MEETING THE CHALLENGES

THROUGH LEADERSHIP, RESILIENCE & COMMITMENT

ANNUAL REPORT 2020

MEETING THE CHALLENGES

THROUGH LEADERSHIP, RESILIENCE & COMMITMENT

2020 has changed our lives forever. This is true at a personal and a corporate level. As the leading financial institution in Saint Vincent and the Grenadines, we are aware that it is incumbent upon us that we show the level of leadership and take the necessary actions to inspire confidence in our customers and the country as a whole. Our longterm strategic plan and vision for BOSVG - which was developed long before the COVID-19 pandemic - has provided a solid roadmap for navigating the complexities of these uncertain times. It has provided us with the ability to quickly and easily PIVOT to a new way of banking through an accelerated roll out of technologies and processes that ensure for us: business continuity and positive performance. For our customers, it provides a seamless transition to essential banking transactions, through easier access to our suite of enhanced convenience services. This is the reality alive in the principle that we will surmount the challenges of our times when we do it TOGETHER.

NextGen2021 | THE PROMISE OF A BRIGHTER TOMORROW

Celebrating the achievements of young Vincentians

The 2021 Annual Calendar continues with the theme of Youthful Visionaries as part of our Next Generation Series. This is 7th Edition of our **Next Generation Calendar –** The Promise of a Brighter Tomorrow, in which we celebrate the achievements of young Vincentians. In this edition, we are proud to feature fourteen (14) talented young Vincentians who are pursuing their visions through a number of enterprises.

While 2020 has been a very challenging year, particularly given the global impact of the COVID-19 pandemic, our youths continue to demonstrate the power of being positive thinkers with strong resolve. Accordingly, our 2021 visionaries continue to rise to the challenges and stay on course to achieve their respective personal and professional goals. It is our hope that the core messages from this year's cohort will help others to: allow self believe, overcome self-doubt, minimize dependency and allow a higher level of independence to flourish among the youths in our communities.

To our 2021 visionaries, it is extremely encouraging that you seek to use your myriad talents to create a wide range of enterprises. The resulting products and services will no doubt contribute in some measure to the overall health and economic well-being of our nation. For this, we say THANK YOU. We encourage to keep going and soar as high as you can taking others along with you.

We are honored to have been given the opportunity to work with each of you, and we encourage all those persons and organizations that have been instrumental in your successes to date, to continue to support you in every way possible.

With very best wishes for 2021 from all of us at BOSVG… Doing *more* Together.

Derry T. Williams
Managing Director

October 30, 2020

CONTENTS

BOSVG
Doing *more* Together

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

NOTICE OF ANNUAL MEETING

Notice is hereby given that the 35th 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, Thursday, July 29, 2021 at 5:15 pm, for the following purposes:

1. To consider and adopt the Report of the Auditors and Audited Financial Statements of the Company for the year ended December 31, 2020
2. To consider and adopt the Directors' Report
3. To sanction cash dividends of $0.12 per share paid for the financial year ending December 31, 2020
4. To appoint Auditors for the financial year January to December 2021
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

THE EXPANSION OF OUR PAYMENT NETWORKS AND TRANSACTION CAPABILITIES NATIONWIDE CONTINUES TO BE THE MAIN FOCUS OF OUR DIGITAL BANKING STRATEGY

NOTICE OF A **SPECIAL MEETING** OF THE SHAREHOLDERS

Notice is hereby given that a Special 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, Thursday, July 29, 2021 at 4:45 pm, for the following purposes:

1. To consider and if thought fit, pass resolutions to amend the Company's By-Law.

   The details of the Resolutions are set out in the attachment accompanying this Notice.

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

RESOLUTIONS TO AMEND THE COMPANY'S BY-LAW

1. **WHEREAS** the Bank of St. Vincent and the Grenadines Ltd (the Bank) formerly the National Commercial Bank(SVG)Ltd. amalgamated with the St. Vincent and the Grenadines Development Bank Inc. on June 17, 2009 and continued as the National Commercial Bank (SVG)Ltd. company No. 71/2009.

   AND WHEREAS the name National Commercial Bank (SVG)Ltd. was changed on November 26, 2010 to Bank of St. Vincent and the Grenadines Ltd.

   AND WHEREAS Appendix "k", Page 1 of the existing By-Law reads "BY-LAW N01 OF THE AMALGAMATED COMPANY NATIONAL COMMERCIAL BANK (SVG)LIMITED"

   BE IT RESOLVED THAT Appendix "k" of the By-Law be amended as follows:

   "BY-LAW N01 OF THE AMALGAMATED COMPANY BANK OF ST. VINCENT AND THE GRENADINES LTD."

2. **WHEREAS** Page 2 of the existing By-Law reads " THE COMPANIES ACT 1994 BY LAW NO. 1

   A By-law relating generally to the conduct of the affairs of: NATIONAL COMMERCIAL BANK (SVG) LIMITED BE IT ENACTED as the general by-law of NATIONAL COMMERCIAL BANK (SVG) LIMITED (hereinafter called the "Company" as follows):"

   BE IT RESOLVED THAT Page 2 of the By-Law be amended as follows:

   "THE COMPANIES ACT 1994 BY LAW NO. 1 A By-law relating generally to the conduct of the affairs of: BANK OF ST.VINCENT AND THE GRENADINES LTD. BE IT ENACTED as the general by-law of BANK OF ST. VINCENT AND THE GRENADINES LTD. (hereinafter called the "Company" as follows):"

3. **WHEREAS** Clause 11.1 of the existing By-Law states " The directors shall as often as may be required appoint a Secretary and, if deemed advisable, may as often as may be required appoint any or all of the following officers: ---- a Managing Director---. A director may be appointed to any office of the Company but none of the officers except the Chairman, the Deputy Chairman, the Managing Director, the President and Vice-President need be a director." It follows that the Managing Director must also be one of the Bank's directors.

   AND WHEREAS Clause 4.2 of the By-Law reads "Number: There shall be a minimum of seven and a maximum of thirteen directors."

   BE IT RESOLVED THAT Clause 4.2 of the By-Law be 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."

4. **WHEREAS** Clause 4.3 of the By-Law reads "Election: Directors shall be elected by the shareholders on a show of hands unless a ballot is demanded in which case such election shall be by ballot."

   BE IT RESOLVED THAT Clause 4.3 of the By-Law be amended as follows:

   "4.3 Election: Directors with the exception of the Managing Director shall be elected by the shareholders on a show of hands unless a ballot is demanded in which case such election shall be by ballot."

5. **WHEREAS** a Resolution of the shareholders was passed at a Special Meeting of the Shareholders on July 25, 2013 stating that "Each ordinary shareholder of the Bank of St. Vincent and the Grenadines Ltd 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"

   BE IT RESOLVED THAT the By-Law be amended as follows:

   Insert clause 4.3.1 which reads "4.3.1 Each ordinary shareholder of the Bank of St. Vincent and the Grenadines Ltd 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"

6. **WHEREAS** to strengthen the governance of the company new clauses 4.4 and 4.5 are to be inserted in the By-law

   BE IT RESOLVED THAT the By-Law be amended as follows:

   Insert a new clause 4.4 which reads "4.4 Managing Director: The Directors may appoint a Managing Director pursuant to section 82 of the Companies Act only with the approval of a minimum of two-thirds (2/3) of the votes of the Board of Directors"

   BE IT RESOLVED THAT the By-Law be amended as follows:

   Insert a new clause 4.5 which reads "4.5 Special Approval by Board of Directors

The following matters shall require approval of a minimum two-thirds (2/3) of the Board of Directors:

a) Any amendments to the Articles and By-laws of the Company;

b) Any mergers or amalgamations with another Company

c) Any changes to the authorized capital of the Company

d) Any sale, transfer, purchase of assets in excess of twenty per cent (20%) of the aggregate book value of the assets of the Company;

e) Instituting any proceedings for the winding up, dissolution, termination or re-organization of the Company;

f) Any material change in the business of the Company or any transaction out of the ordinary course of business;

g) Any borrowings or encumbrance by the Bank in excess of twenty per cent (20%) of the aggregate book value of the assets of the Company;

h) Any capital expenditure in excess of ten per cent (10%) of the book value of the assets of the Bank

i) The entering into of any agreement which has a term exceeding five (5) years of which is out of the ordinary course of business

j) Providing any financial assistance to any shareholder or Director of the Company out of the ordinary course of business

For greater certainty, the foregoing matters may not be passed by any subcommittee of the Board of Directors"

7. **WHEREAS** clause 4.4 in the existing By-law was amended and registered with CIPO on October 14, 2010 which reads "Tenure: Unless his tenure is sooner determined, a director shall hold office from the date from which he is elected or appointed for a term of three years until the close of the annual meeting of the shareholder following but shall be eligible for re-election if qualified."

   BE IT RESOLVED THAT the By-Law be amended as follows:

   Insert new clause 4.6 "4.6 Tenure: Unless his tenure is sooner determined, a director shall hold office from the date from which he is elected or appointed for a term of three years until the close of the annual meeting of the shareholder following but shall be eligible for re-election if qualified."

8. **WHEREAS** the By-Law was amended and registered with CIPO on July 24, 2010 to insert clause 4.6 which reads" 4.6 The Chief Executive Officer of the company shall be an Ex-officio member of the Board of Directors"

   AND WHEREAS clause 4.6 is being incorporated into clause 4.2 with name change from Chief Executive Officer to Managing Director

   BE IT RESOLVED THAT the By-Law be amended as follows:

   Delete Clause 4.6 "4.6 The Chief Executive Officer of the company shall be an Ex-officio member of the Board of Directors".

9. **WHEREAS** the By-Law was amended and registered with CIPO on July 24, 2010 to insert clause 4.7 which reads "4.7 The Ex-officio shall not hold any voting rights"

   AND WHEREAS this clause is being incorporated into clause 4.2 .

   BE IT RESOLVED THAT the By-Law be amended as follows:

   Delete Clause 4.7 "4.7 The Ex-officio shall not hold any voting rights" .

10. **WHEREAS** clause 4.5 in the existing By-Law should be renumbered to reflect the amendments herein.

    BE IT RESOLVED THAT the By-Law be amended as follows:

    Clause 4.5 is renumber to 4.7 "4.7 Committee of Directors: The directors may appoint from among their number a committee of directors and subject to section 82(2) of the Act may delegate to such committee any of the powers of the directors."

11. **WHEREAS** clause 11.5 in the existing By-laws reads "Chairman: A chairman shall, when present, preside at all meetings of the directors, and any committee of the directors or the shareholders."

    AND WHEREAS clause 11.5 is being amended to allow other members of the Board to chair sub committees of the Board of Directors even when the Chairman is present.

    BE IT RESOLVED THAT the By-Law be amended as follows:

    Clause 11.5 shall read "11. 5 Chairman: A chairman shall, when present, preside at all meetings of the Board of Directors, and the shareholders."

12. **WHEREAS** clause 11.6 in the existing By-law reads "Deputy Chairman: If the Chairman is absent or is unable or refuses to act, the Deputy Chairman (if any) shall, when present, preside at all meetings of the directors, and any committee of the directors, or the shareholders."

AND WHEREAS clause 11.6 is being amended to allow other members of the Board to chair sub committees of the Board of Directors even when the Deputy Chairman is present.

BE IT RESOLVED THAT the By-Law be amended as follows:

Clause 11.6 shall read "11.6 Deputy Chairman: If the Chairman is absent or is unable or refuses to act, the Deputy Chairman (if any) shall, when present, preside at all meetings of the Board of Directors, or the shareholders."

13. **WHEREAS** Clause 12.7.3 in the existing By-law reads " Subject to the provisions of Regulations 6 and 7 a proxy may be in the following form:

The undersigned shareholder of NATIONAL COMMERCIAL BANK (SVG) LIMITED hereby appoints of , or failing him, of as the nominee of the undersigned to attend and act for the undersigned and on behalf of the undersigned at the Meeting of the shareholders of the said Company to be held on the day of ,20 and at any adjournment or adjournments thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

DATED this day of 20....

Signature of shareholder

BE IT RESOLVED THAT the clause 12.7.3 of the By-Law be amended as follows:

"12.7.3 Subject to the provisions of Regulations 6 and 7 a proxy may be in the following form:

The undersigned shareholder of BANK OF ST. VINCENT AND THE GRENADINES LTD. hereby appoints of

, or failing him, of as the nominee of the under-signed to attend and act for the undersigned and on behalf of the undersigned at the Meeting of the shareholders of the said Company to be held on the day of ,20 and at any adjournment or adjournments thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

DATED this day of 20...."

The amendments of the By-Law herein be submitted to the shareholders of the Bank of St. Vincent and the Grenadines Ltd. at the next meeting of the shareholders who may by ordinary resolution, confirm amend or reject the amendments.

FROM "IN THE LINE" TO ONLINE AND MOBILE. WE ARE REVOLUTIONIZING THE WAY OUR CUSTOMERS DO THEIR BANKING WHICH WAS ONCE ONLY AVAILABLE IN BANK. FROM SENDING WIRES TO TRANSFERRING FUNDS - IT'S NOW ALL AT THEIR FINGERTIPS.

iBANK... ANYWHERE

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

KPMG
First Floor, National Insurance Services Headquarters, Upper Bay Street, P.O. Box 587, Kingstown St. Vincent
Telephone: 451-1300
Fax :451-2329
Email:kpmg@kpmg.vc

OWNERSHIP IN BANK OF ST.VINCENT AND THE GRENADINES LTD. AS AT 31/12/2020

Government of SVG 43.13%
NIS 20%
ECFH 20%
The Public & Staff of BOSVG 16.87%

CORPORATE INFORMATION

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

National Bank of Dominica
Roseau, Dominica

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

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
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

FINANCIAL HIGHLIGHTS 2016 - 2020

	2020	2019	2018	2017	2016
OPERATING RESULTS					
Interest income	53,771,347	53,619,655	50,965,020	49,659,001	49,887,423
Interest expense	(16,921,241)	(16,150,656)	(15,777,317)	(17,382,035)	(17,642,436)
NET INTEREST INCOME	36,850,106	37,468,999	35,187,703	32,276,966	32,244,987
Non-interest income	16,817,532	18,026,009	15,962,510	12,420,377	12,540,550
NET OPERATING INCOME	53,667,638	55,495,008	51,150,213	44,697,343	44,785,537
Impairment losses on financial assets	11,513,269	3,077,041	2,559,163	9,911,971	6,159,722
Impairment losses on property and equipment	-	214,506	-	-	-
Income tax expense	2,744,494	2,072,159	1,149,548	1,993,503	2,698,931
Non interest expense	35,788,241	36,037,821	34,526,454	31,995,497	30,990,513
Net income	3,621,634	14,093,481	12,915,048	796,372	4,936,371
Dividend declared	1,799,981	7,049,927	6,449,932	2,549,973	2,551,157
OPERATING PERFORMANCE					
Basic and diluted earnings per share	0.24	0.94	0.86	0.05	0.49
Cash dividends per share	0.12	0.47	0.43	0.17	0.17
Book value per share	8.92	8.36	7.85	6.95	10.58
Return on equity	2.7%	11.2%	11.0%	0.8%	4.7%
Return on assets	0.3%	1.3%	1.3%	0.1%	0.5%
Efficiency ratio	88.1%	70.9%	72.5%	93.8%	83.0%
Core banking margin (spread)	3.0%	3.3%	3.5%	3.3%	3.3%
FINANCIAL POSITION DATA					
Cash and deposits with banks	368,895,706	361,427,626	224,603,444	234,197,883	264,963,024
Total assets	1,214,583,302	1,126,608,002	1,001,282,839	974,582,643	971,281,102
Loans and advances	641,064,848	603,116,302	616,595,632	605,030,164	578,813,735
Investments	120,657,229	80,662,829	79,013,983	55,025,191	42,715,267
Customers deposits	990,312,696	910,319,763	767,161,792	745,782,313	715,812,152
Shareholders equity	133,778,588	125,373,187	117,675,714	104,272,671	105,831,658
CAPITAL AND LIQUIDITY MEASURES					
Capital adequacy	24.3%	26.2%	23.8%	21.5%	20.9%
Total risk weighted assets	570,053,517	497,421,029	519,516,889	528,595,619	533,435,125
Loans to deposits	64.7%	66.3%	80.4%	81.1%	80.9%
CREDIT QUALITY					
Impaired loans	44,352,646	40,564,191	39,589,589	48,291,574	45,995,529
Allowance for loan losses	31,236,224	19,836,290	17,006,295	20,670,580	12,508,727
General provision reserve	4,907,450	4,542,702	3,133,354	-	-
Impaired loans as a % of loans	6.6%	6.5%	6.2%	7.7%	7.8%
Allowances for credit loss plus contingency reserve fund as a % of np loans	81.5%	60.1%	50.9%	42.8%	27.2%
Provisions for loan losses as a % of loans	4.6%	3.2%	2.7%	3.3%	2.1%
Non performing loans to total assets	3.7%	3.6%	4.0%	5.0%	4.7%
OTHER					
Number of staff	165	165	169	169	172
Earnings per staff	21,949	85,415	76,420	4,712	28,700
Number of shares	14,999,844	14,999,844	14,999,844	14,999,844	10,000,000

CHAIRMAN'S REPORT

Maurice Edwards
Chairman

THE CHALLENGE HAS BEEN TO PIVOT: CHANGING OUR STRATEGY WHILE REMAINING TRUE TO OUR CORE VISION

The BOSVG continued to create value for all its stakeholders during 2020, despite the dominance of the COVID-19 Pandemic. The Bank was called upon to respond effectively to the many challenges posed by the Pandemic and to give real meaning to its slogan 'doing more together'. This we achieved by continuing to put our clients at the centre of our strategy and activities.

