St. Kitts-Nevis-Anguilla
National Bank Limited

Consolidated Financial Statements
June 30, 2025
(expressed in thousands of Eastern Caribbean dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
St. Kitts-Nevis-Anguilla National Bank Limited

Opinion

We have audited the consolidated financial statements of **St. Kitts-Nevis-Anguilla National Bank Limited** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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 ethical requirements that are relevant to audits of the financial statements of public interest entities in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Expected credit losses ("ECL") of financial assets

Description of the Matter

The ECL of financial assets is a key audit matter, as it requires the application of critical management judgement and use of subjective estimates in determining the amount of ECL that are required to be recognised in the consolidated financial statements. As of June 30, 2025, the Group's financial assets with credit risk that are subject to ECL assessment amounted to $2,309,390,000 which represents 69% of total assets.

Key Audit Matters *...continued*

Expected credit losses ("ECL") of financial assets *...continued*

Accordingly, the Group used an ECL model in determining the credit loss allowance for its financial assets. Under IFRS 9, *Financial Instruments*, the assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, the associated loss ratio and of default correlation between counterparties. Furthermore, the Group incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement date of ECL. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The disclosures relating to the credit loss allowances for the financial assets, and the related credit risk are included in notes 3 to 10, 16 and 32 to the consolidated financial statements. The ECL allowance on the loans and advances to customers was considered to be a significant risk.

How the Matter was addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of the ECL allowance on the loans and advances to customers included the following:

- Obtained an understanding of and critically assessed the Group's accounting policies relating to the classification, measurement and ECL assessment of loans and advances to customers;

- Assessed and evaluated the effectiveness of controls over the approval, recording and monitoring of loans and advances to customers, classification into credit risk stages, and calculation of ECL allowance;

- Evaluated the inputs and assumptions, as well as the formulae used in the development of the ECL models for the various financial assets. This includes assessing the appropriateness of design of the ECL impairment model and formulae used in determining the ECL;

- Evaluated the classification of credit-impaired loans and advances to customers for completeness of the population of loans and advances to customers included in the stage 3 ECL calculation. Independently tested the accuracy of management's stage 3 ECL calculation on a sample basis;

- Examined the collateral values recorded by management by comparing them to independent valuation reports of independent professional valuators;

- Assessed the estimated costs and time to sell pledged collaterals used in the ECL calculation for reasonableness;

- Assessed the key credit risk factors such as default history, macro-economic factors and financial capability of counterparties; and

- Assessed the disclosures for completeness and adequacy to ensure compliance with IFRS 9.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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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.

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

- Identify and assess the risks of material misstatement of the 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *...continued*

From the matters communicated to the Board of Directors, 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 Lisa M. Roberts.

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Chartered Accountants
December 2, 2025
Basseterre, St. Kitts

St. Kitts-Nevis-Anguilla National Bank Limited

Consolidated Statement of Financial Position

As of June 30, 2025

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2025 $	Restated 2024 $	Restated 2023 $
Assets				
Cash and balances with Central Bank	5	**193,446**	211,799	225,874
Treasury bills	6	**99,321**	145,408	360,604
Deposits with other financial institutions	7	**152,476**	208,115	384,420
Loans and advances to customers	8	**1,085,457**	1,046,128	990,022
Originated debts	9	**114,725**	155,641	119,536
Financial asset	32	**363,111**	357,629	357,415
Investment securities	10	**1,103,048**	1,235,598	1,184,240
Property inventory	11	**8,565**	8,565	8,565
Investment property	12	**4,040**	4,040	4,040
Income tax recoverable	19	**65,421**	51,024	34,814
Property and equipment	13	**45,726**	45,718	37,996
Intangible assets	14	**11,641**	774	1,070
Right-of-use assets	15	**5,155**	2,368	1,063
Other assets	16	**45,256**	52,930	45,060
Deferred tax asset	19	**25,757**	32,597	17,805
Total assets		**3,323,145**	3,558,334	3,772,524
Liabilities				
Customers' deposits	17	**2,293,599**	2,707,136	2,982,428
Borrowings	33	**130,052**	–	–
Provisions, creditors and accruals	18	**270,802**	251,856	237,867
Acceptances, guarantees and letters of credit		**3,906**	7,456	7,456
Income tax payable	19	**1,234**	981	1,974
Lease liabilities	15	**5,255**	2,446	1,084
Deferred tax liability	19	**3,581**	3,555	3,797
Total liabilities		**2,708,429**	2,973,430	3,234,606
Shareholders' equity				
Issued share capital	20	**141,750**	141,750	141,750
Share premium		**3,877**	3,877	3,877
Reserves	21	**464,715**	471,426	456,923
Retained earnings/(accumulated deficit)		**4,374**	(32,149)	(64,632)
Total shareholders' equity		**614,716**	584,904	537,918
Total liabilities and shareholders' equity		**3,323,145**	3,558,334	3,772,524

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

Approved for issue by the Board of Directors on December 1, 2025.

Chairman

Director

St. Kitts-Nevis-Anguilla National Bank Limited
Consolidated Statement of Income
For the year ended June 30, 2025

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2025 $	2024 $
Interest income	22	**92,355**	95,713
Interest expense	22	**(57,415)**	(52,178)
Net interest income		**34,940**	43,535
Fees and commission income	23	**30,017**	25,680
Fees expenses	23	**(27,624)**	(24,333)
Net fees and commission income		**2,393**	1,347
Other income, net	24	**77,676**	60,873
Operating income		**115,009**	105,755
Operating expenses			
Administrative and general expenses	25	**(68,127)**	(64,981)
Other expenses	27	**(7,458)**	(6,254)
Credit and other impairment charges, net	26	**(4,513)**	(2,723)
Total operating expenses		**(80,098)**	(73,958)
Net income before tax		**34,911**	31,797
Income tax (expense)/credit	19	**(7,130)**	19,014
Net income for the year		**27,781**	50,811
Earnings per share (basic and diluted)	28	**0.20**	0.36

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

St. Kitts-Nevis-Anguilla National Bank Limited

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2025

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2025 $	2024 $
Net income for the year		**27,781**	50,811
Other comprehensive income, net of tax:			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Financial assets measured at FVOCI – debt instruments:			
Net unrealised gains on investment securities, net of tax	21	**12,434**	8,263
Expected credit (losses)/recoveries recognised on FVOCI – debt securities	21	**(50)**	111
Reclassification adjustments for net losses included in income, net of tax	21	**(8,799)**	(927)
		3,585	7,447
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation surplus on properties	21	**3,637**	–
Financial assets measured at FVOCI – equity instruments:			
Unrealised gains on investment securities, net of tax	21	**3,645**	3,294
Realised losses transferred to retained earnings, net of tax	21	**–**	(5,480)
Re-measurement loss on defined benefit asset, net of tax	21	**(1,749)**	(1,868)
		1,896	(4,054)
Total other comprehensive income for the year, net of tax		**9,118**	3,393
Total comprehensive income for the year		**36,899**	54,204

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

St. Kitts-Nevis-Anguilla National Bank Limited

Consolidated Statement of Changes in Shareholders' Equity

For the year ended June 30, 2025

(expressed in thousands of Eastern Caribbean dollars)

	Notes	Issued share capital $	Share premium $	Reserves $	Retained earnings/ (accumulated deficit) $	Total $
Balance at July 1, 2023, as previously reported		**141,750**	**3,877**	**456,923**	**(63,367)**	**539,183**
Prior year adjustment – write-offs	**36**	–	–	–	(1,265)	(1,265)
Balance at June 30, 2023, as restated		**141,750**	**3,877**	**456,923**	**(64,632)**	**537,918**
Net income for the year		–	–	–	50,811	50,811
Other comprehensive income		–	–	8,873	(5,480)	3,393
Total comprehensive income for the year		**–**	**–**	**8,873**	**45,331**	**54,204**
Prior year adjustment – penalty fees	**36**	–	–	–	(109)	(109)
Effects of IFRS 17 transition	**36**	–	–	–	(22)	(22)
Transfer to reserves		–	–	5,630	(5,630)	–
Transactions with shareholders						
Dividends	**29**	–	–	–	(7,087)	(7,087)
Balance at June 30, 2024, as restated		**141,750**	**3,877**	**471,426**	**(32,149)**	**584,904**
Net income for the year		–	–	–	27,781	27,781
Other comprehensive income		–	–	9,118	–	9,118
Total comprehensive income for the year		–	**-**	**9,118**	**27,781**	**36,899**
Transfer from reserves, net	**21**	–	–	(15,829)	15,829	–
Transactions with shareholders						
Dividends	**29**	–	–	–	(7,087)	(7,087)
Balance at June 30, 2025		**141,750**	**3,877**	**464,715**	**4,374**	**614,716**

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

St. Kitts-Nevis-Anguilla National Bank Limited

Consolidated Statement of Cash Flows

For the year ended June 30, 2025

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2025 $	2024 $
Cash flows from operating activities			
Net income before tax		**34,911**	31,797
Adjustments for items not affecting cash:			
Interest expense	**22**	**57,415**	52,178
Depreciation and amortisation	**13, 14, 15**	**5,402**	4,278
Credit and other impairment charges, net	**26**	**4,513**	2,723
Pension expense	**34**	**1,390**	1,263
Revaluation loss on property and equipment	**25**	**319**	–
Dividend income	**24**	**(9,217)**	(9,682)
Fair value gains on FVTPL investment securities	10	**(47,617)**	(35,062)
Interest income	**22**	**(92,355)**	(95,713)
Operating loss before changes in operating assets and liabilities		**(45,239)**	(48,218)
Changes in operating assets:			
Loans and advances to customers		**(44,599)**	(57,933)
Mandatory deposits with Central Bank		**23,552**	16,668
Other assets		**4,025**	(8,971)
Changes in operating liabilities:			
Customers' deposits		**(411,902)**	(275,013)
Provisions, creditors and accruals		**18,946**	13,326
Cash used in operations		**(455,217)**	(360,141)
Interest received		**51,983**	54,467
Pension contributions paid	**34**	**(2,906)**	(2,676)
Income tax paid	**19**	**(14,985)**	(15,821)
Interest paid		**(58,930)**	(52,391)
Net cash used in operating activities		**(480,055)**	(376,562)
Cash flows from investing activities			
Disposals of investment securities and originated debts		**741,351**	835,361
Changes in term deposits and treasury bills, net		**101,084**	265,218
Interest received		**37,496**	36,345
Dividends received		**9,217**	9,682
Proceeds from disposal of property and equipment		**114**	42
Acquisition of intangible assets	**14**	**(5,792)**	(134)
Purchase of property and equipment	**13**	**(5,180)**	(10,188)
Purchase of investment securities and originated debts		**(566,045)**	(896,944)
Net cash from investing activities		**312,245**	239,382
Subtotal carried forward		**(167,810)**	(137,180)

