Regulatory Commission
Financial Intelligence Unit
Financial Services Authority
Ministry of Finance

EXTERNAL AUDITORS:

Grant Thornton
Sergeant Jack Drive,
Arnos Vale
P.O. Box 35
Kingstown
St. Vincent and the Grenadines
Telephone: (784) 456-2300
Fax : (784) 456-2184
Email: info.svg@lc.gt.com

OWNERSHIP IN BANK OF ST.VINCENT AND THE GRENADINES LTD. AS AT 31/12/2021

Gov't of SVG 43.13%
NIS 20%
ECFH 20%
The Public & Staff of BOSVG 16.87%

CORRESPONDENT BANKS

REGIONAL
Antigua Commercial Bank Limited
P.O. Box 95
St. John's, Antigua

Eastern Caribbean Central Bank
P.O Box 89
Basseterre, St. Kitts

1st National Bank St. Lucia Limited
P.O. Box 168
Castries, St. Lucia

National Bank of Anguilla Ltd.
P.O Box 44
The Valley
Anguilla

Republic Bank Grenada Limited
NCB House, P.O. Box 857,
Maurice Bishop Highway,
Grand Anse, St. George's,
Grenada

St. Kitts Nevis Anguilla National Bank
P.O. Box 343
Basseterre, St. Kitts

First Citizens Bank
62 Independence Square, Port of Spain
Trinidad

National Commercial Bank Jamaica
54 King Street
Kingston, Jamaica

Republic Bank
Barbados Limited
Trident House
Lower Broad Street
Bridgetown, Barbados

Republic Bank (Guyana) Limited
110 Camp & Regent Streets
Lacytown
Georgetown, Guyana

Republic Bank Trinidad Ltd
59 Independence Square,
Port of Spain
Trinidad

INTERNATIONAL

Bank of America
100 SE 2nd Street, 13th Floor,
Miami
Florida 33131, USA

Lloyds TSB Bank
Monument International Office
11/15 Monument Street
London, England EC3R 8JU

Toronto Dominion Bank
Toronto Data Centre
26 Gerrard Street West
Toronto Ontario M5B, 1G3,
Canada

Bank of New York Mellon
1 Wall Street
New York, NY 10286

Crown Agents Bank
St. Nicolas House, St. Nicholas Road
Sutton Surrey SM1 1EL
United Kingdom

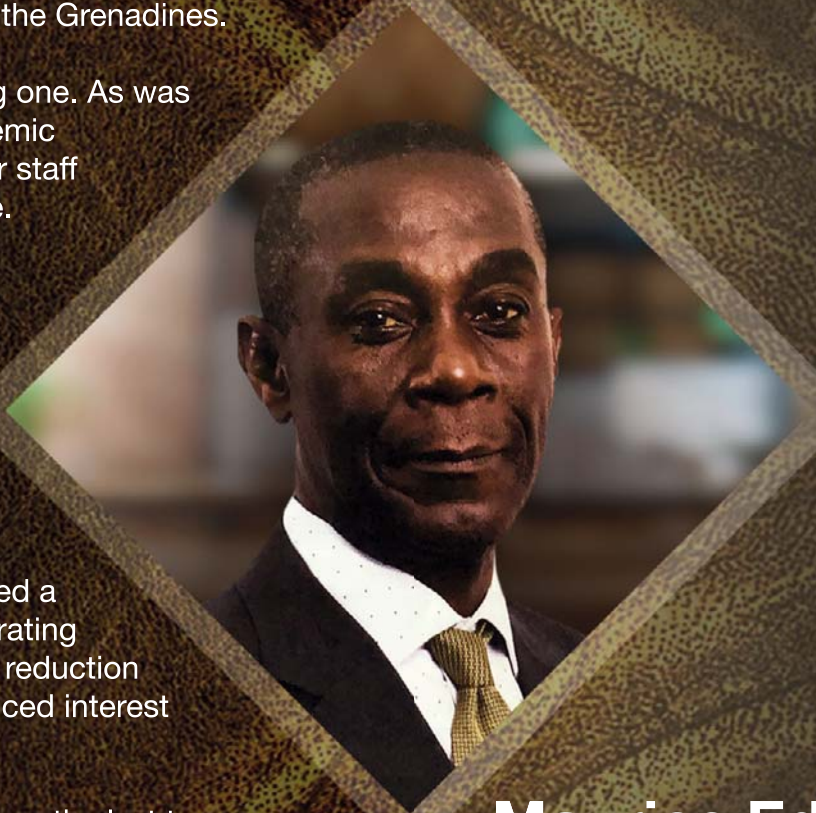
Financial Highlights 2017-2021

	2021	2020	2019	2018	2017
OPERATING RESULTS ($'000)					
Interest income	50,790,365	53,771,347	53,619,655	50,965,020	49,659,001
Interest expense	(16,700,067)	(16,921,241)	(16,150,656)	(15,777,317)	(17,382,035)
NET INTEREST INCOME	34,090,298	36,850,106	37,468,999	35,187,703	32,276,966
Non interest income	17,139,441	16,817,532	18,026,009	15,962,510	12,420,377
NET OPERATING INCOME	51,229,739	53,667,638	55,495,008	51,150,213	44,697,343
Impairment losses on financial assets	7,690,484	11,513,269	3,077,041	2,559,163	9,911,971
Impairment losses on property and equipment	-	-	214,506	-	-
Income tax benefit/expense	(145,904)	2,744,494	2,072,159	1,149,548	1,993,503
Non interest expense	40,913,932	35,788,241	36,037,821	34,526,454	31,995,497
Net income	2,771,227	3,621,634	14,093,481	12,915,048	796,372
Dividend declared	-	1,799,982	7,049,927	6,449,932	2,549,973
OPERATING PERFORMANCE					
Basic and diluted earnings per share	0.19	0.24	0.94	0.86	0.05
Cash dividends per share	-	0.12	0.47	0.43	0.17
Book value per share	8.98	8.92	8.36	7.85	6.95
Return on equity	2.1%	2.7%	11.2%	11.0%	0.8%
Return on assets	0.2%	0.3%	1.3%	1.3%	0.1%
Efficiency ratio	94.9%	88.1%	70.9%	72.5%	93.8%
Core banking margin (spread)	2.6%	3.0%	3.3%	3.5%	3.3%
FINANCIAL POSITION DATA ($'000)					
Cash and deposits with banks	424,725,429	368,895,706	361,427,626	224,603,444	234,197,883
Total assets	1,294,419,198	1,214,583,302	1,126,608,002	1,001,282,839	974,582,643
Loans and advances	628,118,551	641,064,848	603,116,302	616,595,632	605,030,164
Investments	154,294,510	124,226,929	80,662,829	79,013,983	55,025,191
Customers deposits	1,081,376,200	990,312,696	910,319,763	767,161,792	745,782,313
Shareholders equity	134,683,176	133,778,588	125,373,187	117,675,714	104,272,671
CAPITAL AND LIQUIDITY MEASURES					
Capital adequacy	24.5%	24.3%	26.2%	23.8%	21.5%
Total risk weighted assets	584,321,000	570,053,517	497,421,029	519,516,889	528,595,619
Loans to deposits	58.1%	64.7%	66.3%	80.4%	81.1%
CREDIT QUALITY					
Impaired loans	37,276,628	44,352,646	40,564,191	39,589,589	48,291,574
Allowance for loan losses	30,978,030	31,236,224	19,836,290	17,006,295	20,670,580
General provision reserve	5,184,573	4,907,450	4,542,702	3,133,354	-
Impaired loans as a % of loans	5.7%	6.6%	6.5%	6.2%	7.7%
Allowances for credit loss plus contingency reserve fund as a % of np loans	97.0%	81.5%	60.1%	50.9%	42.8%
Provisions for loan losses as a % of loans	4.7%	4.6%	3.2%	2.7%	3.3%
NP loans to total assets	2.9%	3.7%	3.6%	4.0%	5.0%
OTHER					
Number of staff	203	165	165	169	169
Earnings per staff	13,651	21,949	85,415	76,420	4,712
Number of shares	14,999,844	14,999,844	14,999,844	14,999,844	14,999,844

Chairman's Report

As the largest financial service - provider in St. Vincent and the Grenadines, BOSVG has a responsibility to contribute to positive and sustainable changes in our society. We are therefore committed in helping our customers and other stakeholders face the numerous challenges with which they are confronted. The Bank has challenges of its own. However, it has been resolute in its focus on our customers while, at the same time, maintaining its vision of being the premier financial institution in St. Vincent and the Grenadines.

The year 2021 has been a challenging one. As was the case in 2020, the Covid-19 pandemic adversely affected our customers, our staff and the Vincentian society as a whole. These difficulties were severely compounded by the volcanic eruptions in April 2021. Consequently, the Group's net profit declined to $2.8 million, a decrease of 23.5% or $0.9 million when compared to the profit of $3.6 million realized in 2020. The primary contributing factors to this decline in profit, included a 14.3% or $5.1 million increase in operating expenses, and a 7.5% or $2.7 million reduction in net interest margin, due to the reduced interest rates for loans and investments.



Maurice Edwards
Chairman

Despite the reduction in profitability over the last two years, the Group continues to project strength and stability. During the year, total assets increased by 6.6% or $79.8 million, funded mainly by an increase in deposit liabilities of 9.2% or $91.1 million. Notably, the Group continues to maintain a capital adequacy ratio in excess of 24%. Further, our liquidity ratios continued to exceed regulatory requirements and are stable.

Based on the 2021 financial results, other proposed regulatory amendments which could potentially impact the Group's capital, and considering our application to the Central Bank for BOSVG to acquire the assets and liabilities of the local branch of CIBC FCIB, the Board has decided to temporarily suspend our dividend policy and defer payment of dividend for 2021.

Chairman's Report

Globally, the banking industry is undergoing a deep transformation. This change is driven by a number of forces that include: technological advancements, the growth of non-bank entities and facilities, and the introduction of more stringent banking regulations. It is important that our strategy reflects not only these challenges, but also their attendant opportunities. Towards this end, in 2021, we responded with new products and more support for our customers. Several new initiatives were introduced during the 2021 financial year which included: improvements to our online banking platform, changes to our e-services platform, development of a new and enhanced website and the opening of a digital engagement center. These initiatives were introduced with a view to make banking with us even more convenient and secure thereby, ensuring that our customers are better served.

Our Strategic Plan for the period 2022-2024 emphasizes the continued development of BOSVG's digital initiatives. This Plan puts emphasis on serving our customers and addressing among other things the critical themes of sustainable financial performance, risk prevention and mitigation. In keeping with our Mission, we will continue to provide diverse financial solutions to our customers.

One important area of the Group's work in 2021 was the attention placed on Risk and Capital Management. The events of the past two years have necessarily brought into sharp focus the need for continuity in anticipating and managing the Group's risk exposures. In 2021, the Bank formally implemented an Enterprise Risk Management Framework. This Framework is intertwined with the Group's Strategic Plan. Over the next 2 years, the team will work rigorously to formally embed risk management into the organization's culture and align day-to-day decision-making with the Group's risk appetite.

In October last year, we announced that we had entered into an agreement with First Caribbean International Bank (Barbados) Limited for the acquisition of certain assets, and assumption of certain liabilities of CIBC FCIB branch and operations in St. Vincent and the Grenadines, subject to regulatory approval by the Central Bank. This engagement involved collaborating with three other commercial banks in the Eastern Caribbean Currency Union.

Onboarding of the banking book of CIBC FCIB in St. Vincent and the Grenadines provides an incredible opportunity to grow BOSVG's balance sheet as well as realize an increase in BOSVG's overall earning potential. Our application for regulatory approval, supported by a detailed business plan outlining the strategy and other details for the takeover, has been submitted to Central Bank.

I am pleased with our team's commitment in placing our customers first throughout these challenging times. I wish to thank the Board of Directors, management and staff, customers and shareholders for the continued dedicated support to the Bank.

Board of Directors

Mr. Maurice Edwards
Financial Consultant / BSc. Accounting, Chartered Financial Analyst (CFA)

Director Edwards is the Chairman of the Board of Directors of BOSVG and a member of the Risk & Compliance Committee. He was reappointed on May 31, 2019 by the Government of St. Vincent and the Grenadines.

Sir. Errol Allen
Economist – Retired/BSc. Economics, MSc. International Economics, Chartered Director (C. Dir.)

Director Allen is the Chairman of the Human Resources Committee and a member of the Credit Committee. He was reappointed on May 31, 2019 by the Government of St. Vincent and the Grenadines.

Mrs. Judith Veira
Consulting Actuary/ BA Hons. Actuarial Science, Fellow of the Society of Actuaries, Chartered Director (C. Dir.)

Director Veira is the Chairperson of the Audit Committee and a member of the Risk & Compliance Committee. She was reappointed on May 31, 2019 by the Government of St. Vincent and the Grenadines.

Dr. Timothy Providence
Medical Doctor/ MBBS, MRCOG, FRCOG, Chartered Director (C. Dir.)

Director Providence is the Chairman of the Credit Committee and a member of the Human Resources Committee. He was reelected on May 31, 2019 by the Public.

Mrs. Saibrina Brewster-Dickson
Accountant/ BSc. Management, ACCA, MBA

Director Brewster-Dickson is a member of the Credit Committee and a member of the Audit Committee. She was reappointed on May 31, 2019 by the Government of St. Vincent and the Grenadines.

Mr. Medford Francis
Economist/ BSc. Economics, MSc. Financial Management

Director Francis is a member of the Risk & Compliance Committee and the Human Resources Committee. He was reappointed on May on 31, 2019 by the East Caribbean Financial Holdings Company Ltd.

Mr. Lennox Bowman
Retired Chief Executive Officer / MAAT, ACIB

Director Bowman is a member of the Credit Committee and the Human Resources Committee. He was reappointed on May 31, 2019 by the St. Vincent and the Grenadines National Insurance Services.

Mr. Omar Davis
Financial & Management Consultant / ACCA, Chartered Director (C. Dir.)

Director Davis is a member of the Audit Committee. He was reappointed on May 31, 2019 by the East Caribbean Financial Holding Company Ltd.

Mr. Lennox Timm
Chartered Certified Accountant/ FCCA, MAAT, CBV, MSc. International Banking and Finance

Director Timm is the Chairman of the Risk & Compliance Committee and a member of the Audit Committee. He was reappointed on May 31, 2019 by the St. Vincent and the Grenadines National Insurance Services.

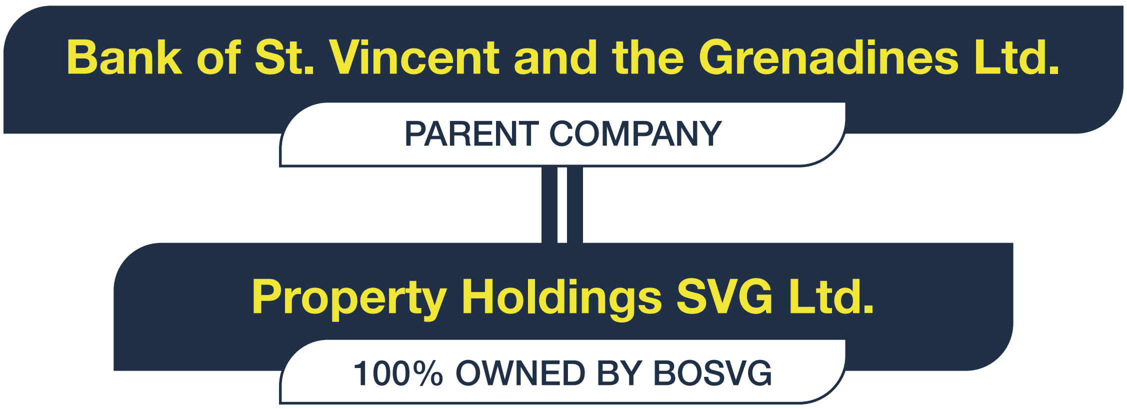
Directors' Report

The Directors of the Bank of St. Vincent and the Grenadines Ltd. (BOSVG) are pleased to present the Report of the Directors for the period January 1 to December 31, 2021.

GROUP STRUCTURE

The Board of Directors of BOSVG is elected/appointed by the shareholders. It functions to govern the affairs of the Bank, which in turn, appoints directors of its subsidiary. The Board of BOSVG recruits and selects the senior management team: the team that assumes responsibility for conducting the business of the Bank. Additionally, the Board of Directors directs, advises and monitors the team's performance and among its other duties, develops the Bank's strategies, financial objectives and operating plans.

The diagram below is an illustration of BOSVG's group structure.



DIRECTORSHIP & TENURE

As at December 31, 2021, the members comprising the Board of Directors of the BOSVG were:

- Mr. Maurice Edwards – Chairman
- Sir Errol Allen
- Mrs. Judith Veira
- Mrs. Saibrina Brewster- Dickson
- Mr. Omar Davis
- Mr. Medford Francis
- Mr. Lennox Bowman
- Mr. Lennox Timm
- Dr. Timothy Providence
- Mr. Derry Williams – Managing Director

As at December 31, 2021, the Directors of the Board of Property Holdings SVG Ltd. were:

- Sir. Errol Allen – Chairman
- Mrs. Saibrina Brewster-Dickson
- Mr. Bennie Stapleton

Directors' Report

Resolutions were passed at the Special Shareholders Meeting on July 29, 2021 which sought to amend the Company's By-Laws. Of the resolutions passed, clause 4.2 of the By-Law was amended as follows:

"4.2 Number: There shall be a minimum of seven and a maximum of thirteen directors, of which one shall be the Managing Director. The Managing Director shall be an ex-officio member of the Board of Directors and shall not hold any voting rights."

Accordingly, the Managing Director is now counted as one of the Directors of the company appointed by the Board without voting rights.

The policy on directors' appointment states that each shareholder of BOSVG who holds 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. Within the legitimacy of this policy, the shareholders are allowed to appoint/elect the following number of directors:

The Government of St. Vincent and the Grenadines (GOSVG)– 4 directors
The National Insurance Services (NIS) – 2 directors
The East Caribbean Financial Holding Company Ltd. (ECFH)– 2 directors
The Public Shareholders – 1 director

All directors will retire at the close of the Annual Meeting of the Shareholders scheduled for June 01, 2022 and are eligible for re-appointment /re-election. Accordingly, the Public shareholders are invited to nominate a candidate for the position of director on the Board of Directors of BOSVG. The current director elected to represent the Public Shareholders is Dr. Timothy Providence who is eligible and offers himself for re-election. The notification to facilitate the process of nominating the Director for the upcoming term, is included in the shareholders' package.

GOVERNANCE

Considering the adversity of the 2021 financial year, the Board nevertheless, has continued to pursue and provide strategic guidance to the management of BOSVG. It has not reneged on its accountability to its stakeholders, but, instead has continued in its stride in shaping the future of the Bank. As a consequence, specific and significant areas of oversight identified for the 2021 financial year included:

1) Strategic Planning – The 2018 -2020 Strategic Plan was extended to the end of 2021 as previously reported. However, during the 2021 financial year, the Bank conducted a strategic planning workshop to formulate the 2022 to 2025 Strategic Plan. This workshop was attended by the Board of Directors and the Management on October 5, 2021 and October 6, 2021. Subsequent to the 2021 financial year, the Strategic Plan was approved by the Board on February 4, 2022.

2) Implementation of Policies - The Board of Directors, through the Risk and Compliance Committee, Human Resources Committee, Credit Committee and Audit Committee revised and approved several policies, programmes and Charters/Terms of Reference to govern the activities of the Bank as well as to define the responsibilities of Board Committees respectively. The Board reviewed and approved thirty- eight (38) policies, programmes and Charters/Term of References.

Directors' Report

There were sixteen (16) new policies, twenty-two (22) revisions and one (1) reviewed with no amendments. The new policies/programmes approved were:

- Enterprise Risk Assessment Policy Framework
- Penetration Testing Programme
- Job Evaluation
- Probation
- Salary Administration
- Timeliness and Attendance
- Performance Management
- Talent Management
- Employee Mobility
- Recruitment
- Hours of Operation
- Onboarding/Employee Orientation
- Employee Discipline & Grievance
- Conditional Pay
- Reward and Recognition

Board of Directors Meetings and Attendance

Meetings of the Board are held every other month. Eight (8) meetings were held for the year 2021.Two (2) of these meetings were deemed as special meetings.

Board Attendance Record as at December 31, 2021:

Director	Number of Meetings Required	Number of Meetings Attended
Maurice Edwards	8	8
Judith Veira	8	8
Saibrina Brewster-Dickson	8	8
Errol Allen	8	6
Lennox Timm	8	8
Lennox Bowman	8	8
Timothy Providence	8	8
Omar Davis	8	8
Medford Francis	8	6
Derry Williams	3	3

Directors' Report

Committees Composition & Meetings

The Credit Committee – The members of this Committee as at December 31, 2021, were: Timothy Providence - Chairman, Lennox Bowman, Errol Allen and Saibrina Brewster-Dickson. This Committee was required to meet at least four (4) times for the year to fulfill its quota of meetings for 2021. Therefore, it has satisfied its Charter requirements having met four (4) times for 2021.

Member	Number of Meetings Required	Number of Meetings Attended
Saibrina Brewster-Dickson	4	4
Errol Allen	4	4
Lennox Bowman	4	4
Timothy Providence	4	4

The Audit Committee – The members of this Committee as at December 31, 2021 were: Judith Veira - Chairperson, Omar Davis, Saibrina Brewster-Dickson and Lennox Timm. Director Maurice Edwards ceased to be a member of the Committee on July 30, 2021 and was subsequently replaced by Director Brewster-Dickson.

One of the requirements of the Audit Committee is that it meets at least once per quarter. Nonetheless, this Committee met a total of nine (9) times in 2021. Five (5) of these meetings were classified as special meetings.

Member	Number of Meetings Required	Number of Meetings Attended
Judith Veira	9	9
Maurice Edwards	7	6
Omar Davis	9	8
Lennox Timm	9	9
Saibrina Brewster-Dickson	1	1

The Human Resources Committee –The Committee members as at December 31, 2021 were: Errol Allen – Chairman, Timothy Providence, Lennox Bowman and Medford Francis. Director Bowman ceased to be a member of the Committee on July 30, 2021 and Director Medford Francis was appointed to his position. Subsequently, on October 08, 2021, Director Bowman was re-appointed to the Committee and Director Saibrina Brewster-Dickson ceased to be a member.

The Committee is required to meet at least twice per year but met three (3) times for the year 2021.