The response by our management and staff to the challenging circumstances was nothing short of outstanding. BOSVG continued to deliver excellent service while being mindful of the health and safety of our staff and customers. The Bank initiated a loan moratorium programme for borrowers affected by the Pandemic which was well utilized and loans under moratorium at the end of 2020 amounted to $171.7 million. At the same time, we had to keep up- to- date with the growing threats from sophisticated cyberattacks. Indeed, cyber-crime, focused mainly on financial institutions, but involving all companies, in general, has increased significantly in this new environment.

Accordingly, one of our top priorities during 2020 and continuing, is to keep our Bank safe and compliant in order to retain our customers' trust and confidence. Our approach to this issue is to anticipate threats and prevent them from becoming reality.

The Bank, in conjunction with the ECCB and a number of indigenous banks within the Eastern Caribbean Currency Union (ECCU) has embarked on an initiative to utilize opportunities for shared services in regard to risk management and compliance. In the meantime, the BOSVG is well advanced in the formation of its Enterprise Risk Management Framework (ERMF). This framework allows for core components of the identification and assessment of risk. Risk reporting will be facilitated by completing a risk reporting template that captures the risks identified and assessed. There are elements of the framework still to be fully developed, contingent on the outcome of the detailed design of the shared service framework with the ECCU banks and the ECCB.

The economic fallout from the Pandemic has impacted the financial performance of BOSVG. The main manifestation of the Pandemic's adverse impact on the Bank is the forward-looking provision for credit losses of $11.5 million for 2020, an increase of $8.4 million over the 2019 provision of $3.1 million. Additionally, the low interest rate globally placed downward pressure on the interest earned on investment securities, resulting in a marginal reduction of net interest income from $37.5 million in 2019 to $36.9 million in 2020. Conversely, customers' deposits recorded steady growth of 8.8% to end the year at $990.3 million. This was mainly responsible for an increase in the total asset base to $1.2 billion as at December 31, 2020.

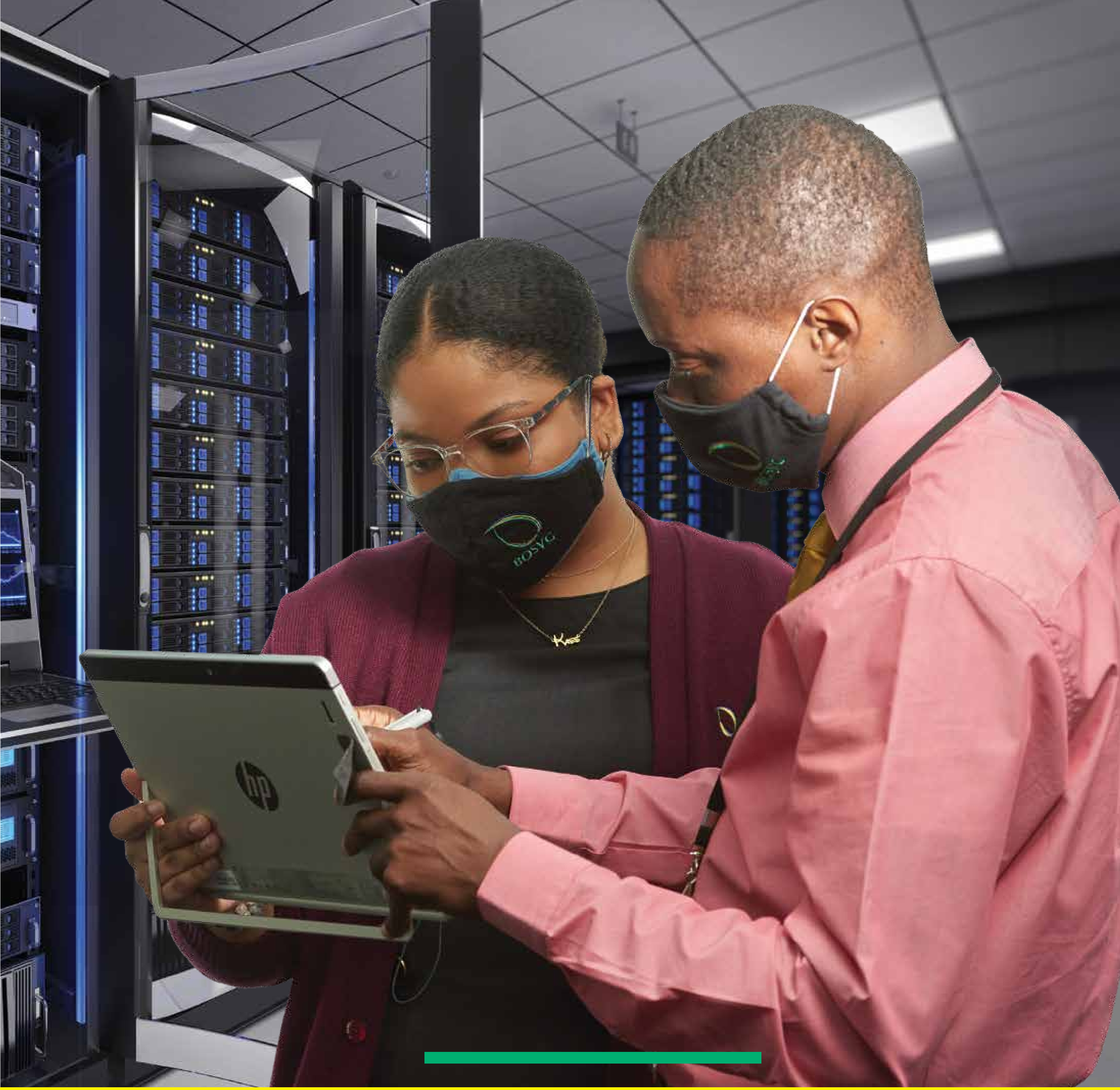
In 2020, our net income declined significantly to $3.6 million compared to a net income of $14.1 million in 2019. Notwithstanding this decline in profit, the Bank continues to have the financial strength and the required liquidity to face the many challenges which impact its operations and to be a reliable partner for our customers. At the end of the year, our capital adequacy ratio was 24.3%, significantly higher than the regulatory requirement of 8%.

Considering shareholders expectations and the difficult economic situation for most shareholders, the Board of Directors decided to maintain the dividend policy for a 50% of net income dividend payout. Accordingly, a dividend per share of $0.12 was approved and paid.

The COVID-19 Pandemic has fundamentally changed our economy and our society; it is therefore necessary that we change the way we work and do business. We must however, put our customers at the centre of our plans. In this regard, we have made good progress but there is still a lot to be done if we are to ensure that there is continued trust in our brand.

I wish to thank our shareholders, customers, staff and other stakeholders for their continued support in an extremely challenging environment. You can be assured that whatever challenges lie ahead, the Bank is confident that it has the resourcefulness to rise to the occasion.

Maurice Edwards
CHAIRMAN



THE ROBUSTNESS OF OUR TECHNOLOGY AND ENHANCED INNOVATIONS COUPLED WITH THE IT TEAM'S EXPERTISE AND DEDICATION ENSURES THAT WE KEEP ALL SYSTEMS RUNNING SEAMLESSLY TO HANDLE INCREASED DEMAND FOR CAPACITY FOR ALL TRANSACTIONS

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, 2020.

DIRECTORSHIP

The members of the Board of Directors are now serving the second year of their three-year term which will culminate at the Annual General Meeting of the Shareholders in 2022. The Directors on the Board as at December 31, 2020 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

GOVERNANCE

The Board is responsible for the development of adequate policies and controls and ensures that the activities of the Bank comply with these policies and procedures, the Bank's Articles of Association and all relevant laws and regulatory requirements. Amidst the challenges of 2020, the Board of Directors was committed to staying on course and continued to provide strategic guidance to the Management. Significant areas of oversight for the 2020 financial year included:

1) **On-going implementation of the Strategic Plan**
The 2018 -2020 Strategic Plan was scheduled to culminate at the end of 2020. However, given the setbacks during the 2020 financial year occasioned by the COVID-19 Pandemic, there were items on the Plan that were not completed.
As such, a sub-committee of the Board and Management met in November 2020 to discuss the 2021 budget and an extension of the current Plan to the end of 2021. The proposals from the subcommittee was subsequently approved by the Board and incorporated in the work programme for 2021.

2) **Review of the Bank's By-Law**

Bank of St. Vincent and the Grenadines Ltd. has gone through several stages of development over the years. These include: change to the Bank's name from National Commercial Bank (SVG)Ltd. to Bank of St. Vincent and the Grenadines Ltd; divestment of the Bank's shares to local and regional institutions and to the public and; listing of the Bank on the Eastern Caribbean Securities Exchange. The Board of Directors and Management recognized the importance of aligning the Bank's By-Law to reflect these changes and for it to be relevant for future developments. Consequently, having considered the various options, in March 2021, the Board passed resolutions for amendment to the By-laws. These resolutions will be tabled at the Special Shareholders Meeting on July 29, 2021 for approval.

3) **Reorganization of the Organisational Structure resulting from the Job Evaluation and Reclassification Exercise conducted in 2019 through the Human Resources Committee**

The main goal of the Human Resources Committee is to enable the Bank to attract, retain and motivate highly qualified management and staff and to provide compensation that is reasonable in light of the Company's objectives, compensation for similar personnel in other companies, and other relevant factors.

In January 2020, the new organisational structurewith revised management and non-management grades and scales was implemented following the approval of the Board of Directors via the Human Resources Committee.

4) Risk Management through the Risk & Compliance Committee

The Risk and Compliance Committee assists the Board with its oversight function and reports on the risk management framework of the Bank. During the period under review, the Board of Directors, through the Risk and Compliance Committee, approved a proposal to engage E&Y to work on the development of an ERM Framework for BOSVG.

The Board also approved eleven (11) new policies and reviewed fifteen (15) existing policies recommended by the Risk & Compliance Committee and Audit Committee. These policies are:

- Whistle Blower Policy - New
- Wire Transfer Policy - New
- Related transaction Policy - New
- Market Risk Policy – New
- Customer Risk Rating Policy - New
- Anti-bribery & Corruption Policy – New
- EISP Cyber security Policy - New
- EISP Disaster Recovery and Business Continuity Policy - New
- EISP IT Security Policy – Glossary & Reference Manual – New
- External Audit Policy – New
- Security & Risk Management Awareness Policy – New
- Audit Committee Charter - Revised
- Internal Audit Charter - Revised
- AML/CFT Policy - Revised
- Fraud Management Policy - Revised
- Risk and Compliance Committee Terms of Reference - Revised
- Correspondent Banking Policy – Revised
- Provision Reserve Policy - Revised
- Liqudity Management and Contingency Plan - Revised
- Asset and Liability Management Policy - Revised
- Investment Policy Statement - Revised
- Capital Management Policy - Revised
- Business Continuity Policy - Revised
- Medicinal Cannabis Industry Framework – Revised
- Medicinal Cannabis Industry Policy – Revised
- Operating Policy – Revised

5) New Credit Programme through the Credit Committee

The primary purpose of the Credit Committee is to review and approve all policies with regards to loans and credit facilities, set lending limits and to approve loans above Management's limit and make appropriate recommendations to the Board.

The Board, through the Credit Committee approved the framework for the implementation of the Loan Moratorium Programme for the customers of the Bank affected by the COVID-19 Pandemic in March 2020, and in September 2020 provided an extension of that programme for a further twelve months to September 2021. The Credit Committee continues its oversight of the programme and provides regular updates to the Board.

6) Oversight by the Audit Committee

The Audit Committee of the Board of Directors continued to fulfil its oversight responsibilities for: the quality and integrity of the financial statements of the Bank; the effectiveness of the systems of internal control over financial reporting; the internal and external audit processes; the Bank's processes for monitoring compliance with applicable laws and regulations and the code of conduct.

During the period under review, the Audit Committee submitted to the Board of Directors seven Audit reports for the Board's review. The Committee also reviewed and recommended to the Board the KPMG's 2020 financial audit plan, which included a focus on the impact of COVID – 19 on loan provisioning and cybersecurity at the Bank.

Importantly, the Board, through the Audit Committee approved an External Audit Policy as listed above on December 04, 2020. The policy was developed to ensure the following:

- Establishment of detailed guidance for the appointment of external auditors and the conduct of external audit services.
- A structured and consistent approach to external auditor engagement by the Audit Committee in accordance with the ECCB's prudential standards.
- Ongoing compliance with regulatory requirements

Board of Directors Meetings and Attendance

Meetings of the Board are held every other month. Six (6) meetings were held for the year 2020.

Board Attendance Record as at December 31, 2020

MEMBER	NUMBER OF MEETINGS ATTENDED
Maurice Edwards	6
Judith Veira	6
Saibrina Brewster -Dickson	6
Errol Allen	6
Lennox Timm	6
Lennox Bowman	6
Timothy Providence	6
Omar Davis	6
Medford Francis	5

Committees Composition & Meetings

The Credit Committee – The Committee members as at December 31, 2020, were Timothy Providence - Chairman, Lennox Bowman, Errol Allen and Saibrina Brewster-Dickson. The Committee is required to meet at least four (4) times for the year, - it met six times for 2020, satisfying its Charter requirements.

MEMBER	NUMBER OF MEETINGS ATTENDED
Saibrina Brewster -Dickson	4
Errol Allen	4
Lennox Bowman	4
Timothy Providence	4

The Audit Committee – The Committee members as at December 31, 2020 were Judith Veira - Chairperson, Omar Davis, Maurice Edwards and Lennox Timm. The Audit Committee should meet at least once per quarter, and met five (5) times in 2020.

MEMBER	NUMBER OF MEETINGS ATTENDED
Judith Veira	5
Maurice Edwards	4
Omar Davis	5
Lennox Timm	5

The Human Resources Committee –The Committee members as at December 31, 2020 were Errol Allen – Chairman, Timothy Providence, Lennox Bowman and Saibrina Brewster-Dickson. The Committee is required to meet at least twice per year and met four (4) times for the year.

MEMBER	NUMBER OF MEETINGS ATTENDED
Errol Allen	4
Saibrina Brewster -Dickson	4
Lennox Bowman	4
Timothy Providence	4

Risk & Compliance Committee –The members of the Committee as at December 31, 2020 were Lennox Timm – Chairman, Maurice Edwards, Medford Francis and Judith Veira. The Committee is required to meet at least quarterly and met four (4) times for 2020.

MEMBER	NUMBER OF MEETINGS ATTENDED
Lennox Timm	4
Maurice Edwards	4
Medford Francis	3
Judith Veira	4

Due Diligence & Assessments

Annual due diligence and assessments were conducted for the Directors, Committees and Board for the year under review.

DIRECTORS' INTEREST

Directors', Managing Director's & Deputy Managing Director's interests in the ordinary shares of BOSVG as at December 2020 were as follows:

DIRECTOR	BENEFICIAL INTEREST
Maurice Edwards	7,500
Errol Allen	5,325
Judith Veira	46,500
Timothy Providence	90,000
Omar Davis	4,665
Derry Williams	5,475
Bennie Stapleton	1,822

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 during the financial year 2020. 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

BOSVG has evolved over the years, becoming a larger and more complex financial institution requiring a greater level of oversight from the Board of Directors. As such, a review of the Board 's remuneration was conducted relative to Board fees paid across the ECCU member countries. The Board of Directors, having the powers to determine its remuneration in accordance with clause 7.1 of the Bank's By-Law approved an increase in January 2020. The following table outlines the increase:

	PREVIOUS REMUNERATION	CURRENT REMUNERATION
CHAIRMAN OF THE BOARD	2800 PER MONTH	3600 PER MONTH
DIRECTORS OF THE BOARD	2000 PER MONTH	3000 PER MONTH
CHAIRPERSONS OF COMMITTEES	600 PER MEETING	800 PER MEETING
DIRECTORS OF COMMITTEE	400 PER MEETING	600 PER MEETING

DIRECTORS' EDUCATION

The Board of Directors received KYC/AML Compliance training in December 2020, which was delivered by the Senior Manager Risk & Compliance. The Board was provided with training material to assist with their continuing education.