(expressed in thousands of Eastern Caribbean dollars)

	Notes	2025 $	2024 $
Subtotal brought forward		**(167,810)**	(137,180)
Cash flows from financing activities			
Repayments of lease liabilities	**15**	**(1,973)**	(1,368)
Interest paid on lease liabilities	**15**	**(120)**	(66)
Dividends paid	**29**	**(7,087)**	(7,087)
Net cash used in financing activities		**(9,180)**	(8,521)
Net decrease in cash and cash equivalents		**(176,990)**	(145,701)
Cash and cash equivalents, beginning of year		**224,152**	369,853
Cash and cash equivalents, end of year	**33**	**47,162**	224,152

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

(expressed in thousands of Eastern Caribbean dollars)

1 Incorporation and principal activity

St. Kitts-Nevis-Anguilla National Bank Limited (the "Bank") was incorporated as a public limited company on February 15, 1971 under the Companies Act Chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on April 14, 1999. The Bank operates in both St. Kitts and Nevis and is subject to the provisions of the Banking Act of 2015. The Bank is a public company listed on the Eastern Caribbean Securities Exchange.

The Bank's registered office is at Central Street, Basseterre, St. Kitts. The principal activities of the Bank and its subsidiaries (the "Group") are described below.

The Bank is principally involved in the provision of financial services being primarily commercial banking and investment activities. The Bank is regulated by the Eastern Caribbean Central Bank ("the Central Bank" or "ECCB").

The Bank's subsidiaries and their activities are as follows:

- *National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited ("Trust Company")*

  The Trust Company was incorporated on January 26, 1972 under the Companies Act Chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on April 14, 1999.

  The principal activity of the Trust Company is the provision of long-term mortgage financing, raising long-term investment funds, real estate development, property management and the provision of trustee services.

- *National Caribbean Insurance Company Limited ("Insurance Company")*

  The Insurance Company was incorporated on June 20, 1973 under the Companies Act Chapter 335, and was re-registered under the new Companies Act No. 22 of 1996 on April 14, 1999.

  The Insurance Company provides life insurance coverage, non-life insurance coverage and pension schemes.

  The Company is regulated by Financial Services Regulatory Commission (FSRC) and the Anguilla Financial Services Commission (AFSC) for its operations in St. Kitts and Nevis and for its operations in Anguilla, respectively.

- *St. Kitts and Nevis Mortgage and Investment Company Limited ("MICO")*

  MICO was incorporated on May 25, 2001 under the Companies Act No. 22 of 1996 and commenced operations on May 13, 2002.

  MICO acts as the real estate arm of the Group with its main operating activities being the acquisition and sale of properties.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information

The principal accounting policies applied in the preparation of the 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 preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments at fair value through profit or loss and fair value through other comprehensive income. The measurement bases are fully described in the material accounting policy information. The consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis which assumes the Group will be able to discharge its liabilities as they fall due.

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

2.2 Changes in accounting policies

New standards and amendments effective for the financial year beginning July 1, 2024

Standards and amendments that are effective for the first time on July 1, 2024 are as follows:
- IFRS S1, *General Requirement for Disclosure of Sustainability-related Financial Information;*
- IFRS S2 *Climate-related Disclosures;*
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Non-current Liabilities with Covenants (Amendments to IAS 1); and,
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

These amendments do not have a material impact on these consolidated financial statements and therefore the disclosures have not been made.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. These standards are not expected to have a material impact on the Group's consolidated financial statements in future reporting periods and on foreseeable future transactions.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.3 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of June 30, 2025. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of June 30. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.4 Cash and cash equivalents

Cash comprises cash on hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments with original maturities of ninety (90) days or less that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements and restricted deposits.

2.5 Financial assets and liabilities

Classification and measurement

The Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

i) Debt instruments

Debt instruments are those instruments that contain contractual obligations to pay the instrument holder certain cash flows, such as government and corporate bonds, and loans and receivables.

Classification and subsequent measurement of debt instruments depend on:

- the Group’s business model for managing the asset; and
- the cash flow characteristics of the asset.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Classification and measurement *...continued*

i) Debt instruments ...continued

Business model test:

Business model reflects the objective of the Group holding different assets. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are held for trading purposes and are measured at FVTPL.

Solely payments of principal and interest (SPPI) test:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.5 Financial assets and liabilities *…continued*

Classification and measurement *…continued*

ii) Equity instruments

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

When the Group purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Bank writes an option, an amount equal to fair value which is based on the premium received by the Bank is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statement of comprehensive income under fair value reserves – FVOCI.

Options are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The Group option acquired by the Bank has been designated as a hedge of the fair value of certain quoted equity instruments included in investment securities. The Group documents its risk management objective and strategy for undertaking its hedge transaction(s). The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 10.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument and is disclosed in note 10.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1'. Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. Instruments in stage 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'. Instruments in stage 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt securities, the Group examines the issuer's capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experience significant increase in credit risk since the origination of the assets. When no external credit rating is available, the Group assigns internal credit rating based on internal risk criteria. The Group also considers if there is any negative press or adverse market information that may indicate changes in credit risk.

For loans and advances and other receivables, delinquency status is utilized as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cash flow/liquidity problems;
- In short-term forbearance;
- Known adverse change in financial conditions; and,
- Known adverse changes in business or economic conditions in which the borrower operates.

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a SICR if:

- An obligor's external or internal credit rating is downgraded to below investment grade (BB+/Ba1, its internal equivalent or lower) compared to the rating at initial recognition;
- A below investment grade instrument is lowered by 2 or multiple notches; or
- Payment of principal and/or interest is more than 30 days past due.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement *...continued*

Significant increase in credit risk (SICR) ...continued

If one or more of the above conditions are satisfied, the financial asset is transferred to stage 2 from stage 1. The assignment of a financial instrument to stage 3 will be based on the status of the obligor being in default. Assets in stage 2 or 3 will be transferred back to stage 1 or 2 once the criteria for significant increase in credit risk or impairment are no longer met.

The staging assessment requires the Group to monitor credit risk through regular credit reviews or other monitoring at a counterparty level.

All loans and investment securities held by the Group are allocated to a credit quality rating or risk grade (internal or external) based on the most recent review, using forward-looking and other available information on an annual basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

Backstop

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

If an asset is in investment grade at reporting date, it will be in stage 1 irrespective of its origination rating. With respect to loans and advances to customers however, the Group has not used the low credit risk exemption for any of those financial instruments for the years ended June 30, 2025 and June 30, 2024.

Default

For debt securities, default is defined as having missed the contractual payments of principal or interest. For loans and advances, and other receivables, the Group defines default based on the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Examples of these instances are:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent; and
- The borrower is in breach of financial covenants.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Credit risk measurement *...continued*

Default ...continued

Impairment measurement

The criteria above are consistent with the definition of default used for internal credit risk management purposes.

ECL is determined by projecting the PD, LGD and EAD for future periods and for each individual exposure or collective segment. These three components are multiplied together and discounted back to the reporting date using the effective interest rate. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Forward looking information

When incorporating forward looking information, such as macroeconomic forecasts, into the determination of expected credit losses, the Group considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilised include, but are not limited to, GDP growth and unemployment rate. These variables and their associated impact on the ECL varies by financial instrument.

In addition to the base economic scenario, the Group also incorporates upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes of which each chosen scenario is representative.

Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as ‘Pledged assets’, if the transferee has the right to sell or repledge them.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities include customers’ deposits, borrowings, acceptances, guarantees and letters of credit, provisions, creditors and accruals, other liabilities and lease liabilities.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.5 Financial assets and liabilities *...continued*

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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.

2.6 Employee benefits

i) Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in provisions, creditors and accruals, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

ii) Gratuity

The Group provides a gratuity to its employees after fifteen (15) years of employment. The amount of the gratuity payment to eligible employees at retirement is computed with reference to final salary and calibrated percentage rates based on the number of years of service. Provisions for these amounts are included in the consolidated statement of financial position.

iii) Pension plan

The Group operates a defined benefit plan. The administration of the plan is conducted by the Insurance Company, one of the subsidiaries. The plan is funded through payments to trustee-administered deposit funds determined by periodic actuarial calculations. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement based on factors such as age, years of service and final salary.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.6 Employee benefits *…continued*

iii) Pension plan …continued

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuation being carried out at the end of each reporting period.

The asset figure recognised in the consolidated statement of financial position in respect of net defined benefit asset is the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date. The retirement benefit asset recognised in the consolidated statement of financial position represents the actuarial surplus in the defined benefit plan. Re-measurements comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the consolidated statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the Group may transfer those amounts recognised in other comprehensive income within equity.

2.7 Property and equipment

Land and buildings held for use in the rendering of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity, usually every five (5) years, such that the carrying amount does not differ materially from that which would be determined using fair values at the year end.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in income, in which case the increase is credited to income to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to income to the extent that it exceeds the balance, if any, held in the fixed asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the consolidated statement of income. On the subsequent sale or retirement of a revalued property, any revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the fixed asset revaluation reserve to retained earnings except when an asset is derecognised.