Directors' Report

Member	Number of Meetings Required	Number of Meetings Attended
Errol Allen	3	3
Saibrina Brewster-Dickson	2	2
Lennox Bowman	3	3
Timothy Providence	3	3
Medford Francis	1	1

Risk & Compliance Committee –The members of this Committee as at December 31, 2021 were: Lennox Timm – Chairman, Maurice Edwards, Medford Francis and Judith Veira. The Committee is required to meet at least quarterly every year. They met for a total of four (4) times for the year 2021.

Member	Number of Meetings Required	Number of Meetings Attended
Lennox Timm	4	4
Maurice Edwards	4	4
Medford Francis	4	4
Judith Veira	4	4

Due Diligence & Assessments

In accordance with the Corporate Governance Policy, annual due diligence and assessments were conducted for the Directors, Committees and Board for the year under review. The policy requires Directors to complete the following forms: Directors Declaration, Code of Conduct, Fit and Proper Declaration, Social Media and Networking Acknowledgment and Secrecy of Information.

Further to this, the policy mandates the exigency of a Director to disclose any matter that casts doubt on his/her ability to act objectively and in the Bank's best interest. Towards this end, it is required that Directors having an actual or potential conflict, to report all pertinent details in writing to the Board of Directors. This is done through the Chairman of the Board and where applicable, requires the completion of a "Disclosure with respect to potential conflict of interest" form. At the commencement of Board and Committee meetings, Directors are asked to declare any interest they may have on the matters being considered.

Directors' Report

DIRECTORS' INTEREST

Directors', Managing Director's & Deputy Managing Director's interests in the ordinary shares of BOSVG as at December 2021 were as follows:

Director	Beneficial Interest
Maurice Edwards	9,484
Errol Allen	5,325
Judith Veira	46,500
Timothy Providence	90,000
Omar Davis	4,665
Lennox Timm	1,481
Lennox Bowman	0
Medford Francis	0
Saibrina Brewster-Dickson	0
Derry Williams	5,475
Bennie Stapleton	1,822

During the financial year, 2021, Trinity Consulting Ltd., which is owned and operated by Director Judith Veira provided actuary services specifically in relation to the administration of the BOSVG's Staff Pension Plan. The cost of the services provided by Trinity Consulting Ltd. to BOSVG was not material.
There was no contract of significance subsisting during or at the end of the financial year in which a Director was materially interested, directly or indirectly.

DIRECTORS' REMUNERATION

As is shown below, the remuneration of Directors remained the same from the previous year:

Chairman of the Board	3,600 per month
Directors of the Board	3,000 per month
Chairpersons of Committees	800 per meeting
Directors of Committee	600 per meeting

DIRECTORS' EDUCATION

The Board of Directors received Anti-Money Laundering and Countering Terrorist Financing (AML/CFT) training on November 25, 2021. They were also granted a subscription to an online training series which covers areas in Audit/Accounting, Compensation, Cybersecurity, Governance, Regulation, Risk Management, Strategy and Technology/Innovation.

Directors' Report

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT DECEMBER 31, 2021

The shareholding at December 31, 2021, was as follows:

SHAREHOLDER	NO. OF COMMON SHARES	PERCENTAGE
Government of St. Vincent and the Grenadines	6,469,222	43.13
East Caribbean Financial Holding Company Ltd.	3,000,000	20
The National Insurance Services	2,999,999	20
The Public inclusive of employees of the Bank	2,530,623	16.87

SIGNIFICANT TRANSACTIONS

BOSVG entered into a Transfer Agreement with First Caribbean International Bank (Barbados) Limited on October 12, 2021 to acquire the assets and assume the liabilities of CIBC First Caribbean in St. Vincent and the Grenadines upon, and subject to, the terms and conditions set out in the Agreement. An application for regulatory approval for this agreement has been submitted to the ECCB and is supported by a detailed business plan outlining the strategy and other details for the takeover.

SHAREHOLDERS

Proxies

Votes at meetings of shareholders may be given either personally or by proxy or, in the case of a shareholder who is a body corporate or association, by an individual authorized by a resolution of the Directors or governing body of that body corporate or association, to represent it at meetings of shareholders of the Company. A person appointed by proxy need not be a shareholder. Proxies are circulated in shareholders packages and can be requested through the Corporate Secretary.

Eastern Caribbean Securities Exchange

BOSVG shares have been listed on the Eastern Caribbean Securities Exchange (ECSE) since June 10, 2016. The number of BOSVG shares traded and transferred on the ECSE for the financial year ended December 31, 2021 was 49,147. There are 14,999,844 BOSVG ordinary shares listed on the ECSE. Shareholders are encouraged to update their mailing address if they have changed address, as well as, their payment option if they are still receiving dividend payments by cheques.

Dividends

For the 2021 financial year, BOSVG made a profit, after tax, in the amount of $2,771,227.00. The Board of Directors decided not to declare a dividend for the financial year ended December 31, 2021. The following table lists dividends paid to shareholders for the last five financial years ended December 31st.

Directors' Report

Financial Year	2016	2017	2018	2019	2020	2021
Profit before tax	7,635,302	2,789,875	14,064,596	16,165,640	6,366,128	2,625,323
Tax Expense	(2,698,932)	(1,993,503)	(1,149,548)	(2,146,622)	(2,744,494)	145,904
Profit after Tax	4,936,370	796,372	12,915,048	14,019,018	3,621,634	2,771,227
Dividend Payout	2,551,157	2,549,973	6,457,524	7,009,509	1,799,982	0.00
Dividend per Share	0.17	0.17	0.43	0.47	0.12	0.00

Record Date

The date for the determination of shareholders who are entitled to receive notice of AGM is Wednesday, May 04, 2022. Notice of this date has been published in the local newspapers.

AUDITORS

The External Auditor retiring and being eligible, offer themselves for re-election. As such, the Audit Committee recommended to the Board of Directors their reappointment for the period January 1 to December 31, 2022.

Working Sessions

Board of Directors and Management.

Digitization

Today, contactless services are no longer just an option for Banks. Instead, it is the lifeline that connects us to our customers. At BOSVG, customer-support remains our top priority.

It is precisely for this reason that our Digital Engagement Team stands ready to assist you remotely with all your banking needs.

Contact our **Digital Engagement Centre** Today!

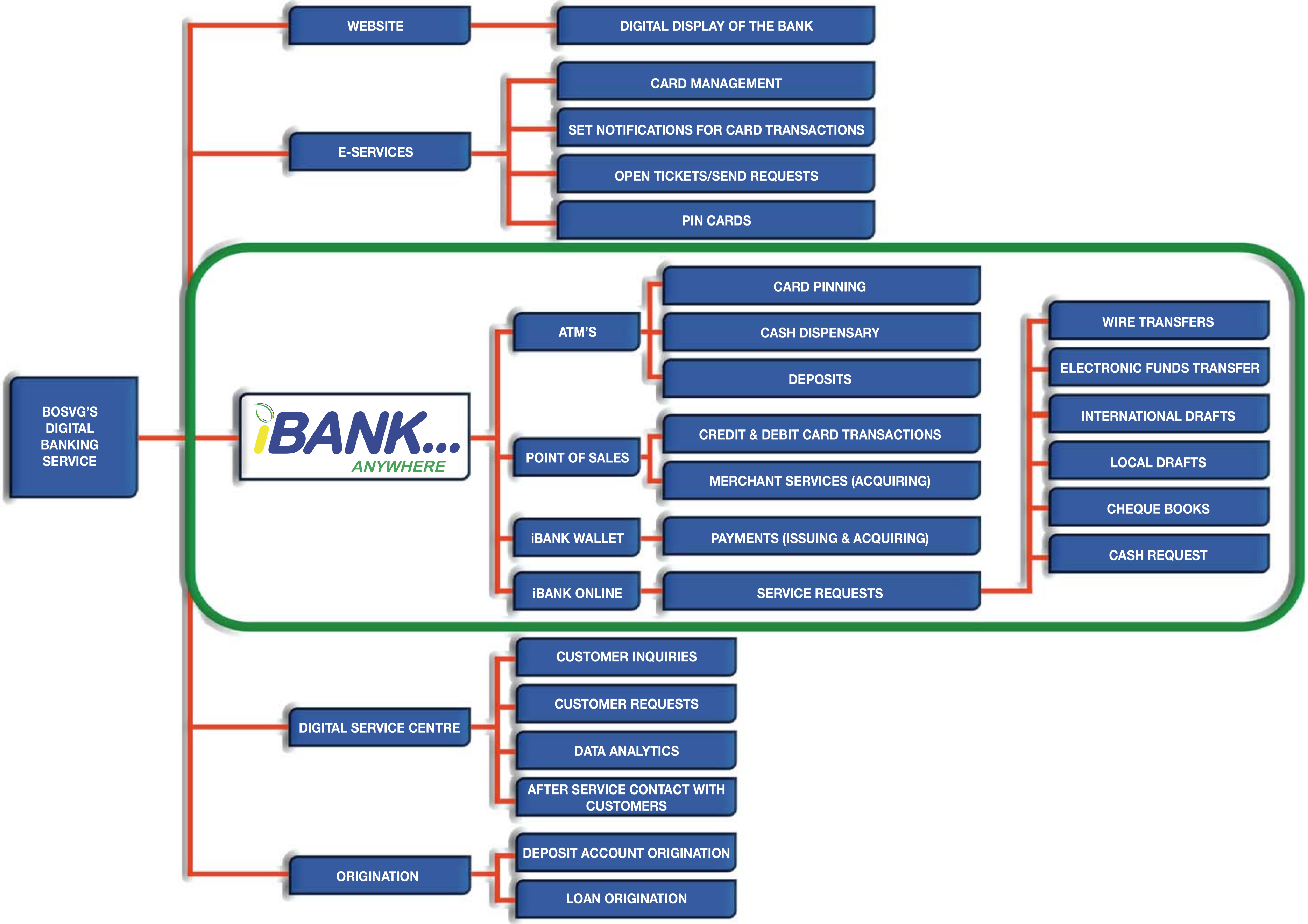
784-452-4375

784-528-1844

784-494-1844

dec@bosvg.com

Our Digital Banking Footprint



Executive Management

DERRY WILLIAMS
Managing Director
MBA - Finance

MONIFA LATHAM
Senior Manager Lending
BSc Economics, Principal Licence – Eastern Caribbean Securities Regulatory Commission

BENNIE STAPLETON
Deputy Managing Director /
Chief Financial Officer
BSc. Accounting, FCCA, CIA, CISA

CERLIAN RUSSELL
Senior Manager Retail
MBA – General Management, Certified Mortgage Residential Underwriter, Anti-Money Laundering Certified Associate (AMLCA)

NANDI WILLIAMS-MORGAN
Senior Manager Legal & Corporate Services/ Corporate Secretary
BSc. Economics with Law, LLM International Trade Law, GDL, CCSec.

Management Team

LAURENT HADLEY
Manager Treasury & Investment
BSc. Economic & Accounting,
Principal License –
Eastern Caribbean Securities
Regulatory Commission

LISA HENRY
Manager Employee Engagement
BSc. Accounting Special,
MSc. Human ResourceManagement,
Diploma in Counseling,
Cert. in Business Administration

CHEZ QUOW-WILLIAMS
Manager, Initiatives & Transformation
BSc. Banking & Finance, Cert. -
Eastern Caribbean Securities Market
Representative, Cert. Project Management

PATRICIA JOHN
Manager Customer Service
Cert. – Eastern Caribbean
Securities Market
Representative License

INDERIA WALKER-TONEY
Manager Risk Services
BSc. Applied Accounting,
AICB, FCCA
Certified Anti-Money Laundering
Specialist

CELESTINE JACKSON
Senior Manager Finance
BSc. Applied Accounting, FCCA,
MSc./MA Finance and Investment

NICOLE FERNANDEZ
Senior Manager
Information Technology
Executive Diploma
in Information Technology

LEROY ROSE JR.
Manager Facilities & HSE
Cert.

LA FLEUR DURRANT
Manager Corporate Lending
Baccalaureate in
Financial Administration

F. IRVIA HAYNES
Manager Audit Operations
BBA Management

GILLIAN DA SILVA
Manager Payment Solutions
Cert.

Managing Director's Discussion & Analysis

Background

The lingering effects of the COVID-19 pandemic and the devastation caused by the La Soufriere volcanic eruptions of April 2021, exacerbated the already tenuous socio-economic conditions in St. Vincent and the Grenadines. For the remaining nine (9) months of the financial year after the eruptions, the Bank of St. Vincent and the Grenadines (BOSVG) channeled resources primarily towards ensuring that clients, employees, and the wider community cope with the resultant adversities, while seeking to capitalize on the opportunities presented. For the most part, these objectives were met, despite the obvious challenges during this unprecedented period in the Nation's history.

Derry Williams
Managing Director

Notwithstanding the impact of the eruptions on the financial performance of the Group, during the year, the BOSVG continued to strengthen its institutional capabilities and competencies with a view of supporting critical service delivery and improving the overall risk management in the significant activities of the Bank. Among the enabling initiatives were:

- The formal adaptation of an Enterprise Risk Management (ERM) framework to effectively guide the overall assessment and effective management of the key risks in the business environment.
- The completion of the inventory of core banking policies covering the significant activities, thereby strengthening the organizational resilience.
- Improving the service delivery channels by expanding the digital product offering mainly through the enhancement of the online banking platform and the opening of the mini branch at the Joshua Center, Arnos Vale.
- Partnering with the Eastern Caribbean Central Bank (ECCB), to provide customers with access to the digital currency, DCash, with the ultimate objective of reducing the use of the cash and its attendant risks and costs.

Managing Director's Discussion & Analysis

- The adaptation of a rigorous security risk assessment and monitoring program geared specifically at minimizing the constant cyber and other associated threats. This also include the implementation of cyber security contingency plans, and effective redundancy and business continuity plans for all critical activities.
- Providing ongoing support through a loan moratorium program for customers and staff impacted by the COVID-19 pandemic and the volcanic eruptions.
- Enhancing staff engagement through the implementation of weekly zoom meetings to communicate and receive feedback on a number of key issues including the digital transformation program and other strategic initiatives; and providing real time updates on operational matters relating to the pandemic and the volcanic eruptions.

Apart from managing the risk associated with COVID-19 and the volcanic eruptions, the primary focus during the year was, firstly, to further embed the culture of risk management across the significant activities of the Group. Accordingly, the focus on risk management became more expansive both in scope and scale. The overarching theme of the Group's ERM policy and supporting framework, which was approved by the Board in December 2021, is the protection and preservation of the Group's assets while maximizing stakeholder value. To this end, the Group's risk management activities were attuned to the need of creating a balance between risks and rewards.

Secondly, given the changing market dynamics, particularly the shift to expanding digital payment products, the Group adopted a robust strategy to accelerate the digital transformation across a number of business processes. In so doing, the Group recognized the absolute need to build the accompanying security infrastructure to protect against cyber risk and the wider threat posed to the information system and the data protection capabilities. Accordingly, significant investments were made in this area over the period under review, with plans to continue such investments in the ensuing periods.

Thirdly, the effective oversight and management of the COVID-19 loan moratorium program led to an increase in the percentage of loans that have reverted to full repayment status. At the end of the 2021 financial year, a total of 655 loans with aggregate balance of $91.3 million were being managed under the moratorium program. This represents 14% of the total loan portfolio of $659.1 million. The comparable figures for 2020 include 798 loans with aggregate balance of $97.5 million representing 15% of the total portfolio of $672.3 million.

It is noteworthy that 521 loans representing 83% or $75.8 million of the total value of the loans under moratorium as at December 31, 2021, had reverted to full repayment in accordance with their respective terms. The remainder of the portfolio included 50 loan totaling $4.8 million with partial payment and 87 loans totaling $10.7 million with no payment. The value of the loan loss provisions allocated to the loan under the program by the end of the year was $9.7 million.

Economic Context

According to the release from the Ministry of Finance and Planning, the preliminary data as at December 31, 2021 indicated that the Central Government fiscal operations improved when compared to the same period in 2020. Despite the significant economic dislocation and damage caused by the La Soufriere volcanic eruptions, the data indicate that the real output growth for 2021 is estimated at 0.7% from a decline of 5.9% in 2020. The damage and loss resulting from the eruptions is estimated in the at $634.7 million or 26.5% of the 2021 Gross Domestic Product (GDP). The marginal growth in 2021 is expected to result from the robust growth in the wholesale & retail sector and the construction

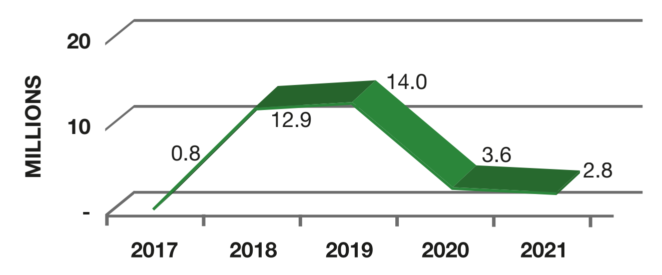
Managing Director's Discussion & Analysis

sector while major contraction is expected in agriculture, transport and storage and the manufacturing sectors.

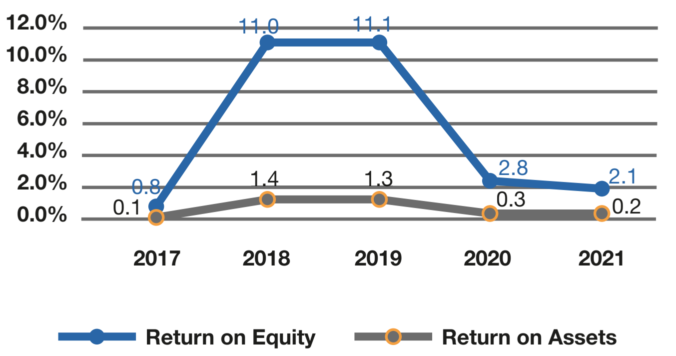
The performance of the Bank is set within this context and has been affected primarily by the following factors: the continuing impact of the COVID-19 pandemic on revenue growth; incremental loan loss provisions associated with the moratorium program; increase in expenditure related to employee benefits and other operational costs.

PROFIT AFTER TAX (EC$M)	NET- INTEREST INCOME (EC$M)	NON - INTEREST INCOME (EC$M)	OPERATING EXPENSES (EC$M)
2.8	34.1	17.1	40.9

Profit After Tax



Shareholders' Return



Operating Highlights

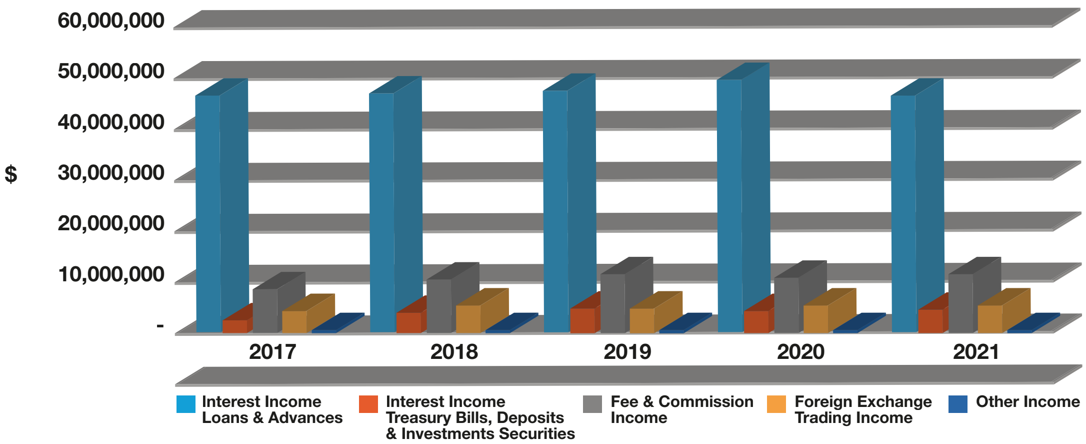
Profit after tax for the year ended December 31 2021, declined by 23.5% to $2.8 million from $3.6 million in 2020. The primary contributing factors for this decline include the reduction in net interest income by $2.8 million or 7.5%, and the increase in operational expenses by $5.1 million or 14.3%.

Recognizing the social and economic impact of the COVID-19 pandemic and the volcanic eruptions, the Group moved to continue the efforts to provide the necessary relief to affected customers. While this and a combination of other events may have affected the profitability in the short term, the Group is no doubt better positioned to improve the results in the medium to longer term once the global economy, and by extension, the local economy rebounds.

Despite the improvement in business activity towards the last quarter of the financial year, the total revenue of $67.9 million declined by 3.8% or $2.7 million when compared to the prior financial period. Interest income on loans and advances was $46.1 million - a 6.1% reduction, when compared to $49.1 million for the 2020 financial year. The reduction in income was a direct result of the prevailing economic climate characterized by high

Managing Director's Discussion & Analysis

Total Revenue



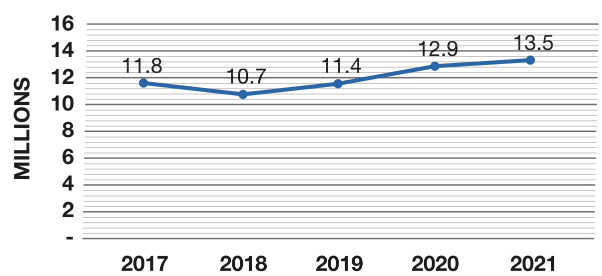
liquidity, low demand for credit and reduced yield, partly occasioned by the moratorium loans.

The original loan moratorium program, on its introduction in April 2020, was envisaged to last for at least six months. However, the uncertainty surrounding the spread of the corona virus coupled with the emergence of different variants, resulted in several requests from the financial sector for extensions. During the year, the ECCB approved the final extension to expire on March 31, 2022. The uncertainty was exacerbated by the subsequent volcanic eruptions of April 2021 which created significant dislocation; disrupted communities and damaged real property and other physical infrastructure.

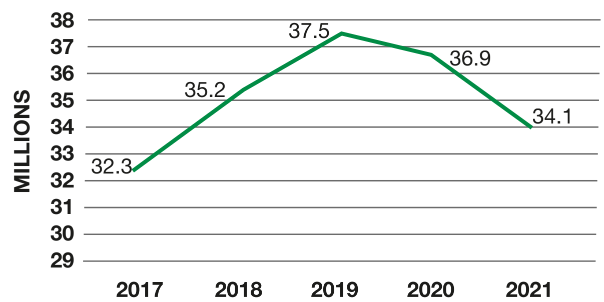
Interest income on investments and bank deposits of $4.7 million remained consistent with past performance despite the increase in the investment portfolio. This too has been negatively impacted by the prevailing low interest rates on the international market. As such, the performance of the investment portfolio reflected the high level of market volatility that persisted throughout the financial period.