Three (3) members of the Board attended the Caribbean Governance Training Institute Chartered Directors Programme online in June 2020. Directors Judith Veira, Timothy Providence and Omar Davis successfully completed the Charter Director Exams and now join Director Errol Allen as Chartered Directors (C.Dir).

The Board also received training in Governance of Enterprise IT in July 2020, which covered areas on Corporate Governance, Risk Management and the IT Organization, Cyber Resilience, Disaster Recovery and Business Continuity Planning. The training was facilitated by Mr. Sunil Sheen, Consulting Chief Information Officer of Xorion. The Board was also provided with a User Manual to assist in discharging its responsibilities relative to the Governance of Enterprise IT.

SUBSTANTIAL INTEREST IN SHARE CAPITAL AS AT DECEMBER 31, 2020

The shareholding at December 31, 2020, was as follows:

SHAREHOLDER	NO. OF COMMON SHARES	PERCENTAGE
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
Government of St. Vincent and the Grenadines	6,469,222	43.13

SIGNIFICANT TRANSACTIONS

There was one notable contract of significance which came into effect in December 2020. This contract is between BOSVG and C&W Business for DRaaS solution, which is part of BOSVG's business continuity plan. This service will allow BOSVG to replicate its critical server environment to a cloud environment off -island.

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.

Voting

Voting by shareholders is governed by the following clauses under the Bank's By-Law:

12.6 Votes: Every question submitted to any meeting of shareholders shall be decided in the first instance by a show of hands unless a person entitled to vote at the meeting has demanded a ballot and, if the Articles so provide, in the case of an equality of vote the chairman of the meeting on a ballot have a casting vote in addition to any votes to which he may be otherwise entitled.

12.6.1 At every meeting at which he is entitled to vote, every shareholder, proxy holder or individual authorized to represent a shareholder who is present in person shall have one vote on a show of hands. Upon a ballot at which he is entitled to vote, every shareholder, proxy holder or individual authorized to represent a shareholder shall subject to the articles, have one vote for every share held by the shareholder.

12.6.5 If two or more persons hold shares jointly, one of those present at a meeting of shareholders may, in the absence of the other, vote on the shares; but if two or more of those persons are present, in person or by proxy vote, they shall vote as one on the shares jointly held by them.

Dividend Payment Option

Shareholders are encouraged to update their dividend payment option in order to facilitate payment via a bank account rather than by cheque payment. This will provide for a far more efficient dividend distribution process to both the shareholders and the Bank. Shareholders may visit any Licenced Broker-Dealer or Limited Service Broker-Dealer operating on the Eastern Caribbean Securities Market to facilitate this update.

EVENTS SUBSEQUENT TO BALANCE SHEET:

Dividends

A cash dividend in the amount of $ 0.12 cents per share was declared by the Board on March 23, 2021, for the financial year ending December 31, 2020.The record date for shareholders who are entitled to receive payment of this cash dividend is July 01, 2021. The financial effect of the cash dividend is not included in the financial statements for the year ended December 31, 2020, and will be recognized in the 2021 financial statements.

AUDITORS

The Audit Committee of the Board of Directors invited tenders from Audit firms for the conduct of the 2021 financial year Audit in accordance with the Bank's External Audit Policy. The Board of Directors recommendation for the appointment of the Bank's External Auditor for the period January 1 to December 31, 2021 on the recommendation of the Audit Committee is tabled for the Annual General Meeting on July 29, 2021.

MEETING THE CHALLENGES MEANS ADAPTABILITY. OUR DISCUSSIONS EVOLVED QUICKLY FROM IN PERSON TO VIRTUAL. WHETHER FOR MANAGEMENT MEETINGS OR CLIENT ENGAGEMENTS, WE MOVED SEAMLESSLY TO ADOPT NEW WAYS OF MEETING THE SAME OBJECTIVES OF PRODUCTIVITY

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, a member of the Audit Committee and 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 Human Resources Committee. She was reappointed on May 31, 2019 by the Government of St. Vincent and the Grenadines.

BOARD OF DIRECTORS

MR. MEDFORD FRANCIS
ECONOMIST/ BSC. ECONOMICS, MSC. FINANCIAL MANAGEMENT

Director Francis is a member of the Risk & Compliance 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 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.

MANAGEMENT DISCUSSION & ANALYSIS

Derry Williams
Managing Director

RESILIENCE STARTS WITH A STATE OF MIND INFLUENCED BY DETERMINATION AND USING ALL RESOURCES COLLECTIVELY TO MEET AND SURMOUNT THE CHALLENGES

OUR STRATEGY

The 2020 financial year was one of the most impactful in the Bank's recent history. The year was dominated by continued disruption caused by the COVID-19 Pandemic. Despite this, the Bank was able to record of profit of $3.6 million, albeit a significant reduction when compared to the previous financial year. Additionally, there was an increase in total assets of $87.9 million to $1.2 billion over the 2019 financial year.

The challenges of 2020, difficult as they were, also presented opportunities. The Bank strengthened its internal resilience by implementing new policies and adopted several frameworks consistent with best practices.

In our continued thrust towards digitization and consequent shift to a cashless environment, the Bank commissioned several projects that were designed to lay the foundation for transforming its products and services delivery to customers in the 2021 financial year.

The development of an Enterprise Risk Management Framework was completed during the year. This framework allows for the identification and assessment of the top risks facing the Bank and will enhance the reporting to the Management, the Board and the Regulators. The framework, which the Risk Committee of the Board accepted, is expected to be fully operationalized during the 2021 financial year. During the year, the Bank also conducted an IT Risk Assurance framework which the Board of Directors approved; its implementation is scheduled for 2021.

Increased uncertainty and market volatility resulted in elevated levels of credit risk in both loan and investment portfolios. Additionally, and given the global proliferation of cyber security crimes, the related risk category was also elevated. Nonetheless, the Bank's overall risk profile remained relatively stable for the 2020 financial year as it maintained stable asset quality, strong capital adequacy and healthy liquidity levels.

OPERATING HIGHLIGHTS

Profit after tax for the financial year ended December 31, 2020 was $3.6 million compared to $14.1 million for the comparative period in 2019. The significant reduction in profitability was primarily due to an increase in loan loss expense of $7.6 million. This increase was precipitated by the introduction of management overlays to the Bank's IFRS 9 model due to the Bank's credit portfolio's increased risk, attributed to the COVID-19 Pandemic.

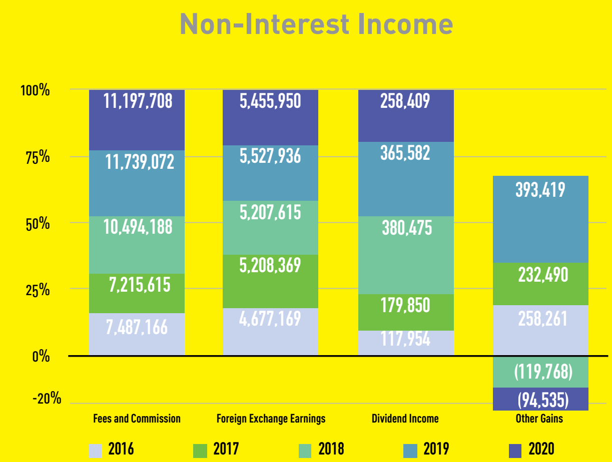
The significant downturn in economic activity in the 2020 financial year also contributed to a reduction in total revenue to $70.6 million from 72.5 million in 2019. Revenue reduction was mostly in the non – interest income category, which decreased by $1.2 million.

Interest income of $53.8 million was consistent with the $53.6 million earned in the 2019 financial year. Despite the relatively flat interest income, there was an increase in interest from loans and advances of $1.1 million or 2.4%. This increase was consistent with the overall growth in the loans and advances portfolio of $37.9 million or 6.3%. However, it should be noted that significant pressure was placed on the yield from loans and advances due to competitive market pricing.

Interest income from Bank Deposits and Investments declined by $1.1 million or 19.6%. This reduction was evident despite the combined increase of $55.3 million or 18.8% in the Deposits with Bank and Investment Portfolios. The reduced yield was reflective of market conditions that were characterized by large amounts of excess liquidity.

Interest expense increased by $0.77 million or 4.8% and was driven by growth in the customers deposit portfolio of $80 million or 8.8%. The increase was primarily reflected in the savings category. Cognizant of the market dynamics, we proactively sought to reduce the Bank's cost of funds and implemented initiatives, which led to a reduction of $0.402 million in interest expense on time deposits. There was also a decrease of $0.347 million in interest expense on Borrowed Funds.

Non-Interest Income



The general slowdown in economic activity, was the major contributory factor to the decline in non- interest income of $1.2 million or 6.7 %. In response to the adversities brought on by the pandemic, the Bank temporarily suspended several service fees, including its offsite ATM fee, which, in conjunction with the reduced tourist arrivals, resulted in a reduction in Fee and commission income of $0.541 million.

Foreign exchange income of $5.5 million earned during the year was consistent with the previous year. While there was fall off in the earlier part of the year, increase in activity during the latter part of the financial year resulted in a rebound in earnings in this category.

Operating Expenses

Total operating expenses amounted to $35.8 million and were marginally lower than 2019. While total expenses were relatively flat, there were increases and decreases in some individual categories:

1. Employee benefits expense grew by $0.173 million or 1.6%, this was mainly due to cost associated with additional health and safety measures implemented to protect employees from exposure to COVID-19. Additionally, staff benefited from union negotiated increase.
2. The Bank's capital investment, which were mostly designed to support the Bank's digital transformation, in conjunction with cost incurred for the retrofitting of some branches, resulted in higher depreciation charges of $0.232 million. There was also an increase in the expense category of Bank and other licenses of $0.220 million or 8.2%, this was mainly due to initiatives designed to improve internal efficiency.

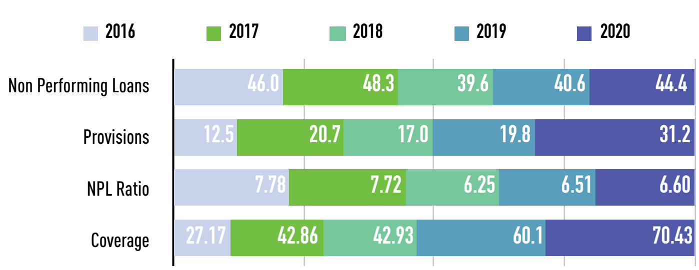
The increases highlighted above were partly offset by the effects of other cost savings arising from reductions in other areas.

Though operating expenses decreased marginally, lower revenues and increase provision for loan losses resulted in an increase in the efficiency ratio from 70.9% to 88.1%.

Asset Quality

The Bank's non-performing loan ratio at the end of the 2020 financial year was 6.6%, which was comparable to the 2019 figure of 6.5%. Given the economic fallout from the Pandemic, the Bank, following guidelines provided by the Eastern Caribbean Central Bank (ECCB), developed and implemented a loan moratorium program in March 2020. The program was designed to provide some form of relief to those adversely affected by the Pandemic. As a result of the moratorium granted to affected customers, the Bank's critical components of it's IFRS 9 model were reassessed on the basis of an elevated level of credit risk. Accordingly, a number of overlays were applied to the calculation of loan losses resulting in an increase in the expense for the year.

Asset Quality



As measured by the total provisions to non-performing loans, the Bank's loan loss coverage increased from 60.1% at the end of the 2019 financial year to 81.5% at the end of 2020. The increase in the coverage ratio is reflective of the changing economic climate occasioned by the pandemic.

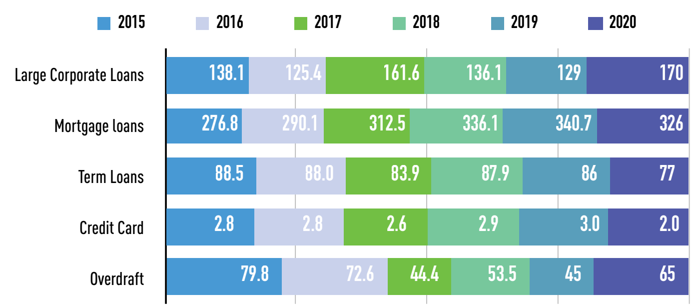
Liquidity

Liquidity, as measured by the liquid assets to total deposits decreased marginally from 41.9% at the end of 2019 to 39.3% as at December 31, 2020. The decrease in the liquidity was mainly due to increased cash out flows at the end of the financial year. At the onset of the pandemic, it was envisaged that the Bank's liquidity would have decreased significantly due to increased private and public sector spending. However, the overall liquidity held steady for the most part during the period.

Balance Sheet Review

Total assets increased by $88 million or 7.9% over the 2019 financial year. Asset growth was mainly concentrated in the areas of Loans and Advances and investment securities, which grew by $37.9 million or 6.3% and $40 million or 49.6% respectively. The growth in asset was funded mainly by increase in liabilities of $79.6 million or 7.9%. Despite the significant growth in deposits, the Bank was still able to achieve the target range of 1.7% on cost of funds.

Loans & Advances



Loans and Advances

The Bank's gross loans and advances portfolio increased from $622.9 million at the end of the 2019 financial year to $672.3 million as at December 31st, 2020. The increase of $49.3 million or 7.9% was mainly reflected in the categories of large corporate loans, which grew by $44.8 million or 32% and overdrafts which grew by $21.3 million or 45%. This increase was primarily due to growth in business activity during the last quarter of the year.

The Bank's credit agenda was dominated by the revision and updating of its Credit Policy and supporting procedures. Additionally, priority was given to the implementation and subsequent administration of the loan moratorium programme, which required a considerable amount of resources. By December 31, 2020, 798 customers were placed on moratorium with an aggregate value of just over $97.5 million. The programme was approved for a period of six (6) months from April to the end of September 2020 initially. However, based on the assessment of the initial phase of the programme and the recognition that the pandemic was still impacting the global economic significantly, a further extension of one (1) year to end of September 2021 was approved by the ECCB.

Customer Support Programme Portfolio	DECEMBER 31, 2020	
BY TYPE	**# OF LOANS**	**BALANCE**
Commercial Loans	43	16,686,797
Commercial Mortgages	23	16,552,000
Residential Mortgages	278	53,647,371
Consumer Loans	422	8,370,936
Student Loans	32	2,271,483
TOTAL	**798**	**97,528,588**
GROSS LOANS & ADVANCES		**672,301,072**
% OF GROSS LOANS & ADVANCES		**15%**

As at December 31, 2020, 177 or 22% of the 798 custmers on the moratorium programme has recommenced the full month repayments on loans with aggregate value of $28.3 million or 29% of the total portfolio of $97.5 million.

CATEGORIES	DECEMBER 31, 2020		
TOTAL	**798**	**97,528,588,37**	**100%**
Loan Moratorium on Principal & Interest Payments	571	42,748,555.70	44%
Loan Moratorium on Principal Payment Only	31	25,028,909.96	26%
Loans back under Regular Payments	175	28,267,087.00	29%
Loans with Partial Payments	21	1,484,035.71	2%

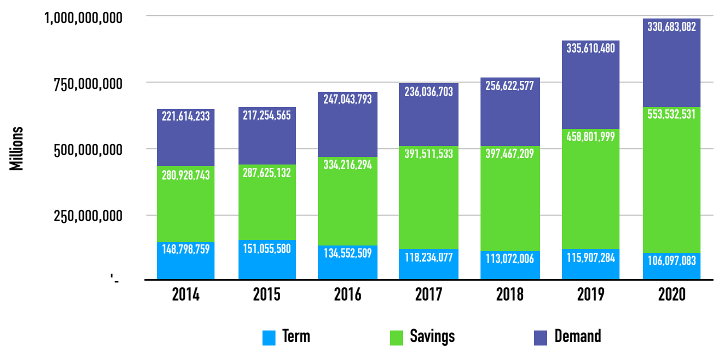
Investments

Total investments at December 31st, 2020 was $134.2 million compared to $95.1 million at the end of the previous financial year. The growth of $39.1 million in the portfolio was driven by the strategy to place excess liquidity into relatively safe investment instruments, in accordance with the risk appetite. The duration of the portfolio remains relatively short at 3.28 years at December 31st, 2020 compared to 2.92 years at December 31st, 2019, while the portfolio average return declined from 4.86% at the end of 2019 to 4.62% at the end of 2020.