Projects ongoing represents structures under construction and project development not yet completed and is stated at cost. This includes the costs of construction and other direct costs. Projects ongoing is not depreciated until such time that the relevant assets are ready for use.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the following bases:

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.7 Property and equipment *...continued*

Buildings:	25 – 45 years
Leasehold improvements:	25 years, or over the period of lease if less than 25 years
Equipment, fixtures and fittings and motor vehicles:	3 – 10 years
Right-of-use assets:	3 – 10 years

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

All repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

2.8 Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.9 Insurance and reinsurance contracts

i) Classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk. The Group issues immediate annuity contracts and term life contracts with a surrender value.

The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Group provides reinsurance cover for immediate annuity and term life contracts.

The Group does not issue any contracts with direct participating features.

ii) Separating components from insurance and reinsurance contracts

The Group assesses its life insurance and reinsurance products to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non insurance components). After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include distinct components that require separation.

Some term life contracts issued by the Group include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in IFRS 17. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance expenses. The surrender options are considered non distinct investment components as the Group is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

Some life reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The profit commission components have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

iii) Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group has defined portfolios of insurance and reinsurance contracts issued based on its product lines, namely immediate annuity and term life contracts due to the fact that the products are subject to similar risks and managed together. The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Group has elected to include in the same group contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

The groups of contracts for which the modified retrospective and the fair value approach has been adopted on transition include contracts issued more than one year apart.

The annuity and term insurance and reinsurance contracts portfolios are divided into:

- A group of contracts that are onerous at initial recognition
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts in the portfolio

The reinsurance contracts held portfolios are divided into:

- A group of contracts on which there is a net gain on initial recognition
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

iv) Recognition

The Group recognises groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date

The reinsurance contracts held by the Group provide proportionate cover. Therefore, the Group does not recognise a proportional reinsurance contract held until at least one underlying direct insurance contract has been recognised. The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

v) Onerous groups of contracts

The Group issues some contracts before the coverage period starts and the first premium becomes due. Therefore, the Group has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a policyholder in the group is due. The Group looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information;
- Results of similar contracts it has recognised; and
- Environmental factors, e.g., a change in market experience or regulations,

vi) Contract boundary

Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

vi) Contract boundary *...continued*

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

For life contracts with renewal periods, the Group assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Group by considering all the risks covered for the policyholder by the Group, that the Group would consider when underwriting equivalent contracts on the renewal dates for the remaining service. The Group reassesses contract boundary of each group at the end of each reporting period.

vii) Insurance contracts – initial measurement

The general model measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A CSM representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group’s objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

vii) Insurance contracts – initial measurement *...continued*

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims;
- Payments to policyholders resulting from embedded surrender value options;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs;
- Claims handling costs;
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries;
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- Transaction-based taxes.

The Group does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders.
- Other information about the known or estimated characteristics of the insurance contracts.
- Historical data about the Group's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Group does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

viii) Reinsurance contracts held – initial measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

viii) Reinsurance contracts held – initial measurement *...continued*

- The Group recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Group uses a systematic and rational method to determine the portion of losses recognised on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage. Where the Group enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

ix) Insurance contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

ix) Insurance contracts – subsequent measurement *...continued*

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable. The same applies to a policyholder loan that becomes repayable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

x) Reinsurance contracts held – subsequent measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfilment cash flows of a retroactive reinsurance contract held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the contractual service margin of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Group has established a loss-recovery component, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfilment cash flows of the group of reinsurance contracts held. Reversals of the loss- recovery component that are not changes in the fulfilment cashflows of the group of reinsurance contracts held adjust the CSM.

xi) Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xii) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. The Group expects to derecognise all assets for insurance acquisition cash flows within one year.

xiii) Presentation

The Group has presented separately in the consolidated statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related portfolios of insurance contracts issued.

The Group disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

xiv) Insurance revenue

The Group’s insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding any investment components).

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xiv) Insurance revenue *...continued*

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage
- Amounts related to income tax that are specifically chargeable to the policyholder
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release
- Amounts related to insurance acquisition cash flows

xv) Loss components

The Group has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Group has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Group uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

xvi) Loss-recovery components

When the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xvi) Loss-recovery components *...continued*

Where a loss-recovery component has been set up at initial recognition or subsequently, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

xvii) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Group disaggregates insurance finance income or expenses on insurance contracts issued for its immediate annuity and term life portfolios between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Group's financial assets backing the insurance issued portfolios are predominantly measured at amortised cost or FVOCI. Finance income or expenses on the Group's issued reinsurance contracts is not disaggregated because the related financial assets are managed on a fair value basis and measured at fair value through profit or loss.

The Group systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Group reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

xviii) Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.9 Insurance and reinsurance contracts *...continued*

xviii) Net income or expense from reinsurance contracts held *...continued*

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2.10 Guarantees and letters of credit

Guarantees and letters of credit comprise undertaking by the Group to pay bills of exchange drawn on customers. The Group expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers.

2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.12 Revenue recognition

The Group determines whether to recognize revenue based on a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group's revenue generating activities are described below.

i) *Interest income and expense*
Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the consolidated statement of income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, estimates of cash flows that consider all contractual terms of the financial instrument are included (for example, repayment options), except future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

ii) *Fees and commission income*
Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of business – are recognised on completion of the underlying transaction.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.12 Revenue recognition *…continued*

iii) Dividend income
Dividends are recognised in the consolidated statement of income when the right to receive payment is established.

iv) Property sales
Revenue from property sales is recognised when title of the properties has passed to the buyer.

2.13 Operating expenses and fees expenses

Operating expenses and fees expenses are recognised in the consolidated statement of income upon utilisation of the services or as incurred.

2.14 Foreign currency translation

i) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Eastern Caribbean Dollars, which is the Group's functional and presentation currency. The values presented in the consolidated financial statements have been rounded to the nearest thousands unless otherwise stated.

ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of income within 'Other income'.

2.15 Equity, reserves and dividend payments

i) Issued share capital and share premium
Issued share capital represents the proceeds of shares that have been issued. Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.15 Equity, reserves and dividend payments *…continued*

ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are paid by the Board of Directors and or approved by the Group's shareholders.

iii) Other components of equity

Other components of equity include the following:

- *Statutory reserve* – reserve fund as per the regulatory requirement;
- *Revaluation reserve* – represents gains and losses from the revaluation of land and buildings;
- *Fair value reserves – FVOCI* – represent unrealised gains and losses from changes in the fair value of the FVOCI investment securities; and
- *Other reserves* – comprises the defined benefit pension plan reserve, regulatory reserve for loan impairment, regulatory reserve for interest accrued on non-performing loans, insurance and claims equalisation reserve and general reserve.

iv) Retained earnings/(accumulated deficit)
Retained earnings/(accumulated deficit) include cumulative balance of net losses, dividend distributions, effect of changes in accounting policy and other capital adjustments.

2.16 Current and deferred income tax

Income tax payable on profits, based on applicable tax law in St. Kitts and Nevis is recognised as an expense in the period in which profits arise, except to the extent that it relates to items recognised directly in equity. In such cases, the tax is recognised in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

Deferred income tax is provided in full on temporary differences arising between the tax bases 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 by the reporting date and are expected to apply when the related deferred income tax asset is realised, or deferred tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment and revaluation of certain financial assets. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax.

A deferred tax asset is recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.16 Current and deferred income tax *…continued*

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax charge or credit in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of available-for-sale investment securities) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Group is subjected to the following tax rates:

(i) *Income tax rates*
The Group is subject to corporate income taxes at a rate of 25% (2024: 25%).

(ii) *Premium tax rates*
Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rate of premium tax is 5% for general insurance and nil for life insurance.

2.17 Deposit funds

Deposit administration contracts are issued by the Group to registered pension schemes for the deposit of pension plan assets with the Group.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest; and
- fair value through income where the Group is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense.

2.18 Business segments

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.19 Events after the financial reporting date

Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting (non-adjusting events) are disclosed in the notes to the financial statements when material.

(expressed in thousands of Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.20 Earnings per share

Basic earnings per share are determined by dividing income by the weighted average number of ordinary shares outstanding during the period after giving retroactive effect to stock dividends declared, stock splits and reverse stock splits during the period, if any.

Diluted earnings per share are computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.21 Comparatives

The classification of certain items in the consolidated financial statements has been changed from the prior period to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period.

3 Management of financial and insurance risks

The Group's activities expose it to a variety of financial and insurance 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 commercial Banking business and insurance, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse risks, to set appropriate levels 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 Credit Division and Finance Division under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate, insurance and credit risks. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

The most important types of financial and insurance risks are credit risk, liquidity risk, market risk, insurance risk (property, casual and life insurance risk) and other operational risk. Market risk includes foreign exchange risk, interest rate risk and other price risk.

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Group by failing to discharge their obligations. 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 such credit risks. Credit exposure arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised and reported to the Board of Directors.

The Group's exposure to credit risk is managed through regular analysis of the ability of its borrowers and potential borrowers to meet interest and capital repayment obligations. Credit risk is managed also in part by the taking of collateral and corporate and personal guarantees as securities on advances.

i) Loans and advances to customers

The prudential guidelines of the Bank's regulator are included in the daily credit operational management of the Group. The operational measurements can be contrasted with impairment allowances required under IFRS 9, which are based on an expected credit loss model approach.

The Group assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of the counterparty. These rating tools are fashioned from the guidelines of the commercial Group's regulators.

Advances made by the Group are segmented into five rating classes that reflect the range of default probabilities for each rating class. The rating tools are kept under review and upgraded as necessary.

Group's rating	**Description of the classifications**
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

ii) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Group Treasury/Fund Managers for managing 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.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *…continued*

3.1 Credit risk *…continued*

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

The exposure to any one borrower, including Groups and other financial institutions, is further restricted by sub-limits covering on-balance sheet and off-balance sheet exposures. Actual exposures against limits are monitored. 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.