Total interest expense of $16.7 million decreased marginally by 1.3% from the $16.9 million recorded in the comparative financial period. Throughout the period, significant progress was made in reducing Group's overall cost of funds through the implementation of several initiatives. As such, the Group's cost of funds declined from 1.7% at as 31 December 2020 to 1.5% as at December 31, 2021.

Interest Expense



Net Interest Income

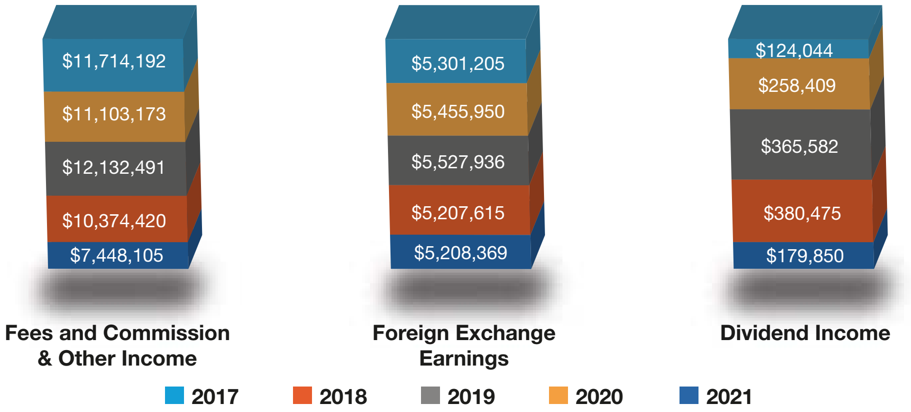


Managing Director's Discussion & Analysis

Non-Interest Income

The uptick in economic activity at the end of the financial year contributed to an increase in non-interest income of 1.9% or $0.3 million. The main area of growth was fee commission and other income which increased by 5.0% or $0.6 million. However, there was a marginal reduction of 2.8% or $0.2 million in foreign exchange earnings.

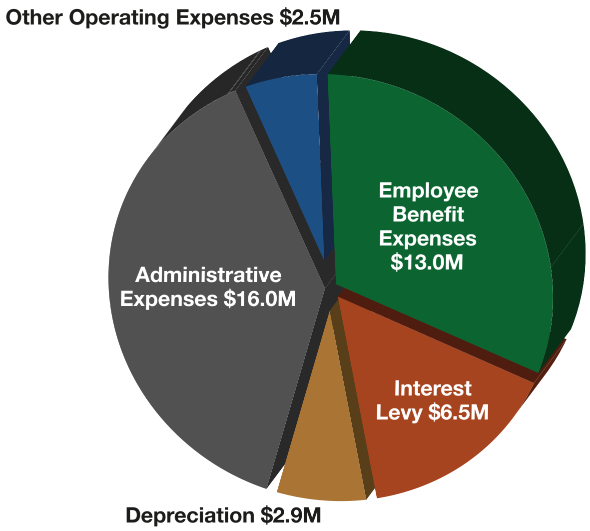
Non-Interest Income



Operating Expenses

For the 2021 financial year, the total operating expenses increased by 14.3% from $35.8 million to $40.9 million. The increase in operating expenses was primarily a result of the following:

Operating Expenses



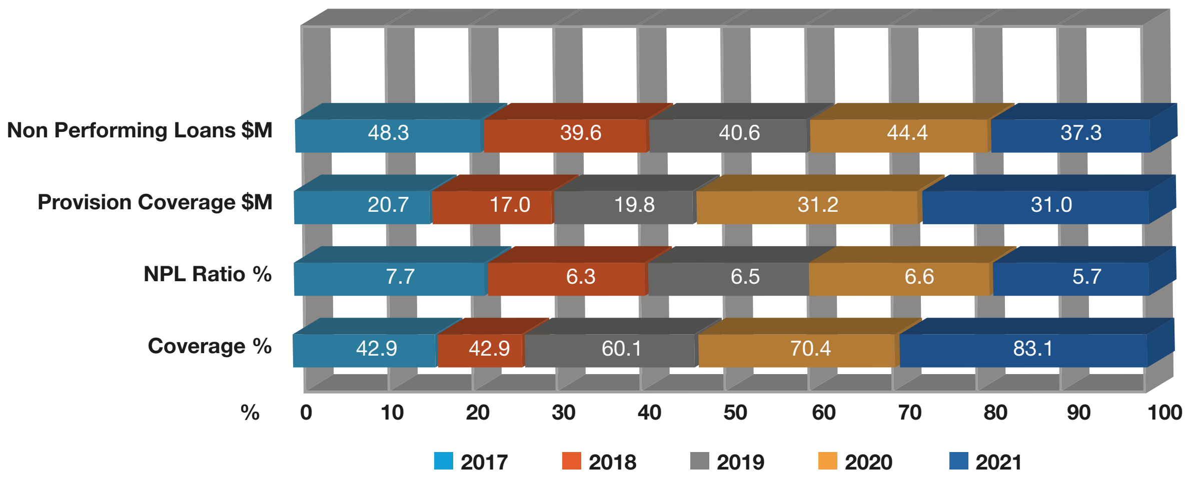
- Settlement of a labour dispute - During the financial year, the Group and the Union representing workers arrived at final agreement to settle a disputed labour issue.
- Restructuring Costs – there were additional costs during the year associated with the re-organization of the banking operations.
- Interest levy - Consistent with the growth in deposits, there was an increase in interest levy cost.
- Proposed acquisition of the local portfolio CIBC FCIB – there were increases in professional fees related to the due diligence and integration planning exercises necessary to complete the transaction once all necessary approvals are obtained.

Managing Director's Discussion & Analysis

Asset Quality

The Group's exposure to credit risk arising from its loan portfolio is approximately 52% of its total assets. At the end of the financial year, the staging of the loan portfolio under the IFRS 9 model reflected 74.3% of the portfolio in stage 1, 22.2% in stage 2 and 3.5% in stage 3.

Asset Quality



The Group's non-performing loan ratio reduced marginally during the year to 5.7% compared to 6.6% for the prior year. The economic fallout from the COVID-19 pandemic meant that the Group had to be agile and innovative in responding to the needs of customers, and crucially, to ensure that there was effective management to minimise the deterioration in the overall asset quality level. In addition to working closely with the impacted customers, the Group continued the policy from the prior year to maintain sufficient specific loan loss provisions for the portfolio based on the overlays included in the IFRS 9 model.

Generally, the Group continued to maintain healthy provision reserves, with provisions to non-performing loans of 83.1% and provision, plus general provision reserves to non-performing loans of 97.0% as at 31 December 2021. Following an extensive review of the Group's IFRS 9 model and supporting policy framework, the inclusion of forward-looking information was included in the model during 2021.

As the Group prepares to transition to the new regulatory standards on credit asset impairment, preliminary analyses indicate that the Bank is well on course to becoming fully compliant with the provisions of the standards during the year 2022.

Liquidity and Capital Resources

With a liquidity coverage ratio of 41.2%, the Group's liquidity position remained strong throughout 2021. The growth and diversification in the deposit portfolio resulted in the overall improvement in the liquidity position over the past two (2) years. The Group remains well funded, with adequate liquidity buffers to meet both regulatory requirements and internal policy targets.

During the year, the Group continued to leverage the deposit portfolio to ensure that the maturity profile reflects the established risk appetite while minimizing concentration risk and funding costs. Due to market conditions (high liquidity), the Group's investment activities increased, which resulted in

Managing Director's Discussion & Analysis

larger holdings of securities and bank deposits and a related increase in liquid assets.

The Group's Contingent funding plans (CFPs), forecasting assumptions, as well as, the key risk metrics and early warning indicators are continually being reassessed to take account of the changing market and related risk factors.

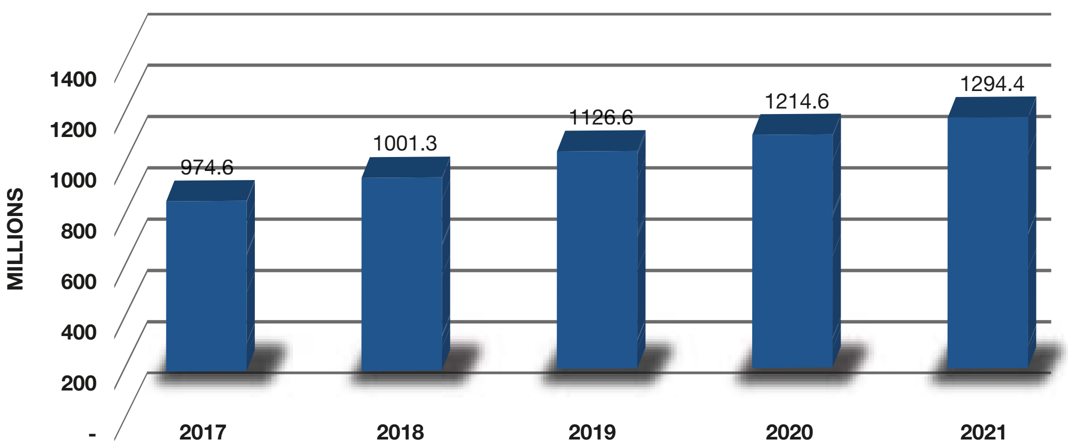
At December 31, 2021, Tier I capital was 91.3% of the capital base and was consistent with the 2020 levels. The Group's capital adequacy ratio remained strong at 24.5% (2020: 24.3%), which was well above the regulatory requirement of 8.0%. Based on our preliminary assessment, the Group is well positioned to maintain adequate capital buffers on the adoption of the Basle II/III framework, and post the closure of the pending strategic acquisition.

As the regulatory environment evolves, the Group will assess its capital buffers in accordance with regulatory requirements and take the appropriate actions, as deemed necessary. It remains the Group's intention to continue to increase its regulatory capital by creating other reserves that will support sustainable growth initiatives and safeguard against future shocks.

Balance Sheet Review

The Group's total assets at the end of the 2021 financial year stood at $1,294.4 million. This represents an increase of 6.6% or $79.8 million over the 2020 financial year. The increase in total assets was mainly driven by a combination of growth in investments and deposits with other banks. The growth in total assets was funded by the increase in deposits of 9.2% or $91.1 million.

Total Assets

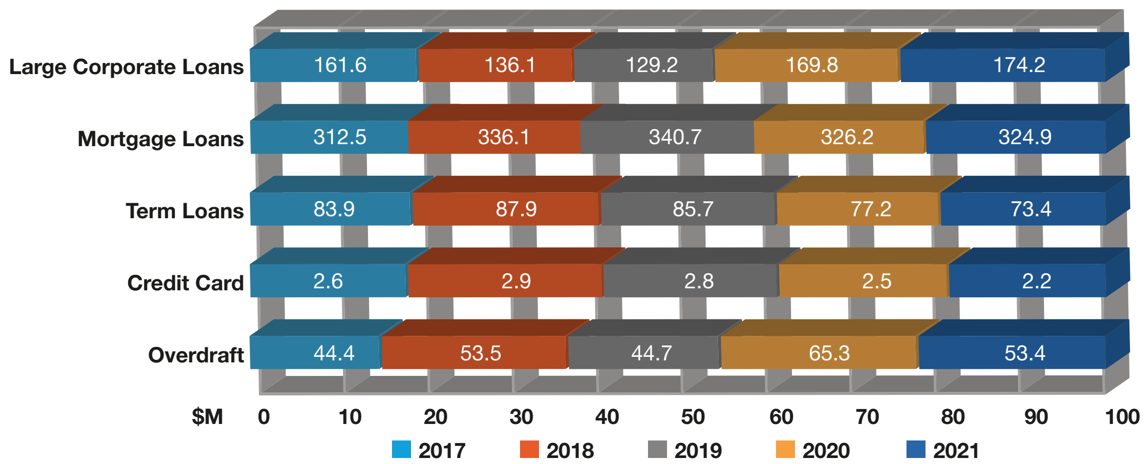


Loans and Advances

The loans and advances portfolio of $628.1 million showed a decline of 2.0% or $12.9 million at the end of the 2021 financial year. However, the average balance throughout the year remained relatively consistent with the previous year's balance of $641.1 million. The Bank's primary loan strategy focused on sustaining asset quality in the face of the mounting challenges posed by the COVID-19 pandemic and the volcanic eruptions.

Significant progress was made during the year on rehabilitating the loans under the moratorium program. The Bank continues to closely monitor the loans under the program well beyond the March 31, 2022 deadline set by the ECCB for the discontinuation of the moratorium.

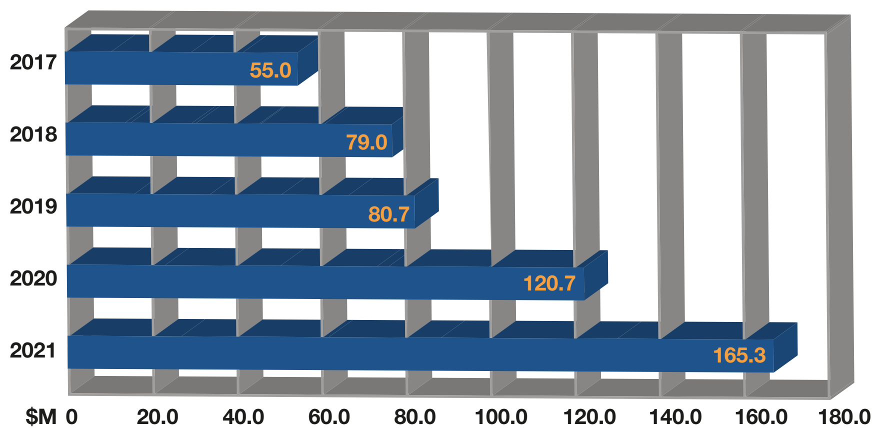
Loans & Advances



Investments

The Group's total investments stood at $154.3 million as at December 31, 2021, reflecting an increase of 24.2% or $30.1 million over the previous financial year. The growth was driven by additional placements in the local economy and on the international market in accordance with the established risk appetite. The duration of the portfolio remained relatively stable over the period at 3.23 years as at December 31, 2021, compared to 3.28 years as at December 31, 2020. The portfolio's average return increased marginally from 4.62% at December 31, 2020 to 4.69% at December 31, 2021.

Investments

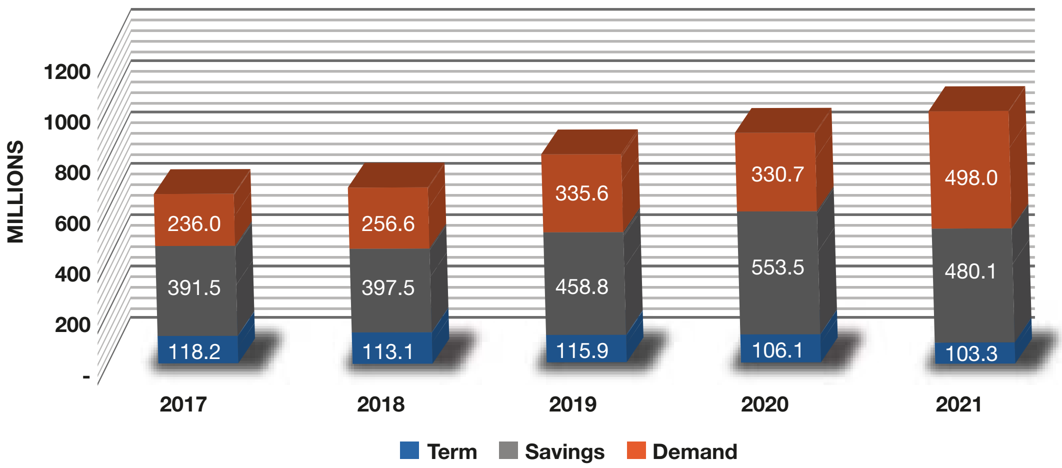


Managing Director's Discussion & Analysis

Due to Customers

Customers' deposits increased from $990.3 million at the end of the 2020 financial year to $1.081.4 million as at the December 31, 2021. The growth of 9.2% or $91.1 million in the portfolio reflected the normal trend in recent years. A significant portion of the deposit growth was funded mainly by institutional depositors. Despite the growth in the portfolio, the Group was able to manage the associated cost of funds well within budgeted parameters.

Due to Customers



Taxation

The Group recorded a tax credit of $0.146 million in comparison to an effective tax rate of 37.5% in 2020. This reflected increases in exempt income and capital allowances attributed to investments in government securities, technology and innovation. The deferred tax effect of the chargeable tax provision was also positive as expenses for credit losses was significantly lower than 2020.

Conclusion

While 2021 posed obvious challenges to the Group, it also presented opportunities on which the BOSVG capitalized. For this, the BOSVG remains grateful to all stakeholders for their unwavering commitment and support throughout the year. The customers have worked diligently with the Bank to test and support the digital transformation initiatives. tionally, customers on the loan moratorium program

Additionally, customers on the loan moratorium program have reciprocated by demonstrating an understanding of their own needs and those of the Group. In this way, BOSVG and its customers, including those who continued to access the services during the year and offered words of encouragement, have together managed the impact of COVID-19.

To the many suppliers at home and abroad, many thanks for the long hours, extra time and great care taken to keep our systems up and running amidst the multiple adversities faced during the year. To our dedicated staff that have worked tirelessly through the difficult times to serve our customers, many thanks for your commitment and service. Very special thanks to those who volunteered to support our initiatives during the volcanic eruptions.

Managing Director's Discussion & Analysis

To the Shareholders and the Board of Directors, we remain grateful for the stewardship, guidance and support provided to the team throughout the year. We look forward with hope and resolve to navigate the period ahead.

TOTAL INVESTMENTS (EC$M)	TOTAL DEPOSITS (EC$M)	GROSS LOANS AND ADVANCES (EC$M)	TOTAL EQUITY (EC$M)
154.3	1081.4	659.1	134.7

NON - PERFORMING RATIO (%)	LOAN LOSS PROVISION (%)
5.7	83.1

Engagement

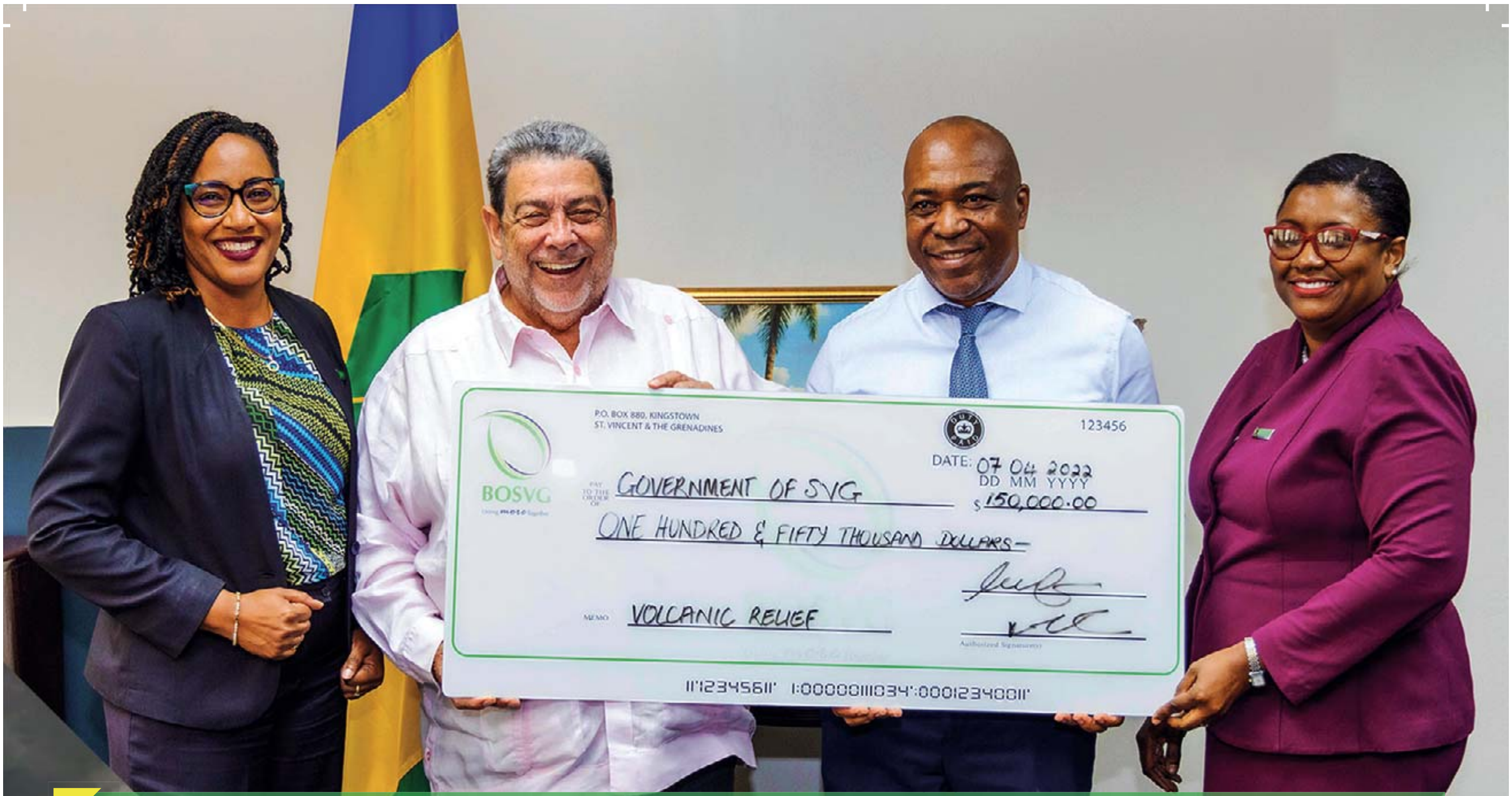
Quality customer interactions is at the heart of what we practice here at BOSVG. As a customer, your perspective and needs truly matter to us. For this reason, our staff has been trained to engage and enrich YOU.