Deposit Liabilities

Total deposit liabilities were $990.3 million compared to $910.3 million at December 31, 2019. The increase of $80 million was reflected mainly in the savings category and was primarily related to deposits growth for the non-banking financial sector.

Due to Customers



Conclusion

The length, severity and overall impact of the COVID-19 Pandemic will ultimately determine how the Bank adapts and develop its strategies. We will continue to monitor the external environment, and implement strategies that will enhance the Bank's ability to remain competitive and relevant, while at the same time, responding to the needs of our customers.

PROFILE OF EXECUTIVE & SENIOR MANAGEMENT

DERRY WILLIAMS
Managing Director
MBA - Finance

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, CCSec., GDL

LISA HENRY
Head of Human Resources Dept.
BSc. Accounting Special, Diploma in Counselling, Cert. in Business Administration

NICOLE FERNANDEZ
Senior Manager
Information Technology, Executive Diploma in Information Technology

PROFILE OF EXECUTIVE & SENIOR MANAGEMENT

MONIFA LATHAM
Head of Lending Dept.
BSc Economics,
Principal Licence –
Eastern Caribbean
Securities Regulatory
Commission

LA FLEUR HALL
Head of Risk and
Compliance Dept.
MSc. Audit Management
and Consultancy, CAMS,
Anti-Money Laundering
Certificate Associate
(AML/CA)

CELESTINE JACKSON
Senior Manager Finance
BSc Applied Accounting,
FCCA, Msc/MA Finance
and Investment, Diploma in
Forensic Accounting, Certified
Accounting Technician

MANAGEMENT

IRVIA HAYNES
Manager Audit Operations
BBA Management

NADINE BILLINGY
Head of Credit Administration & Securities
AICB, PgDip. Risk Management

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

LEROY ROSE JR.
Head of Facilities & HSE
Cert.

GILLIAN DA SILVA
Head of Payment Solutions
Cert.

INDERIA WALKER TONEY
Head of Risk Services
BSc. Applied Accounting, AICB, ACCA

LA FLEUR DURRANT
Head of Corporate Lending
Baccalaureate in Financial Administration

LAURENT HADLEY
Head of Treasury & Investment
BSc. Economic & Accounting, Postgraduate Cert. in Business Administration, Principal Licence – Eastern Caribbean Securities Regulatory Commission

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

WE ARE DEEPLY INDEBTED TO OUR FRONT LINE STAFF AND EMPLOYEES WHO CONTINUE TO SHOW THEIR COMMITMENT IN THE FACE OF THE CHALLENGES POSED BY THE PANDEMIC. WE HAVE ALSO ENSURED THAT WE ENGAGE THE HIGHEST LEVELS OF SAFETY FOR THEM AND OUR VALUED CUSTOMERS

HEALTH & SAFETY FOR STAKEHOLDERS

Upon the onset of the COVID-19 Pandemic in March 2020, we introduced measures for the protection of the employees and customers. We also introduced a relief package for customers which included a moratorium on interest and /or principal for loan customers affected by COVID-19. The following are some of the COVID-19 preventative measures implemented during the 2020 financial year:

1. Displaying of posters on COVID-19 protocols in all branches.
2. Sanitizers provided for staff and customers throughout the branches.
3. Increase sanitization of office surfaces at all branches including both customer and staff areas.
4. Promoting social distancing by putting clear demarcation in the banking halls for customers and spacing of staff in the work areas.
5. Temperature checks for staff each day
6. Providing transportation for staff to and from work in order to mitigate the risks associated with public transportation.
7. Daily public health notices issued electronically to staff.
8. Face masks for staff and customers.
9. Promoting the use of the Bank's digital platform.

MEETING THE CHALLENGES THROUGH LEADERSHIP, RESILIENCE AND COMMITMENT

COMMUNITY INVESTMENT

1. Customer Service Supervisor, Antoinette Browne handing out BOSVG umbrella to a customer on a rainy day.
2. Cerlian Russell, Senior Manager Retail visits customer, Mr. Levi Walker of Imperial Pharmacy, Bequia.
3. Staff members Asquith Mapp & Marcia Thompson making donation of a printer and inks to the Layou Police Station.
4. Member of staff Alana Mc Master speaking at the BOSVG sponsored Barrouallie netball tournament opening.
5. Customer Ms. Leslyn Davis stands with her BOSVG umbrella.

COMMUNITY INVESTMENT

6. BOSVG donates a five-burner stove to the RSVG Police force Fire Department stationed at the Argyle International Airport.
7. Staff member Alicia Providence, donating COVID-19 supplies to the Buccament Poly Clinic.
8. BOSVG Social Club assisting with the repainting of the Netball Assosciation court.
9. Staff member Cerlian Russell, visits customer Grenadines Sea Salt, Bequia.
10. Staff member handing over sponsorship cheque to the president of the SVG Netball Association.
11. BOSVG Social Club members handing over the rebranded and repainted SVG Netball Association court.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(expressed in Eastern Caribbean dollars)

KPMG
First Floor
National Insurance Services Headquarters
Upper Bay Street
P.O. Box 587, Kingstown
St. Vincent and the Grenadines

Telephone: (784) 451-1300
Fax: (784) 451-2329
Email: kpmg@kpmg.vc

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

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 31 December 2020 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 31 December 2020, 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.

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.

KPMG

Independent Auditor's Report (continued)

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

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter 1:
IFRS 9 Expected Credit Losses – Loans and advances to customers</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>

Refer to Notes 2, 9 and 10 of the consolidated financial statements.

The Group reported gross loans and advances to customers amounting to $672,301,072, representing 55% of total assets, and expected credit losses on loans and advances to customers of $31,236,224.

IFRS 9, *Financial Instruments*, requires the Group to recognise expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and involves many significant judgements and estimates. In view of the level of judgment involved in determining the expected credit losses on loans and advances to customers and the significance of the amount, this is considered a key audit matter.

The key areas requiring a greater level of judgement and therefore increased audit focus include the identification of significant increase in credit risk ('SICR') and the application of forward-looking information. The identification of significant increase in credit risk is a key area of judgement as these criteria determine whether a 12 month or lifetime provision is recorded (i.e. the Stage allocation process). IFRS 9 requires the Group to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is used in determining the economic scenarios and management overlay.

</td><td>

General

We considered the Group's process and assessed key activities around the determination of the expected credit loss allowance including:

- Appropriateness of modelling methodology;
- Model approvals;
- The identification of credit impairment events; and
- The Group's review, challenge and approval of the expected credit loss allowance, including the impairment model outputs, key judgments and overlays applied. The Group has applied a heightened level of expert judgment in their assessment of the impact of COVID-19 on the ECL allowance.

Stage 1 and Stage 2 Loans and advances

With the support of our internal credit risk specialists, we tested the models focusing on the following aspects:

- We inspected the impairment model used by the Group for the calculation of expected credit losses. In that respect, we considered whether the model is consistent with the model documentation and in line with industry practice.
- We evaluated processes and tested the data on a sample basis that was used to determine expected credit loss including loan data, systems computational logic and computation of PDs and LGDs.

</td></tr>
</table>

KPMG

Independent Auditor's Report (continued)

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

Key Audit Matters (continued)

Key Audit Matter 1: **IFRS 9 Expected Credit Losses – Loans and advances to customers**	**How the matter was addressed in our audit**
For the Group's loans and advances in Stage 1 and 2 (i.e. Stage 1 - loans which had not experienced a significant increase in credit risk since origination and; Stage 2 - those that had experienced such significant increase in credit risk but that do not have objective evidence of impairment), the allowance is determined on a collective basis with the use of impairment models. These models use a number of key assumptions including probability of default, loss given default and valuation of recoveries. Management also apply overlays where they believe the model calculated assumptions and allowances require refinement due to historical trends or due to the model limitations. For the Group's loans and advances in Stage 3 (i.e. credit impaired facilities) expected credit losses are estimated on an individual basis. Specific criteria has been developed to identify loans that have become credit impaired. Judgement is exercised to determine whether any additional loans are exhibiting specific characteristics that would lead to such classification. The Group then estimates the expected future cash flows related to those loans.	• We evaluated the reasonableness of the Group's ECL estimates based on the underlying ECL models produced by the Group. As part of this procedure, we used our own financial risk modelling specialists and economic specialists to assess the methodologies and assumptions employed within the models for reasonableness. This included an assessment of the SICR criteria for loans under the moratorium program and the evaluation of Group's expert credit judgment in ensuring that amounts recorded were reflective of the credit quality, macroeconomic trends and other factors including the impact of COVID-19. The specialists also assisted us in evaluating the derivation and assumptions selected for probability of default, loss given default and the exposure at default. Additionally, the specialists assisted us in evaluating the appropriateness of the Group's use of the overlay approach in lieu of a regression model based on the statistical credibility results provided. • We assessed the reasonableness of the overlays derived outside the specific model output including the COVID-19 overlay by developing our own expectation based on knowledge of the Group, experiences in the sector in which the Group operates and specific external data sources.

Independent Auditor's Report (continued)

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

Key Audit Matters (continued)

Key Audit Matter 1: **IFRS 9 Expected Credit Losses – Loans and advances to customers**	**How the matter was addressed in our audit**
On the basis of the factors discussed in this key audit matter, we determined that the impairment of loans and advances has a high degree of estimation uncertainty. Disclosures regarding the Group's application of IFRS 9 are key to understanding the model as well as the explanation of key judgements and material inputs to the IFRS 9 ECL results.	**Stage 3 Loans and advances** • We critically assessed the criteria for determining whether a credit impairment event had occurred. This involved testing a sample of loan facilities in Stage 1 and 2 for indicators of a credit impairment event based on determined risk characteristics by looking at principal and interest repayment and other Group internal data. • We involved our internal valuation specialists in the evaluation of third-party valuations of the underlying collateral security supporting a sample of loans and advances. • We also considered the current market conditions and compared these against the Group's historical experience of the realization of security and actual collection of cash flows to evaluate the adequacy of the impairment allowance • We re-performed the expected credit loss allowance calculation. **Financial statement disclosures** We assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with the relevant accounting standards.

KPMG

Independent Auditor's Report (continued)

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

Key Audit Matters (continued)

Key Audit Matter 2: **Fair Value of Unlisted Investments measured at FVOCI**	**How our audit addressed the key audit matter**
Refer to Notes 2, 3 and 8 to the consolidated financial statements. At December 31, 2020, unlisted equities measured at FVOCI and classified as Level 3 was $14,795,412. 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. In view of the complexity of the measurement models, we have determined that our considerations around these investments represent a key audit matter.	As part of our procedures, for those instruments where there are no published prices, we involved our internal valuation specialists in evaluating the appropriateness of the valuation methodologies used by the Group. In particular, we considered the requirements of IFRS, current market practice and the availability of suitable data inputs to determine whether a valuation model is appropriate or continues to be appropriate as at the reporting date. Our valuation experts also considered the appropriateness of the inputs used based our knowledge and experiences in the sector in which the Group operates, and where relevant, agreed these inputs to external data sources. We also involved our internal valuation specialists in performing an independent valuation of the investments to compare to the values derived by the Group; and to recalculate the unrealized gain/(loss) recognized. Using the knowledge from the abovementioned procedures, we also assessed the adequacy of the disclosures provided by the Group in accordance with the relevant accounting standards.

Independent Auditor's Report (continued)

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 2020 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this 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 2020 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.

KPMG

Independent Auditor's Report (continued)

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

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

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.

KPMG

Independent Auditor's Report (continued)

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

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

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 Baldwin Alcindor.

KPMG

Chartered Accountants
Kingstown, St. Vincent and the Grenadines
June 11, 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Assets			
Cash and balances with Eastern Caribbean Central Bank	5	**149,711,324**	157,771,167
Deposits with other banks	6	**219,184,382**	203,656,459
Treasury bills	7	**9,998,875**	10,261,848
Investment securities	8	**120,657,229**	80,662,829
Loans and advances to customers	9	**641,064,848**	603,116,302
Investment security at amortised cost	11	**3,569,700**	4,177,759
Investment properties	12	**2,412,000**	2,232,000
Property and equipment	13	**55,351,332**	54,437,514
Deferred tax asset	15	**3,772,347**	2,886,326
Other assets	16	**8,861,265**	7,405,798
Total Assets		**1,214,583,302**	1,126,608,002
Liabilities			
Deposits due to banks	17	**21,196,247**	19,274,459
Due to customers	18	**990,312,696**	910,319,763
Corporation tax payable		**2,910,516**	1,100,641
Borrowings	19	**28,277,449**	33,577,708
Provisions and other liabilities	20	**38,107,806**	36,962,244
Total Liabilities		**1,080,804,714**	1,001,234,815
Equity			
Share capital	21	**20,753,306**	20,753,306
Statutory reserves	22	**20,753,306**	20,753,306
General provision reserves	23	**4,907,450**	4,542,702
Unrealised gain/(loss) on investments		**11,792,233**	(41,461)
Retained earnings		**75,572,293**	79,365,334
Total Equity		**133,778,588**	125,373,187
Total Liabilities and Equity		**1,214,583,302**	1,126,608,002

Approved by the Board of Directors on June 11, 2021.

Director

Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

	Notes	Share Capital	Statutory Reserves	General Provision Reserves	Unrealised Gain/(loss) on Investments	Retained Earnings	Total
		$	$	$	$	$	$
Balance at 1 January 2019		20,753,306	20,753,306	3,133,354	(95,386)	73,131,134	117,675,714
Total comprehensive income		-	-	-	53,925	14,093,481	14,147,406
Transfer to general provision reserves	23	-	-	1,409,348	-	(1,409,348)	-
Dividend paid		-	-	-	-	(6,449,933)	(6,449,933)
Balance at 31 December 2019		20,753,306	20,753,306	4,542,702	(41,461)	79,365,334	125,373,187
Balance at 1 January 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	23	**-**	**-**	**364,748**	**-**	**(364,748)**	**-**
Dividend paid		**-**	**-**	**-**	**-**	**(7,049,927)**	**(7,049,927)**
Balance at 31 December 2020		**20,753,306**	**20,753,306**	**4,907,450**	**11,792,233**	**75,572,293**	**133,778,588**

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Interest income using the effective interest method	25	**53,771,347**	53,619,655
Interest expense	25	**(16,921,241)**	(16,150,656)
Net interest income		**36,850,106**	37,468,999
Fee, commission and other income	26	**16,559,123**	17,660,427
Dividend income		**258,409**	365,582
Impairment losses on property and equipment	13	**-**	(214,506)
Allowances for credit losses on financial assets	29	**(11,513,269)**	(3,077,041)
Operating expenses	27	**(35,788,241)**	(36,037,821)
Profit before income tax		**6,366,128**	16,165,640
Income tax expense	30	**(2,744,494)**	(2,072,159)
Profit for the year		**3,621,634**	14,093,481
Basic and diluted earnings per share	31	**0.24**	0.94

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Profit for the year		**3,621,634**	14,093,481
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	**86,527**	53,925
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**11,833,694**	53,925
Total comprehensive income for the year, net of tax		**15,455,328**	14,147,406

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Cash flows from operating activities			
Profit for the year		**3,621,634**	14,093,481
Adjustments for:			
Interest income – investment securities and deposits		**(4,697,693)**	(5,840,244)
Interest expense – borrowings		**1,480,953**	1,827,593
Impairment losses – loans and advances		**11,513,838**	3,924,735
Changes in fair value investment securities		**274,535**	(359,691)
Impairment on property and equipment	13	**-**	214,506
Impairment on investment securities		**605,087**	(240,883)
Depreciation		**2,698,656**	2,466,674
Dividend income		**(258,409)**	(365,582)
Fair value gain on investment property		**(180,000)**	-
Unrealized gain on foreign exchange		**(37)**	-
Gain on disposal of property and equipment		**-**	(33,728)
Income tax expense		**2,744,494**	2,072,159
		17,803,058	17,759,020
Increase in mandatory deposits with Eastern Caribbean Central Bank		**(4,799,576)**	(8,589,478)
(Increase)/decrease in loans and advances to customers		**(49,462,385)**	9,554,595
Increase in other assets		**(1,455,467)**	(3,396,186)
Increase in due to customers		**79,992,933**	143,157,971
Increase/(decrease) in deposits due to banks		**1,921,788**	(18,588,813)
Increase/(decrease) in provisions and other liabilities		**1,145,562**	(2,671,131)
		45,145,913	137,225,978
Dividends received		**258,409**	365,582
Interest received		**4,366,587**	5,827,969
Interest paid		**(1,480,953)**	(1,852,771)
Income tax paid		**(1,820,639)**	(2,930,395)
Net cash from operating activities		**46,469,317**	138,636,363
Cash flows from investing activities			
(Increase)/decrease in interest bearing deposits with financial institutions		**(8,173,687)**	20,873,152
Proceeds from disposal and redemption of investment securities	8	**44,239,682**	41,516,094
Purchase of investment securities	8	**(72,340,808)**	(36,751,017)
Purchase of property and equipment	13	**(3,612,474)**	(4,109,660)
Proceeds from disposal of property and equipment		**-**	45,000
Net cash (used in)/from investing activities		**(39,887,287)**	21,573,569

CONSOLIDATED STATEMENT OF CASH FLOWS...CONTINUED

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Cash flows from financing activities			
Dividends paid		**(7,049,927)**	(6,449,933)
Repayment of borrowings		**(5,300,259)**	(4,681,141)
Net cash used in financing activities		**(12,350,186)**	(11,131,074)
Net (decrease)/increase in cash and cash equivalents		**(5,768,156)**	149,078,858
Cash and cash equivalents at beginning of year		**314,994,279**	165,915,421
Cash and cash equivalents at end of year	32	**309,226,123**	314,994,279

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed 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 1 June 1977. On 19 June 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 26 November 2012. In addition to the Company's 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 13 December 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 31 December 2020 (the reporting date).