Other specific controls and mitigation measures are outlined below:

i) 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 risk mitigation. The principal collateral types for loans and advances are:

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.1 Risk limit control and mitigation policies *...continued*

ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions) are collateralised 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 and advances, guarantees or letters of credit. With respect to credit risk, 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 of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning

The debt securities and other financial assets at amortised cost are summarised as follows in the consolidated financial statements:

	Deposits with other financial institutions (term deposits) $	Treasury bills $	Originated debts $	Financial asset $	Debt securities – FVOCI $	Other assets $	Total $
Credit grade:							
Investment grade	28,150	1,350	40,284	–	523,046	14,155	606,985
Non–investment grade	32,738	98,069	74,786	365,651	47,384	871	619,499
Default	–	–	–	–	–	1,111	1,111
Gross carrying amount	60,888	99,419	115,070	365,651	570,430	16,137	1,227,595
Loss allowance	(88)	(98)	(345)	(2,540)	–	(591)	(3,662)
Carrying amount as at June 30, 2025	**60,800**	**99,321**	**114,725**	**363,111**	**570,430**	**15,546**	**1,223,933**
Credit grade:							
Investment grade	28,161	73,100	82,029	–	498,400	25,288	706,978
Non–investment grade	20,606	72,365	74,290	359,994	49,603	1,617	578,475
Default	–	–	–	–	–	1,111	1,111
Gross carrying amount	48,767	145,465	156,319	359,994	548,003	28,016	1,286,564
Loss allowance	(97)	(57)	(678)	(2,365)	–	(1,310)	(4,507)
Carrying amount as at June 30, 2024	**48,670**	**145,408**	**155,641**	**357,629**	**548,003**	**26,706**	**1,282,057**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

The loans and advances to customers are summarised as follows in the consolidated financial statements:

	Loans to customers $	Overdrafts $	Credit cards $	Total $
Credit grade:				
Performing	640,230	40,736	14,667	695,633
Under-performing	5,044	1,131	582	6,757
Non-performing	367,099	55,952	886	423,937
Gross carrying amount	1,012,373	97,819	16,135	1,126,327
Loss allowance	(31,800)	(6,430)	(2,640)	(40,870)
Carrying amount as at June 30, 2025	**980,573**	**91,389**	**13,495**	**1,085,457**
Credit grade:				
Performing	630,621	17,434	13,360	661,415
Under-performing	4,652	–	466	5,118
Non-performing	358,504	55,864	739	415,107
Gross carrying amount	993,777	73,298	14,565	1,081,640
Loss allowance	(29,180)	(4,240)	(2,092)	(35,512)
Carrying amount as at June 30, 2024	**964,597**	**69,058**	**12,473**	**1,046,128**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

The following tables contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Debt securities and other financial assets at amortised cost	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Credit grade:				
Investment grade	606,985	–	–	606,985
Non-investment grade	588,316	30,589	594	619,499
Default	–	–	1,111	1,111
Gross carrying amount	1,195,301	30,589	1,705	1,227,595
Loss allowance	(993)	(2,078)	(591)	(3,662)
Carrying amount as at June 30, 2025	**1,194,308**	**28,511**	**1,114**	**1,223,933**
Credit grade:				
Investment grade	706,978	–	–	706,978
Non-investment grade	538,385	30,589	9,501	578,475
Default	–	–	1,111	1,111
Gross carrying amount	1,245,363	30,589	10,612	1,286,564
Loss allowance	(1,047)	(2,150)	(1,310)	(4,507)
Carrying amount as at June 30, 2024	**1,244,316**	**28,439**	**9,302**	**1,282,057**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loans and advances to customers	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Credit grade:				
Performing	695,633	–	–	695,633
Under-performing	–	6,757	–	6,757
Non-performing	–	–	423,937	423,937
Gross carrying amount	695,633	6,757	423,937	1,126,327
Loss allowance	(8,135)	(1,749)	(30,986)	(40,870)
Carrying amount as at June 30, 2025	**687,498**	**5,008**	**392,951**	**1,085,457**
Credit grade:				
Performing	661,415	–	–	661,415
Under-performing	–	5,118	–	5,118
Non-performing	–	–	415,107	415,107
Gross carrying amount	661,415	5,118	415,107	1,081,640
Loss allowance	(5,948)	(1,481)	(28,083)	(35,512)
Carrying amount as at June 30, 2024	**655,467**	**3,637**	**387,024**	**1,046,128**

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and lifetime ECL;
- Impacts on the measurement of ECL due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Debt securities and other financial assets at amortised cost	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at June 30, 2024	1,047	2,150	1,310	4,507
New financial assets originated or purchased	41	–	–	41
Financial assets fully derecognised during the year	(84)	–	–	(84)
Changes to inputs used in ECL calculation	(11)	(72)	(719)	(802)
Loss allowance as at June 30, 2025	**993**	**2,078**	**591**	**3,662**
Loss allowance as at June 30, 2023	744	2,318	757	3,819
New financial assets originated or purchased	65	–	–	65
Financial assets fully derecognised during the year	(26)	–	–	(26)
Changes to inputs used in ECL calculation	264	(168)	553	649
Loss allowance as at June 30, 2024	**1,047**	**2,150**	**1,310**	**4,507**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

Loans and advances to customers	Stage 1 12–month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at June 30, 2024	5,948	1,481	28,083	35,512
Transfers:				
Transfer from stage 1 to stage 2	(36)	36	–	–
Transfer from stage 1 to stage 3	(558)	–	558	–
Transfer from stage 2 to stage 1	640	(640)	–	–
Transfer from stage 2 to stage 3	–	(173)	173	–
Transfer from stage 3 to stage 1	128	–	(128)	–
Transfer from stage 3 to stage 2	–	6	(6)	–
New financial assets originated or purchased	1,554	310	12	1,876
Financial assets fully derecognised during the year	(568)	(331)	(1,099)	(1,998)
Changes to inputs used in ECL calculation	1,027	1,060	3,393	5,480
Loss allowance as at June 30, 2025	**8,135**	**1,749**	**30,986**	**40,870**
Loss allowance as at June 30, 2023	6,281	1,118	26,500	33,899
Transfers:				
Transfer from stage 1 to stage 2	(34)	34	–	–
Transfer from stage 1 to stage 3	(44)	–	44	–
Transfer from stage 2 to stage 1	31	(31)	–	–
Transfer from stage 2 to stage 3	–	(118)	118	–
Transfer from stage 3 to stage 1	121	–	(121)	–
Transfer from stage 3 to stage 2	–	–	–	–
New financial assets originated or purchased	1,040	14	20	1,074
Financial assets fully derecognised during the year	(90)	(14)	(208)	(312)
Changes to inputs used in ECL calculation	(1,357)	478	1,730	851
Loss allowance as at June 30, 2024	**5,948**	**1,481**	**28,083**	**35,512**

According to the ECCB loan provisioning guidelines, the calculated allowance for loan impairment amounts to $207,613 (2024: $199,119). The loan loss provision calculated under IFRS 9 for the loans held by the Group amounted to $40,870 (2024: $35,512). When the ECCB loan loss provision is greater than the loan loss provision calculated under IFRS 9, the difference is set aside as a non-distributable reserve through equity. As of June 30, 2025, the loan loss provision calculated under IFRS 9 was less than the ECCB provision for the loans held by the Group. Therefore, a non-distributable reserve through equity was required at the reporting date and is included in other reserves in equity (note 21). The gross carrying value of impaired loans at the year-end was $423,937 (2024: $415,107). Interest receivable on loans that would not be recognised under ECCB guidelines amounted to $84,052 (2024: $80,533) and is included in other reserves in equity (note 21).

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(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the year. The gross carrying amounts of financial assets below represent the Group's maximum exposure to credit risk on these assets.

Debt securities and other financial assets at amortised cost	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Gross carrying amount as at June 30, 2024	1,245,363	30,589	10,612	1,286,564
New financial assets originated or purchased	360,272	–	–	360,272
Financial assets fully derecognised during the year	(417,857)	–	–	(417,857)
Changes in principal and interest	7,523	–	(8,907)	(1,384)
Gross carrying amount at June 30, 2025	**1,195,301**	**30,589**	**1,705**	**1,227,595**
Gross carrying amount as at June 30, 2023	1,159,530	30,709	9,296	1,199,535
New financial assets originated or purchased	826,640	–	–	826,640
Financial assets fully derecognised during the year	(749,375)	–	–	(749,375)
Changes in principal and interest	8,568	(120)	1,316	9,764
Gross carrying amount at June 30, 2024	**1,245,363**	**30,589**	**10,612**	**1,286,564**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values *...continued*

Loans and advances to customers	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Gross carrying amount as at June 30, 2024	**661,415**	**5,118**	**415,107**	**1,081,640**
Transfers:				
Transfer from stage 1 to stage 2	(3,186)	3,186	–	–
Transfer from stage 1 to stage 3	(30,172)	–	30,172	–
Transfer from stage 2 to stage 1	2,517	(2,517)	–	–
Transfer from stage 2 to stage 3	–	(679)	679	–
Transfer from stage 3 to stage 1	1,927	–	(1,927)	–
Transfer from stage 3 to stage 2	–	88	(88)	–
New financial assets originated or purchased	136,888	1,218	182	138,288
Financial assets fully derecognised during the year	(52,664)	(1,303)	(16,582)	(70,549)
Changes in principal and interest	(21,092)	1,646	(3,606)	(23,052)
Gross carrying amount as at June 30, 2025	**695,633**	**6,757**	**423,937**	**1,126,327**
Gross carrying amount as at June 30, 2023	**615,162**	**4,713**	**404,046**	**1,023,921**
Transfers:				
Transfer from stage 1 to stage 2	(4,206)	4,206	–	–
Transfer from stage 1 to stage 3	(5,254)	–	5,254	–
Transfer from stage 2 to stage 1	1,280	(1,280)	–	–
Transfer from stage 2 to stage 3	–	(4,808)	4,808	–
Transfer from stage 3 to stage 1	1,982	–	(1,982)	–
Transfer from stage 3 to stage 2	–	4	(4)	–
New financial assets originated or purchased	124,898	558	319	125,775
Financial assets fully derecognised during the year	(29,631)	(577)	(3,417)	(33,625)
Changes in principal and interest	(42,816)	2,302	6,083	(34,431)
Gross carrying amount as at June 30, 2024	**661,415**	**5,118**	**415,107**	**1,081,640**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at June 30, are set out below.