Zoom Meetings
NOTICE
MEETING
IN PROGRESS
Zoom Meeting
Johana
Barrouallie Bran...
Monifa Latham
CJackson
Nyron De Souza
Leave
EPSON

Community Investment (CSR)

Our teams are in action. They fulfill our Corporate Social Responsibility - the BOSVG way:

1. Staff receiving donation of relief supplies from Grenada Co-operative Bank, Bank of Nevis and ECFH
2. Partnering with SVG Red Cross Association to distribute relief funds to farmers affected by the eruption
3. BOSVG Staff volunteering at shelters
4. Distributing supplies to shelters post-eruption
5. Annual sponsorship of our Vincentian students at UWI St. Augustine and UWI Cave Hill Campuses
6. Full sponsorship of the National Performing Arts Festival 2021



Bank of St Vincent and the Grenadines Ltd (BOSVG) donates $150,000.00

to assist with the post 2021 volcanic eruptions rebuilding and recovery efforts.

One year after the explosive eruptions of La Soufriere Volcano which commenced on April 9, 2021, Vincentians are still grappling with the enormity of the impact of this historic occurrence. In response, St. Vincent and the Grenadines has had to collectively re-focus, re-imagine and re-build. The Government, the local private sector, and non-governmental organizations; the Vincentian diaspora, regional and international countries, organizations and agencies, have all played a critical role in the initial relief efforts to assist those directly impacted by the eruptions.

The BOSVG too, has played its part, and during the period of the eruption, partnered with various organizations and individuals to support the persons during their time at the shelters, and later as part of the post eruption resettlement. Further, in the immediate period following the eruption, to allow customers access to their funds, BOSVG mobilized several key staff members to provide minimal services. These services were available from the very next working day post-eruption, moving to full service within 72 hours.
While a year has passed, the effects of the eruption still linger, and many are still struggling to recover and re-establish their lives and livelihood. The BOSVG has never lost sight of this journey, and in acknowledgement, the Bank has donated one hundred & fifty thousand dollars ($150,000.00) to the Government of St. Vincent and the Grenadines, to support the ongoing rebuilding and recovery efforts in the red and orange zones.

On Thursday April 7, 2022, two days prior to the first anniversary of the eruption, the BOSVG's Managing Director, Mr. Derry Williams, accompanied by Mrs. Nandi Williams-Morgan, Senior Manager Legal and Corporate, and Ms. Patricia John, Manager Customer Service, presented the cheque to Prime Minister, Dr. Hon. Ralph Gonsalves.

While we recognize that this sum is relatively small, given the magnitude of the resources required to rebuild and recover post the eruption, the BOSVG is confident that it will contribute in large measure to improving the lives and livelihood of those impacted.

BOSVG
Doing more Together

Joshua Centre Branch

On 27th April 2021, we opened the doors of our new Branch located at the E.T. Joshua Centre in Arnos Vale. This ideally situated Branch offers the full suite of retail services to our customers.

The opening hours of 10:00 am to 5:00 pm allow our customers to do banking at their convenience.


THE FUTURE OF BANKING IS
DIGITAL
iBANK...
ANYWHERE

Launch of DCash

An ECCB Initiative

The Eastern Caribbean Central Bank has taken a bold step toward creating an integrated digitalized economy by launching a digital version of the Eastern Caribbean Dollar (DCash) on 31st March 2021.

Partnering with our Central Bank, BOSVG adopted this initiative and officially launched on 2nd December 2021. Joining us on this momentous occasion was our Minister of Finance, Economic Planning and Information Technology, Hon. Camillo Gonsalves, Chairperson for the Fintech Working Group at ECCB, Sharmyn Powell, members of the Media as well as members of our Board of Directors, Management Team and staff.

The event was held in our recently reconfigured space located at the first floor of the Reigate Building in Kingstown. This area is designed for use in supporting our customers, as we continue to promote the use of digital platforms for transacting business throughout St. Vincent & the Grenadines.

Sharmyn Powell
Chairperson for the Fintech Working Group, ECCB

Consolidated Financial Statements

For the year ended
31 December 2021

(Expressed in Eastern Caribbean Dollars)

Independent Auditor's Report

To the Shareholders of Bank of St. Vincent and the Grenadines Ltd.

Report on the Audit of the Consolidated Financial Statements

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Opinion

We have audited the consolidated financial statements of Bank of St. Vincent and the Grenadines Ltd. and its subsidiary (collectively, "the Group"), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Matter

The financial statements of Bank of St. Vincent and the Grenadines Ltd. for the year ended December 31, 2020, were audited by another auditor who expressed an unqualified opinion on those statements on June 11, 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Independent Auditor's Report (*Cont'd*)

To the Shareholders of Bank of St. Vincent and the Grenadines Ltd.

***Key Audit Matters* (*Cont'd*)**

Key Audit Matter 1: IFRS 9 Expected Credit Losses	**How the matter was addressed in our audit**
Refer to Notes 2 and 9 to the Consolidated Financial Statements. The determination of expected credit losses ("ECL") on loans and advances is highly subjective and requires management to make significant judgement and estimates. The key areas requiring greater management judgement include the identification of significant increase in credit risk ("SICR"), the determination of probabilities of default, loss given default, exposures at default, management overlay and the application of forward-looking information, as well as the related disclosures. The level of judgement involved in these estimates and disclosures increased as a result of the economic impacts of COVID-19 on the Bank's financial assets. More specifically, significant management judgement is applied in determining the economic scenarios used to determine forward looking indicators and the probability weighting applied to them, especially when considering the current uncertain economic environment as a result of COVID-19. Adjustments to the model-driven ECL results are raised by the Bank to address known impairment model limitation or emerging trends as well as risks not captured by models. These judgements are inherently uncertain and significant management judgement is involved in estimating these amounts, especially in relation to economic uncertainty as a result of COVID-19.	As part of our procedures, we performed the following: - Obtained an understanding of the model used by the Bank for the calculation of expected credit losses on financial assets, through an evaluation of the Bank's documentation around the models and by performing a walkthrough of the model. - Tested the completeness and accuracy of the data used in the models to the underlying accounting records and external data where relevant on a sample basis. - Involved our specialist to assist us in evaluating the appropriateness of the Bank's impairment methodologies, including the criteria used to determine significant increases in credit risk. Independently assesses the assumptions underlying the probabilities of default, loss given default and exposures at default. - Involved our specialist in evaluating the appropriateness of the Bank's methodology for incorporating forward-looking information and management overlays and the economic scenarios used along with the probability weightings applied to them. We also considered whether the management overlays and other assumptions applied appropriately reflected the impact of COVD-19 by applying our knowledge of the industry, our cumulative audit knowledge in relation to the Bank and the impact of COVD-19 in the main markets and industries to which the Bank's exposures relates. - Assessed the adequacy of disclosures, including the key judgments, assumptions and sensitivity analysis related to the uncertainty in determining the ECL.

Grant Thornton

Independent Auditor's Report (*Cont'd*)

To the Shareholders of Bank of St. Vincent and the Grenadines Ltd.

***Key Audit Matters* (*Cont'd*)**

Key Audit Matter 2: **Fair Value of Unlisted Investments measured at FVOCI**	**How the matter was addressed in our audit**
Refer to Notes 2, 3 and 8 to the Consolidated Financial Statements. The Group invests in various investment securities for which no published prices in active markets are available and have been classified as Level 3 assets within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 3 assets where valuation techniques are applied in which unobservable inputs are used. These techniques include the use of dividend discount model, comparable company multiples, namely enterprise value to earnings before interest, taxes, depreciation and amortization, price-to-earnings and price-to-tangible book value multiples and adjusted net book value. This is a key audit matter due to the complexity and use of different valuation techniques and assumptions. This could result in significantly different estimates of fair value.	As part of our procedures, we performed the following: - We tested the effectiveness of controls over valuation of investment securities ensuring accounting criteria were met. - We reviewed the market prices applied to the Bank's debt securities by comparing the prices used to an independent external source. - We involved our internal valuation specialist to assess the reasonableness of the fair value of which has no observable market prices. - We assessed the adequacy of the disclosures in the consolidated financial statements.

Independent Auditor's Report (*Cont'd*)

To the Shareholders of Bank of St. Vincent and the Grenadines Ltd.

Other Information

Management is responsible for the other information. The other information comprises the Group's 2021 Annual Report but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 Group's 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's 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 auditor's 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.

Independent Auditor's Report (*Cont'd*)

To the Shareholders of Bank of St. Vincent and the Grenadines Ltd.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* (*Cont'd*)**

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.

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

Independent Auditor's Report (*Cont'd*)

To the Shareholders of Bank of St. Vincent and the Grenadines Ltd.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

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 auditor's 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 auditor's report is Floyd Patterson.

Grant Thornton

March 18, 2022

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Financial Position

As of December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** **$**	2020 $
Assets			
Cash and balances with Eastern Caribbean Central Bank	5	**154,928,122**	149,711,324
Deposits with other banks	6	**269,797,307**	219,184,382
Treasury bills	7	**10,975,207**	9,998,875
Investment securities	8	**154,294,510**	124,226,929
Income tax refundable		**1,653,586**	-
Loans and advances to customers	9	**628,118,551**	641,064,848
Other assets	10	**12,464,555**	8,861,265
Investment properties	11	**2,412,000**	2,412,000
Property and equipment	12	**55,395,437**	55,351,332
Deferred tax asset	13	**4,379,923**	3,772,347
Total Assets		**1,294,419,198**	1,214,583,302
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits due to banks	14	**18,338,965**	21,196,247
Due to customers	15	**1,081,376,200**	990,312,696
Corporation tax payable		**-**	2,910,516
Provisions and other liabilities	16	**37,258,258**	38,107,806
Borrowings	17	**22,762,599**	28,277,449
Total Liabilities		**1,159,736,022**	1,080,804,714
Equity			
Share capital	18	**20,753,306**	20,753,306
Statutory reserves	19	**20,753,306**	20,753,306
General provision reserves	20	**5,184,573**	4,907,450
Unrealized gain on investments		**11,725,576**	11,792,233
Retained earnings		**76,266,415**	75,572,293
Total Equity		**134,683,176**	133,778,588
Total Liabilities and Equity		**1,294,419,198**	1,214,583,302

APPROVED BY THE BOARD OF DIRECTORS ON MARCH 18, 2022.

M. Edwards

Maurice Edwards
Director

Judith Veira

Judith Veira
Director

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	Share Capital $	Statutory Reserves $	General Provision Reserves $	Unrealized Gain (Loss) on Investments $	Retained Earnings $	Total $
Balance at January 1, 2020		20,753,306	20,753,306	4,542,702	(41,461)	79,365,334	125,373,187
Total comprehensive income		-	-	-	11,833,694	3,621,634	15,455,328
Transfer to general provision reserves	20	-	-	364,748	-	(364,748)	-
Dividend paid		-	-	-	-	(7,049,927)	(7,049,927)
Balance at December 31, 2020		20,753,306	20,753,306	4,907,450	11,792,233	75,572,293	133,778,588
Balance at January 1, 2021		**20,753,306**	**20,753,306**	**4,907,450**	**11,792,233**	**75,572,293**	**133,778,588**
Total comprehensive income		**-**	**-**	**-**	**(66,657)**	**2,771,227**	**2,704,570**
Transfer to general provision reserves	20	**-**	**-**	**277,123**	**-**	**(277,123)**	**-**
Dividend paid		**-**	**-**	**-**	**-**	**(1,799,982)**	**(1,799,982)**
Balance at December 31, 2021		**20,753,306**	**20,753,306**	**5,184,573**	**11,725,576**	**76,266,415**	**134,683,176**

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Income

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** **$**	2020 $
Interest income using the effective interest method	22	**50,790,365**	53,771,347
Interest expense	22	**(16,700,067)**	(16,921,241)
Net Interest Income	22	**34,090,298**	36,850,106
Fee, commission and other income	23	**17,015,397**	16,559,123
Dividend income		**124,044**	258,409
Allowances for credit losses on financial assets	24	**(7,690,484)**	(11,513,269)
Operating expenses	25	**(40,913,932)**	(35,788,241)
Profit before Income Tax		**2,625,323**	6,366,128
Income tax benefit/expense	27	**145,904**	(2,744,494)
Profit for the Year		**2,771,227**	3,621,634
Basic and Diluted Earnings per Share	28	**0.19**	0.24

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** **$**	2020 $
Profit for the Year		**2,771,227**	3,621,634
Other Comprehensive Income			
Other Comprehensive Income that will not be Reclassified to Profit or Loss in subsequent periods (Net of Tax):			
Net change in fair value of equity instruments measured at FVOCI	8	**-**	11,747,167
Other Comprehensive Income that will be Reclassified to Profit or Loss in subsequent periods (Net of Tax):			
Net change in fair value of debt instruments measured at FVOCI	8	**(66,657)**	86,527
Net Other Comprehensive Income to be Reclassified to Profit or Loss in subsequent periods		**(66,657)**	11,833,694
Total Comprehensive Income for the Year, Net of Tax		**2,704,570**	15,455,328

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

Bank of St. Vincent and the Grenadines Ltd.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** **$**	2020 $
Operating Activities			
Profit for the year		**2,771,227**	3,621,634
Adjustments for:			
Interest income – investment securities and deposits		**(4,715,535)**	(4,697,693)
Interest expense – borrowings		**1,102,094**	1,480,953
Impairment losses – loans and advances		**7,808,159**	11,513,838
Changes in fair value investment securities		**39,552**	274,535
Impairment on investment securities		**81,684**	630,935
Depreciation	12	**2,894,968**	2,698,656
Dividend income		**(124,044)**	(258,409)
Fair value gain on investment property		**-**	(180,000)
Unrealized loss (gain) on foreign exchange		**33**	(37)
Loss on disposal of property and equipment		**4,755**	-
Income tax expense		**(145,904)**	2,744,494
Net Profit before Changes in Operating Assets and Liabilities		**9,716,989**	17,828,906
Increase in mandatory deposits with Eastern Caribbean Central Bank		**(5,463,810)**	(4,799,576)
Decrease (increase) in loans and advances to customers		**5,138,138**	(49,488,233)
Increase in other assets		**(3,603,290)**	(1,455,467)
Increase in due to customers		**91,063,504**	79,992,933
(Increase) decrease in deposits due to banks		**(2,857,282)**	1,921,788
(Decrease) increase in provisions and other liabilities		**(849,548)**	1,145,562
		93,144,701	45,145,913
Dividends received		**124,044**	258,409
Interest received		**5,692,874**	4,366,587
Interest paid		**(1,162,691)**	(1,480,953)
Income tax paid		**(5,025,774)**	(1,820,639)
Net Cash from Operating Activities		**92,773,154**	46,469,317
Cash Flows from Investing Activities			
Decrease (increase) in interest bearing deposits with financial institutions		**5,345,727**	(8,173,687)
Proceeds from disposal and redemption of investment securities	8	**122,761,310**	44,239,682
Purchase of treasury bills		**(963,671)**	-
Purchase of investment securities	8	**(153,994,156)**	(72,340,808)
Purchase of property and equipment	12	**(2,943,828)**	(3,612,474)
Net Cash Used in Investing Activities		**(29,794,618)**	(39,887,287)
Cash flows from Financing Activities			
Dividends paid		**(1,799,982)**	(7,049,927)
Repayment of borrowings		**(5,454,253)**	(5,300,259)
Net Cash Used in Financing Activities		**(7,254,235)**	(12,350,186)
Net Increase (Decrease) in Cash and Cash Equivalents		**55,724,301**	(5,768,156)
Cash and Cash Equivalents at Beginning of Year		**309,226,123**	314,994,279
Cash and Cash Equivalents at End of Year	29	**364,950,424**	309,226,123

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

(in Eastern Caribbean dollars)

1. Reporting Entity

Bank of St. Vincent and the Grenadines Ltd. ("the Bank"), (formerly the National Commercial Bank (SVG) Ltd.) a company listed on the Eastern Caribbean Securities Exchange, was incorporated in St. Vincent and the Grenadines on June 1, 1977. On June 19, 2009, the Bank and the St. Vincent and the Grenadines Development Bank Inc. were amalgamated and continued under the name of the National Commercial Bank (SVG) Ltd. The Bank's name was changed to Bank of St. Vincent and the Grenadines Ltd. on November 26, 2012. In addition to the Companies Act of 1994, the Bank is subject to the provisions of the Banking Act 2015, the Securities Act No. 29 of 2001 and provisions of other legislations applicable to the business of the Bank.

Property Holdings SVG Ltd. ("the Subsidiary") is wholly owned by the Bank. The Subsidiary was incorporated in St. Vincent and the Grenadines on December 13, 2010. The Subsidiary's principal activity is to own, develop and manage real estate properties acquired by the Bank.

The principal activities of the Bank and its Subsidiary ("the Group") are the provision of retail and corporate banking and investment services in St. Vincent and the Grenadines. The Bank is publicly listed on the Eastern Caribbean Stock Exchange.

The Group's principal place of business and registered office is located at Reigate, Granby Street, Kingstown, St. Vincent.

2. Summary of Significant 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.

2.1 Basis of Accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) as at December 31, 2021 (the reporting date).

2.2 Basis of Measurement

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 and liabilities measured at fair value through profit or loss
- Financial assets and liabilities designated at fair value through profit or loss
- Equity instruments designated at fair value through other comprehensive income
- Debt instruments measured at fair value through other comprehensive income
- Investment properties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.2 Basis of Measurement …..*Cont'd*

Application of the Going Concern Principle considering the Impact of COVID-19

The Board (and its sub committees) has assessed the Group's budgets and cash flow forecasts in considering the Group's going concern assumption in respect to the existing and expected future economic impact of the COVID 19 pandemic. This included the impact that projected cashflows will have on the Group's liquidity risk, credit risk, interest rate risk, regulatory capital and market risks, as well as other related risks; all of which have remained within the risk parameters of the Group's risk appetite framework.

The assessment entailed the consideration of the adequacy of the Group's capital and liquidity to meet its operations and strategies during the pandemic and in the foreseeable future. This was done by analyzing the impact of the macro economic outlook on the Group's forecast growth in earnings and Balance Sheet management to determine the impact to the Group's financial outlook and operations. Multiple scenarios were completed and tested for sensitivity. The assessment undertaken by the Group demonstrated a positive future outlook for the Group. The going concern assumptions continues to apply and is applicable.

2.3 New and Amended Standards and Interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On May 28, 2020, the IASB issued Covid-19 Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. This amendment had no impact on the consolidated financial statements of the Group.

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.4 New and Amended Standards and Interpretations Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The new and amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of Property, Plant and Equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit and loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.4 New and Amended Standards and Interpretations Issued but not yet Effective …..*Cont'd*

Onerous Contracts – Costs of Fulfilling a Contract – amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.4 New and Amended Standards and Interpretations Issued but not yet Effective …..*Cont'd*

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

In February 2021, The IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier adoption permitted. Since the amendments to the Practice Statement 2 provide for non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.5 Consolidation

The financial statements of the Subsidiary used to prepare the consolidated financial statements were prepared as of the parent entity's reporting date of December 31, 2021. 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 (collectively referred to as the "Group") as of December 31, 2021.

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.5 Consolidation …..*Cont'd*

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:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised 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 the consolidated statement of income 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 recognises 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.

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 recognised directly in the consolidated statement of income.

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.

Transactions with Non-Controlling Interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Non-controlling interests are presented separately within equity in the consolidated statement of financial position.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.5 Consolidation …..*Cont'd*

Transactions with Non-Controlling Interests …..*Cont'd*

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised 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 recognised 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 recognised 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 recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.6 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 summarised in the following notes:

• Disclosures of valuation methods, significant estimates and assumptions	Notes 2 and 4
• Quantitative disclosures of fair value measurement hierarchy	Note 3
• Investment properties	Note 11
• Financial instruments (including those carried at amortised cost)	Notes 3, 8 and 9

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

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

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

The 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities

a) Recognition and Initial Measurement

The Group initially recognises financial assets 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.

The Group classifies all of its financial assets into one of the following categories as explained in note 2.7(b):

- Amortised cost,
- FVTPL, or
- FVOCI.

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

b) Classification of Financial Instruments

Financial instruments are classified into various categories and are accounted for as shown in the table below.

Classification Category	**Instruments**	**Measurement Category**	**Recognition at FVTPL**	**Recognition at FVOCI**
Amortised cost	**Assets** • Cash and cash equivalents • Loans and advances to customers • Debt securities held to collect • Deposits with other banks **Liabilities** • Deposits due to banks • Due to customers • Borrowings • Other liabilities	Amortised cost	• Interest income • Interest expense • ECLs and reversals	
Fair value through other comprehensive income	• Equity instruments • Debt instruments	Fair value	• Dividend income • ECLs and reversals	Unrealised gains/losses from fair value changes
Fair value through profit or loss	• Equity instruments • Debt instruments	Fair value	• Gains or losses from fair value changes • ECLs and reversals • Dividend income	

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

b) Classification of Financial Instruments …..*Cont'd*

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 assets 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 Bank assesses business model at a portfolio level reflective of how groups of assets are managed to achieve a particular business objective. For the assessment of a business model, the Bank takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to key decision makers within the Bank's business lines;
- How compensation is determined for the Bank's business lines' management that manages the assets;
- Whether the assets are held for trading purposes i.e., assets that the Bank acquires or originate principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual Cash Flow Characteristics Assessment (SPPI Test)

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

In contrast, the contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases the financial asset is required to be measured at FVTPL or FVOCI without recycling.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

b) Classification of Financial Instruments …..*Cont'd*

Debt Instruments Measured at Amortised Cost

Financial assets are classified as measured at amortised cost if two criteria are met and the assets are not designated as at FVTPL:

- The financial assets are held within a business model with the objective of holding the assets to collect the contractual cash flows and;
- The contractual terms for the financial assets give rise to cash flows that are solely payment of principal or interest.

Financial assets are measured amortised cost using the effective interest rate method, with the carrying value adjusted by the expected credit loss (ECL) for each asset. Interest is included in the consolidated statement of income under interest revenue or interest expense on an accrual basis. The movement in ECL for these assets is recognised in the consolidated statement of income.

Debit Instruments Measured at Fair Value through Other Comprehensive Income (FVOCI)

Debit instruments are classified as FVOCI if two criteria are met and is not designated at FVTPL:

- The financial assets are held within a business model with the objective of collecting the contractual cash flows or potentially selling the assets, and;
- The contractual terms for the financial assets give rise to cash flows that are solely payment of principal or interest.

Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated statement of income on an average cost basis. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognised in the consolidated statement of income.

Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in the consolidated statement of income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss 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. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the consolidated statement of income. The accumulated allowance recognised in OCI is recycled to the consolidated statement of income upon derecognition of the debt instrument.