The consolidated financial statements for the year ended 31 December 2020 were approved by the Board of Directors for issue on 11 June 2021.

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

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.

2. Summary of significant accounting policies*…continued*

2.2 Basis of measurement*…continued*

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 1 January 2020. 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 pronouncement 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.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB published the second phase of its amendments to IFRS concerning the global initiative to replace or reform Interbank Offered Rates (LIBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives. Phase 2 focuses on issues expected to affect financial reporting when an existing IBOR is replaced with an alternative risk free rate (RFR).

The phase 2 amendments contain a practical expedient which requires changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform to be treated as a change in floating interest rate, provided that the transition from the IBOR benchmark to the alternative RFR takes place on an economically equivalent basis. This may include the addition of a fixed spread to compensate for a basis difference between the existing IBOR benchmark and the alternative RFR, changes to reset period, reset dates or number of dates between coupon payment dates that are necessary to effect reform of an IBOR benchmark and the addition of any fallback provision to the contractual terms of a financial instrument that allow any of the above changes to be made.

Any other change to contractual terms would be assessed under the Group's accounting policies for loan modifications, including an assessment of whether derecognition of the original instrument is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

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

2.3 New and amended standards and interpretations…continued

Interest Rate Benchmark Reform-Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*…continued*

The amendments also provide reliefs which allow change to hedge designations and corresponding documentation without the hedge relationship being discontinued. These include the ability to:

- Redefine the description of the hedged item and or hedging instrument
- Redefine the hedged risk to reference an alternative RFR
- Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- Elect, on a hedge by hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform (for example, if the hedged item and hedging instrument are repapered into the alternative RFR at different times).

Where an alternative RFR designated as a non-contractually specified risk portion is not separately identifiable i.e. fair value hedge of a fixed rate debt instrument, the Group may assume that the alternative RFR is deemed to have met that requirement provided it reasonably expected the alternative RFR will be separately identifiable within 24 months.

The 24-month period begins individually for each benchmark, but if it is subsequently assessed that the alternative RFR is no longer expected to be separately identifiable within 24 months of the first hedge designation of a benchmark, then all hedges for that benchmark are discontinued prospectively.

The amendments are intended to support the provision of useful financial information during the period of uncertainty arising from the phasing out of IBORs.

The standard is effective for reporting periods beginning on or after January 1, 2020. This standard did not have any impact on the Group.

Amendments to IAS 3 Definition of a *Business Combination* (Amendments to IFRS 3)

The amendments to the definition of a Business aims at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendments are changes to Appendix A defined terms, the application guidance and the illustrative examples of IFRS 3 only and include:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

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

2.3 New and amended standards and interpretations*...continued*

Amendments to IAS 3 Definition of a Business Combination (Amendments to IFRS3)*...continued*

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisition that occur on or after the beginning of that period. Earlier adoption is permitted.

The amendments are effective for annual reporting periods beginning on or after 1 January, 2022 and are to be applied retrospectively. Earlier application is permitted.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting* Estimates and errors

The IASB issued “Definition of Material” (Amendments to IAS 1 and IAS 8) to clarify the definition of “material” and to align the definition used in the Conceptual Framework and the accounting standards. The changes seek to ensure a consistent definition of materiality throughout the IFRS and the Conceptual Framework for financial reporting. The revised definition of “material” from the amendments is as follows:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Three critical aspects of the amended definition must be noted:

1. Obscuring – the existing definition focused on omitting or misstating information however, the revised definition goes further by indication that obscuring material information with information that can be omitted has the same effect.
2. Could reasonably be expected to influence – the existing definition referred to ‘could influence’ which was seen as too broad as almost anything could influence the decisions of some users even if the possibility is remote.
3. Primary users – the existing definition referred to “users” which is seen as to broad as it suggests that all possible users of the financial statements must be considered when information is being disclosed in the financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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 have a significant impact on the Group’s consolidated financial statements.

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

2.4 New and amended standards and interpretations issued but not yet effective*...continued*

Amendments to IAS 16 *Property, Plant and Equipment*

Property, plant and equipment – Proceeds before intended use (Amendment to IAS 16) amends the standard to prohibit from deducting from the cost of an item of property, plant and equipment amounts received from selling items produced while preparing the item for its intended use. Instead the proceeds from selling such items and the cost of producing those items must be recognized in profit or loss.

The change is effective for annual periods beginning 1 January 2022.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

On 14 May 2020, the IASB published Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) amending the standard regarding costs a company should include as the costs of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for contracts for which all of the obligations have not yet been fulfilled.

The amendments are effective for annual periods beginning on or after 1 January 2022. Earlier adoption is permitted.

Amendment to IFRS 3 *Business Combinations*

On 14 May 2020, the IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) updating a reference to the Conceptual Framework. IFRS 3 specifies how an entity should account for the assets and liabilities it acquires when it obtains control of a business. IFRS 3 requires an entity to refer to the Conceptual Framework for Financial Reporting to determine what constitutes an asset or a liability.

The amendments are effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. An entity shall apply IFRS 17 to:

- Insurance contracts including reinsurance contracts, it issues;
- Reinsurance contracts it holds: and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

The standard is effective for reporting periods beginning on or after 1 January 2021. The standard is not expected to have a material impact on the financial statements of the Group.

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

The amendment forms part of the annual improvement to IFRSs 2018-2020 cycle and clarifies which fees are to be included when the “10 per cent” test in assessing whether to derecognize a financial liability. The amendment provides that an entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

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

2.4 New and amended standards and interpretations issued but not yet effective*...continued*

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

Amendments to IAS 1 *Presentation of Financial Statements*

On 23 January 2020, the IASB issued an amendment to IAS 1 providing clarification on how to classify liabilities as current or non-current. The classification depends on the right that exists at the end of the reporting period. The amendments are intended to merely clarify the existing requirements contained in paragraph 69 and 76 of IAS 1. The main changes to the classification requirements include:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights as the requirement for an 'unconditional' right has been deleted from paragraph 69(d)
- Classification is based on the right to defer settlement, and not intention (paragraph 73), and
- If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.

The amendments are effective for annual reporting periods beginning on or after 1 January, 2022 and are to be applied retrospectively. Earlier application is permitted.

COVID-19 Related Rent Concessions - Amendment to IFRS 16

Effective for annual periods beginning on or after 1 June 2020.

Key requirements

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

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 were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.4 New and amended standards and interpretations issued but not yet effective*…continued*

COVID-19 Related Rent Concessions - Amendment to IFRS 16*…continued*

Transition
Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020.

Impact
The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

Reference to the Conceptual Framework - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2022.

Key requirements
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 a previous version of the IASB's *Conceptual Framework* (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add 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 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Transition
The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the *Amendments to References to the Conceptual Framework* in IFRS Standards (March 2018).

Impact
The amendments are intended to update a reference to the *Conceptual Framework* without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

2. Summary of significant accounting policies*…continued*

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 31 December 2020. 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 31 December 2020.

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.

2. Summary of significant accounting policies*…continued*

2.5 Consolidation*…continued*

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 unrealised gains on transactions between Group companies have been eliminated. Unrealised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.5 Consolidation*…continued*

Transactions with non-controlling interests*…continued*

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 12
• 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

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

2.6 Fair value measurement*...continued*

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.

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 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.

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

2.7 Financial assets and liabilities…continued

b) Classification of Financial Instruments…continued

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	

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.

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

2.7 Financial assets and liabilities…continued

b) Classification of Financial Instruments…continued

Business model assessment…continued

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.

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

2.7 Financial assets and liabilities…continued

b) Classification of Financial Instruments…continued

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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

b) Classification of Financial Instruments…continued

Debt Instruments measured at Fair Value through Profit or Loss (FVTPL)

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 unrealised gains and losses are recognised as part of non-interest income in the consolidated statement of income.

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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

b) Classification of Financial Instruments…continued

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.

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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

c) Derecognition of financial assets and liabilities…continued

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, canceled 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.

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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

Expected credit loss impairment model…continued

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 as a collective provision 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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

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 derecognised 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 realisation of any collateral. It is usually expressed as a percentage of the EAD.

Incorporation of forward–looking information

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

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

Macroeconomic factors

The standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Group conducted an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates, and Eastern Caribbean Central Bank interest rates. There was little correlation between the overall performance of the economy and historical loss trends. It was therefore not possible to directly correlate macroeconomic expectations to adjustments within the ECL models.

The standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The Group in an effort to make adjustments for management overlays, adjusted the stage two loans for the likelihood of migration to stage three and the severity or the extent of the provisions required when these loans migrate to stage three.

To account for the potential non-linearity in expected losses, multiple scenarios were incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, management overlays and exponential smoothing were incorporated into the scenarios to determine a range of reasonably possible outcomes, both in respect of determining the PDs (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts.

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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

Assessment of significant increase in credit risk (SICR)…continued

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.

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. 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. Lifetime ECL is recognised for loans where there is objective evidence of impairment.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

Credit impaired (or defaulted) exposures (Stage 3)*…continued*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

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.

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

2.7 Financial assets and liabilities…continued

d) Impairment of financial assets…continued

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 loan 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.

2. Summary of significant accounting policies*…continued*

2.7 Financial assets and liabilities…continued

f) Write offs of credit impaired assets and reversal of impairment…continued

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 is recognised in the consolidated statement of other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

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

2.7 Financial assets and liabilities…continued

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 other 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 is 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.9 Property and equipment…continued

(c) Depreciation…continued

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 property

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 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 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.

2. Summary of significant accounting policies*…continued*

2.11 Income tax

(a) Current tax

Income tax payable/recoverable 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. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future 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 realised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

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

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 scheme. The scheme 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 drawn on customers. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

2. Summary of significant accounting policies*…continued*

2.17 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

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.

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

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 recognised 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 amortised cost of the security and other changes in the carrying amount of the monetary assets. Translation differences related to changes in the amortised cost are recognised in profit and loss, and other changes in the carrying amount, except impairment, are recognised 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.

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

2.19 Leases*...continued*

As a lessee...continued

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.

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

2.19 Leases*...continued*

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.

3. Financial risk management…continued

(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.

3. Financial risk management…continued

(b) Credit risk…continued

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 minimise 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.

3. Financial risk management…continued

(b) Credit risk…continued

Risk limit control and mitigation policies…continued

Collateral…continued

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.

3. Financial risk management…continued

(b) Credit risk…continued

Impairment and provisioning policies…continued

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 33).

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.

3. Financial risk management…continued

(b) Credit risk…continued

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

	Maximum exposure 2020 $	2019 $
Deposit with Central Bank	**130,326,268**	133,109,009
Deposits with other banks	**219,184,382**	203,656,459
Treasury bills	**9,998,875**	10,261,848
Investment securities	**120,657,229**	80,662,829
Loans and advances to customers:		
− Overdrafts	**65,319,618**	44,672,723
− Term loans	**77,182,173**	85,707,903
− Large corporate loans	**169,823,718**	129,233,878
− Mortgage loans	**326,241,506**	340,733,704
− Credit cards	**2,497,833**	2,768,094
Investments security at amortised cost	**3,569,700**	4,177,759
Other assets	**6,924,753**	5,472,708
	1,131,726,055	1,040,456,914
Credit risk exposures relating to the financial assets		
Guarantees and letters of credit	**390,000**	40,000
Loan commitments	**8,313,500**	8,456,350
	8,703,500	8,496,350
	1,140,429,555	1,048,953,264

The above table represents a worst-case scenario of credit risk exposure to the Group at 31 December 2020 and December 2019, without taking account of any collateral held or other credit enhancements attached. For assets included “on” statement of financial position, the exposures set out above are based on net amounts.

As shown above 57% (2019 – 57%) of the total maximum exposure is derived from loans and advances to customers; 11% (2019 – 8%) represents investments in debt securities.

3. Financial risk management…continued

(b) Credit risk…continued

Maximum exposure to credit risk…continued

Collateral

The value of identifiable collateral for credit impaired loans and advances was $102,382,442 (2019 - $98,271,456).

	Total	Over collateralised	Under collateralised	Cash collateral	No collateral
	$	$	$	$	$
31 December 2020					
Loans and advances	**44,352,646**	**36,424,612**	**3,881,899**	**1,299,758**	**2,746,377**
Collateral (FV)	**102,382,442**	**98,248,767**	**2,833,917**	**1,299,758**	**-**
31 December 2019					
Loans and advances	40,564,191	34,168,813	3,361,546	2,006,105	1,027,727
Collateral (FV)	98,271,456	93,994,349	2,271,002	2,006,105	-

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	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Gross exposure	**465,008,399**	520,621,690	**162,940,027**	61,766,711	**44,352,646**	40,564,191
Less allowance for impairment on loans and advances	**(2,701,142)**	(3,312,146)	**(10,329,380)**	(1,446,934)	**(18,205,702)**	(15,077,210)
Net exposure	**462,307,257**	517,309,544	**152,610,647**	60,319,777	**26,146,944**	25,486,981

The total credit impairment for loans and advances to customers is $31,236,224 (2019 - $19,836,290) of which $18,205,702 (2019 – $15,077,210) represents the individually impaired loans (stage 3) and the remaining amount of $13,030,522 (2019: $4,759,080) represents the credit impairment for stage 1 and stage 2 loans. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 9 and 10.

Loans and advances to customers 12 months expected credit losses not credit impaired (stage 1)

3. Financial risk management…*continued*

(b) Credit risk…*continued*

Analysis of credit quality…continued

The credit quality of the portfolio of loans and advances that were 12 months expected credit losses not credit impaired can be assessed by reference to the business model adopted by the Group.