As at June 30, 2024

		2024	2025
World GDP growth rate	Base	2.90%	3.20%
	Upside	4.70%	5.00%
	Downside	1.10%	1.40%
US GDP growth rate	Base	1.40%	2.60%
	Upside	3.30%	4.40%
	Downside	-0.60%	0.80%
St. Kitts and Nevis GDP growth rate	Base	4.20%	4.10%
	Upside	8.90%	8.80%
	Downside	-0.60%	-0.60%
St. Lucia GDP growth rate	Base	2.60%	2.70%
	Upside	9.00%	9.00%
	Downside	-3.80%	-3.50%

As at June 30, 2025

		2025	2026
World GDP growth rate	Base	3.20%	3.10%
	Upside	5.00%	4.80%
	Downside	1.40%	1.30%
US GDP growth rate	Base	2.60%	2.30%
	Upside	4.40%	4.10%
	Downside	0.80%	0.50%
St. Kitts and Nevis GDP growth rate	Base	4.10%	1.80%
	Upside	8.80%	6.40%
	Downside	-0.60%	-2.90%
St. Lucia GDP growth rate	Base	2.70%	3.40%
	Upside	9.00%	9.90%
	Downside	-3.50%	-3.10%

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Economic variable assumptions *...continued*

The scenario weightings assigned to each economic scenario were as follows:

Year	Base	Upside	Downside
June 30, 2025	**82%**	**4%**	**14%**
June 30, 2024	82%	4%	14%

Set out below are the changes to the ECL as at June 30, 2025 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stages 1 to 2 with respect to the credit risk:

	ECL impact of:		
Loss Given Default	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Debt securities – amortised cost	+/- 5%	156	(156)
Debt securities – FVOCI	+/- 5%	40	40
	ECL impact of:		
Collateral haircut	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Loans	+/- 5%	3,792	(3,460)
Advances	+/- 5%	2,323	(2,121)

Purchased or originated credit-impaired (POCI) financial assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

Loans and advances to customers renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans during the year amounted to $1,508 (2024: $286).

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-balance sheet and off-balance sheet with credit risk exposure

The Group operates three (3) business segments as follows:

- commercial and retail banking;
- insurance coverage; and
- Real estate and trust services.

These are predominantly localised to St. Kitts and Nevis. Commercial Banking activities, however, account for a significant portion of credit risk exposure.

The credit risk exposure is, therefore, spread geographically and over a diversity of personal and commercial customers.

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of June 30, 2025					
Cash and balances with Central Bank	29,086	–	–	–	29,086
Treasury bills	97,972	1,349	–	–	99,321
Deposits with other financial institutions	37,454	106,810	4,361	3,851	152,476
Financial asset	363,111	–	–	–	363,111
Loans and advances to customers	989,829	70,417	1,467	23,744	1,085,457
Originated debts	27,089	40,273	–	47,363	114,725
Debt investment securities	–	585,930	5,174	–	591,104
Acceptances, guarantees and letters of credit	3,906	–	–	–	3,906
Other assets	10,354	1,286	–	–	11,640
	1,558,801	**806,065**	**11,002**	**74,958**	**2,450,826**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-balance sheet and off-balance sheet with credit risk exposure *...continued*

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of June 30, 2024					
Cash and balances with Central Bank	26,002	–	–	–	26,002
Treasury bills	72,332	73,076	–	–	145,408
Deposits with other financial institutions	39,567	158,024	2,959	7,565	208,115
Financial asset	357,629	–	–	–	357,629
Loans and advances to customers	951,476	66,719	1,558	26,375	1,046,128
Originated debts	25,894	81,976	–	47,771	155,641
Debt investment securities	–	548,003	–	–	548,003
Acceptances, guarantees and letters of credit	7,456	–	–	–	7,456
Other assets	18,502	748	–	–	19,250
	1,498,858	**928,546**	**4,517**	**81,711**	**2,513,632**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.4 Concentration of risks of financial assets with credit exposure

The following tables break down the Group's main credit exposures at their carrying amounts, as categorised by industry sectors of the counterparties:

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 2025							
Cash and balances with Central Bank	–	–	–	29,086	–	–	29,086
Treasury bills	99,321	–	–	–	–	–	99,321
Deposits with other financial institutions	29,437	–	–	123,039	–	–	152,476
Financial asset	363,111	–	–	–	–	–	363,111
Loans and advances to customers	238,125	115,113	206,589	35,907	399,695	90,028	1,085,457
Originated debts	114,725	–	–	–	–	–	114,725
Debt investment securities	259,464	489	2,206	181,263	–	147,682	591,104
Acceptances, guarantees and letters of credit	3,906	–	–	–	–	–	3,906
Other assets	1,865	–	–	1,947	2,102	5,726	11,640
	1,109,954	**115,602**	**208,795**	**371,242**	**401,797**	**243,436**	**2,450,826**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1 Credit risk *...continued*

3.1.4 Concentration of risks of financial assets with credit exposure *...continued*

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 2024							
Cash and balances with Central Bank	–	–	–	26,002	–	–	26,002
Treasury bills	145,408	–	–	–	–	–	145,408
Deposits with other financial institutions	29,942	–	–	178,173	–	–	208,115
Financial asset	357,629	–	–	–	–	–	357,629
Loans and advances to customers	239,400	119,459	209,524	38,963	327,544	111,238	1,046,128
Originated debts	155,641	–	–	–	–	–	155,641
Debt investment securities	260,030	467	272	149,501	–	137,733	548,003
Acceptances, guarantees and letters of credit	3,381	–	–	–	–	4,075	7,456
Other assets	1,188	–	–	2,658	1,458	13,946	19,250
	1,192,619	**119,926**	**209,796**	**395,297**	**329,002**	**266,992**	**2,513,632**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.1.4 Concentration of risks of financial assets with credit exposure *…continued*

The Government of St. Kitts and Nevis accounts for $622,901 (2024: $583,165) or 26% (2024: 23%) of total credit exposure, which represents a significant concentration of credit risk. The amounts due from the Government are included in the Public Sector category.

3.2 Market risk

The Group is exposed to market risk, 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 the market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Group's exposure to market risks primarily arises from the interest rate management of the Group's retail and commercial Banking assets and liabilities, debt investment securities and equity risks arising from its FVOCI investments.

3.2.1 Price risk

The Group is exposed to price risk in respect to its investment securities classified on the consolidated statement of financial position as FVTPL (note 10). If the quoted stock price for these securities increased or decreased by 10%, profit or loss and retained earnings would have changed by $51,487 (2024: $67,969).

The investments in listed securities classified on the consolidated statement of financial position as FVOCI are considered long-term strategic investments. The performance of these investments is continuously monitored.

3.2.2 Foreign exchange risk

The Group is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its consolidated financial position and cash flows. The Board of Directors limits the level of exposure by currency and in total 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 Group uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC$). The Group has set the mid-rate of exchange rate of the Eastern Caribbean (EC$) to the United States dollar (US$) at EC$2.7026 = US$1.00 since 1976.

The following table summarises the Group's exposure to foreign currency exchange rate risk at the reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk

	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
As of June 30, 2025								
Assets								
Cash and balances with Central Bank	187,408	5,808	45	115	38	32	–	193,446
Treasury bills	97,972	1,349	–	–	–	–	–	99,321
Deposits with other financial institutions	37,878	109,855	282	1,275	425	2,757	4	152,476
Loans and advances to customers	688,879	396,578	–	–	–	–	–	1,085,457
Originated debts	35,155	79,570	–	–	–	–	–	114,725
Acceptances, guarantees and letters of credit	–	3,906	–	–	–	–	–	3,906
Investment securities – FVOCI	11,766	571,723	–	–	–	–	–	583,489
Investment securities – FVTPL	2,760	516,799	–	–	–	–	–	519,559
Financial asset	363,111	–	–	–	–	–	–	363,111
Other assets	10,488	1,152	–	–	–	–	–	11,640
Total financial assets	**1,435,417**	**1,686,740**	**327**	**1,390**	**463**	**2,789**	**4**	**3,127,130**
Liabilities								
Customers' deposits	1,956,732	336,462	31	192	182	–	–	2,293,599
Borrowings	–	130,052	–	–	–	–	–	130,052
Lease liabilities	5,255	–	–	–	–	–	–	5,255
Acceptances, guarantees and letters of credit	–	3,906	–	–	–	–	–	3,906
Provisions, creditors and accruals	254,201	3,064	1	269	105	124	2	257,766
Total financial liabilities	**2,216,188**	**473,484**	**32**	**461**	**287**	**124**	**2**	**2,690,578**
Net on–balance sheet position	**(780,771)**	**1,213,256**	**295**	**929**	**176**	**2,665**	**2**	**436,552**
Credit commitments	**43,762**	**25,092**	**–**	**–**	**–**	**–**	**–**	**68,854**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk *...continued*

As of June 30, 2024	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Assets								
Cash and balances with Central Bank	207,128	4,475	57	86	27	26	–	211,799
Treasury bills	72,332	73,076	–	–	–	–	–	145,408
Deposits with other financial institutions	42,815	159,557	825	665	716	3,516	21	208,115
Loans and advances to customers	633,147	412,981	–	–	–	–	–	1,046,128
Originated debts	34,653	120,988	–	–	–	–	–	155,641
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Investment securities – FVOCI	7,897	548,008	–	–	–	–	–	555,905
Investment securities – FVTPL	1,035	678,658	–	–	–	–	–	679,693
Financial asset	357,629	–	–	–	–	–	–	357,629
Other assets	8,514	10,736	–	–	–	–	–	19,250
Total financial assets	**1,372,606**	**2,008,479**	**882**	**751**	**743**	**3,542**	**21**	**3,387,024**
Liabilities								
Customers' deposits	2,363,602	343,105	28	213	188	–	–	2,707,136
Lease liabilities	2,446	–	–	–	–	–	–	2,446
Acceptances, guarantees and letters of credit	7,456	–	–	–	–	–	–	7,456
Provisions, creditors and accruals	201,469	35,379	3	369	817	118	2	238,157
Total financial liabilities	**2,574,973**	**378,484**	**31**	**582**	**1,005**	**118**	**2**	**2,955,195**
Net on–balance sheet position	**(1,202,367)**	**1,629,995**	**851**	**169**	**(262)**	**3,424**	**19**	**431,829**
Credit commitments	**37,321**	**24,714**	**–**	**–**	**–**	**–**	**–**	**62,035**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk

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

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As of June 30, 2025							
Assets							
Cash and balances with Central Bank	–	–	–	–	–	193,446	193,446
Treasury bills	–	18,688	80,064	–	–	569	99,321
Deposit with other financial institutions	58,970	–	23,926	14,533	–	55,047	152,476
Loans and advances to customers	396,891	50	18,570	71,669	598,133	144	1,085,457
Originated debts	13,503	–	6,967	29,138	63,275	1,842	114,725
Acceptances, guarantees and letters of credit	–	–	–	–	–	3,906	3,906
Investment securities – FVOCI	17,459	7,473	18,880	294,029	159,352	86,296	583,489
Investment securities – FVTPL	–	–	–	–	–	519,559	519,559
Financial asset	–	–	–	351,316	–	11,795	363,111
Other assets	945	–	–	–	–	10,695	11,640
Total financial assets	**487,768**	**26,211**	**148,407**	**760,685**	**820,760**	**883,299**	**3,127,130**
Liabilities							
Customers' deposits	720,069	140,883	802,333	17,173	–	613,141	2,293,599
Borrowings	130,052	–	–	–	–	–	130,052
Lease liabilities	171	342	1,540	3,202	–	–	5,255
Acceptances, guarantees and letters of credit	–	–	–	–	–	3,906	3,906
Provisions, creditors and accruals	–	–	–	–	–	257,766	257,766
Total financial liabilities	**850,292**	**141,225**	**803,873**	**20,375**	**–**	**874,813**	**2,690,578**
Total interest repricing gap	**(362,524)**	**(115,014)**	**(655,466)**	**740,310**	**820,760**	**8,486**	**436,552**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

As of June 30, 2024	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances with Central Bank	–	–	–	–	–	211,799	211,799
Treasury bills	31,832	17,116	93,571	–	–	2,889	145,408
Deposit with other financial institutions	112,883	13,511	26,818	13,869	–	41,034	208,115
Loans and advances to customers	352,996	595	5,261	81,096	591,581	14,599	1,046,128
Originated debts	–	25,235	27,013	75,927	25,862	1,604	155,641
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Investment securities – FVOCI	270	1,080	24,632	297,217	158,529	74,177	555,905
Investment securities – FVTPL	–	–	–	–	–	679,693	679,693
Financial asset	–	–	–	351,492	–	6,137	357,629
Other assets	752	–	–	–	–	18,498	19,250
Total financial assets	**498,733**	**57,537**	**177,295**	**819,601**	**775,972**	**1,057,886**	**3,387,024**
Liabilities							
Customers' deposits	866,897	216,363	859,523	–	–	764,353	2,707,136
Lease liabilities	105	210	945	1,186	–	–	2,446
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456	7,456
Provisions, creditors and accruals	(9)	–	–	–	–	238,166	238,157
Total financial liabilities	**866,993**	**216,573**	**860,468**	**1,186**	**–**	**1,009,975**	**2,955,195**
Total interest repricing gap	**(368,260)**	**(159,036)**	**(683,173)**	**818,415**	**775,972**	**47,911**	**431,829**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

The Group's fair value market rate risk arises from debt securities classified as FVOCI and FVTPL. Had market interest rates at the reporting date been 100 basis points higher/lower with all variables held constant, equity for the year would have been $5,632 (2024: $5,445) higher/lower as a result of the increase/decrease in revaluation reserve for fair value through other comprehensive income debt securities and profit or loss for the year would have been $nil (2024: $nil) higher/lower due to an increase/decrease in fair value of debt securities measured at fair value through profit or loss.

Cash flow interest rate risk arises from loans and advances to customers at available rates. Had variable rates at the reporting date been 100 basis points higher/lower with all other variables held constant, profits for the year would have been $5,218 (2024: $4,935) higher/lower, mainly as a result of higher/lower interest income from loans and advances (all loans and advances carry variable interest rates).

3.3 Liquidity risk

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

3.3.1 Liquidity risk management

The Group's liquidity is managed and monitored by the Finance Division with guidance, where necessary, from the Board of Directors. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This includes:

- Daily monitoring of the Group's liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, industry, and term.

- Daily monitoring of the statement of financial position liquidity ratios against internal and regulatory requirements.

- Managing the concentration and profile of debt maturities.

- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.3 Liquidity risk *...continued*

3.3.2 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of geography, currency, providers, products and terms. The Group holds a diversified portfolio of cash loans and investment securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk include the following:

- Cash and balances with Central Bank;
- Deposits with other financial institutions;
- Loans and advances to customers;
- Treasury bills;
- Originated debts;
- Investment securities;
- Financial asset;
- Acceptances, guarantees and letters of credit; and
- Other assets.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.3 Liquidity risk *...continued*

3.3.3 Cash flows

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

As of June 30, 2025	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities						
Customers' deposits	1,321,587	144,962	831,990	17,182	–	2,315,721
Borrowings	130,052	–	–	–	–	130,052
Lease liabilities	181	363	1,631	3,347	–	5,522
Acceptances, guarantees and letters of credit	1,990	–	1,001	915	–	3,906
Provisions, creditors and accruals	239,539	18,227	–	–	–	257,766
Total financial liabilities	**1,693,349**	**163,552**	**834,622**	**21,444**	**–**	**2,712,967**
Assets held to manage liquidity risk	**1,371,065**	**26,211**	**148,407**	**760,686**	**820,761**	**3,127,130**
Net liquidity gap	**(322,284)**	**(137,341)**	**(686,215)**	**739,242**	**820,761**	**414,163**
As of June 30, 2024						
Financial liabilities						
Customers' deposits	1,618,951	221,099	890,849	–	–	2,730,899
Lease liabilities	109	219	983	1,213	–	2,524
Acceptances, guarantees and letters of credit	2,058	4,075	408	915	–	7,456
Provisions, creditors and accruals	219,762	18,395	–	–	–	238,157
Total financial liabilities	**1,840,880**	**243,788**	**892,240**	**2,128**	**–**	**2,979,036**
Assets held to manage liquidity risk	**1,556,619**	**57,537**	**177,295**	**819,601**	**775,972**	**3,387,024**
Net liquidity gap	**(284,261)**	**(186,251)**	**(714,945)**	**817,473**	**775,972**	**407,988**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.3 Liquidity risk *...continued*

3.3.4 Off-balance sheet items

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 31), are summarised in the table below.

As of June 30, 2025	Up to 1 year $	1 to 3 years $	Over 3 years $	Total $
Loan commitments	10,661	–	41,230	51,891
Credit card commitments	16,963	–	–	16,963
	27,624	**–**	**41,230**	**68,854**
As of June 30, 2024				
Loan commitments	9,006	389	36,325	45,720
Credit card commitments	16,315	–	–	16,315
	25,321	**389**	**36,325**	**62,035**

3.4 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The Group attempts to limit its exposure of potential loss on an insurance policy, by ceding certain levels of risk to a reinsurer. The Group selects reinsurers which have a well-established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored by management on a regular basis.

For its property risks, the Group uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance coverage. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the insurer to further claims exposure. Under some treaties, when treaty limits are reached, the insurer may be required to pay an additional premium to reinstate the reinsurance coverage.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefits payments exceed the carrying amount of the insurance liabilities. This could occur because of the frequency or severity of claims and if benefits payments are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

For other insurance risks, the Group limits their exposure by event or per person by excess of loss or through quota share treaties. Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

The Group is exposed to potential loss on its life insurance policies from the possibility that an insured event occurs. The Group has no reinsurance on its life insurance contracts. Hence, this risk is fully borne by the Group.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

i) Property insurance

Property insurance contracts are underwritten using the following main risk categories: fire, business interruption, weather damage and theft.

Frequency and severity of claims
For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding, hurricanes, earthquake, etc.), increase the frequency and severity of claims and their consequences. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type, the amount of risk and industry.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, hurricane, and earthquake damage. The Group has reinsurance cover for such damage to limit losses to $0.50 million (2024: $0.50 million) in any one occurrence, per individual property risk. There is a balance between commercial and personal properties in the overall portfolio of insured buildings.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

i) Property insurance ...continued

Sources of uncertainty in the estimation of future claim payments
Claims on property contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. The compensation paid on these contracts is the monetary awards granted for property damage caused by insured perils as stated in the contract of insurance.

The estimated costs of claims include direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Property claims are less sensitive as the shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for incurred claims for these contracts also include a provision for incurred but not reported claims (IBNR), risk adjustments, consideration for the effect of discounting and a provision for reported claims not yet paid (outstanding claims) at the reporting date.

In estimating the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Claims are assessed on a case-by-case basis.

ii) Casualty insurance

The Group's casualty insurance is motor, marine and liability insurance.

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The most significant is the number of cases coming to Court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type, the amount of risk and industry.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Furthermore, the Group's strategy limits the total exposure to the Group only by the use of reinsurance treaty arrangements. The reinsurance arrangements include excess of loss cover. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance loss of more than \$0.50 million (2024: \$0.50 million) per risk for casualty insurance.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

ii) Casualty insurance ...continued

Sources of uncertainty in the estimation of future claim payments
Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract even if the loss is discovered after the end of the contract term. As a result, casualty and financial risk claims are settled over a longer period of time. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employers' liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur because of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for incurred claims for these contracts includes a provision for incurred but not reported claims, risk adjustments, consideration for the effect of discounting and a provision for reported claims not yet paid (outstanding claims) at the reporting date. The Group's loss reserves are derived using the paid loss development estimation method (triangular method). Each business classes' loss reserve was calculated using claims data and loss history for all regions combined, where the Group conducts business. The quantum of casualty claims is particularly sensitive to the level of Court awards and to the development of legal precedent on matters of contract and tort.