Debt instruments are measured at FVTPL for assets:

- held for trading purposes;
- held as part of a portfolio managed on a fair value basis; or
- whose cash flows do not represent payments that are SPPI.

These instruments are measured at fair value in the consolidated statement of financial position, with transaction cost recognised immediately in the consolidated statement of income as part of non-interest income. Realised and unrealized gains and losses are recognised as part of non-interest income in the consolidated statement of income.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

b) Classification of Financial Instruments …..*Cont'd*

Equity Instruments

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

- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

Equity Instruments Designated at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in the consolidated statement of income as part of non-interest income. Subsequent to initial recognition the changes in fair value are recognised as part of non-interest income in the consolidated statement of income.

Equity Instruments Designated at FVOCI

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 held for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes.

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

Financial Liabilities

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

Reclassification of Financial Assets and Liabilities

The Group classifies its financial assets and liabilities in accordance with its existing business models. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on modification and de-recognition of financial assets described below.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

c) Derecognition of Financial Assets and Liabilities

Derecognition of Financial Assets

The derecognition criteria are applied to the transfer of part of an asset, rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset or a fully proportionate share of specifically identified cash flows from the asset.

A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Group transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Group has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Group has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognizes the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Group retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated statement of income. Transfers of financial assets that do not qualify for derecognition are reported as secured financing in the consolidated statement of financial position.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the consolidated statement of income.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets

The Group recognizes loss allowances for expected credit losses (ECLs) on the following financial assets that are not measured at FVTPL:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- loans and advances to customers;
- loan commitments; and
- financial guarantee contracts.

The measurement of expected credit loss involves complex judgement that includes:

Determining a Significant Increase in Credit Risk since Initial Recognition

- The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12 months ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Group applies a three-stage approach based on the change in credit quality since initial recognition.

Expected Credit Loss Impairment Model

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either:

(i) over the following twelve months; or
(ii) over the expected life of a financial instrument depending on credit deterioration since origination.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

Expected Credit Loss Impairment Model…Cont'd

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- **Stage 1 – 12-month ECL**

  The Group collectively assesses ECL on exposures where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument. An amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.

- **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 recognises a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

- **Stage 3 – 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 recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

Measurement of Expected Credit Loss

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward looking.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

ECLs 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.
- For 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.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Group expects to recover.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

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

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

Incorporation of Forward–Looking Information

When recognizing the impact of forward-looking information on the loan portfolio in 2021, the Group formulated five economic scenarios in respect of the main developments of the macroeconomic parameters. An assessment of the future economic impact was performed based on the correlation between an expected loss and a change in the macroeconomic parameters under each of the five indicators developed based on the Group's internal forecasts. The range of the forecast indicators comprises, impact of COVID 19, business sentiment, the impact of La Soufriere volcanic eruptions, the GDP rate indicators and unemployment rate. A weighting totaling one hundred percent (100%) was assigned to the indicators.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

Incorporation of Forward–Looking Information …..*Cont'd*

Informed by economic data and forecasts published by government and regulatory authorities the assumptions used are as follows:

a. **GDP Growth** - The country is expected to record a significant decline in GDP growth in 2021; however, there are projections of a significant positive rebound in 2022 onward. These expectations are likely to have a reducing impact on ECLs over the medium and long-term.

b. **Unemployment** - The availability of jobs (unemployment rate) is the single most important factor affecting the borrower's ability to pay. The government is the single largest employer and therefore the impact of economic swings on consumers is buffered by the government's employment mandate.

c. **COVID-19** - A large portion of the borrowers/loans impacted by the COVID-19 pandemic fall within the tourism, hospitality and leisure sector. Currently, low vaccination rates for St. Vincent and the Grenadines are expected to impact tourism and long-stay arrivals. These considerations along with a potentially significant number of the workforce ill due to COVID-19 at any point in time indicates a moderate to high impact on the Bank's ECLs.

d. **La Soufrière Volcano** - The potential fallout from the eruption of La Soufrière volcano was anticipated to be severe during and immediately following the eruption; however, by the end of the year, most systems were operating as prior to the eruption and the majority of persons had returned to their homes in the north. The impact on ECLs is now considered very low to moderate depending on the type of borrower and/or facility held.

e. **Business/Consumer Sentiment** – Business and Consumer sentiment is considered a key driver of the economy. Generally, it is expected that when business owners and consumers moods shift toward more optimism, there are expectation of economic improvement and vice versa. Our institution interacts daily with business owners and consumers within the Vincentian economy with a general note that confidence has improved about future economic fortunes compared to the reservations and conservatism expressed in 2020 and 2021.

However, given limitations in available data, and other observations made on the portfolio characteristics, modelling forward looking PDs would not be practical and without undue costs and effort. These data limitations and portfolio observations included the following:

- Some credit categories had limited periods of observation which in some cases were insufficient to cover multiple macroeconomic cycles.
- High-level correlation analyses did not yield reasonable results which warranted significant additional analysis.
- There was a limited number of defaults, and even fewer number of loss observations on some segments of the Bank's credit portfolios (e.g. overdrafts and credit cards) for modelling.

There was no consistent pattern across the different portfolio segments that show convincing evidence of a persistent macroeconomic impact to default across the segments as some portfolio segments (e.g. mortgages and student loans) show weak to no correlation.

However, given because these parameters have a major impact on the level of recognized changes in the valuation of the Group's assets. In order to adequately account for the high quarterly variability of macroeconomic ratios in the risk parameter models (in particular in the probability of default (PD) model), the average values of the said indices over a 10-year period were adopted.

The Group performed a sensitivity analysis on the ECL recognised on its credit portfolio using a range of upside and downside of five percent to sixty percent.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

Assessment of Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that was available.

The assessment of an increase in credit risk included macroeconomic outlook, management judgement, and delinquency and monitoring. The importance and relevance of each specific factor depends on the type of product, characteristics of the financial instruments and the borrower and the industry. With regards to delinquency and monitoring, there was a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Some of the indicators which were incorporated included:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the actual or expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime determined PD by comparing the remaining lifetime PD at reporting date with the remaining lifetime PD at the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For loans and advances there is particular focus on assets that are included on a 'watch list' once there is a concern that the creditworthiness of the specific counterparty has deteriorated Events such as unemployment, bankruptcy or death are also considered.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD. Financial assets that are 30 or more days past due and are not credit impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or churn rate approach is applied to compute expected credit losses, significant increase in credit risk is primarily based on 30 days past due on the contractual payment.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

Assessment of Significant Increase in Credit Risk (SICR) …..*Cont'd*

Credit Impaired (or Defaulted) Exposures (Stage 3)

Financial assets that are credit impaired (or in default) are referred to as Stage 3 assets and represent those that are at least 90 days past due in respect of principal and/or interest. The contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases the financial asset is required to be measured at FVTPL or FVOCI without recycling. Lifetime ECL is recognised for loans where there is objective evidence of impairment.

Expected credit losses are determined based on an assessment of the recoverable cash flows using a probability weighted range of possible future economic scenarios and applying this to the estimated exposure of the Group at the point of default (exposure at default) after taking into account the value of any collateral held or other mitigants of loss (loss given default), while allowing for the impact of discounting for the time value of money and assumptions about past and future events discounted at the asset's effective interest rate (EIR).

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

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

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

Credit Impaired (or Defaulted) Exposures (Stage 3) …..*Cont'd*

Definition of Default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12 month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The definition of default is appropriately tailored to reflect different characteristics of different assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

Improvement in Credit Risk/Curing

A period may elapse from the point at which financial instruments enter lifetime expected credit losses (stage 2 and stage 3) and are reclassified back to 12 month expected credit losses (stage 1). For financial assets that are credit impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit impaired. An instrument will no longer be considered credit impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where a significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original transfer criteria are no longer valid. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1.

A forborne loan can only be removed from the category (cured) if the loan is performing (stage 1 or 2) and a further one-year probation is met.

In order for a forbearance loan to become performing, the following criteria have to be satisfied:

- At least a year has passed with no default upon the forborne contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding

Subsequent to the criteria above being met, probation continues to assess if regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

Expected Life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by Management's actions.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

d) Impairment of Financial Assets …..*Cont'd*

Presentation of Allowance for Credit Losses in the Consolidated Statement of Financial Position

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognised in the consolidated statement of financial position because the carrying values of these assets is their fair values. However, the allowance determined is presented in accumulated other comprehensive income;
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

e) Modified Financial Assets

When a financial asset is modified or an existing financial asset is replaced with a new one, the Group conducts an assessment to determine if the existing financial asset should be derecognised. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors such as contractual cash flows after modification are no longer SPPI, change in currency or change in counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate.

If the modification does not result in cash flows that are substantially different, it does not result in derecognition. Based on the change in cash flows discounted at the original rate, the Group records a modification gain or loss to the extent that an impairment loss has not already been recorded. For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the provision for credit losses line in the consolidated statement of income.

f) Write-Offs of Credit Impaired Assets and Reversal of Impairment

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write off. A write off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Subsequent recoveries of amounts previously written off decrease the amount of the provision for impairment in the consolidated statement of income. If, in a subsequent period, the amount of the credit impairment losses decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the provision account. The amount of reversals is recognised in the consolidated statement of income.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

f) Write-Offs of Credit Impaired Assets and Reversal of Impairment …..*Cont'd*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

(i) Loans and Advances

All non-performing and performing loans and advances are individually reviewed and specific provisions made for impaired portion based on the realisable value of the loan collateral and discounted by the original effective rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral. Previously accrued income is reversed, and further interest income not accrued. Loans and advances with similar characteristics are assessed for impairment on a group basis. Where possible the Group seeks to restructure loans instead of taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms are renegotiated, any impairment is measured using the original effective interest rate and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and the future payments likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

When all efforts have been exhausted to recover a non-performing loan, that loan is deemed uncollectible and written off against the related provision for loan losses.

(ii) Investment Securities

The Group individually assesses each investment security for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to accrue at the effective interest rate on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the consolidated statement of income.

If there is objective evidence that the cost of an equity instrument may not be recovered, the instrument is considered to be impaired. Objective evidence that the cost may not be recovered includes qualitative impairment criteria as well as a significant or prolonged decline in the fair value below cost.

If an equity instrument is impaired based upon the Group's qualitative and quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognised as impairment losses. Therefore, at each reporting period, for an equity security that is determined to be impaired based on the Group's impairment criteria, an impairment loss is recognised for the difference between the fair value and the original cost, less any previously recognised impairment losses.

Any subsequent increases in value of previously impaired securities are recognised in the consolidated statement of other income.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.7 Financial Assets and Liabilities …..*Cont'd*

g) Offsetting Financial Instruments

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

2.8 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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).

2.9 Property and Equipment

(a) Recognition and Measurement

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Work in progress is stated at historical cost, less accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

(b) Subsequent Costs

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the consolidated statement of income during the financial year in which they are incurred.

(c) Depreciation

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

Leasehold improvements	20%
Motor vehicles	25%
Equipment	15%
Furniture	10%
Buildings	2%
Computer equipment and software	20%

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.9 Property and Equipment …..*Cont'd*

(d) Depreciation …..*Cont'd*

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 carry 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.

2.10 Investment Properties

Properties that are held for long term rental or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment property comprises of land held for capital appreciation.

Recognition of investment property 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 has incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property.

Subsequent expenditure is included in the assets 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 the consolidated statement of income during the financial year 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 based on active market prices, 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.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.11 Income Tax

(a) Current Tax

Income tax expense is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the year except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to the consolidated statement of income.

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

The Group does not offset income tax liabilities and income tax assets.

(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 consolidated 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 rates enacted or substantively enacted at the reporting date are used to determine deferred income tax. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting, nor taxable profit or loss.

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

Deferred tax assets and liabilities are only offset if certain criteria are met.

2.12 Borrowings

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

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.13 Provisions

Provisions are recognised 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.

2.14 Employee Benefits

(a) Defined Contribution Pension Plan

The Group operates a defined contribution pension plan. The plan is generally funded through payments to a trustee-administered fund, as determined by the provisions of the plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Short-Term Employee Benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in other liabilities and accrued expenses, measured at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.15 Financial Guarantees and Loan Commitments

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised as premium less cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

2.16 Share Capital

(a) 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.

(b) Dividends on Ordinary Shares

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

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.17 Revenue Recognition

The Effective Interest Rate Method

Interest income and expense is recorded using the Effective Interest Rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest Income and Expense

The Group calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets and liabilities other than credit-impaired assets. For purchased or originated credit impaired financial assets a credit, adjusted effective interest rate is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FTVPL is recognised using the contractual interest rate in net trading income and net gains /(losses) on financial assets at fair value through profit or loss, respectively.

Fees and Commission Income

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

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

Dividend Income

Dividend income is recognised when the right to receive payment is established.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.18 Foreign Currency Translation

(a) Functional and Presentation Currency

Items in the consolidated 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 Eastern Caribbean dollars, which is the Group's functional and presentation currency.

(b) 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 at the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of other comprehensive income.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as hold to collect and sell a distinction is made between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the monetary assets. Translation differences related to changes in the amortized cost are recognized in profit and 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.

2.19 Leases

At inception of a contract, the Bank 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 of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies …..*Cont'd*

2.19 Leases *Cont'd*

As a Lessee …..Cont'd

The Bank recognises 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 Bank by the end of the lease term.

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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets and lease liabilities separately in the statement of financial position.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies ……*Cont'd*

2.19 Leases …..*Cont'd*

Short-Term Leases and Leases of Low-Value Assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Financial Risk Management

Financial Instruments

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 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 risk 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 minimise potential adverse effects on the Group's financial performance.

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

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Group's Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, the Internal Audit Department is responsible for the independent review of risk management and the control environment.

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

(in Eastern Caribbean dollars)

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

(b) Credit Risk

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

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

The Group's credit risk management process operates on the basis of a hierarchy delegated authorities. The Credit Committee is a sub-committee of the Board of Directors with the authority to exercise the powers of the Board on all risk management decisions.

The debt securities within the Group's investment security portfolio are exposed to credit risk and are management by investment grading or country exposure with pre-set exposure limits as approved the Board of Directors. The credit quality of each individual security is assessed based on the financial strength, reputation and market position of the issuing entity and the ability of that entity to service the debt.

The Group avoids exposure to undue concentrations of risk by placing limits on the amount of risk accepted from a number of borrowers engaged in similar business activities, or activities in the same geographic region or with similar economic features that would cause their ability to meet contractual

obligations to be similarly affected by changes in economic, political or other conditions. Such risks are controlled and monitored on a revolving basis and are subject to an annual or more frequent review.

Limits on the level of credit risk by product, industry sector or geography are approved by the Board of Directors.

Loans and Advances to Customers

The Group takes on exposure to credit risk which, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses based on an expected credit loss model using counter party probabilities of default across the various loan categories. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the 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.

Debt Securities and Other Bills

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

(in Eastern Caribbean dollars)

3. Financial risk management …..*Cont'd*

(b) Credit Risk …..*Cont'd*

Cash and Balances with Banks and Other Financial Institutions

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's 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.

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 properties, 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 customers and individuals are generally secured. In addition, in order to minimise 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.

(in Eastern Caribbean dollars)

3. Financial risk management …..*Cont'd*

(b) Credit Risk …..*Cont'd*

Risk Limit Control and Mitigation Policies…..Cont'd

Collateral …..Cont'd

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 authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are authorisations by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the 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.

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 recognised for financial reporting purposes an expected loss model using a three-stage approach.

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;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above materiality threshold at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

(in Eastern Caribbean dollars)

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

(b) Credit Risk …..*Cont'd*

Impairment and Provisioning Policies …..Cont'd

Financial instruments that are not already credit impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (Stage 2) or they become credit impaired (Stage 3).

Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant increase in credit risk compared with what was expected at origination.

The framework used to determine a significant increase in credit risk is set out above (page 30).

Stage 1	Stage 2	Stage 3
12 month expected credit loss - performing	Lifetime expected credit loss -performing but significant increase in credit risk (SICR)	Credit impaired - non-performing

COVID-19 Impact

The COVID-19 pandemic's significant impact to the economy resulted in continued uncertainty on timing of recovery. This required additional considerations to determine the allowance for credit losses.

IFRS 9 requires the consideration of past events, current conditions and reasonable and supportable forward-looking information over the life of the exposure to measure expected credit losses. Furthermore, to assess significant increase in credit risk, the Standard requires that entities assess changes in the risk of a default occurring over the expected life of a financial instrument when determining staging. The IASB and global regulators issued guidance for entities, consistent with IFRS 9, to consider the exceptional circumstances of the COVID-19 pandemic. This includes consideration of significant government support and the high degree of uncertainty around historical long-term economic trends used in determining reasonable and supportable forward-looking information.

Expert credit judgement is applied to consider the exceptional circumstances this period, including consideration of government assistance programs, in the assessment of underlying credit deterioration and migration of balances to progressive stages.

Consistent with requirements of IFRS 9, the Group considered both quantitative and qualitative information in the assessment of significant increase in risk. First time utilization of a payment deferral program was not considered an immediate trigger, in keeping with IASB and regulatory guidance, for an account to migrate to a progressive stage, given the purpose of these programs is to provide temporary cashflow relief to the Bank's customers. Early observations of payment behaviour of expiries for this year were considered in the assessment of the longer-term probability of the customers' ability to pay, a key input in determining migration.

(in Eastern Caribbean dollars)

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

(b) Credit Risk …..*Cont'd*

Maximum Exposure to Credit Risk

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

	Maximum Exposure	
	2021	2020
	$	$
Deposit with Central Bank	**132,244,031**	130,326,268
Deposits with other banks	**269,797,307**	219,184,382
Treasury bills	**10,975,207**	9,998,875
Investment securities	**154,294,510**	124,226,929
Loans and advances to customers:		
− Overdrafts	**53,443,621**	65,319,618
− Term loans	**73,350,499**	77,182,173
− Business and sovereign	**174,206,263**	169,823,718
− Mortgage loans	**324,888,225**	326,241,506
− Credit cards	**2,229,943**	2,497,833
Other assets	**10,432,102**	6,924,753
	1,205,861,708	1,131,726,055
Credit Risk Exposures Relating to the Financial Assets		
Guarantees and letters of credit	**390,000**	390,000
Loan commitments	**4,591,307**	8,313,500
	4,981,307	8,703,500
	1,210,843,014	1,140,429,555

The above table represents a worst-case scenario of credit risk exposure to the Group at December 31, 2021 and December 2020, without taking account of any collateral held or other credit enhancements attached thereto. For assets included "on" statement of financial position, the exposures set out above are based on net amounts.

As shown above 52% (2020: 57%) of the total maximum exposure is derived from loans and advances to customers; 13% (2020: 11%) represents investments in debt securities.

(in Eastern Caribbean dollars)

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

(b) Credit Risk …..*Cont'd*

Maximum Exposure to Credit Risk …..Cont'd

Collateral

The value of identifiable collateral for credit impaired loans and advances was $83,578,421 (2020: $102,382,442).

	Over Collateralized $	Under Collateralized $	Cash Collateral $	No Collateral $	Total $
December 31, 2021					
Loans and advances	**28,723,665**	**4,084,950**	**994,701**	**3,473,312**	**37,276,628**
Collateral (FV)	**79,636,103**	**2,645,240**	**1,297,078**	**-**	**83,578,421**
December 31, 2020					
Loans and advances	36,424,612	3,881,899	1,299,758	2,746,377	44,352,646
Collateral (FV)	98,248,767	2,833,917	1,299,758	-	102,382,442

Analysis of Credit Quality

Loans and Advances to Customers

	Stage 1 12 months Expected Credit Losses not Credit Impaired		Stage 2 Lifetime Expected Credit Losses not Credit Impaired		Stage 3 Lifetime Expected Credit Losses Credit Impaired	
	2021	2020	**2021**	2020	**2021**	2020
	$	$	**$**	$	**$**	$
Gross exposure	**470,583,175**	465,008,399	**151,236,778**	162,940,027	**37,276,628**	44,352,646
Less allowance for impairment on loans and advances	**(3,639,511)**	(2,701,142)	**(11,589,097)**	(10,329,380)	**(15,749,422)**	(18,205,702)
Net Exposure	**466,943,664**	462,307,257	**139,647,681**	152,610,647	**21,527,206**	26,146,944

The total credit impairment for loans and advances to customers is $30,978,030 (2020: $31,236,224) of which $15,749,422 (2020: $18,205,702) represents the individually impaired loans (stage 3) and the remaining amount of $15,228,608 (2020: $13,030,522) represents the credit impairment for stage 1 and stage 2 loans. Further information on the staging and allowance for impairment losses on loans and advances to customers is disclosed in **Note 9.**

(in Eastern Caribbean dollars)

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

(b) Credit Risk …..*Cont'd*

Analysis of Credit Quality …..Cont'd

Debt Securities and Other Eligible Bills

The table below presents an analysis of debt securities and treasury bills by rating agency designation at December 31, 2021 and 2020, based on Standard & Poor's and Caricris ratings:

	Treasury Bills $	**Investment Securities at Amortised Cost $**	**Investment Securities at FVOCI $**	**Total $**
At December 31, 2021				
AA- to A+	**-**	**4,010,137**	**631,456**	**4,641,593**
Lower than A+	**10,011,536**	**55,976,898**	**-**	**65,988,434**
Unrated	**963,671**	**26,535,399**	**14,795,379**	**42,294,449**
	10,975,207	**86,522,434**	**15,426,835**	**112,924,476**

	Treasury Bills $	Investment Securities at Amortised Cost $	Investment Securities at FVOCI $	Total $
At December 31, 2020				
AA- to A+	-	-	544,247	544,247
Lower than A+	9,998,875	57,591,872	4,256,937	71,847,684
Unrated	-	17,791,219	-	17,791,219
	9,998,875	75,383,091	4,801,184	90,183,150

(in Eastern Caribbean dollars)

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

(b) Credit Risk …..*Cont'd*

Analysis of Credit Quality …..Cont'd

Concentrations of Risks of Financial Assets with Credit Exposure

Geographical Sectors

The Group operates primarily in St. Vincent and the Grenadines. The following summarized the geographical distribution of the Group's financial assets and liabilities:

2021	St. Vincent $	ECCB Currency Union $	United States $	United Kingdom $	Canada $	Other $	Total $
Financial Assets							
Cash and balances with ECCB	22,684,091	132,244,031	-	-	-	-	154,928,122
Deposits with other banks	1,421,690	10,634,474	210,339,567	46,971,860	311,453	118,263	269,797,307
Treasury bills	-	10,975,207	-	-	-	-	10,975,207
Investment securities:							
- At amortised cost	66,535,736	16,246,606	-	-	-	3,740,092	86,522,434
- At FVOCI	-	14,795,000	631,455	-	-	380	15,426,835
- At FVTPL	-	-	51,771,491	-	-	573,750	52,345,241
Loans and receivables:							
- Loans and advances to customers	628,118,551	-	-	-	-	-	628,118,551
Other assets	10,432,102	-	-	-	-	-	10,432,102
Total Financial Assets	729,192,170	184,895,318	262,742,513	46,971,860	311,453	4,432,485	1,228,545,799
Financial Liabilities							
Deposits from banks	77,542	18,113,900	-	-	-	147,522	18,338,965
Due to customers	1,081,376,200	-	-	-	-	-	1,081,376,200
Borrowed funds	7,897,340	-	-	-	-	14,865,259	22,762,599
Provisions and other liabilities	37,258,258	-	-	-	-	-	37,258,258
Total Financial Liabilities	1,126,609,340	18,113,900	-	-	-	15,012,782	1,159,736,022
Net Position	(397,417,170)	166,781,419	262,742,514	46,971,860	311,453	(10,580,297)	68,809,779

(in Eastern Caribbean dollars)

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

(b) Credit Risk …..*Cont'd*

Analysis of Credit Quality …..Cont'd

Concentrations of Risks of Financial Assets with Credit Exposure …..*Cont'd*

Geographical Sectors …..Cont'd

2020	St. Vincent $	ECCB Currency Union $	United States $	United Kingdom $	Canada $	Other $	Total $
Financial Assets							
Cash and balances with ECCB	19,385,057	130,326,267	-	-	-	-	149,711,324
Deposits with other banks	2,809,476	8,368,204	171,982,622	34,607,570	412,393	1,004,117	219,184,382
Treasury bills	-	9,998,875	-	-	-	-	9,998,875
Investment securities:							
- At amortised cost	55,312,190	16,456,977	-	-	-	3,613,924	75,383,091
- At FVOCI	-	14,795,000	4,801,185	-	-	412	19,596,596
- At FVTPL	-	-	28,572,242	-	-	675,000	29,247,242
Loans and receivables:							-
- Loans and advances to customers	641,064,848	-	-	-	-	-	641,064,848
Other assets	6,921,243	-	-	-	-	-	6,921,243
Total Financial Assets	725,492,813	179,945,323	205,356,050	34,607,570	412,393	5,293,452	1,151,107,601
Financial Liabilities							
Deposits from banks	1,267,213	19,660,477	-	-	-	268,558	21,196,247
Due to customers	990,312,696	-	-	-	-		990,312,696
Borrowed funds	11,430,771	-	-	-	-	16,846,678	28,277,449
Provisions and other liabilities	38,107,806	-	-	-	-		38,107,806
Total Financial Liabilities	1,041,118,487	19,660,477	-	-	-	17,115,236	1,077,894,199
Net Position	(315,625,673)	160,284,847	205,356,050	34,607,570	412,393	(11,821,783)	73,213,402

(in Eastern Caribbean dollars)

3. Financial Risk Management .....*Cont'd*

(b) Credit Risk .....*Cont'd*

Concentrations of Risks of Financial Assets with Credit Exposure .....*Cont'd*

Industry Sectors

The following table breaks down the Group's credit exposure at gross amounts, without considering either collateral held or other credit support, by the industry sectors of the Group's counterparties.