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
At 31 December 2020	**15,180,074**	**66,095,038**	**251,350,543**	**129,864,427**	**2,518,317**	**465,008,399**
At 31 December 2019	7,522,341	78,032,783	311,267,267	120,996,293	2,803,006	520,621,690

Loans and advances to customers lifetime expected credit losses not credit impaired (stage 2)

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amount of loans and advances by class to customers that were less than 90 days past due were as follows:

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
At 31 December 2020	**51,237,646**	**11,378,641**	**63,797,438**	**36,486,948**	**39,354**	**162,940,027**
At 31 December 2019	37,826,966	3,385,820	15,359,205	5,173,576	21,144	61,766,711

Loans and advances to customers lifetime expected credit losses credit impaired (stage 3)

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Credit Cards $	Total $
At 31 December 2020	**1,579,700**	**7,012,231**	**17,229,565**	**18,401,457**	**129,693**	**44,352,646**
At 31 December 2019	1,344,476	6,999,171	18,232,814	13,830,202	157,528	40,564,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management…continued

(b) Credit risk…continued

Analysis of credit quality…continued

Debt securities and other eligible bills
The table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2020 and 2019, based on Standard & Poor's and Caricris ratings:

	Treasury bills $	Investment securities at amortised cost $	Investment securities at FVOCI	Investment securities-bonds at amortised cost $	Total $
At 31 December 2020					
AA- to A+	**-**	**-**	**544,247**	**-**	**544,247**
Lower than A+	**9,998,875**	**54,022,172**	**4,256,937**	**3,569,700**	**71,847,684**
Unrated	**-**	**17,791,219**	**-**	**-**	**17,791,219**
	9,998,875	**71,813,391**	**4,801,184**	**3,569,700**	**90,183,150**

	Treasury bills $	Investment securities at amortised cost $	Investment securities at FVOCI	Investment securities-bonds at amortised cost $	Total $
At 31 December 2019					
AA- to A+	-	-	1,099,068	-	1,099,068
Lower than A+	10,261,848	40,403,553	4,757,566	4,177,759	59,600,726
Unrated	-	16,789,655	9,761,897	-	26,551,552
	10,261,848	57,193,208	15,618,531	4,177,759	87,251,346

Concentrations of risks of financial assets with credit exposure

Geographical sectors
The Group operates primarily in St. Vincent and the Grenadines. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in this location, except for investments that have other exposures, primarily in the other Caribbean countries.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management…continued

(b) Credit risk…continued

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	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	-	-	39,560,050	-	-	7,425,070	71,813,391
- 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:								
- Large corporate loans	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
Investment security at amortised cost	-		-	3,569,700	-	-	-	3,569,700
Other assets	-	-	-	-	-	-	6,924,753	6,924,753
At 31 December 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

3. Financial risk management…continued

(b) Credit risk…continued

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	133,109,009	-	-	-	-	-	-	133,109,009
Deposits with other banks	203,656,459	-	-	-	-	-	-	203,656,459
Treasury bills	-	-	-	10,261,848	-	-	-	10,261,848
Investment securities:								
- At amortised cost	30,857,208	-	-	26,336,000	-	-	-	57,193,208
- At FVOCI	3,048,208	-	-	-	-	-	5,856,634	8,904,842
- At FVTPL	894,375	-	-	-	-	-	13,670,404	14,564,779
Loans and advances to customers:								
- Large corporate loans	-	4,169,168	7,685,474	57,570,750	10,552,478	13,850,250	35,405,758	129,233,878
- Term loans	-	-	232,615	-	15,456	84,675,786	784,046	85,707,903
- Mortgages loans	-	-	-	-	1,250,868	338,646,612	836,224	340,733,704
- Overdrafts	103,231	1,200,844	231,616	30,854,935	3,042,765	3,042,559	6,196,773	44,672,723
- Credit cards	-	-	9,507	-	6,507	2,746,566	5,514	2,768,094
Investment security at amortised cost	-	-	-	4,177,759	-	-	-	4,177,759
Other assets	-	-	-	-	-	-	5,472,708	5,472,708
At 31 December 2019	371,668,490	5,370,012	8,159,212	129,201,292	14,868,074	442,961,773	68,228,061	1,040,456,914
Guarantees, letters of credit and loan commitments	-	120,500	-	-	661,000	6,488,850	1,226,000	8,496,350

TABLE OF CONTENTS

3. Financial risk management*...continued*

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group 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 31 December.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

(d) Currency risk*…continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
As at 31 December 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	**67,481,583**	**4,331,808**	**-**	**-**	**-**	**-**	**-**	**71,813,391**
– 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**
Investment security at amortised cost	**3,569,700**	**-**	**-**	**-**	**-**	**-**	**-**	**3,569,700**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management...*continued*

(d) Currency risk…*continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
As at 31 December 2020								
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
Borrowings	11,430,771	16,846,678	-	-	-	-	-	28,277,449
Provisions and other liabilities	38,107,806	-	-	-	-	-	-	38,107,806
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

3. Financial risk management...*continued*

(d) Currency risk…*continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
As at 31 December 2019								
Financial assets								
Cash and balances with ECCB	152,845,030	2,920,185	367,992	651,015	300,564	677,845	8,536	157,771,167
Deposit with other banks	23,156,310	178,437,534	194,667	52,409	1,265,372	183,480	366,687	203,656,459
Treasury bills	10,261,848	-	-	-	-	-	-	10,261,848
Investment securities:								
– at amortised cost	56,411,275	781,933	-	-	-	-	-	57,193,208
– at FVOCI	3,047,833	5,856,634	-	375	-	-	-	8,904,842
– at FVTPL	-	13,670,404	894,375	-	-	-	-	14,564,779
Loans and advances to customers	603,116,302	-	-	-	-	-	-	603,116,302
Investment security at amortised cost	4,177,759	-	-	-	-	-	-	4,177,759
Other assets	5,470,035	-	-	-	-	-	-	5,470,035
Total financial assets	858,486,392	201,666,690	1,457,034	703,799	1,565,936	861,325	375,223	1,065,116,399

TABLE OF CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. **Financial risk management*...continued***

(d) **Currency risk*…continued***

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
As at 31 December 2019								
Financial liabilities								
Deposits due to banks	19,137,409		-	137,050	-	-	-	19,274,459
Due to customers	834,991,951	74,181,411	-	913,764	229,919	2,718	-	910,319,763
Borrowings	14,724,300	18,853,408	-	-	-	-	-	33,577,708
Provisions and other liabilities	38,062,885	-	-	-	-	-	-	38,062,885
Total financial liabilities	906,916,545	93,034,819	-	1,050,814	229,919	2,718	-	1,001,234,815
Net (liabilities) assets	(48,430,153)	108,631,871	1,457,034	(347,015)	1,336,017	858,607	375,223	63,881,584
Guarantees, letters of credit and loan commitments	8,496,350	-	-	-	-	-	-	8,496,350

3. **Financial risk management**...*continued*

(e) **Interest rate risk**

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

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 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	28,601,070	-	71,813,391
– 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
Investment security at amortised cost	-	-	-	-	3,569,700	-	3,569,700
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
Borrowings	679,260	855,697	4,110,698	15,592,160	7,039,634	-	28,277,449
Provisions and other liabilities	7,578,924	-	-	-	-	30,528,882	38,107,806
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

TABLE OF CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

(e) Interest rate risk…continued

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at 31 December 2019							
Financial assets							
Cash and balances with ECCB	-	-	-	-	-	157,771,167	157,771,167
Deposits with other banks	-	31,238,481	2,076,008	-	-	170,341,970	203,656,459
Treasury bills	-	10,261,848	-	-	-	-	10,261,848
Investment securities:							
– at amortised cost	-	5,903,921	25,806,117	-	25,483,170	-	57,193,208
– at FVTPL	-	-	-	-	-	14,564,779	14,564,779
– at FVOCI	-	-	-	-	-	8,904,842	8,904,842
Loans and advances to customers	15,036,938	33,582,512	14,585,084	80,715,607	459,196,161	-	603,116,302
Investment security at amortised cost	-	-	-	-	4,177,759	-	4,177,759
Other assets	-	-	-	-	-	5,470,035	5,470,035
Total financial assets	15,036,938	80,986,762	42,467,209	80,715,607	488,857,090	357,052,793	1,065,116,399
Financial liabilities							
Deposits due to banks	-	-	16,301,361	-	-	2,973,098	19,274,459
Due to customers	590,830,482	31,612,458	78,231,232	-	-	209,645,591	910,319,763
Borrowings	733,326	804,878	3,953,457	19,092,738	8,993,309	-	33,577,708
Provisions and other liabilities	6,484,393	-	-	-	-	31,578,492	38,062,885
Total financial liabilities	598,048,201	32,417,336	98,486,050	19,092,738	8,993,309	244,197,181	1,001,234,815
Net interest re-pricing gap	(583,011,263)	48,569,426	(56,018,841)	61,622,869	479,863,781	112,855,612	63,881,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

(e) Interest rate risk…continued

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.

	2020	2019
Loans and advances to customers:		
- Overdrafts	**7.5%-14%**	8% -14%
- Term loans	**4.5%-14%**	4.5%-14%
- Large corporate loans	**5.4% -14%**	6%-14%
- Mortgage loans	**4.5%-14%**	4.5%-14%
- Credit cards	**19.5%**	19.5%
Investment security at amortised cost	**6.75%**	6.75%
Investment securities:		
Government treasury bills and bonds	**3%-7%**	3%-7.5%
Other securities	**1.5%-7.9%**	2.25%-8%
Deposits with banks	**0%-2.75%**	0%-2.7%
Deposits due to customers:		
Term deposits	**1.5%-4.5%**	1.25%-3.25%
Savings deposits	**2%-3.5%**	2%-3.5%
Demand deposits	**0%-3.5%**	0%-3.5%
Deposits due to banks	**0%-1.75%**	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. At 31 December, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $3,204,560 (2019 - $3,015,582) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

(f) Liquidity risk…*continued*

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.

3. **Financial risk management*...continued***

(f) **Liquidity risk*...continued***

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 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
Borrowings	679,260	1,027,509	5,056,090	18,143,993	7,700,470	32,607,322
Provisions and other liabilities	38,107,806	-	-	-	-	38,107,806
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	149,711,323	-	-	-	-	149,711,323
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	34,934,975	91,465,843
- 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
Investment security at amortised cost	-	-	-	-	3,603,500	3,603,500
Other assets	8,861,264	-	-	-	-	8,861,264
Total financial assets held for managing liquidity	416,469,152	103,898,870	126,112,695	379,550,188	653,270,357	1,679,301,262
Guarantees, letters of credit and loan Commitments	8,703,500	-	390,000	-	-	8,703,500

TABLE OF CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

(f) Liquidity risk*...continued*

	Up to 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
As at 31 December 2019						
Financial liabilities						
Deposits due to banks	3,079,060	-	16,456,735	-	-	19,535,795
Due to customers	803,761,824	31,725,803	95,813,622	-	-	931,301,249
Borrowings	733,326	1,027,509	5,117,990	22,580,394	10,015,840	39,475,059
Provisions and other liabilities	38,062,885	-	-	-	-	38,062,885
Total financial liabilities	845,637,095	32,753,312	117,388,347	22,580,394	10,015,840	1,028,374,988
Financial assets						
Cash and balances with ECCB	157,771,167	-	-	-	-	157,771,167
Deposits with other banks	185,275,285	16,325,613	2,066,047	-	-	203,666,945
Treasury bills	-	10,042,740	-	-	-	10,042,740
Investment securities:						
- at amortised cost	692,403	5,968,054	27,651,432	7,191,049	32,730,435	74,233,373
- at FVTPL	-	7,851,090	-	-	-	7,851,090
- at FVOCI	-	-	-	12,570,323	3,048,208	15,618,531
Loans and advances to customers	34,283,541	23,156,835	95,418,855	346,398,791	555,182,841	1,054,440,863
Investment security at amortised cost	-	-	-	-	4,750,883	4,750,883
Other assets	7,405,798	-	-	-	-	7,405,798
Total financial assets held for managing liquidity	385,428,194	63,344,332	125,136,334	366,160,163	595,712,367	1,535,781,390
Guarantees, letters of credit and loan Commitments	8,456,350	-	40,000	-	-	8,496,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

(f) Liquidity risk*…continued*

Assets held for managing liquidity risk

The Group holds a diversified portfolio of cash and investment securities to support payment obligations.

The Group's assets held for managing liquidity risk comprise cash and balances with central 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 (Note 24), are summarised in the table below.

(ii) Financial guarantees and other financial facilities

Financial guarantees (Note 24) are also included below based on the earliest contractual maturity date.

	1 Year $	Total $
At 31 December 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**
At 31 December 2019		
Loan commitments	8,456,350	8,456,350
Guarantees and letters of credit	40,000	40,000
Total	8,496,350	8,496,350

(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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

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

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 net of provisions for impairment losses. 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**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers:				
− Term loans	**77,182,173**	85,707,903	**80,208,037**	79,842,557
− Large corporate loans	**169,823,718**	129,233,878	**162,221,474**	115,281,208
− Mortgage loans	**326,241,506**	340,733,704	**318,490,264**	255,540,376
− Overdrafts	**65,319,618**	44,672,722	**65,319,618**	44,672,722
− Credit cards	**2,497,833**	2,768,095	**2,497,833**	2,768,095
Investment security at amortised cost	**3,569,700**	4,177,759	**3,319,610**	3,857,888
Investment securities:				
− At amortised cost	**71,813,391**	57,193,208	**69,782,442**	52,739,716
Financial liabilities				
Deposits due to Banks	**21,196,247**	19,274,459	**21,196,247**	19,274,459
Due to customers	**990,312,696**	910,319,763	**990,312,696**	910,319,763
Borrowings	**28,277,449**	33,577,708	**27,855,919**	36,169,884
Provisions & other liabilities	**38,107,806**	36,962,244	**38,107,806**	36,962,244

3. Financial risk management*...continued*

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

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 average rates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

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

The following table sets out information about significant unobservable inputs used in measuring fair value at December 2020 and 2019 in measuring financial instruments at level 3 in the fair value hierarchy.

Type of financial instrument	Fair Value at December 2020	Fair Value at December 2019	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	14,795,412	5,856,634	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	628,737,226	498,104,958	Discounted cash flows	Discounted at the market rate	4.5 – 14%	A significant increase in the discount rate would result in a lower fair value

3. Financial risk management*…continued*

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

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.

	2020				**2019**			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$	**$**	**$**	**$**	$	$	$	$
As at 31 December								
Financial assets								
Investment securities at FVTPL	**29,247,242**	**-**	**-**	**29,247,242**	14,564,779	-	-	14,564,779
Investment securities at FVOCI	**4,801,184**	**-**	**14,795,412**	**19,596,596**	5,856,634	-	3,048,208	8,904,842
Financial assets for which fair values are disclosed								
Investment securities at amortised cost	**-**	**69,782,422**	**-**	**69,782,422**	-	52,739,716		52,739,716
Loans and advances to customers	**-**	**-**	**628,737,226**	**628,737,226**	-	-	498,104,958	498,104,958
Total financial assets	**34,048,426**	**69,782,422**	**643,532,638**	**747,363,486**	20,421,413	52,739,716	501,153,166	574,314,295
Liabilities for which fair values are disclosed								
Deposits due to banks	**-**	**-**	**21,196,247**	**21,196,247**	-	-	19,274,459	19,274,459
Due to customers	**-**	**-**	**990,312,696**	**990,312,696**	-	-	910,319,763	910,319,763
Borrowings	**-**	**27,855,919**	**-**	**27,855,919**	-	36,169,884	-	36,169,884
Provisions and other liabilities	**-**	**-**	**38,107,806**	**38,107,806**	-	-	36,962,244	36,962,244
	-	**27,855,919**	**1,049,616,749**	**1,077,472,668**	-	36,169,884	966,556,466	1,002,726,350

TABLE OF CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*...continued*

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

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

	2020	**2019**
	$	$
As at 1 January	**3,048,208**	3,048,208
Total gains and losses in profit and loss	**-**	-
Total gains and losses in OCI	**11,747,204**	-
Purchases	**-**	-
Settlements	**-**	-
As at 31 December	**14,795,412**	3,048,208

3. **Financial risk management*...continued***

(i) Capital management

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

- To comply with the capital requirements of the Banking Act 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 Authority requires each bank or banking group to hold the minimum level of the regulatory capital to the risk-weighted asset (the 'Basel capital adequacy ratio') at or above the internationally agreed minimum of 8% 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 unrealised 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 2020 and 2019. During those two years, the Group complied with all of the externally imposed capital requirements to which it is subject.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

3. Financial risk management*…continued*

(i) Capital management...*continued*

	2020 $	2019 $
Tier 1 capital		
Share capital	**20,753,306**	20,753,306
Statutory reserves	**20,753,306**	20,753,306
General provision reserves	**4,907,450**	4,542,702
Retained earnings	**75,572,293**	79,365,334
Total qualifying tier 1 capital	**121,986,355**	125,414,648
Tier 2 capital		
Unrealised gain/(loss) on investments	**11,792,233**	(41,461)
Collective impairment allowance	**13,030,522**	4,759,080
Total qualifying tier 2 capital	**24,822,755**	4,717,619
Total regulatory capital	**146,809,110**	130,132,267
Risk-weighted assets:		
On-balance sheet	**570,053,517**	460,900,074
Off-balance sheet	**34,652,316**	36,520,955
Total risk-weighted assets	**604,705,833**	497,421,029
Basel capital adequacy ratio	**24.28%**	26.16%

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 however, following our review there has been a volcanic eruption. The Group's management is in the process of assessing the impact of the volcanic eruption on the statement of financial position. Based no the Group's preliminary assessment no adjustment is required at this time to indicate that the Group will not continue to operate as a going concern.