The estimated cost of unpaid claims is calculated based upon actual claims experience as time passes. Claims reserves are estimated on a case-by-case basis. An estimate of the reserve is arrived at by examining the following:

- Circumstances which caused the loss or injury,
- The nature of the loss or injury,
- The settlement experience with the type of loss,
- The average amount of time from inception to settlement and,
- The professional advice of loss adjusters, retained attorneys, medical practitioners, etc, of the cost/awards and related expenses of settlement.

iii) Life insurance contracts

The Group is exposed to potential loss on its life insurance policies from the possibility that an insured event occurs. The Group has no reinsurance on its life insurance contracts. Hence, this risk is fully borne by the Group.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.4 Insurance risk *...continued*

iv) Claims development

The Group employs loss (claims) development tables as a means of measuring actual claims compared with previous estimates. Claims are typically resolved within one year and are assessed on a case-by-case basis. The claims that tend to extend beyond one year are normally from the Accident Line of business and to a lesser extent, the motor line.

The claims reserve for the individual event years at the respective reporting dates (gross) are as follows:

EC$ Date	**2016 $**	**2017 $**	**2018 $**	**2019 $**	**2020 $**	**2021 $**	**2022 $**	**2023 $**	**2024 $**	**2025 $**	**Total $**
6/30/2016	6,013	–	–	–	–	–	–	–	–	–	6,013
6/30/2017	1,990	3,244	–	–	–	–	–	–	–	–	5,234
6/30/2018	1,634	473	5,632	–	–	–	–	–	–	–	7,739
6/30/2019	652	417	1,102	4,146	–	–	–	–	–	–	6,317
6/30/2020	329	417	972	437	3,174	–	–	–	–	–	5,329
6/30/2021	287	342	816	719	680	4,254	–	–	–	–	7,098
6/30/2022	289	345	514	300	543	610	6,793	–	–	–	9,394
6/30/2023	98	73	488	222	492	639	987	7,122	–	–	10,121
6/30/2024	98	27	217	229	392	576	639	987	7,122	–	10,287
6/30/2025	**100**	**27**	**64**	**175**	**337**	**493**	**623**	**1,428**	**1,119**	**6,473**	**10,839**

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *…continued*

3.4 Insurance risk *…continued*

iv) Claims development…continued

Following is the reconciliation of the outstanding claims to the liabilities for incurred claims as reported in note 18.

	Notes	2025 $
Gross undiscounted liability for incurred claims		10,839
Effect of discounting		(2,782)
Effect of the risk adjustment margin for non-financial risk	18	506
Total liabilities for incurred claims		**8,563**

The total liability for incurred claims is represented as follows:

	Notes	2025 $
Present value of future cash flows	18	8,057
Risk adjustment margin for non-financial risk	18	506
Total liabilities for incurred claims		**8,563**

3.5 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 were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short-term nature. The fair values of off-balance sheet commitments are also assumed to approximate the amount disclosed in note 31. Fair values of financial assets and financial liabilities are also determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.5 Fair values of financial assets and liabilities *...continued*

i) Treasury bills

Treasury bills are assumed to approximate their carrying value due to their short-term nature.

ii) Deposits with other financial institutions

Deposits with other financial institutions include cash on operating accounts fixed deposits. These deposits are estimated to approximate their carrying values due to their short-term nature.

iii) Loans and advances to customers and originated debts

The estimated fair values of loans and advances to customers and originated debts represent 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. Initial loan values are taken as fair value and where observed values are different, adjustments are made.

iv) Customers' deposits

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 and are at rates which reflect market conditions, are assumed to have fair values which approximate carrying values.

v) Acceptances, guarantees and letters of credit

Acceptances, guarantees and letters of credit are short-term in nature therefore fair value in this category is estimated to approximate carrying value.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.5 Fair values of financial assets and liabilities *...continued*

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

	Carrying value		Fair value	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with Central Bank	**193,446**	211,799	**193,446**	211,799
Treasury bills	**99,321**	145,408	**99,321**	145,408
Deposits with other financial institutions	**152,476**	208,115	**152,476**	208,115
Financial asset	**363,111**	357,629	**363,111**	357,629
Loans and advances to customers	**1,085,457**	1,046,128	**1,012,193**	913,836
Originated debts	**114,725**	155,641	**114,725**	155,641
Acceptances, guarantees and letters of credit	**3,906**	7,456	**3,906**	7,456
Other assets	**11,640**	19,250	**11,640**	19,250
	2,024,082	2,151,426	**1,950,818**	2,019,134
Financial liabilities				
Customers' deposits	**2,293,599**	2,707,136	**2,293,599**	2,707,136
Borrowings	**130,052**	–	**130,052**	–
Lease liabilities	**5,255**	2,446	**5,255**	2,446
Acceptances, guarantees and letters of credit	**3,906**	7,456	**3,906**	7,456
Provisions, creditors and accruals	**257,766**	238,157	**257,766**	238,157
	2,690,578	2,955,195	**2,690,578**	2,955,195

3.5.1 Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed. No transfers occurred between the levels of the securities during the year.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair values measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks*...continued*

3.5 Fair values of financial assets and liabilities *...continued*

3.5.2 Fair value measurements of FVTPL and FVOCI investment securities

	Level 1	Level 2	Level 3	Total
As of June 30, 2025	**$**	**$**	**$**	**$**
Debt securities	531,710	–	59,394	591,104
Equities	418,442	1,371	92,131	511,944
	950,152	**1,371**	**151,525**	**1,103,048**
As of June 30, 2024				
Debt securities	491,994	–	56,009	548,003
Equities	604,877	1,315	81,403	687,595
	1,096,871	**1,315**	**137,412**	**1,235,598**

There were no any transfers in or out of level 1, 2 and 3 in both periods.

The Group's finance team performs valuation of financial assets at FVOCI for financial reporting purposes and reports directly to the Group's Finance Director. Discussion of valuation process and result are held between the Group's Finance Director and finance team at least quarterly, in line with the Group's quarterly reporting periods.

The market value of level 1 and 2 are derived from the trade reports of the listed equity and debt securities on various securities markets, regional and international.

The fair value of level 3 investment securities derived using fundamental analysis by examining various financial and economic factors. This involves analyzing a company's financial statements to determine whether the asset is undervalued or overvalued in the market. This approach is distinct from technical analysis, which focuses on historical price trends and market sentiment.

3.5.3 Fair value measurements of non-financial assets

The following table shows the level within the hierarchy of non-financial assets measured at fair value:

	Level 1 $	Level 2 $	Level 3 $	Total $
As of June 30, 2025				
Land and property	–	–	**36,210**	**36,210**
As of June 30, 2024				
Land and property	–	–	31,725	31,725

The fair value of the Group's land and property included in property and equipment is estimated based on appraisals performed by an independent property valuer. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors. The appraisal was carried out primarily using a market based approach that reflects the selling prices for similar properties and incorporates adjustments for factors specific to the properties in question, including square footage, location and current condition/use.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.6 Capital management

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

- To comply with the capital requirement set by the Central Bank;
- 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 Central Bank for supervisory purposes.

In addition, there are also capital requirements for the insurance business based on the Insurance Act No. 8 of 2009. According to the Act, the required paid-up capital is $2,000 (2024: $2,000). The Group has met this capital requirement for its insurance business.

The Central Bank requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $20,000 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the international agreed minimum of 8%.

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

- Tier 1 Capital: share capital, retained earnings and reserves created by appropriation of retained earnings.
- Tier 2 Capital: qualifying subordinated loan capital, collective impairment allowance and unrealised gains arising on the fair valuation of security instruments held as FVOCI.

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.

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.6 Capital management *...continued*

The table below summarises the composition of regulatory capital and the ratios of the Bank for the two-year presentation. During those two years, the Bank complied with all of the externally imposed capital requirements to which it must comply (see note 21).

	2025 $	Restated 2024 $
Tier 1 capital		
Issued share capital	**141,750**	141,750
Share premium	**3,877**	3,877
Issued bonus shares from capitalisation of unrealised assets revaluation gain reserve	**(4,500)**	(4,500)
Reserves	**464,715**	471,426
Fair value reserves – FVOCI	**(14,410)**	(7,181)
Less revaluation reserve	**(29,561)**	(25,924)
Retained earnings/(accumulated deficit)	**4,374**	(32,149)
Total qualifying tier 1 capital	**566,245**	547,299
Tier 2 capital		
Fair value reserves – FVOCI	**14,410**	7,181
Revaluation reserve	**29,561**	25,924
Bonus shares capitalisation	**4,500**	4,500
Total qualifying tier 2 capital	**48,471**	37,605
Total regulatory capital	**614,716**	584,904

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.6 Capital management *...continued*

	2025 $	2024 $
Risk-weighted assets:		
On-balance sheet	**2,700,396**	2,416,546
Off-balance sheet	**54,173**	53,532
Total risk-weighted assets	**2,754,569**	2,470,078
Tier 1 capital ratio	**21%**	22%
Basel ratio	**22%**	24%

With respect to its insurance line of business, the Group's objectives when managing capital are:

- To comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance commensurately with the level of risk.

The Group manages its capital to ensure that it will be able to continue as a going concern and to satisfy regulators' capital requirements. The capital structure comprises equity, comprising issued share capital, reserves and retained earnings.

The capital requirement in accordance with the Insurance Act No.8 of 2009 for insurance companies conducting life and general business is paid up capital of $2,000. The insurance subsidiary has issued and fully paid-up capital of $10,000 and has met the criteria of the Insurance Act.

In St. Kitts and Nevis, the solvency criteria prescribed by section 54 (c) of the Insurance Act 2009 states that in the case of a registered insurance company carrying on both long-term insurance and general insurance business, shall be deemed to be insolvent, if the excess of its total assets over its total liabilities is less than the greater of the following amounts:

i) $500 or 20% of its premium income in respect of the general insurance business in its last preceding financial year and,
ii) 5% of the life liability.