Industry and Economic Concentrations of Assets

	Financial Institutions	Manu-facturing	Tourism	Government	Professional and Other Services	Personal	Other Industries	Total
	$	$	$	$	$	$	$	$
Cash and balances with ECCB	154,928,122	-	-	-	-	-	-	154,928,122
Deposits with other banks	269,797,307	-	-	-	-	-	-	269,797,307
Treasury bills	-	-	-	10,975,207	-	-	-	10,975,207
Investment securities:								
- At amortised cost	41,276,165	-	-	45,246,269	-	-	-	86,522,434
- At FVOCI	14,795,379	-	-	-	-	-	631,456	15,426,835
- At FVTPL	573,750	-	-	-	-	-	51,771,491	52,345,241
Loans and advances to customers:								
- Business and sovereign	8,558	1,985,975	4,677,375	70,073,781	8,741,042	6,644,399	82,075,133	174,206,263
- Term loans	-	29,543	-	-	31,383	72,655,738	633,835	73,350,499
- Mortgages loans	-	-	-	-	481,788	19,220,382	305,186,055	324,888,225
- Overdrafts	47,996	469,972	1,326,137	37,160,785	1,002,353	2,213,074	11,223,304	53,443,621
- Credit cards	8,619	-	-	-	-	2,184,464	36,860	2,229,943
Other assets	-	-	-	-	-	-	10,432,102	10,432,102
At December 31, 2021	**481,435,896**	**2,485,490**	**6,003,512**	**163,456,042**	**10,256,566**	**102,918,057**	**461,990,236**	**1,228,545,799**
Guarantees, Letters of Credit and Loan Commitments	-	-	350,000	-	-	4,282,307	349,000	4,981,307

(in Eastern Caribbean dollars)

3. Financial Risk Management .....*Cont'd*

(b) Credit Risk .....*Cont'd*

Industry and Economic Concentrations of Assets .....Cont'd

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	Other Industries $	Total $
Cash and balances with ECCB	130,326,268	-	-	-	-	-	-	130,326,268
Deposits with other banks	219,184,382	-	-	-	-	-	-	219,184,382
Treasury bills	-	-	-	9,998,875	-	-	-	9,998,875
Investment securities:								
- At amortised cost	24,828,271	-	-	43,129,750	-	-	7,425,070	75,383,091
- At FVOCI	18,506,181	-	-	544,247	-	-	546,168	19,596,596
- At FVTPL	8,446,299	-	-	-	-	-	20,800,943	29,247,242
Loans and advances to customers:								
- Business and sovereign	13,339	2,131,304	5,745,399	80,490,518	7,998,287	5,409,871	68,035,000	169,823,718
- Term loans	-	31,742	-	-	63,539	75,773,659	1,313,233	77,182,173
- Mortgages loans	-	-	-	-	553,131	23,377,131	302,311,244	326,241,506
- Overdrafts	148	536,050	907,120	47,399,820	973,155	3,263,477	12,239,848	65,319,618
- Credit cards	2,232	-	-	134	23,103	2,444,064	28,300	2,497,833
Other assets	-	-	-	-	-	-	6,924,753	6,924,753
At December 31, 2020	401,307,120	2,699,096	6,652,519	181,563,344	9,611,215	110,268,202	419,624,559	1,131,726,055
Guarantees, Letters of Credit and Loan Commitments	-	-	-	-	1,545,000	6,120,500	1,038,000	8,703,500

(in Eastern Caribbean dollars)

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

(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 rates 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 exposure to market risks arises from its non-trading and trading portfolios. Senior management of the Group monitors and manages market through the Asset Liability Committee which advises on financial risks and assigns risk limits for the Group.

Non-trading portfolios market risk primarily arises from the interest rate management of the Group's retail and commercial banking assets and liabilities.

(d) Currency Risk

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

The following table summarizes the Group exposure to foreign currency exchange risk as at December 31.

(in Eastern Caribbean dollars)

3. Financial Risk Management .....*Cont'd*

(d) Currency Risk .....*Cont'd*

	ECD $	USD $	BDS $	EURO $	GBP $	CAD $	Other $	Total $
As at December 31, 2021								
Financial Assets								
Cash and balances with ECCB	152,238,807	1,293,454	183,163	563,550	166,826	465,036	17,286	154,928,122
Deposit with other banks	8,842,200	259,074,044	41,050	806,156	645,192	311,453	77,212	269,797,307
Treasury bills	10,975,207	-	-	-	-	-	-	10,975,207
Investment securities:								
– at amortised cost	85,847,857	674,577	-	-	-	-	-	86,522,434
– at FVOCI	14,795,379	631,456	-	-	-	-	-	15,426,835
– at FVTPL	-	51,771,491	573,750	-	-	-	-	52,345,241
Loans and advances to customers	628,118,551	-	-	-	-	-	-	628,118,551
Other assets	10,432,102	-	-	-	-	-	-	10,432,102
Total Financial Assets	911,250,103	313,445,022	797,963	1,369,706	812,018	776,489	94,498	1,228,545,799
Financial Liabilities								
Deposits due to banks	18,338,965	-	-	-	-	-	-	18,338,965
Due to customers	1,022,929,550	57,732,277	-	593,613	117,972	2,788	-	1,081,376,200
Provisions and other liabilities	37,258,258	-	-	-	-	-	-	37,258,258
Borrowings	7,897,340	14,865,259	-	-	-	-	-	22,762,599
Total Financial Liabilities	1,086,424,113	72,597,536	-	593,613	117,972	2,788	-	1,159,736,022
Net (Liabilities) Assets	(175,174,010)	240,847,486	797,963	776,093	694,046	773,701	94,498	68,809,777
Guarantees, Letters of Credit and Loan Commitments	390,000	-	-	-	-	-	-	-

(in Eastern Caribbean dollars)

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

(d) Currency Risk …..*Cont'd*

	ECD $	USD $	BDS $	EURO $	GBP $	CAD $	Other $	Total $
As at December 31, 2020								
Financial Assets								
Cash and balances with ECCB	145,663,149	1,737,890	424,987	606,450	258,829	762,739	257,280	149,711,324
Deposit with other banks	9,000,739	206,072,954	106,013	1,682,017	1,012,162	412,393	898,104	219,184,382
Treasury bills	9,998,875	-	-	-	-	-	-	9,998,875
Investment securities:								
– at amortised cost	71,051,283	4,331,808	-	-	-	-	-	75,383,091
– at FVOCI	14,795,411	4,801,185	-	-	-	-	-	19,596,596
– at FVTPL	-	28,572,242	675,000	-	-	-	-	29,247,242
Loans and advances to customers	641,064,848	-	-	-	-		-	641,064,848
Other assets	6,924,753	-	-	-	-	-	-	6,924,753
Total Financial Assets	898,499,058	245,516,079	1,206,000	2,288,467	1,270,991	1,175,132	1,155,384	1,151,111,111
Financial Liabilities								
Deposits due to banks	21,196,247	-	-	-	-	-	-	21,196,247
Due to customers	941,533,802	46,903,663	-	1,871,081	1,367	2,783	-	990,312,696
Provisions and other liabilities	38,107,806	-	-	-	-	-	-	38,107,806
Borrowings	11,430,771	16,846,678	-	-	-	-	-	28,277,449
Total Financial Liabilities	1,012,268,626	63,750,341	-	1,871,081	1,367	2,783	-	1,077,894,198
Net (Liabilities) Assets	(113,769,568)	181,765,738	1,206,000	417,386	1,269,624	1,172,349	1,155,384	73,216,913
Guarantees, Letters of Credit and Loan Commitments	8,703,500	-	-	-	-	-	-	8,703,500

(in Eastern Caribbean dollars)

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

(e) Interest Rate Risk

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

	Up to 1 Month $	1 – 3 Months $	3 – 12 Months $	1 – 5 Rears $	Over 5 Years $	Non-Interest Bearing $	Total $
As at December 31, 2021							
Financial Assets							
Cash and balances with ECCB	-	-	-	-	-	154,928,122	154,928,122
Deposits with other banks	14,874,945	14,878,880	10,496,751	-	-	229,546,731	269,797,307
Treasury bills		10,011,536	963,671	-	-	-	10,975,207
Investment securities:							
– at amortised cost	754,353	8,825,604	13,461,418	33,882,370	29,598,689	-	86,522,434
– at FVTPL	-	-	-	-	-	52,345,242	52,345,242
– at FVOCI	-	-	-	-	-	15,426,834	15,426,834
Loans and advances to customers	18,152,254	42,183,790	18,214,250	78,814,151	470,754,106	-	628,118,551
Other assets	-	-	-	-	-	10,432,102	10,432,102
Total Financial Assets	33,781,552	75,899,810	43,136,090	112,696,521	500,352,795	462,679,031	1,228,545,799
Financial Liabilities							
Deposits due to banks	-	-	15,359,584	-	-	2,979,381	18,338,965
Due to customers	753,475,300	24,020,673	73,059,537	-	-	230,820,690	1,081,376,200
Provisions and other liabilities	8,667,434	-	-	-	-	28,590,824	37,258,258
Borrowings	618,664	909,747	4,277,941	11,676,522	5,279,725	-	22,762,599
Total Financial Liabilities	762,761,398	24,930,420	92,697,062	11,676,522	5,279,725	262,390,895	1,159,736,022
Net Interest Re-Pricing Gap	(728,979,846)	50,969,390	(49,560,972)	101,019,999	495,073,070	200,288,136	68,809,777

(in Eastern Caribbean dollars)

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

(e) Interest Rate Risk …..*Cont'd*

	Up to 1 Month $	1 – 3 Months $	3 – 12 Months $	1 – 5 Years $	Over 5 Years $	Non-Interest Bearing $	Total $
As at December 31, 2020							
Financial Assets							
Cash and balances with ECCB	-	-	-	-	-	149,711,324	149,711,324
Deposits with other banks	13,506,469	2,753,614	10,249,696	-	-	192,674,603	219,184,382
Treasury bills	-	9,998,875	-	-	-	-	9,998,875
Investment securities:							
– at amortised cost	-	6,030,267	15,855,100	21,326,954	32,170,770	-	75,383,091
– at FVTPL	-	-	-	-	-	29,247,242	29,247,242
– at FVOCI	-	4,808,181	-	-	-	14,788,415	19,596,596
Loans and advances to customers	40,547,760	57,908,898	13,749,777	81,931,207	446,927,206	-	641,064,848
Other assets	-	-	-	-	-	6,924,753	6,924,753
Total Financial Assets	54,054,229	81,499,835	39,854,573	103,258,161	479,097,976	393,346,337	1,151,111,111
Financial Liabilities							
Deposits due to banks	-	-	16,443,608	-	-	4,752,639	21,196,247
Due to customers	696,060,440	25,398,356	74,590,194	-	-	194,263,706	990,312,696
Provisions and other liabilities	7,578,924	-	-	-	-	30,528,882	38,107,806
Borrowings	679,260	855,697	4,110,698	15,592,160	7,039,634	-	28,277,449
Total Financial Liabilities	704,318,624	26,254,053	95,144,500	15,592,160	7,039,634	229,545,227	1,077,894,198
Net Interest Re-Pricing Gap	(650,264,395)	55,245,782	(55,289,927)	87,666,001	472,058,342	163,801,110	73,216,913

(in Eastern Caribbean dollars)

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

(e) Interest Rate Risk …..*Cont'd*

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

	2021	2020
Loans and Advances to Customers:		
- Overdrafts	**7.5%-14%**	7.5%-14%
- Term loans	**4%-14%**	4.5%-14%
- Business and sovereign	**3.4%-14%**	5.4% -14%
- Mortgage loans	**3.4%-12.5%**	4.5%-14%
- Credit cards	**19.5%**	19.5%
Investment Security at Amortised Cost	**4.69%**	6.75%
Investment Securities:		
Government treasury bills and bonds	**3.4%-4%**	3%-7%
Other securities	**0.5%-6%**	1.5%-7.9%
Deposits with banks	**0%-2.75%**	0%-2.75%
Deposits Due to Customers:		
Term deposits	**1%-3.25%**	1.5%-4.5%
Savings deposits	**2%-3.5%**	2%-3.5%
Demand deposits	**0%-3.5%**	0%-3.5%
Deposits due to banks	**0%-1.5%**	0%-1.75%
Borrowings	**2.5%-6.75%**	2.5%-6.75%

Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. During the year, had variable interest rates been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been $3,140,593 (2020: $3,204,560) higher/lower on variable rate loans.

(f) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, payment of cash requirements from contractual commitments, or other cash out flows.

(in Eastern Caribbean dollars)

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

(f) Liquidity Risk …..*Cont'd*

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 these needs, as experience shows that a minimum level of reinvestments 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 borrowings 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.

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

(in Eastern Caribbean dollars)

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

(f) Liquidity Risk …..*Cont'd*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at December 31, 2021						
Financial Liabilities						
Deposits due to banks	3,073,006	-	15,476,557	-	-	18,549,563
Due to customers	983,539,632	24,082,141	73,899,079	-	-	1,081,520,852
Provisions and other liabilities	37,258,258	-	-	-	-	37,258,258
Borrowings	618,663	1,027,509	4,994,193	13,516,489	5,658,734	25,815,588
Total Financial Liabilities	1,024,489,559	25,109,650	94,369,829	13,516,489	5,658,734	1,163,144,261
Financial Assets						
Cash and balances with ECCB	154,928,122	-	-	-	-	154,928,122
Deposits with other banks	244,453,231	14,896,913	10,665,584	-	-	270,015,728
Treasury bills	-	9,651,125	991,781	-	-	10,642,906
Investment securities:						
- at amortised cost	380,076	8,884,911	16,854,136	51,246,734	28,397,757	105,763,614
- at FVTPL	-	5,390,233	1,163,734	-	45,791,274	52,345,241
- at FVOCI	-	-	-	631,456	14,795,379	15,426,835
Loans and advances to customers	24,040,300	62,973,333	84,347,554	298,445,598	435,769,626	905,576,411
Other assets	12,464,553	-	-	-	-	12,464,553
Total Financial Assets held-for-managing Liquidity	436,266,282	107,796,515	114,022,789	350,323,788	524,754,036	1,527,163,410
Guarantees, Letters of Credit and Loan Commitments	4,591,307	-	390,000	-	-	4,981,307

(in Eastern Caribbean dollars)

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

(f) Liquidity Risk …..*Cont'd*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at December 31, 2020						
Financial liabilities						
Deposits due to banks	4,752,639	-	16,599,863	-	-	21,352,502
Due to customers	890,571,260	25,470,909	75,512,808	-	-	991,554,977
Provisions and other liabilities	38,107,806	-	-	-	-	38,107,806
Borrowings	679,260	1,027,509	5,056,090	18,143,993	7,700,470	32,607,322
Total financial liabilities	934,110,965	26,498,418	97,168,761	18,143,993	7,700,470	1,083,622,607
Financial assets						
Cash and balances with ECCB	149,711,324	-	-	-	-	149,711,324
Deposits with other banks	206,208,353	2,760,364	10,431,482	-	-	219,400,199
Treasury bills	-	10,359,452	-	-	-	10,359,452
Investment securities:						
- at amortised cost	459,882	6,034,665	18,796,927	31,239,394	38,538,475	95,069,343
- at FVTPL	-	7,771,299	1,143,289	-	20,332,654	29,247,242
- at FVOCI	-	-	-	4,801,184	14,795,412	19,596,596
Loans and advances to customers	51,228,330	76,973,090	95,740,997	343,509,610	579,603,816	1,147,055,843
Other assets	8,861,265	-	-	-	-	8,861,265
Total Financial Assets held-for-managing Liquidity	416,469,154	103,898,870	126,112,695	379,550,188	653,270,357	1,679,301,264
Guarantees, Letters of Credit and Loan Commitments	8,313,500	-	390,000	-	-	8,703,500

(in Eastern Caribbean dollars)

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

(f) Liquidity Risk …..*Cont'd*

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 banks, certificates of deposits, government bonds that are readily acceptable in repurchase agreements, treasury and other eligible bills, loans and advances to financial institutions, loans and advances to customers and other items in the course of collection.

The 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

(i) 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 as disclosed in **(Note 21)**, are summarised in the table below.

(ii) Financial Guarantees and Other Financial Facilities

Financial guarantees **(Note 21)** are also included below based on the earliest contractual maturity date.

	1 Year $	Total $
At December 31, 2021		
Loan commitments	**4,591,307**	**4,591,307**
Guarantees and letters of credit	**390,000**	**390,000**
Total	**4,981,307**	**4,981,307**
At December 31, 2020		
Loan commitments	8,313,500	8,313,500
Guarantees and letters of credit	390,000	390,000
Total	8,703,500	8,703,500

(h) Fair Values of Financial Assets and Liabilities

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

(in Eastern Caribbean dollars)

3. Financial Risk Management .....*Cont'd*

(h) Fair Values of Financial Assets and Liabilities .....*Cont'd*

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

Due to Customers

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

Investment Securities

Investment securities include interest bearing debt and equity securities are classified at amortised cost and at fair value through other comprehensive income. Assets held for sale are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

Loans and Advances

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

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

	Carrying Value		Fair Value	
	2021	2020	**2021**	2020
	$	$	**$**	$
Financial assets				
Loans and advances to customers:				
− Term loans	**73,350,499**	77,182,173	**74,640,095**	84,328,355
− Business and sovereign	**174,206,263**	169,823,718	**175,764,269**	162,489,531
− Mortgage loans	**324,888,225**	326,241,506	**327,510,065**	327,566,693
− Overdrafts	**53,443,621**	65,319,618	**53,443,621**	65,319,618
− Credit cards	**2,229,943**	2,497,833	**2,229,943**	2,497,833
Investment securities:				
− At amortised cost	**86,522,434**	75,383,091	**87,178,207**	73,102,052
Financial liabilities				
Deposits due to banks	**18,338,965**	21,196,247	**18,338,965**	21,196,247
Due to customers	**1,081,376,200**	990,312,696	**1,081,376,200**	990,312,696
Provisions & other liabilities	**37,258,258**	38,107,806	**37,258,258**	38,107,806
Borrowings	**22,762,599**	28,277,449	**22,630,064**	27,855,919

(in Eastern Caribbean dollars)

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

(h) Fair Values of Financial Assets and Liabilities …..*Cont'd*

Management assessed that cash and short-term deposits with other banks, treasury bills, loans and advances, provisions and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of assets and liabilities:

- The Group's interest-bearing borrowings and loans are determined by using DCF method using the discount rate that reflects the market rate at the end of the period; and
- The value of regional bonds classified as amortised cost with evidence of open market trades at par plus accrued interest is deemed to approximate fair value.

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 actively traded exchanges.

- 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.