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

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 $1,482,464/$1,119,262 (2019 - $558,262/$551,593) 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 31 December 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

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

Revaluation of investment property *…continued*
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

	2020 $	2019 $
Cash in hand	**19,385,056**	24,662,158
Balances with ECCB other than mandatory reserve deposits	**70,907,506**	78,489,823
Included in cash and cash equivalents (Note 32)	**90,292,562**	103,151,981
Mandatory reserve deposits with ECCB	**59,418,762**	54,619,186
	149,711,324	157,771,167

Pursuant to the Banking Act of 2015, Banking institutions are required to a reserve balances 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

	2020 $	2019 $
Items in the course of collection with other banks (Note 32)	**2,809,476**	9,208,745
Placements with other banks (Note 32)	**206,125,210**	192,371,705
Interest bearing deposits (more than 3 months)	**10,249,696**	2,076,009
	219,184,382	203,656,459

The weighted average effective interest rate in respect of interest-bearing deposits at 31 December 2020 was 1.04% (2019 – 2.24%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

7. Treasury bills

	2020 $	2019 $
Treasury bills – Cash and cash equivalents	**10,359,452**	10,358,356
Less allowance for impairment losses	**(360,577)**	(96,508)
Treasury bills less than 90 days to maturity (Note 32)	**9,998,875**	10,261,848

Treasury bills are debt securities issued by the Government of Saint Lucia. The weighted average effective interest rate on treasury bills at 31 December 2020 was 4% (2019 - 4.0%)

8. Investment securities

	2020 $	2019 $
Securities measured at amortised cost		
Debt securities at amortised cost		
- Listed	**54,594,599**	34,198,368
- Unlisted	**18,703,398**	24,123,055
	73,297,997	58,321,423
Less allowance for impairment losses	**(1,484,606)**	(1,128,215)
	71,813,391	57,193,208
Securities measured at FVOCI		
Debt securities at fair value		
- Listed	**4,808,181**	5,859,857
Equity securities at fair value		
- Unlisted	**14,795,412**	3,048,208
Less allowance for impairment losses	**(6,997)**	(3,223)
	19,596,596	8,904,842
Securities measured at FVTPL		
Equity securities at fair value		
- Listed	**675,000**	894,375
- Unlisted	**28,572,242**	13,670,404
	29,247,242	14,564,779
Total securities	**120,657,229**	80,662,829

The weighted average effective interest rate on securities stated at amortised cost at 31 December 2020 was 4.6% (2019 – 5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

8. Investment securities*...continued*

	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 1 January 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 31 December 2020	599,255	374,601	905,127	1,878,983
Loss allowance - Investment securities at FVOCI				
Loss allowance as at 1 January 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 31 December 2020	6,997	-	-	6,997
Total loss allowance - Investment securities				
Loss allowance as at 1 January 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 31 December 2020	606,252	374,601	905,127	1,885,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

8. Investment securities*...continued*

	2019 Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance - Investment securities at amortised cost				
Changes in the loss allowance as at 1 January 2019	385,767	206,850	905,127	1,497,744
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	105,806	13,842	-	119,648
– Decreases due to change in credit risk	(168,459)	(197,111)	-	(365,570)
Loss allowance as at 31 December 2019	323,114	23,581	905,127	1,251,822
Loss allowance - Investment securities at FVOCI				
Changes in the loss allowance as at 1 January 2019	12,095	-	-	12,095
– 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	(8,872)	-	-	(8,872)
Loss allowance as at 31 December 2019	3,223	-	-	3,223
Total loss allowance - Investment securities				
Changes in the loss allowance as at 1 January 2019	397,862	206,850	905,127	1,509,839
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
– Increases due to change in credit risk	105,806	13,842	-	119,648
– Decreases due to change in credit risk	(177,331)	(197,111)	-	(374,442)
Total loss allowance as at 31 December 2019	326,337	23,581	905,127	1,255,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

8. Investment securities...*continued*

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 $	Investment security at amortised cost $	Total $
At 1 January 2020	**57,193,208**	**5,856,634**	**3,048,208**	**14,564,779**	**10,261,848**	**4,177,759**	**95,102,436**
Opening ECLs	**1,128,215**	**3,223**	**-**	**-**	**96,508**	**27,099**	**1,255,045**
Gross carrying amount 1 January 2020	**58,321,423**	**5,859,857**	**3,048,208**	**14,564,779**	**10,358,356**	**4,204,858**	**96,357,481**
Additions	**34,049,617**	**2,191,094**	**-**	**35,732,003**	**359,452**	**8,642**	**72,340,808**
Disposals (sales and redemptions)	**(19,073,043)**	**(3,329,297)**	**-**	**(20,868,986)**	**(358,356)**	**(610,000)**	**(44,239,682)**
Unrealised gain on foreign exchange	**-**	**-**	**37**	**-**	**-**	**-**	**37**
(Loss)/gain from changes in fair value	**-**	**86,527**	**11,747,167**	**(180,554)**	**-**	**-**	**11,653,140**
Closing ECLs	**(1,484,606)**	**(6,997)**	**-**	**-**	**(360,577)**	**(33,800)**	**(1,885,980)**
At 31 December 2020	**71,813,391**	**4,801,184**	**14,795,412**	**29,247,242**	**9,998,875**	**3,569,700**	**134,225,804**

	Debt securities at amortised cost $	Debt securities at FVOCI $	Equity securities at FVOCI $	Equity securities at FVTPL $	Treasury bills at amortised cost $	Investment security at amortised cost $	Total $
At 1 January 2019	61,773,961	6,680,369	3,048,217	7,674,655	10,290,846	9,924,905	99,392,953
Opening ECLs	1,278,700	12,095	-	-	111,072	107,972	1,509,839
Gross carrying amount 1 January 2019	63,052,661	6,692,464	3,048,217	7,674,655	10,401,918	10,032,877	100,902,792
Additions	12,214,293	6,717,153	-	13,256,546	358,356	4,204,858	36,751,206
Disposals (sales and redemptions)	(16,945,531)	(7,508,299)	-	(6,790,687)	(401,918)	(10,032,877)	(41,679,312)
Unrealised loss on foreign exchange	-	-	(9)	-	-	-	(9)
(Loss)/gain from changes in fair value	-	(41,461)	-	424,265	-	-	382,804
Closing ECLs	(1,128,215)	(3,223)	-	-	(96,508)	(27,099)	(1,255,045)
At 31 December 2019	57,193,208	5,856,634	3,048,208	14,564,779	10,261,848	4,177,759	95,102,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

9. Loans and advances to customers

	2020 $	2019 $
Large corporate loans	**184,752,832**	140,000,071
Mortgage loans	**332,377,546**	344,859,286
Term loans	**84,485,910**	88,417,774
Credit cards	**2,687,364**	2,981,678
Overdrafts	**67,997,420**	46,693,783
Gross loans and advances to customers	**672,301,072**	622,952,592
Less allowance for impairment losses on loans and advances to customers (Note 10)	**(31,236,224)**	(19,836,290)
Total loans and advances to customers, net	**641,064,848**	603,116,302

The weighted average effective interest rate on loans and advances stated at amortised cost at 31 December 2020 was 8.4% (2019 - 8.4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

10. Allowance for impairment losses on loans and advances to customers

	2020				2019			
	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 $
Large corporate loans								
Loss allowance as at 1 January	**1,972,282**	**272,682**	**8,521,229**	**10,766,193**	2,365,272	329,046	6,392,222	9,086,540
Changes in the loss allowance								
- Transfer to stage 1	**45,491**	**(45,491)**	**-**	**-**	70,182	(70,182)	-	-
- Transfer to stage 2	**(357,477)**	**357,477**	**-**	**-**	(35,366)	35,366	-	-
- Transfer to stage 3	**(32,692)**	**(4,448)**	**37,140**	**-**	(2,816)	(10,453)	13,269	-
- Increases due to change in credit risk	**402,728**	**2,629,793**	**1,700,989**	**4,733,510**	431,320	141,284	2,346,738	2,919,342
- Decreases due to change in credit risk	**(568,027)**	**(2,562)**	**-**	**(570,589)**	(856,310)	(152,379)	(9,968)	(1,018,657)
- Write-offs	**-**	**-**			-	-	(221,032)	(221,032)
Specific provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Collective provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Written off during the year as uncollectible	**-**	**-**	**-**	**-**	-	-	-	
Loss allowance as at 31 December	**1,462,305**	**3,207,451**	**10,259,358**	**14,929,114**	1,972,282	272,682	8,521,229	10,766,193
Mortgages								
Loss allowance as at 1 January	**548,120**	**182,274**	**3,395,188**	**4,125,582**	279,869	322,956	2,295,636	2,898,461
Changes in the loss allowance								
- Transfer to stage 1	**59,603**	**(40,570)**	**(19,033)**	**-**	92,543	(92,543)	-	-
- Transfer to stage 2	**(89,315)**	**89,315**	**-**	**-**	(9,535)	9,535	-	-
- Transfer to stage 3	**(1,509)**	**(23,025)**	**24,534**	**-**	(2,550)	(65,403)	67,953	-
- Increases due to change in credit risk	**70,778**	**2,004,804**	**726,336**	**2,801,918**	298,005	118,650	1,234,867	1,651,522
- Decreases due to change in credit risk	**(244,583)**	**(24,496)**	**(522,381)**	**(791,460)**	(110,212)	(110,921)	(158,592)	(379,725)
- Write-offs					-	-	(44,676)	(44,676)
Specific provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Collective provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Written off during the year as uncollectible	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance as at 31 December	**343,094**	**2,188,302**	**3,604,644**	**6,136,040**	548,120	182,274	3,395,188	4,125,582

10. Allowance for impairment losses on loans and advances to customers...continued

	2020				2019			
	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 1 January	**549,444**	**64,808**	**2,095,619**	**2,709,871**	697,337	209,638	1,814,468	2,721,443
Changes in the loss								
- Transfer to stage 1	**11,443**	**(11,443)**	**-**	**-**	(22,303)	22,303	-	-
- Transfer to stage 2	**(72,431)**	**72,431**	**-**	**-**	90,721	(90,721)	-	-
- Transfer to stage 3	**(7,263)**	**(8,120)**	**15,383**	**-**	(10,746)	(52,452)	63,198	-
- Increases due to change in credit risk	**313,216**	**3,770,005**	**1,106,299**	**5,189,520**	370,046	53,468	1,697,071	2,120,585
- Decreases due to change in credit risk	**(322,079)**	**(24,699)**	**(159,700)**	**(506,478)**	(554,556)	(61,549)	(757,956)	(1,374,061)
- Write-offs	**(24,622)**	**(53,588)**	**(10,966)**	**(89,176)**	(21,055)	(15,879)	(721,162)	(758,096)
Specific provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Collective provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Written off during the year as uncollectible	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance as at 31 December	**447,708**	**3,809,394**	**3,046,635**	**7,303,737**	549,444	64,808	2,095,619	2,709,871
Overdrafts								
Loss allowance as at 1 January	**201,530**	**911,883**	**907,648**	**2,021,061**	325,875	1,093,307	756,835	2,176,017
Changes in the loss allowance								
- Transfer to stage 1	**85,180**	**(85,180)**	**-**	**-**	17,662	(17,662)	-	-
- Transfer to stage 2	**(5,509)**	**5,509**	**-**	**-**	(81,571)	81,571	-	-
- Transfer to stage 3	**-**	**(4,573)**	**4,573**	**-**	-	(568)	568	-
- Increases due to change in credit risk	**169,565**	**299,891**	**257,633**	**727,089**	36,658	28,497	192,060	257,215
- Decreases due to change in credit risk	**(35,002)**	**(12,160)**	**(4,480)**	**(51,642)**	(97,094)	(273,262)	(21,925)	(392,281)
- Write-offs	**-**	**(18,706)**	**-**	**(18,706)**	-	-	(19,890)	(19,890)
Specific provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Collective provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Written off during the year as uncollectible	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance as at 31 December	**415,764**	**1,096,664**	**1,165,374**	**2,677,802**	201,530	911,883	907,648	2,021,061

TABLE OF CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

10. Allowance for impairment losses on loans and advances to customers...*continued*

	2020				2019			
	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 1 January	**40,770**	**15,287**	**157,526**	**213,583**	18,358	31,978	73,498	123,834
Changes in the loss allowance								
- Transfer to stage 1	**61,807**	**(2,190)**	**(59,617)**	**-**	22,292	(19,591)	(2,701)	-
- Transfer to stage 2	**(504)**	**5,303**	**(4,799)**	**-**	(72)	72	-	-
- Transfer to stage 3	**(505)**	**(6,347)**	**6,852**	**-**	(359)	(1,729)	2,088	-
- Increases due to change in credit risk	**2,599**	**19,425**	**87,631**	**109,655**	28,734	15,217	192,013	235,964
- Decreases due to change in credit risk	**(71,104)**	**(3,909)**	**(52,672)**	**(127,685)**	(23,424)	(10,660)	(56,469)	(90,553)
- Write-offs	**(792)**	**-**	**(5,230)**	**(6,022)**	(4,759)	-	(50,903)	(55,662)
Specific provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Collective provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Written off during the year as uncollectible	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance as at 31 December	**32,271**	**27,569**	**129,691**	**189,531**	40,770	15,287	157,526	213,583
Total credit provisioning								
Loss allowance as at 1 January	**3,312,146**	**1,446,934**	**15,077,210**	**19,836,290**	3,686,711	1,986,925	11,332,659	17,006,295
Changes in the loss allowance								
- Transfer to stage 1	**263,524**	**(184,874)**	**(78,650)**	**-**	180,376	(177,675)	(2,701)	-
- Transfer to stage 2	**(525,236)**	**530,035**	**(4,799)**	**-**	(35,823)	35,823	-	-
- Transfer to stage 3	**(41,969)**	**(46,513)**	**88,482**	**-**	(16,471)	(130,605)	147,076	-
- Increases due to change in credit risk	**958,886**	**8,723,918**	**3,878,888**	**13,561,692**	1,164,763	357,116	5,662,749	7,184,628
- Decreases due to change in credit risk	**(1,240,795)**	**(67,826)**	**(739,233)**	**(2,047,854)**	(1,641,596)	(608,771)	(1,004,910)	(3,255,277)
- Write-offs	**(25,414)**	**(72,294)**	**(16,196)**	**(113,904)**	(25,814)	(15,879)	(1,057,663)	(1,099,356)
Specific provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Collective provision for loan impairment	**-**	**-**	**-**	**-**	-	-	-	-
Written off during the year as uncollectible	**-**	**-**	**-**	**-**	-	-	-	-
Loss allowance as at 31 December	**2,701,142**	**10,329,380**	**18,205,702**	**31,236,224**	3,312,146	1,446,934	15,077,210	19,836,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

11. Investment security at amortised cost: Loans and advances – bonds

	2020 $	2019 $
Government bonds	**3,603,500**	4,204,858
Less allowance for impairment losses	**(33,800)**	(27,099)
	3,569,700	4,177,759

Government bonds are purchased from and issued directly by the Government of Saint Vincent and the Grenadines. The weighted average effective interest rate at 31 December 2020 on Government bonds at amortised cost was 6.75% (2019 – 6.75 %).

12. Investment properties

	2020 $	2019 $
Fair value at 1 January	**2,232,000**	2,232,000
Fair value gain	**180,000**	-
Fair value at 31 December	**2,412,000**	2,232,000

The investment properties are valued annually based on open market values by an independent, professionally qualified valuator.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

13. Property and equipment

	Land and building $	Leasehold Improvements $	Office Furniture and Equipment $	Work in Progress $	Computer Equipment and Software $	Motor Vehicles $	Total $
As at 31 December 2019							
Opening net book amount	45,204,741	32,679	4,308,974	1,158,663	2,074,187	241,062	53,020,306
Additions	751,906	-	2,047,148	547,566	763,040	-	4,109,660
Impairment losses	(214,506)	-	-	-	-	-	(214,506)
Disposals	-	-	(11,256)	-	(15)	(1)	(11,272)
Depreciation charge (Note 27)	(614,836)	(9,780)	(1,100,932)	-	(636,946)	(104,180)	(2,466,674)
Closing net book amount	45,127,305	22,899	5,243,934	1,706,229	2,200,266	136,881	54,437,514
At 31 December 2019							
Cost	50,620,138	48,900	18,111,044	1,706,229	12,540,619	416,725	83,443,655
Accumulated depreciation	(5,492,833)	(26,001)	(12,867,110)	-	(10,340,353)	(279,844)	(29,006,141)
Net book amount	45,127,305	22,899	5,243,934	1,706,229	2,200,266	136,881	54,437,514
As at 31 December 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 27)	**(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 31 December 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 31 December 2021, property with a carrying amount of $24,893,055 (2019: $25,223,122) was pledged as security for related party borrowings (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

14. 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:

	2020 $	2019 $
Bank of Saint Lucia Limited		
Deposits with other bank	**2,112,338**	2,053,054
Deposits from banks	**(7,199,959)**	(7,076,127)
Government of St. Vincent and the Grenadines		
Debt securities at amortised cost	**40,038,720**	27,608,184
Less allowance for impairment losses	**(342,759)**	(152,757)
	39,695,961	27,455,427
St. Vincent Electricity Services Limited		
Debt securities at amortised cost	**7,570,120**	-
Less allowance for impairment losses	**(145,067)**	-
	7,425,053	-

Transactions carried out with related parties:

	2020 $	2019 $
Income		
Interest income	**2,288,575**	2,382,947
Expenses		
Interest expense	**124,458**	122,318
Professional fees	**240,788**	438,150

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.