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

(in Eastern Caribbean dollars)

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

(h) Fair Values of Financial Assets and Liabilities …..*Cont'd*

The following table sets out information about significant unobservable inputs used in measuring fair value at December 2021 and 2020 in measuring financial instruments at level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Value at December 2021	Fair Value at December 2020	Valuation Techniques	Significant Unobservable Input	Range of Estimates (weighted-average) for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Input
Equity securities measured at FVOCI	14,795,379	14,795,412	Discounted cash flows	Expected cash flows derived from the entity historical performance	Investment based	A significant increase in in expected cash flows would result in a higher fair value
Loans and advances to customers	633,587,993	632,202,030	Discounted cash flows	Discounted at the market rate	6.25 – 8.5%	A significant increase in the discount rate would result in a lower fair value

(in Eastern Caribbean dollars)

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

(h) Fair Values of Financial Assets and Liabilities …..*Cont'd*

Fair Value Hierarchy

The following table outlines the fair value hierarchy of instruments carried at fair value on a recurring basis and instruments not carried at fair value.

	2021				2020			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$	**$**	**$**	**$**	$	$	$	$
As at December 31								
Financial Assets								
Investment securities at FVTPL	**52,345,242**	**-**	**-**	**52,345,242**	29,247,242	-	-	29,247,242
Investment securities at FVOCI	**631,623**	**-**	**14,795,211**	**15,426,834**	4,801,184	-	14,795,412	19,596,596
Financial Assets for which Fair Values are disclosed								
Investment securities at amortised cost	**-**	**87,178,207**	**-**	**87,178,207**	-	73,102,052	-	73,102,052
Loans and advances to customers	**-**	**-**	**633,587,993**	**633,587,993**	-	-	632,202,030	632,202,030
Total Financial Assets	**52,976,865**	**87,178,207**	**648,383,204**	**788,538,276**	34,048,426	73,102,052	646,997,442	754,147,920
Liabilities for which Fair Values are disclosed								
Deposits due to banks	**-**	**-**	**18,338,965**	**18,338,965**	-	-	21,196,247	21,196,247
Due to customers	**-**	**-**	**1,081,376,200**	**1,081,376,200**	-	-	990,312,696	990,312,696
Provisions and other liabilities	**-**	**-**	**37,258,258**	**37,258,258**	-	-	38,107,806	38,107,806
Borrowings	**-**	**22,762,599**	**-**	**22,762,599**	-	27,855,919	-	27,855,919
	-	**22,762,599**	**1,136,973,423**	**1,159,736,022**	-	27,855,919	1,049,616,749	1,077,472,668

(in Eastern Caribbean dollars)

3. Financial Risk Management .....*Cont'd*

(h) Fair Values of Financial Assets and Liabilities .....*Cont'd*

The fair value of financial instruments that are traded in an active market is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, deal, 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 at FVTPL.

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 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.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, dividend discount model, comparable company multiples, namely enterprise value to earnings before interest, taxes, depreciation and amortization, price-to-earnings and price-to-tangible book value multiples and adjusted net book value, 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.

Level 3 Investments

	2021	2020
	$	$
As at January 1	**14,795,412**	3,048,208
Total gains and losses in OCI	**-**	11,747,167
Currency revaluation	**(33)**	37
As at December 31	**14,795,379**	14,795,412

(in Eastern Caribbean dollars)

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

(i) Capital Management

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

- To comply with the capital requirements of the Banking Act No. 4 of 2015.
- To comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- 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 Regulators 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% of Tier 1 capital.

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

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the year ended 31 December 2021 and 2020. During those two years, the Group complied with all of the externally imposed capital requirements to which it is subject.

(in Eastern Caribbean dollars)

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

(i) Capital management …..*Cont'd*

	2021	2020
	$	$
Tier 1 Capital		
Share capital	**20,753,306**	20,753,306
Statutory reserves	**20,753,306**	20,753,306
General provision reserves	**5,184,573**	4,907,450
Retained earnings	**76,266,415**	75,572,293
Total Qualifying Tier 1 Capital	**122,957,600**	121,986,355
Tier 2 Capital		
Unrealized gain on investments	**11,725,576**	11,792,233
Collective impairment allowance	**15,228,609**	13,030,522
Total Qualifying Tier 2 Capital	**26,954,185**	24,822,755
Total Regulatory Capital	**149,911,785**	146,809,110
Risk-Weighted Assets:		
On-balance sheet	**584,321,000**	570,053,517
Off-balance sheet	**28,859,902**	34,652,316
Total Risk-Weighted Assets	**613,180,902**	604,705,833
Basel Capital Adequacy Ratio	**24.45%**	24.28%

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.

Impact of COVID-19

COVID-19, a global pandemic, has materially impacted and continues to materially impact the Group's operations. Governments around the world imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations of gatherings and events. These measures have caused increased volatility and uncertainty in financial markets. This has given rise to heightened uncertainty as it relates to the key areas of estimation uncertainty.

Going Concern

The Group's management is satisfied that it has the resources to continue in business for the foreseeable future.

(in Eastern Caribbean dollars)

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies …..*Cont'd*

Measurement of the Expected Credit Loss Allowance

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining expected credit loss include:

- The Group's criteria for assessing if there has been a significant increase in credit risk; and
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive including relationship managers and on external market information.

Impairment Losses on Loans and Advances to Customers

The Group reviews its loan portfolio to assess impairment at least annually. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated $1,100,920/$1,008,346 (2020: $1,482,464/$1,119,262) lower/higher respectively.

Impairment of Non-Financial Assets

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

Fair Value of Financial Instruments

Financial instruments for which 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.

Deferred Taxes

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise. The deferred tax assets recognised at December 31, 2021 have been based on future profitability assumptions over a five-year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

Revaluation of Investment Property

The Group measures its investment properties at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

(in Eastern Caribbean dollars)

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies …..*Cont'd*

Revaluation of Investment Property …..Cont'd

The Group engages independent valuation specialists to determine fair value of its investment properties. 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.

Corporate Income Taxes

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

5. Cash and Balances with Eastern Caribbean Central Bank

	2021	2020
	$	$
Cash in hand	**22,684,091**	19,385,056
Balances with ECCB other than mandatory reserve deposits	**67,361,459**	70,907,506
Included in cash and cash equivalents **(Note 29)**	**90,045,550**	90,292,562
Mandatory reserve deposits with ECCB	**64,882,572**	59,418,762
	154,928,122	149,711,324

Pursuant to the Banking Act of 2015, Banking institutions are required to a reserve balance with ECCB 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. The balances with the ECCB are non-interest bearing. Pursuant to the Saint Vincent and the Grenadines Banking Act 2015, the Group is required to maintain specified assets as a reserve requirement for its deposit liabilities. The minimum requirement is 6% of the average deposit liabilities over a four-week period.

6. Deposits with Other Banks

	2021	2020
	$	$
Items in the course of collection with other banks **(Note 29)**	**1,421,690**	2,809,476
Placements with other banks **(Note 29)**	**263,471,648**	206,125,210
Interest bearing deposits (more than 3 months)	**4,903,969**	10,249,696
	269,797,307	219,184,382

The weighted average effective interest rate in respect of interest-bearing deposits at December 31, 2021 was 0.66% (2020: 1.04%)

(in Eastern Caribbean dollars)

7. Treasury Bills

	2021	2020
	$	$
Treasury bills – cash and cash equivalents	**10,403,151**	10,359,452
Treasury bills- more than 90 days to maturity	**963,671**	-
Less allowance for impairment losses	**(391,615)**	(360,577)
Treasury bills less than 90 days to maturity **(Note 29)**	**10,975,207**	9,998,875

Treasury bills are debt securities issued by the Government of Saint Lucia and Government of Grenada. The weighted average effective interest rate on treasury bills at December 31, 2021 was 3.8% (2020: 4.0%).

8. Investment Securities

	2021	2020
	$	$
Securities Measured at Amortised Cost		
Debt securities at amortised cost		
- Listed	**20,235,331**	58,198,099
- Unlisted	**66,958,875**	18,703,398
	87,194,206	76,901,497
Less allowance for impairment losses	**(671,772)**	(1,518,406)
	86,522,434	75,383,091
Securities Measured at FVOCI		
Debt securities at fair value		
- Listed	**631,623**	4,808,181
Equity securities at fair value		
- Unlisted	**14,795,379**	14,795,412
Less: Allowance for impairment	**(167)**	(6,997)
	15,426,835	19,596,596
Securities Measured at FVTPL		
Equity securities at fair value		
- Listed	**6,787,977**	675,000
- Unlisted	**45,557,264**	28,572,242
	52,345,241	29,247,242
Total securities	**154,294,510**	124,226,929

The weighted average effective interest rate on securities stated at amortized cost as at December 31, 2021 was 4.7% (2020: 4.6%).

(in Eastern Caribbean dollars)

8. Investment Securities …..*Cont'd*

	2021			
	Stage 1 12-Month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss Allowance - Investment Securities at Amortised Cost				
Loss Allowance as at January 1, 2021	**599,255**	**374,601**	**905,127**	**1,878,983**
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	75,108	14,423	-	89,531
– Decreases due to change in credit risk	-	-	-	-
– Write offs	-	-	(905,127)	(905,127)
Loss Allowance as at December 31, 2021	**674,363**	**389,024**	**-**	**1,063,387**
Loss Allowance - Investment Securities at FVOCI				
Loss Allowance as at January 1, 2021	**6,997**	**-**	**-**	**6,997**
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	-	-	-	-
– Decreases due to change in credit risk	(6,830)	-	-	(6,830)
– Write offs	-	-	-	-
Loss Allowance as at December 31, 2021	**167**	**-**	**-**	**167**
Total Loss Allowance - Investment securities				
Loss Allowance as at January 1, 2021	**606,252**	**374,601**	**905,127**	**1,885,980**
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	75,108	14,423	-	89,531
– Decreases due to change in credit risk	(6,830)	-	-	(6,830)
–Write offs	-	-	(905,127)	(905,127)
Total Loss Allowance as at December 31, 2021	**674,530**	**389,024**	**-**	**1,063,554**

(in Eastern Caribbean dollars)

8. Investment Securities …..*Cont'd*

	2020			
	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss Allowance - Investment Securities at Amortised cost				
Loss Allowance as at January 1, 2020	323,114	23,581	905,127	1,251,822
– Transfer to stage 1	23,581	(23,581)	-	-
– Transfer to stage 2	(100,261)	100,261	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	377,962	274,340	-	652,302
– Decreases due to change in credit risk	(25,141)	-	-	(25,141)
Loss Allowance as at December 31, 2020	599,255	374,601	905,127	1,878,983
Loss Allowance - Investment Securities at FVOCI				
Loss Allowance as at January 1, 2020	3,223	-	-	3,223
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	3,774	-	-	3,774
– Decreases due to change in credit risk	-	-	-	-
Loss allowance as at December 31, 2020	6,997	-	-	6,997
Total Loss Allowance - Investment Securities				
Loss Allowance as at January 1, 2020	326,337	23,581	905,127	1,255,045
– Transfer to stage 1	23,581	(23,581)	-	-
– Transfer to stage 2	(100,261)	100,261	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	381,736	274,340	-	656,076
– Decreases due to change in credit risk	(25,141)	-	-	(25,141)
Total Loss Allowance as at December 31, 2020	606,252	374,601	905,127	1,885,980

(in Eastern Caribbean dollars)

8. Investment Securities …..*Cont'd*

Movements of the Group's investments are summarised as follows:

	Debt Securities at Amortised Cost $	Debt Securities at FVOCI $	Equity Securities at FVOCI $	Equity Securities at FVTPL $	Treasury Bills at Amortised Cost $	Total $
At January 1, 2021	**75,383,091**	**4,801,184**	**14,795,412**	**29,247,242**	**9,998,875**	**134,225,804**
Opening ECLs	**1,518,406**	**6,997**	**-**	**-**	**360,577**	**1,885,980**
Gross carrying amount January 1, 2021	**76,901,497**	**4,808,181**	**14,795,412**	**29,247,242**	**10,359,452**	**136,111,784**
Additions	**25,300,065**	**7,366,518**	**-**	**99,237,110**	**22,090,463**	**153,994,156**
Sales and redemptions	**(14,102,229)**	**(11,476,419)**	**-**	**(76,099,569)**	**(21,083,093)**	**(122,761,310)**
Unrealised gain on foreign exchange	**-**	**-**	**(33)**	**-**	**-**	**(33)**
Loss from changes in fair value	**-**	**(66,657)**	**-**	**(39,542)**	**-**	**(106,199)**
Write offs	**(905,127)**	**-**	**-**	**-**	**-**	**(905,127)**
Closing ECLs	**(671,772)**	**(167)**	**-**	**-**	**(391,615)**	**(1,063,554)**
At December 31, 2021	**86,522,434**	**631,456**	**14,795,379**	**52,345,241**	**10,975,207**	**165,269,717**
At January 1, 2020	61,370,967	5,856,634	3,048,208	14,564,779	10,261,848	95,102,436
Opening ECLs	1,155,314	3,223	-	-	96,508	1,255,045
Gross carrying amount January 1, 2020	62,526,281	5,859,857	3,048,208	14,564,779	10,358,356	96,357,481
Additions	34,058,259	2,191,094	-	35,732,003	359,452	72,340,808
Sales and redemptions	(19,683,043)	(3,329,297)	-	(20,868,986)	(358,356)	(44,239,682)
Unrealised loss on foreign exchange	-	-	37	-	-	37
(Loss) gain from changes in fair value	-	86,527	11,747,167	(180,554)	-	11,653,140
Closing ECLs	(1,518,406)	(6,997)	-	-	(360,577)	(1,885,980)
At December 31, 2020	75,383,091	4,801,184	14,795,412	29,247,242	9,998,875	134,225,804

(in Eastern Caribbean dollars)

9. Loans and Advances to Customers

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Credit cards	**2,227,807**	**99,075**	**139,081**	**2,465,963**
Overdrafts	**10,917,804**	**43,870,713**	**1,622,052**	**56,410,569**
Term loans	**65,091,579**	**10,319,158**	**6,078,163**	**81,488,900**
Mortgages	**254,167,690**	**61,390,208**	**17,188,198**	**332,746,096**
Business and sovereign	**138,178,295**	**35,557,624**	**12,249,134**	**185,985,053**
	470,583,175	**151,236,778**	**37,276,628**	**659,096,581**
ECL allowance	**(3,639,513)**	**(11,589,095)**	**(15,749,422)**	**(30,978,030)**
	466,943,662	**139,647,683**	**21,527,206**	**628,118,551**

	2020			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Credit cards	2,518,317	39,354	129,693	2,687,364
Overdrafts	15,180,074	51,237,646	1,579,700	67,997,420
Term loans	66,095,038	11,378,641	7,012,231	84,485,910
Mortgages	251,350,543	63,797,438	17,229,565	332,377,546
Business and sovereign	129,864,427	36,486,948	18,401,457	184,752,832
	465,008,399	162,940,027	44,352,646	672,301,072
ECL allowance	(2,701,142)	(10,329,380)	(18,205,702)	(31,236,224)
	462,307,257	152,610,647	26,146,944	641,064,848

The weighted average effective interest rate on loans and advances stated at amortised cost as at December 31, 2021 was 8.2% (2020: 8.4%).

(in Eastern Caribbean dollars)

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

Analysis of Allowance on Business and Sovereign and Mortgages

	2021				2020			
	Stage 1 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Business and Sovereign								
Loss Allowance as at January 1	**1,462,305**	**3,207,451**	**10,259,358**	**14,929,114**	1,972,282	272,682	8,521,229	10,766,193
Changes in the loss allowance								
- Transfer to stage 1	**-**	**-**	**-**	**-**	45,491	(45,491)	-	-
- Transfer to stage 2	**36,309**	**(36,309)**	**-**	**-**	(357,477)	357,477	-	-
- Transfer to stage 3	**(450)**	**(167,786)**	**168,236**	**-**	(32,692)	(4,448)	37,140	-
- Increases due to change in credit risk	**933,818**	**967,892**	**2,137,407**	**4,039,117**	402,728	2,629,793	1,700,989	4,733,510
- Decreases due to change in credit risk	**(122,137)**	**(791,374)**	**(485,310)**	**(1,398,821)**	(568,027)	(2,562)	-	(570,589)
- Write-offs	**-**	**-**	**(5,790,620)**	**(5,790,620)**	-	-		
Loss Allowance as at December 31	**2,309,845**	**3,179,874**	**6,289,071**	**11,778,790**	1,462,305	3,207,451	10,259,358	14,929,114
Mortgages								
Loss Allowance as at January 1	**343,094**	**2,188,302**	**3,604,644**	**6,136,040**	548,120	182,274	3,395,188	4,125,582
Changes in the loss allowance								
- Transfer to stage 1	**-**	**-**	**-**	**-**	59,603	(40,570)	(19,033)	-
- Transfer to stage 2	**77,468**	**(77,468)**	**-**	**-**	(89,315)	89,315	-	-
- Transfer to stage 3	**(1,749)**	**(56,975)**	**58,724**	**-**	(1,509)	(23,025)	24,534	-
- Increases due to change in credit risk	**150,117**	**953,065**	**2,037,374**	**3,140,556**	70,778	2,004,804	726,336	2,801,918
- Decreases due to change in credit risk	**(119,769)**	**(311,202)**	**(250,285)**	**(681,256)**	(244,583)	(24,496)	(522,381)	(791,460)
- Write-offs	**-**	**-**	**(737,469)**	**(737,469)**				
Loss Allowance as at December 31	**449,161**	**2,695,722**	**4,712,988**	**7,857,871**	343,094	2,188,302	3,604,644	6,136,040

(in Eastern Caribbean dollars)

9. Loans and Advances to Customers …..*Cont'd*

Analysis of Allowance on Term Loans and Overdrafts

	2021				2020			
	Stage 1 – 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**	Stage 1 – 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Term Loans								
Loss Allowance as at January 1	**447,708**	**3,809,394**	**3,046,635**	**7,303,737**	549,444	64,808	2,095,619	2,709,871
Changes in the loss								
- Transfer to stage 1	**-**	**-**	**-**	**-**	11,443	(11,443)	-	-
- Transfer to stage 2	**161,688**	**(161,688)**	**-**	**-**	(72,431)	72,431	-	-
- Transfer to stage 3	**(4,767)**	**(68,417)**	**73,184**	**-**	(7,263)	(8,120)	15,383	-
- Increases due to change in credit risk	**358,397**	**1,800,293**	**1,848,034**	**4,006,724**	313,216	3,770,005	1,106,299	5,189,520
- Decreases due to change in credit risk	**(411,772)**	**(1,070,337)**	**(212,523)**	**(1,694,632)**	(322,079)	(24,699)	(159,700)	(506,478)
- Write-offs	**(36,423)**	**(6,928)**	**(1,434,077)**	**(1,477,428)**	(24,622)	(53,588)	(10,966)	(89,176)
Loss Allowance as at December 31	**514,831**	**4,302,317**	**3,321,253**	**8,138,401**	447,708	3,809,394	3,046,635	7,303,737
Overdrafts								
Loss Allowance as at January 1	**415,764**	**1,096,664**	**1,165,374**	**2,677,802**	201,530	911,883	907,648	2,021,061
Changes in the loss allowance								
- Transfer to stage 1	**-**	**-**	**-**	**-**	85,180	(85,180)	-	-
- Transfer to stage 2	**(116,917)**	**116,917**	**-**	**-**	(5,509)	5,509	-	-
- Transfer to stage 3	**-**	**(6,152)**	**6,152**	**-**	-	(4,573)	4,573	-
- Increases due to change in credit risk	**114,378**	**187,344**	**480,913**	**782,635**	169,565	299,891	257,633	727,089
- Decreases due to change in credit risk	**(78,936)**	**(49,146)**	**(360,834)**	**(488,916)**	(35,002)	(12,160)	(4,480)	(51,642)
- Write-offs	**-**	**-**	**(4,573)**	**(4,573)**	-	(18,706)	-	(18,706)
Loss Allowance as at December 31	**334,289**	**1,345,627**	**1,287,032**	**2,966,948**	415,764	1,096,664	1,165,374	2,677,802

(in Eastern Caribbean dollars)

9. Loans and Advances to Customers …..*Cont'd*

Analysis of Allowance on Credit Cards and Credit Provisioning

	2021				2020			
	Stage 1 – 12-month ECL $	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**	Stage 1 – 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Credit Cards								
Loss Allowance as at January 1	**32,271**	**27,569**	**129,691**	**189,531**	40,770	15,287	157,526	213,583
Changes in the loss allowance								
- Transfer to stage 1	**-**	**-**	**-**	**-**	61,807	(2,190)	(59,617)	-
- Transfer to stage 2	**6,282**	**(6,282)**	**-**	**-**	(504)	5,303	(4,799)	-
- Transfer to stage 3	**46,293**	**(10,212)**	**(36,081)**	**-**	(505)	(6,347)	6,852	-
- Increases due to change in credit risk	**30,367**	**64,630**	**110,905**	**205,902**	2,599	19,425	87,631	109,655
- Decreases due to change in credit risk	**(54,389)**	**(446)**	**(48,314)**	**(103,149)**	(71,104)	(3,909)	(52,672)	(127,685)
- Write-offs	**(29,437)**	**(9,704)**	**(17,123)**	**(56,264)**	(792)	-	(5,230)	(6,022)
Loss Allowance as at December 31	**31,387**	**65,555**	**139,078**	**236,020**	32,271	27,569	129,691	189,531
Total Credit Provisioning								
Loss Allowance as at January 1	**2,701,142**	**10,329,380**	**18,205,702**	**31,236,224**	3,312,146	1,446,934	15,077,210	19,836,290
Changes in the loss allowance								
- Transfer to stage 1	**-**	**-**	**-**	**-**	263,524	(184,874)	(78,650)	-
- Transfer to stage 2	**164,830**	**(164,830)**	**-**	**-**	(525,236)	530,035	(4,799)	-
- Transfer to stage 3	**39,327**	**(309,542)**	**270,215**	**-**	(41,969)	(46,513)	88,482	-
- Increases due to change in credit risk	**1,587,077**	**3,973,224**	**6,614,633**	**12,174,934**	958,886	8,723,918	3,878,888	13,561,692
- Decreases due to change in credit risk	**(787,003)**	**(2,222,505)**	**(1,357,266)**	**(4,366,774)**	(1,240,795)	(67,826)	(739,233)	(2,047,854)
- Write-offs	**(65,860)**	**(16,632)**	**(7,983,862)**	**(8,066,354)**	(25,414)	(72,294)	(16,196)	(113,904)
Loss Allowance as at December 31	**3,639,513**	**11,589,095**	**15,749,422**	**30,978,030**	2,701,142	10,329,380	18,205,702	31,236,224

(in Eastern Caribbean dollars)

10. Other Assets

	2021 $	2020 $
Other receivables	**10,432,102**	6,924,753
Prepaid expenses	**2,032,453**	1,936,512
	12,464,555	8,861,265

11. Investment Properties

	2021 $	2020 $
Fair value at January 1	**2,412,000**	2,232,000
Fair value gain	**-**	180,000
Fair value at December 31	**2,412,000**	2,412,000

Investment properties are carried at fair value, on an open market basis.

(in Eastern Caribbean dollars)

12. Property and Equipment

	Land and building $	Leasehold Improvements $	Office Furniture and Equipment $	Work in Progress $	Computer Equipment and Software $	Motor Vehicles $	Total $
As at December 31, 2020							
Opening net book amount	45,127,305	22,899	5,243,934	1,706,229	2,200,266	136,881	54,437,514
Additions	45,600	-	996,152	2,158,889	250,423	161,410	3,612,474
Depreciation charge **(Note 25)**	(626,406)	(9,780)	(1,326,794)	-	(651,523)	(84,153)	(2,698,656)
Closing net book amount	44,546,499	13,119	4,913,292	3,865,118	1,799,166	214,138	55,351,332
At December 31, 2020							
Cost	50,665,738	48,900	19,107,196	3,865,118	12,791,042	578,135	87,056,129
Accumulated depreciation	(6,119,239)	(35,781)	(14,193,904)	-	(10,991,876)	(363,997)	(31,704,797)
Net book amount	44,546,499	13,119	4,913,292	3,865,118	1,799,166	214,138	55,351,332
As at December 31, 2021							
Opening net book amount	**44,546,499**	**13,119**	**4,913,292**	**3,865,118**	**1,799,166**	**214,138**	**55,351,332**
Additions	**-**	**132,594**	**784,882**	**-**	**1,774,488**	**251,864**	**2,943,828**
Transfers	**-**	**50,000**	**515,292**	**(627,357)**	**62,065**	**-**	**-**
Disposals	**-**	**-**	**(4,755)**	**-**	**-**	**-**	**(4,755)**
Depreciation charge **(Note 25)**	**(626,848)**	**(28,140)**	**(1,437,610)**	**-**	**(679,048)**	**(123,322)**	**(2,894,968)**
Closing net book amount	**43,919,651**	**167,573**	**4,771,101**	**3,237,761**	**2,956,671**	**342,680**	**55,395,437**
At December 31, 2021							
Cost	**50,665,738**	**231,494**	**20,386,247**	**3,237,761**	**14,627,595**	**829,999**	**89,978,834**
Accumulated depreciation	**(6,746,087)**	**(63,921)**	**(15,615,146)**	**-**	**(11,670,924)**	**(487,319)**	**(34,583,397)**
Net book amount	**43,919,651**	**167,573**	**4,771,101**	**3,237,761**	**2,956,671**	**342,680**	**55,395,437**

As at December 31, 2021, property with a carrying amount of $24,562,989 (2020: $24,893,055) was pledged as security for related party borrowings (**Note 17**).

(in Eastern Caribbean dollars)

13. Deferred Tax Asset

The movement on the deferred tax asset is as follows:

	2021 $	2020 $
At beginning of year	**3,772,347**	2,886,325
Current year charge **(Note 27)**	**607,576**	886,022
At end of year	**4,379,923**	3,772,347

As of reporting date, the Group's deferred tax comprise, as follows:

	2021 $	2020 $
Capital assets	**(51,850)**	(136,809)
Taxed provisions	**4,431,773**	3,909,156
	4,379,923	3,772,347

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.

14. Deposits Due to Banks

	2021 $	2020 $
Deposits due to banks	**18,338,965**	21,196,247

Interest rates range from 0% to 1.50% (2020: 0% to 1.75%).

15. Due to Customers

	2021 $	2020 $
Term deposits	**103,262,025**	106,097,083
Savings deposits	**480,113,522**	553,532,531
Demand deposits	**498,000,653**	330,683,082
	1,081,376,200	990,312,696

The weighted average effective interest rate of customers' deposits at December 31, 2021 was 1.42% (2020: 1.59%).

16. Provisions and Other Liabilities

	2021 $	2020 $
Managers' cheques outstanding	**3,717,166**	2,519,179
Other payables	**17,186,817**	11,790,992
Undrawn commitments	**32,951**	37,698
Customers' security deposits	**16,321,324**	23,759,937
	37,258,258	38,107,806

(in Eastern Caribbean dollars)

17. Borrowings

	Due	**Average Interest Rate**	**2021 $**	Average Interest Rate	2020 $
Caribbean Development Bank	2024 – 2029	**3.27%**	**14,865,259**	3.49%	16,846,678
National Insurance Services	2022 – 2025	**5.92%**	**7,897,340**	6.04%	11,430,771
			22,762,599		28,277,449

Security

The Caribbean Development Bank borrowings are secured by a Government of St. Vincent and the Grenadines guarantee.

The Group has pledged property having a carrying value of $24,562,989 (2020: $24,893,055) as security for its borrowings from the National Insurance Services.

As at December 31, 2021, the Group had no undrawn facilities with either of the above-mentioned institutions.

18. Share Capital

Authorised share capital – an unlimited number of shares of no-par value

	2021 $	**2020 $**
Issued and fully paid – 14,999,844 (2020: 14,999,844)	**20,753,306**	20,753,306

19. Statutory Reserves

	2021 $	**2020 $**
Balance at beginning and end of the year	**20,753,306**	20,753,306

Pursuant to Section 45 (1) of the Banking Act of 2015, the Group shall, maintain a general reserve fund and shall, out of its net profits of each year transfer to that fund a sum equal to not less than twenty per cent of profits whenever the amount of the reserve fund is less than a hundred per cent of the issued share capital. The reserve is not available for distribution as dividends or any form of appropriation.

20. General Provision Reserves

	2021 $	2020 $
Balance at beginning of the year	**4,907,450**	4,542,702
Transfer from retained earnings	**277,123**	364,748
Balance at end of the year	**5,184,573**	4,907,450

A general contingency reserve totalling $5,184,573 (2020: $4,907,450) was created as a voluntary appropriation from retained earnings. This reserve will be funded on an annual basis at a rate to be decided by the Board of Directors.

(in Eastern Caribbean dollars)

21. Contingent Liabilities and Commitments

(i) Commitments

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

	2021	2020
	$	$
Loan commitments	**4,591,307**	8,313,500
Guarantees and letters of credit	**390,000**	390,000
	4,981,307	8,703,500

(ii) Pending Litigation

In the ordinary course of business, the Group is routinely a defendant in or party to a number of pending and threatened legal actions and proceedings.

In view of the inherent difficulty of predicting the outcome of such matters, the Group cannot state what the eventual outcome of such matters will be. However, based on current knowledge, management does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on the financial position or results of operations of the Group.

22. Net Interest Income

	2021	2020
	$	$
Interest Income using the effective Interest Method		
Loans and advances	**45,335,174**	48,094,401
Loan origination fees	**739,656**	979,253
Treasury bills and investment securities	**4,634,886**	4,347,728
Deposits with banks	**80,649**	349,965
	50,790,365	53,771,347
Interest Expense		
Savings deposits	**13,478,011**	12,886,754
Time deposits	**2,105,106**	2,492,961
Other borrowed funds	**1,102,094**	1,480,953
Correspondent banks	**14,856**	60,573
	16,700,067	16,921,241
Net Interest Income	**34,090,298**	36,850,106

(in Eastern Caribbean dollars)

23. Fees Commission and Other Income

	2021 $	2020 $
Fee and commission income	**11,758,499**	11,197,708
Foreign Exchange trading Income		
-Net realized gains	**5,426,248**	5,589,379
-Net unrealized losses	**(125,043)**	(133,429)
Loss on disposal of fixed assets	**(4,755)**	-
Loss on revaluation of investment securities	**(39,552)**	(274,535)
Fair value gains on revaluation of investment properties	**-**	180,000
	17,015,397	16,559,123

24. Allowances for Credit Losses on Financial Assets

	2021 $	2020 $
Credit impairment against profit for the year on loans and advances to customers	**7,808,159**	11,513,838
Credit impairment (improvement) against profit for the year relating to debt securities	**81,684**	630,935
Credit (improvement) impairment relating to financial guarantees and loan commitments	**(6,010)**	(1,263)
Amounts written off during the year as uncollectible on loans and advances	**-**	113,904
Recoveries of amounts previously written off	**(193,349)**	(744,145)
	7,690,484	11,513,269

25. Operating Expenses

	2021 $	2020 $
Depreciation **(Note 12)**	**2,894,968**	2,698,656
Employee benefit expense **(Note 26)**	**13,011,547**	11,040,701
Interest levy expense	**6,479,062**	5,096,846
Rent	**312,311**	326,352
Audit	**271,456**	284,770
Directors' fees	**394,273**	408,605
Computer expense	**394,939**	288,824
Insurance	**790,727**	751,708
Repairs and maintenance	**815,148**	786,917
Subscription and donations	**294,447**	170,296
Commission and fees	**1,990,713**	1,884,686
Utilities	**2,288,595**	2,173,307
Credit card expenses	**2,111,927**	1,881,533
Advertisement and sponsorship	**670,396**	749,671
Legal and professional fees	**1,286,829**	814,018
Postage and stationery	**700,350**	582,778
Bank and other licences	**3,377,240**	2,917,388
Security	**326,845**	319,536
Other expenses	**2,502,159**	2,611,649
	40,913,932	35,788,241

(in Eastern Caribbean dollars)

26. Employee Benefit Expense

	2021	2020
	$	$
Wages and salaries	**10,498,131**	8,780,391
Other staff costs	**2,148,962**	1,868,777
Pension cost	**364,454**	391,533
	13,011,547	11,040,701

The Group operates a defined contribution pension plan for its employees. The plan provides for: contributions at the rates of 5% and 3%, of basic remunerations, by the Group and employees, respectively; and normal retirement on attainment of employees' 60th birthday. The Group's contributions become fully vested in employees after 5 years membership.

27. Income Tax Expense

	2021	2020
	$	$
Current tax	**461,672**	3,630,516
Deferred tax credit **(Note 13)**	**(607,576)**	(886,022)
	(145,904)	2,744,494

Tax on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of 30% (2020: 30%) as follows:

	2021	2020
	$	$
Profit before income tax	**2,625,323**	6,366,128
Tax calculated at the applicable tax rate of 30%	**787,597**	1,909,838
Tax effect of exempt income	**(5,657,265)**	(4,421,523)
Tax effect of expenses not deductible for tax purposes	**4,721,948**	3,546,334
Prior year under statement of deferred tax	**-**	1,702,091
Other differences	**1,816**	7,754
	(145,904)	2,744,494

28. Earnings per Share

Earnings per share (EPS) are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2021	2020
	$	$
Net profit attributable to shareholders	**2,771,227**	3,621,634
Weighted average number of ordinary shares in issue	**14,999,844**	14,999,844
Basic and Diluted Earnings per Share	**0.19**	0.24

(in Eastern Caribbean dollars)

29. Cash and Cash Equivalents

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

	2021	2020
	$	$
Cash in hand and balances with ECCB **(Note 5)**	**90,045,550**	90,292,562
Treasury bills **(Note 7)**	**10,011,536**	9,998,875
Items in the course of collection with banks **(Note 6)**	**1,421,690**	2,809,476
Placements with other banks **(Note 6)**	**263,471,648**	206,125,210
	364,950,424	309,226,123

For the purposes of presentation in the statement of cash flows, cash and cash equivalents comprise highly liquid investments with less than three months maturity from the date of acquisition, cash and non-restricted balances with the Eastern Caribbean Central Bank (ECCB), treasury bills, deposits with other banks, deposits with non-bank financial institutions and other short-term securities.

30. Leases

The Group mainly leases storage and ATM spaces used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options. Extension options are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

These leases are short-term in nature. The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases.

Commitments for minimum lease payment in relation to operating leases are payable as follows:

	2021	2020
	$	$
Within one year	**312,311**	326,352

(in Eastern Caribbean dollars)

31. Related Party Balances and Transactions

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

The following accounts maintained by related parties are included under investment securities, deposits with other banks and deposits from banks:

	2021 $	2020 $
Bank of Saint Lucia Limited		
Deposits with other bank	**2,142,515**	2,112,338
Deposits from banks	**(7,352,413)**	(7,199,959)
Government of St. Vincent and the Grenadines		
Debt securities at amortised cost	**42,366,017**	40,038,720
Less: allowance for impairment loss	**(368,914)**	(342,759)
	41,997,103	39,695,961
Statutory Bodies		
Debt securities at amortised cost	**19,440,510**	7,570,120
Less: allowance for impairment loss	**(212,401)**	(145,067)
	19,228,109	7,425,053

Transactions carried out with Related Parties:

	2021 $	2020 $
Income		
Interest income	**2,676,812**	2,288,575
Expenses		
Interest expense	**116,054**	124,458
Professional fees	**147,600**	240,788

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.

(in Eastern Caribbean dollars)

31. Related Party Balances and Transactions …...*Cont'd*

Other related party balances with the Group:

	2021		2020	
	Loans	**Deposits**	Loans	Deposits
	$	**$**	$	$
Government of St. Vincent and the Grenadines	**108,800,731**	**6,140,367**	124,716,046	3,531,628
Statutory bodies	**5,601,769**	**48,272,541**	1,306,171	34,905,161
National Insurance Services	**2,989**	**52,408,304**	-	60,255,104
Staff pension plan	**-**	**8,667,434**	-	7,578,924
	114,405,489	**115,488,646**	126,022,217	106,270,817
Directors and key management	**2,503,791**	**3,091,891**	2,905,851	2,710,460
Less: allowance for impairment losses	**(2,038,833)**	**-**	(1,067,408)	-
	114,870,447	**118,580,537**	127,860,660	108,981,277

The loans issued to directors and other key management personnel are repayable monthly over an average of 12.3 years and have a weighted average effective interest rate of 4.44% (2020: 4.52%).

Interest income and interest expense with other related parties:

	2021		2020	
	Income	**Expenses**	Income	Expenses
	$	**$**	$	$
Government of St. Vincent and the Grenadines	**9,205,366**	**22,370**	8,855,592	26,576
Statutory bodies	**127,615**	**559,859**	142,772	255,477
National Insurance Services	**-**	**1,358,500**	-	1,615,826
Staff pension plan	**-**	**282,712**	-	257,626
Directors and key management	**124,498**	**57,819**	135,505	42,045
	9,457,479	**2,281,260**	9,133,869	2,197,550

Key Management Compensation

Key management includes the Executive Management team. The compensation paid or payable to key management for employee services is shown below:

	2021	2020
	$	$
Salaries and other short-term benefits	**2,455,476**	2,155,700
Pension cost	**67,172**	73,096
	2,522,648	2,228,796

(in Eastern Caribbean dollars)

32. COVID-19

Impact of COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Governments and regulatory bodies in affected areas, including St. Vincent and the Grenadines, have imposed several measures, including government-mandated social distancing measures, travel restrictions, quarantines, and stay at home directives, designed to contain the outbreak. The breadth and depth of the impact of COVID-19 on the global economy and financial markets continue to evolve with disruptive effects. While some of the Government and Regulatory measures have been eased across regions and economies have showed signs of recovery, spikes in COVID-19 positive cases have caused some degree of uncertainty.

The pandemic continues to impact the Group's operations, employees, customers, and the wider community. The Group has been monitoring the effects of the pandemic and has implemented measures to mitigate the risks to its employees, customers, and its operations. The Government of St. Vincent and the Grenadines and the Bank's regulator, the Eastern Caribbean Central Bank, have taken measures to lessen the economic impact on businesses and households with a view to stabilizing markets, and sustaining economic growth.

Customer Support Program

The Group has implemented a number of customer support initiatives, including:

- The waiver fees for offsite ATM usage
- Loan repayment moratoriums on a sectorial basis

The eligibility for relief was assessed on a risk-based approach including customers vulnerabilities to the effects of the pandemic. The customer eligibility relief was restricted to customers with loans classified as either stage 1 or stage 2.

Stage 1	Stage 2	Stage 3
Up to date – no assistance required, no financial distress as a result of COVID-19.	Up to date - potential liquidity constraints arising from the impact of COVID-19 may lead to financial stress. Also considered customers already experiencing some financial stress and cannot manage COVID-19 financial impact that may result in further shortfall on payments.	Already experiencing financial stress and more than three months in arrears and or legal action has commenced.

High Risk	Medium Risk	Low Risk
Aviation	Commercial Mortgages	Telecommunication Services
Tourism	Professional Services	Financial Services
Leisure/Entertainment	Manufacturing Industries	Agriculture
Transportation	Retailers	
Self employed		

The relief measures were generally mandated or supported by our regulators and was available to all eligible customers who requested it. Relief provided to customers was assessed and granted at an individual level and followed the normal credit approval process. The total amount of relief granted, primarily in the form of short-term debt repayment moratoriums amounted to $171,726,901, representing 25.5% of the credit portfolio. At December 31, 2021 this was $10,819,078 representing 1.6% under the program.

(in Eastern Caribbean dollars)

33. COVID-19 …..*Cont'd*

Customer Support Program …..*Cont'd*

Post Model Adjustments

As at December 31, 2021, the Group applied multiple scenarios to the modelled output to ensure that the resulting expected credit loss (ECL) remains unbiased and appropriately reflects the Group's credit risks in the current environment.

Management Overlay - COVID-19

As at December 31, 2021, the Group made allowances amounting to $9,706,609 (December 2020: $6,192,287) for expected credit losses (ECLs) relating to management overlays in connection with uncertainties surrounding the ongoing pandemic.

Consistent with our assessment of the significant increase in credit risk (SICR), all loans under moratorium were transferred to stage two (stage 2) and management overlays applied as follows:

1. Fifty percent (50%) provisioning on all consumer moratorium which resumed regular payment.
2. One hundred percent (100%) allowance on all consumer loans under moratorium with partial and no cash flows.
3. Fifty percent (50%) allowance on all consumer loans under the volcanic program.
4. Three percent (3%) allowance on the total loan portfolio, excluding loans under the moratorium program and Government loans.

33. Commitment

On October 12, 2021, Bank of St. Vincent and the Grenadines Ltd. announced that it is the lead negotiator and member of a consortium of leading Indigenous Banks in the Eastern Caribbean Currency Union (ECCU) that has entered into an agreement, which is subject to regulatory approval, with CIBC FirstCaribbean International Bank (Barbados) Ltd., to acquire its banking assets and liabilities in Dominica, Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines. Regulatory, legal, and operational plans are in progress to satisfy the requirements of the transaction.

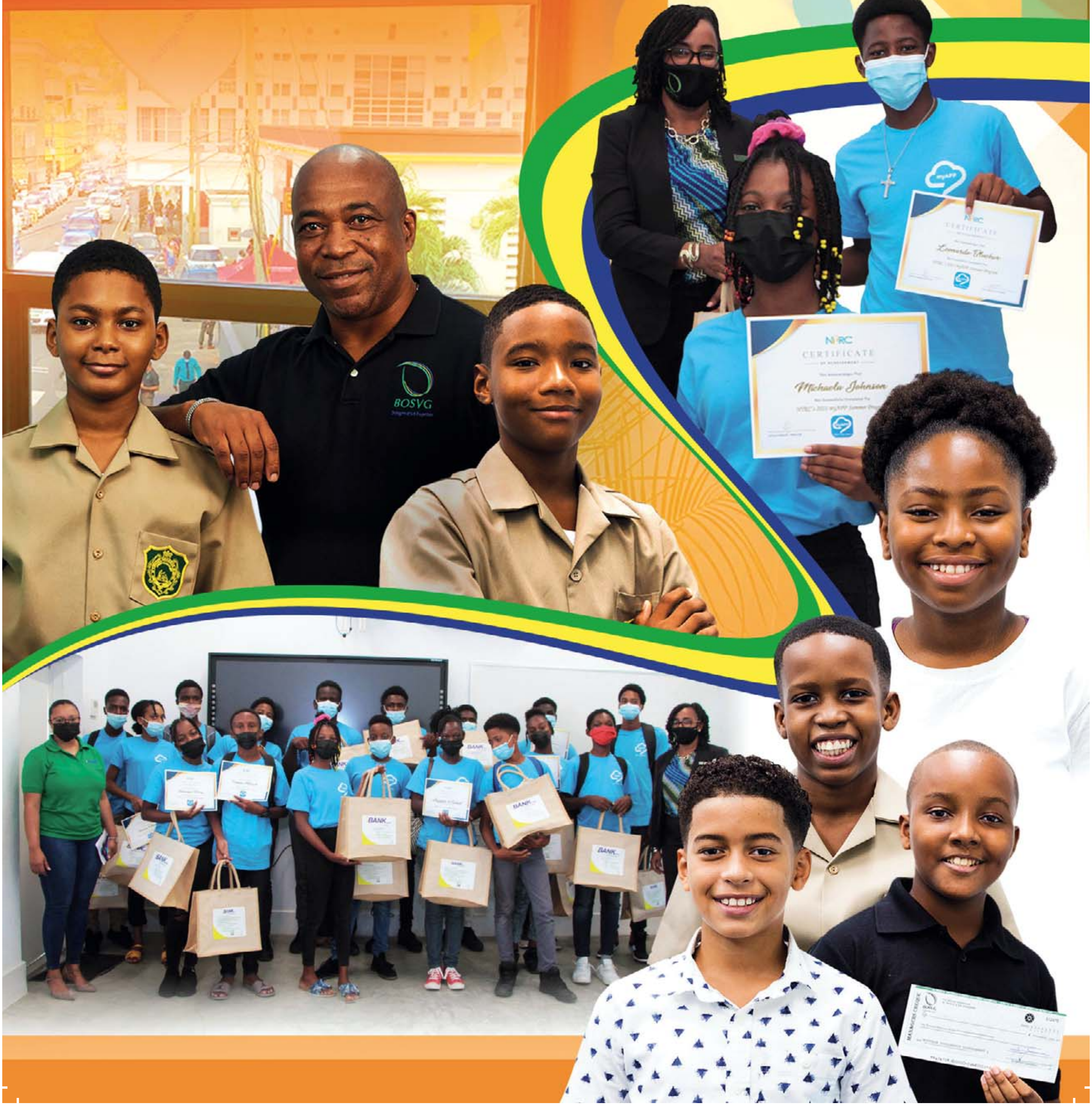
34. Comparative Figures

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


236.0
256.6
391.5
397.5
118.2
113.1
2017
2018
BOSVG

Raising the Future Leaders

From educational support to relief efforts; from technological collaborations and everything in-between; BOSVG is securing our future through investment in our youth.



Notes

Notes

BOSVG

Doing *more* Together

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