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

Other related party balances with the Group:

	2020		2019	
	Loans $	Deposits $	Loans $	Deposits $
Government of St. Vincent and the Grenadines	**124,716,046**	**3,531,628**	88,792,264	20,755,808
Statutory bodies	**1,306,171**	**34,905,161**	1,553,723	15,789,503
National Insurance Services	**-**	**60,255,104**	-	68,769,057
Staff pension plan	**-**	**7,578,924**	-	6,484,393
	126,022,217	**106,270,817**	90,345,987	111,798,761
Directors and key management	**2,905,851**	**2,710,460**	2,948,709	1,813,570
Less allowance for impairment losses	**(1,067,408)**		(1,810,349)	
	127,860,660	**108,981,277**	91,484,347	113,612,331

The loans issued to directors and other key management personnel are repayable monthly over an average of 11.8 years and have a weighted average effective interest rate of 4.52% (2019 - 4.52%).

Interest income and interest expense with other related parties:

	2020		2019	
	Income $	Expenses $	Income $	Expenses $
Government of St. Vincent and the Grenadines	**8,855,592**	**26,576**	8,580,714	208,509
Statutory bodies	**142,772**	**255,477**	158,338	186,104
National Insurance Services	**-**	**1,615,826**	-	2,071,576
Staff pension plan	**-**	**257,626**	-	262,343
Directors and key management	**135,505**	**42,045**	134,297	34,211
	9,133,869	**2,197,550**	8,873,349	2,762,743

Key management compensation

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

	2020 $	2019 $
Salaries and other short-term benefits	**2,155,700**	1,823,215
Pension cost	**73,096**	60,925
	2,228,796	1,884,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

15. Deferred tax asset

The movement on the deferred tax asset is as follows:

	2020 $	2019 $
At beginning of year	**2,886,326**	1,592,111
Current year charge (Note 30)	**886,021**	1,294,215
At end of year	**3,772,347**	2,886,326

The deferred tax asset account is detailed below:

	2020 $	2019 $
Deferred tax on capital assets	**(136,809)**	(243,491)
Deferred tax on taxed provisions	**3,909,156**	3,129,817
	3,772,347	2,886,326

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.

16. Other assets

	2020 $	2019 $
Other receivables	**6,924,753**	5,472,708
Prepaid expenses	**1,936,512**	1,933,090
	8,861,265	7,405,798

17. Deposits due to banks

	2020 $	2019 $
Deposits due to banks	**21,196,247**	19,274,459

Interest rates range from 0% to 1.75% (2019 - 0% to 1.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

18. Due to customers

	2020 $	2019 $
Term deposits	**106,097,083**	115,907,284
Savings deposits	**553,532,531**	458,801,999
Demand deposits	**330,683,082**	335,610,480
	990,312,696	910,319,763

The weighted average effective interest rate of customers' deposits at 31 December 2020 was 1.59% (2019 - 1.59%).

19. Borrowings

	Due	Average Interest Rate	2020 $	Average Interest Rate	2019 $
Caribbean Development Bank	**2024 – 2029**	**3.49%**	**16,846,678**	3.27%	18,853,408
National Insurance Services	**2022 – 2025**	**6.04%**	**11,430,771**	5.92%	14,724,300
			28,277,449		33,577,708

Security

The borrowings from the Caribbean Development Bank are guaranteed by the Government of St. Vincent and the Grenadines. Borrowings from the National Insurance Services are secured by property valued at $24,893,055 (2019 - $25,223,122) owned by the Bank of St. Vincent and the Grenadines Ltd. The Group has not had any defaults of principal, interest or other breaches with respect to borrowings during the year.

As at 31 December 2020, the Group had no undrawn facilities with either of the above-mentioned institutions.

20. Provisions and other liabilities

	2020 $	2019 $
Managers' cheques outstanding	**2,519,179**	5,035,879
Other payables	**11,790,992**	13,419,148
ECL on undrawn commitments	**37,698**	38,961
Customers' security deposits	**23,759,937**	18,468,256
	38,107,806	36,962,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

21. Share capital

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

	2020 $	2019 $
Issued and fully paid – 14,999,844 (2019 - 14,999,844)	**20,753,306**	20,753,306

22. Statutory reserves

	2020 $	2019 $
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.

23. General provision reserves

	2020 $	2019 $
Balance at beginning of the year	**4,542,702**	3,133,354
Transfer from retained earnings	**364,748**	1,409,348
Balance at end of the year	**4,907,450**	4,542,702

A general contingency reserve totalling $4,907,450 (2019 - $4,542,702) 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.

24. Contingent liabilities and commitments

(i) Contingent liabilities

Provision of the Wages Regulations Order

The body representing the staff Bargaining Unit claimed that in accordance with the provisions of the Wages Council Order 2008, its members worked overtime, for which they were not duly compensated. The current working hours for the employees at the Bank of St. Vincent and the Grenadines Ltd. is 44.5 hours, whereas as the Order sets the minimum hours at 40.0 hours per week.

The management of the Bank is however of the opinion that the order is not applicable to Banks and hence the workers are not entitled to overtime. Based on the Bank's review of the legal positions obtained, it was inconclusive whether the requirements of the respective orders are applicable to bank employees.

24. Contingent liabilities and commitments*…continued*

(ii) Commitments

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

	2020 $	2019 $
Loan commitments	**8,313,500**	8,456,350
Guarantees and letters of credit	**390,000**	40,000
	8,703,500	8,496,350

(iii) 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.

25. Net interest income

	2020 $	2019 $
Interest income using the effective interest method		
Loans and advances	**48,094,401**	46,958,985
Loan origination fees	**979,253**	820,426
Treasury bills and investment securities	**4,347,728**	5,825,160
Deposits with banks	**349,965**	15,084
	53,771,347	53,619,655
Interest expense		
Savings deposits	**12,886,754**	11,388,646
Time deposits	**2,492,961**	2,894,894
Other borrowed funds	**1,480,953**	1,827,593
Correspondent banks	**60,573**	39,523
	16,921,241	16,150,656
Net interest income	**36,850,106**	37,468,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

26. Fees commission and other income

	2020 $	2019 $
Fee and commission income	**11,197,708**	11,739,072
Foreign exchange trading income		
-Net realized gains	**5,589,379**	5,660,007
-Net unrealized losses	**(133,429)**	(132,071)
Gain from disposal of fixed assets	**-**	33,728
(Loss)/Gain on revaluation of investment securities	**(274,535)**	359,691
Fair value gains on revaluation of investment properties	**180,000**	-
	16,559,123	17,660,427

27. Operating expenses

	2020 $	2019 $
Depreciation (Note 13)	**2,698,656**	2,466,674
Employee benefit expense (Note 28)	**11,040,701**	10,867,702
Interest levy expense	**5,096,846**	5,050,699
Rent	**326,352**	280,193
Audit and accounting fees	**284,770**	269,429
Directors' fees	**408,605**	311,033
Computer expense	**288,824**	20,787
Insurance	**751,708**	715,247
Repairs and maintenance	**786,917**	573,940
Subscription and donations	**170,296**	198,281
Commission and fees	**1,884,686**	1,970,543
Utilities	**2,173,307**	2,509,524
Credit card expenses	**1,881,533**	2,336,018
Advertisement and sponsorship	**749,671**	787,960
Legal and professional fees	**814,018**	879,008
Postage and stationery	**582,778**	896,845
Bank and other licences	**2,917,388**	2,697,700
Security	**319,536**	367,762
Other expenses	**2,611,649**	2,838,476
	35,788,241	36,037,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(Expressed in Eastern Caribbean dollars)

28. Employee benefit expense

	2020 $	2019 $
Wages and salaries	**8,780,391**	8,734,507
Other staff costs	**1,868,777**	1,756,966
Pension cost	**391,533**	376,229
	11,040,701	10,867,702

29. Allowances for credit losses on financial assets

	2020 $	2019 $
Credit impairment against profit for the year on loans and advances to customers	**11,513,838**	3,924,735
Credit impairment / (improvement) against profit for the year relating to debt securities	**630,935**	(240,883)
Credit (improvement) / impairment relating to financial guarantees and loan commitments	**(1,263)**	20,650
Amounts written off during the year as uncollectible	**113,904**	13,690
Recoveries of amounts previously written off	**(744,145)**	(569,415)
Recovery of impairment on investment securities	**-**	(71,736)
	11,513,269	3,077,041

30. Income tax expense

	2020 $	2019 $
Current tax	**3,630,516**	3,366,374
Deferred tax credit (Note 15)	**(886,022)**	(1,294,215)
	2,744,494	2,072,159

Tax on the Group's profit before taxation differs from the theoretical amount that would arise using the statutory tax rate of 30% (2019 - 30%) as follows:

	2020 $	2019 $
Profit before income tax	**6,366,128**	16,165,640
Tax calculated at the applicable tax rate of 30%	**1,909,838**	4,849,692
Tax effect of exempt income	**(4,421,523)**	(5,081,771)
Tax effect of expenses not deductible for tax purposes	**3,546,334**	3,985,059
Prior year under statement of deferred tax	**1,702,091**	(1,702,091)
Other differences	**7,754**	21,270
	2,744,494	2,072,159

31. 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.

	2020 $	2019 $
Net profit attributable to shareholders	**3,621,634**	14,093,481
Weighted average number of ordinary shares in issue	**14,999,844**	14,999,844
Basic and diluted earnings per share	**0.24**	0.94

32. Cash and cash equivalents

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

	2020 $	2019 $
Cash in hand and balances with ECCB (Note 5)	**90,292,562**	103,151,981
Treasury bills (Note 7)	**9,998,875**	10,261,848
Items in the course of collection with banks (Note 6)	**2,809,476**	9,208,745
Placements with other banks (Note 6)	**206,125,210**	192,371,705
	309,226,123	314,994,279

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.

33. 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:

	2020 $	2019 $
Within one year	**326,352**	280,193

34. Subsequent events

(i) Dividends

Subsequent to year end a final dividend of $0.12 per share was approved for the year ended 31 December 2020 (2019 - $0.47). These dividends have not been paid or recorded as at the date of approval of these financial statements and will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2021 once ratified.

(ii) Eruption of La Soufriere Volcano

St. Vincent and the Grenadines began experiencing explosive volcanic eruptions at La Soufrière Volcano on April 9, 2021. The Government of St. Vincent and the Grenadines declared a disaster on April 10, 2021. Preliminary analysis revealed that this disaster would negatively impact the economy as the catastrophic eruption has caused the displacement of over 20,000 inhabitants and destroyed crops, livestock, homes and infrastructure.

The University of the West Indies Seismic Research Centre presented a report dated April 18, 2021, to the Government of St. Vincent and the Grenadines advising of the volcanic activity and its associated hazards and risks. The report stated that the swarm of long period and hybrid earthquakes at a near constant rate continue at the La Soufrière Volcano and that explosions can occur with little or no warning, impacting St. Vincent and the Grenadines and neighboring islands.

The quantitative financial impact on the Group's operations has not been determined. The extent of the impact to the financial performance of the Group will depend on the impact of future volcanic activity including but not limited to (i) the duration of the explosive eruptions, (ii) the resulting restrictions and advisories throughout the island, and (iii) the effects on the economy overall, all of which are highly uncertain and cannot be determined. If the financial performance of the Group is impacted due to the volcanic eruption for an extended period, the Group results may be materially adversely affected.

35. 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 a number of measures designed to contain the outbreak, including government-mandated social distancing measures, travel restrictions, quarantines, and stay at home directives. The breadth and depth of the impact of COVID-19 on the global economy and financial markets continues to evolve with disruptive effects. While some of the Government and Regulatory measures have been eased across regions and the economy has started to recover, subsequent spikes in the virus have caused some measures to be reinstated and future economic activity to be uncertain. In St. Vincent and the Grenadines, the Government continues to monitor the number of active cases.

COVID-19 continues to impact the Group's employees, customers and community, impacting the Group's operations, financial results and present and future risks to the Group's business. The Group is closely monitoring the potential effects and impact of the pandemic, which is an evolving situation.

The St. Vincent and the Grenadines government and the Bank's regulator, the Eastern Caribbean Central Bank have taken, and are continuing to take, significant measures to provide economic assistance to individual households and businesses, stabilize the market, and support economic growth. The effectiveness of these programs will depend on the duration and scale of COVID-19.

35. COVID-19…*continued*

Customer Support Program…*continued*

The COVID-19 pandemic created significant economic distress which required revisions to origination and collection processes, and the establishment of payment deferral initiatives. An overview of the relief options that were made available to customers is provided below.

- The Group offered zero fees for offsite ATM usage;
- Customers were offered six months loan moratorium which can be extended for an additional twelve months.

Assessment of eligibility for relief followed a risk based approach and was assessed at an overall customer level based on sector vulnerabilities due to the pandemic, with relief provided to customers with loans classified as stage 1 and 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 Tourism Leisure/Entertainment Transportation Self employed	Commercial Mortgages Professional Services Manufacturing Industries Retailers	Telecommunication Services Financial Services Agriculture

The table below shows the number of customers who applied for, received and utilised the customer support program.

Loan Category	**Gross Loans & Advances for which relief was provided**	**Total portfolio of Loans & advances**	**% of portfolio**
Large Corporate loans	109,488,979	184,752,832	16.3%
Mortgage loans	52,553,153	332,377,546	7.8%
Term loans	9,684,769	84,485,910	1.4%
Credit cards	-	2,687,364	0%
Overdrafts	-	67,997,420	0%
Total	**171,726,901**	**672,301,072**	**25.5%**

35. COVID-19…*continued*

Customer Support Program…*continued*

The relief measures were generally mandated or supported by our regulators and government 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 of which $25,881,231 resumed regular payment. The customers were primarily in sectors where operating cash flows were immediately adversely impacted by the COVID-19 pandemic such as hotels and leisure.

Post Model adjustments

The unprecedented volatility in the macroeconomic forecasts seen during 2020 has meant that a number of the Group's IFRS 9 ECL models are now operating outside the parameters to which they were calibrated. Over the COVID-19 period the world economic forecast showed movement ranging from negative five percent (-5%) to twenty percent (20%) with recoveries around the same level. As a result, as at 31 December 2020 the Group applied multiple scenarios to the modelled output to ensure that the resulting ECL remains unbiased and appropriately reflects the Group's credit risks in the current environment.

Management Overlay - COVID-19

As at 31 December 2020, the Group held $6,192,287 in expected credit losses (ECLs) relating to management overlay due to uncertainties as a result of the COVID-19 pandemic that are not captured by the models.

Consistent with our assessment of the significant increase in credit risk (SICR), all loans under the moratorium, with the exception of those relating to the Government of St. Vincent and the Grenadines, were transferred to stage two (stage 2). Two management overlays were applied:

1. Fifty percent (50%) provisioning on all consumer loans under moratorium.
2. Three percent (3%) provisioning on the total loan portfolio, excluding loans under the moratorium program and Government loans.

Consumer Loans

The majority of consumer loans are unsecured and are normally fully provided for after ninety days (90) in arrears. Given that we are only nine months in the pandemic, and, based on the limited statistical data that is available, we are of the view that it will be premature at that this point to adjust the quantitative components of the model, i.e. Exposure at Default (EAD), Loss given Default (LGD) and Probability of Default (PD) to reasonably reflect the Expected Credit Loss due to the pandemic.

Based on the level of restructuring to date, the potential loss on this portfolio is expected to range from twenty five percent (25%) to fifty percent (50%). To be conservative, we opted for the higher range of the potential loss in our calculation of expected credit loss. The portfolio will be carefully monitored and the ECL adjusted accordingly as new information becomes available during the 2021 financial year.

35. COVID-19…*continued*

Customer Support Program…*continued*

Non – Consumer Loans (Excluding Government)

The recommended approach to the overlay on this portfolio considers its long-term nature in addition to the fact that most of these loans are collateralised. We are of the view that applying a three percent (3%) provision to this portfolio adequately addresses the potential risk. This amount is consistent with the average provisions to total loans over the last five years.

Government Loans

No overlay was applied to loans granted to the Government under the moratorium. While the pandemic was projected to adversely impact the Government revenues, the impact as at 31 December 2020 was not as significant as in other countries in the currency union. St. Vincent & the Grenadines, unlike most Caribbean countries, did not opt for a total shut down, which allowed the Government to sustain its revenue streams and the country to weather the economic impact of the virus. The short to medium term forecast is also positive.

In accordance with regulatory pronouncements issued as part of the COVID-19 moratorium guidance, the restructuring of loans under this arrangement is not considered as restructured under previous pronouncements.

NOTES

BOSVG
Doing more Together

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

Produced in Saint Lucia by Orange Media Group Inc.