	2025 $	2024 $
20% of net premium income of the preceding year (2025: $34,160; 2024: $35,239)	**6,832**	7,048
5% of life liability (2025: $88,691; 2024: $74,049)	**4,434**	3,702
	11,266	10,750

(expressed in thousands of Eastern Caribbean dollars)

3 Management of financial and insurance risks *...continued*

3.6 Capital management *...continued*

Compliance with minimum margin of solvency of the insurance subsidiary is determined as follows:

	2025 **$**	**Restated 2024** **$**
Total assets of St. Kitts and Nevis operations	**283,563**	318,168
Total liabilities of St. Kitts and Nevis operations	**(200,732)**	(188,597)
Margin of solvency	**82,831**	129,571
Required minimum margin of solvency	**(11,266)**	(10,750)
Margin of solvency in excess of requirement	**71,565**	118,821

The margin of solvency was met and exceeded by the insurance subsidiary in 2025 and 2024 in accordance with the regulations of St. Kitts and Nevis.

In Anguilla, the solvency criteria is prescribed by section 8 (13) of the Insurance Act 2004. An operating entity is considered insolvent if total admissible assets less total liabilities is less than the minimum margin of solvency. The required minimum margin of solvency is stated as 20% of EC$13,441 with an additional requirement of 10% applied to the portion of net premiums in excess of EC$13,441.

Compliance with minimum margin of solvency of the insurance subsidiary is determined as follows:

	2025 **$**	**Restated 2024** **$**
Total assets	**283,563**	318,168
Assets not allowed	**(5,248)**	(4,955)
Total liabilities	**(200,733)**	(188,597)
Margin of solvency	**77,582**	124,616
Required minimum margin of solvency	**(6,026)**	(6,164)
Margin of solvency in excess of requirement	**71,556**	118,452

The margin of solvency was met and exceeded by the insurance subsidiary in 2025 and 2024 in accordance with the regulations of Anguilla.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

The Group's consolidated financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. Estimates and judgments 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. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below:

i) Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and FVTPL and the amounts of fair value changes recognised on those assets are disclosed in Note 10.

ii) Testing of cash flow characteristics of financial assets and continuing evaluation of the business model

In determining the classification of financial assets, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, IFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortised cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *...continued*

iii) Measurement of the expected credit loss allowance

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

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

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out before in note 3.1.2 “Impairment and provisioning”.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision for loans and advances to customers would be estimated as $4,838 lower or $5,537 higher (2024: $3,025 lower or $5,588 higher).

iv) Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Group disaggregates information to disclose life insurance contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the company is managed.

The methods used to measure insurance contracts

The Group issues whole life, limited payment life, endowment, term insurance, health and medical insurance policies. The estimation of the actuarial liabilities arising under these insurance contracts is dependent on estimates made by the Group. The estimate is subject to several sources of uncertainty that need to be considered in determining the future benefit payments.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

iv) Insurance and reinsurance contracts …continued

The methods used to measure insurance contracts …continued

i. Mortality and morbidity rates – Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Group. Were the mortality rate to differ by +/-10% from management's estimate, the actuarial liabilities would decrease by approximately $2,854 or increase by approximately $2,764.

ii. Longevity – Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type. An increase in expected longevity rates will lead to an increase in expected cost of immediate annuity payments which will reduce future expected profits of the Group.

iii. Expenses – Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the expected level of expenses will reduce future expected profits of the Group. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

iv. Lapse and surrender rates – Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits of the Group, but later increases are broadly neutral in effect.

Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the life insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

iv) Insurance and reinsurance contracts…continued

Discount rates …continued

Discount rates applied for discounting of future cash flows are listed below:

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Group has estimated the risk adjustment using a cost of capital technique. The cost of capital technique requires the Group to estimate the probability distribution of the fulfilment cash flows, and the additional capital that it requires at each future date in the cash flow projection to comply with the Group's internal economic capital requirements.

A cost of capital rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required by the Group to compensate for exposure to the non-financial risk. The Group's cost of capital is set at 6% per annum. The calculated risk adjustment at future durations is discounted to the reporting date at the risk free rate, to be held as a part of the total life insurance contract liability.

The risk adjustment for life insurance corresponds with 80% to 85% confidence levels (2024: 80% to 85%).

Amortisation of the Contractual Service Margin

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
- Recognising in profit or loss the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of life insurance contracts, the quantity of benefits is the contractually agreed sum insured over the period of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

iv) Insurance and reinsurance contracts …continued

Amortisation of the Contractual Service Margin …continued

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum probable loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Assets for insurance acquisition cash flows

The Group applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period.

In the current and prior years, the Group did not allocate any insurance acquisition cash flows to future groups of insurance contracts, as it did not expect any renewal contracts to arise from new contracts issued in the period. In the current and prior year, the Group did not identify any facts and circumstances indicating that the assets may be impaired.

v) Estimation of current and deferred income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

The extent to which deferred tax assets and tax credits can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The estimated deferred tax asset and tax credit may vary from the actual amounts recovered in the future.

(expressed in thousands of Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

vi) Fair value measurement of land and property

Management uses valuation techniques to determine the fair value of its non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 13). Additional information is disclosed in note 3.5.

5 Cash and balances with Central Bank

	Note	2025 $	2024 $
Cash on hand		**24,771**	22,656
Balances with Central Bank other than mandatory deposits		**29,086**	26,002
Included in cash and cash equivalents	**33**	**53,857**	48,658
Mandatory deposits with Central Bank		**139,589**	163,141
		193,446	211,799

The Group is required to maintain an Automated Clearing Housing (ACH) collateral amount with the Central Bank. This amount can be in the form of cash and/or ECCU member Government securities issued on the Regional Government Securities Market. The Group's collateral amount held with the Central Bank at June 30, 2025 amounted to $14,799 (2024: $14,130).

Commercial banks are also required under Section 57 of the Banking Act, 2015 to maintain a reserve deposit with the Central Bank equivalent to 6 percent of their total customer deposits. This reserve deposit is not available to finance the Group's day-to-day operations.

Cash and balances with Central Bank, which include mandatory and ACH collateral deposits are not interest bearing.

(expressed in thousands of Eastern Caribbean dollars)

6 Treasury bills

	2025 $	2024 $
Treasury bills – Federal Government of the USA	**1,349**	70,647
Treasury bills – Government of St Kitts & Nevis	**97,501**	71,929
Interest receivable	**569**	2,889
Treasury bills, gross	**99,419**	145,465
Less: provision for expected credit losses	**(98)**	(57)
Total treasury bills, net	**99,321**	145,408

Treasury bills are held with the Government of Saint Kitts and Nevis and the Federal Government of the United States of America with original terms to maturity of 90 days to one year. The treasury bills included in cash and cash equivalents as at June 30, 2025 amounted to $14,944 (2024: $14,376) (see note 33). Interest on treasury bills is accrued at interest rates ranging from 3.73% to 4.00% (2024: 2.75% to 5.15%).

The movement in the treasury bills during the year is as follows:

	2025 $	2024 $
Balance at beginning of year	**145,408**	360,604
Additions	**98,849**	237,394
Disposals (sales/redemptions)	**(142,575)**	(452,165)
Movement of interest receivable	**(2,320)**	(431)
Impairment (recoveries)/losses during the year, net	**(41)**	6
Balance at end of year	**99,321**	145,408

The movement in the provision for expected credit losses is as follows:

	2025 $	2024 $
Balance at beginning of year	**57**	63
Expected credit losses/(recoveries) during the year, net	**41**	(6)
Balance at end of year	**98**	57

(expressed in thousands of Eastern Caribbean dollars)

7 Deposits with other financial institutions

	Note	2025 $	2024 $
Operating cash balances		**88,260**	156,828
Interest bearing term deposits		**16,737**	1,673
Items in the course of collection		**3,416**	2,617
Included in cash and cash equivalents	33	**108,413**	161,118
Interest bearing term deposits		**29,000**	31,899
Restricted term deposits		**14,533**	13,869
		151,946	206,886
Interest receivable		**618**	1,326
Total deposits with other financial institutions, gross		**152,564**	208,212
Less: provision for expected credit losses		**(88)**	(97)
Total deposits with other financial institutions, net		**152,476**	208,115
Current		**137,943**	194,246
Non-current		**14,533**	13,869
		152,476	208,115

The operating balances are zero-interest bearing (2024: 0%). The amounts held in these accounts are to facilitate the short-term commitments and day-to-day operations of the Group.

Restricted term deposits are interest bearing fixed deposits collateral used in the Group's international business operations. These deposits are not available for use in the day-to-day operations of the Group.

Interest earned on restricted term deposits is credited to the consolidated statement of income. The effective interest rate on 'Deposits with other financial institutions' at June 30, 2025 was 3.79% (2024: 4.24%).

Interest bearing term deposits are deposits which earn interest at a rate of 3.25% to 4.22% per annum (2024: 1.50% to 5.75%) and have original terms of maturity of one day to one year ending within the period July 1, 2025 to February 25, 2026 (2024: July 9, 2024 to June 29, 2025).

The movement in expected credit losses is as follows:

	2025 $	2024 $
Balance at beginning of year	**97**	72
Expected credit (recoveries)/losses during the year, net	**(9)**	25
Balance at end of year	**88**	97

(expressed in thousands of Eastern Caribbean dollars)

8 Loans and advances to customers

	2025 $	2024 $
Performing		
Demand	**372,949**	405,199
Mortgages	**219,120**	185,396
Other secured	**29,058**	27,425
Overdrafts	**40,736**	17,434
Credit cards	**14,667**	13,360
Consumer	**17,313**	10,899
Under-performing		
Demand	**2,313**	2,915
Mortgages	**2,296**	1,472
Overdrafts	**1,131**	–
Credit cards	**582**	466
Consumer	**435**	265
Non-performing	**423,937**	415,107
Interest receivable	**1,790**	1,702
Total loans and advances to customers, gross	**1,126,327**	1,081,640
Less: provision for expected credit losses	**(40,870)**	(35,512)
Total loans and advances to customers, net	**1,085,457**	1,046,128
Current	**415,655**	373,451
Non-current	**669,802**	672,677
	1,085,457	1,046,128

The weighted average effective interest rate on performing loans and advances excluding overdrafts at June 30, 2025 was 5.92% (2024: 5.45%) and on overdrafts was 9.95% (2024: 7.26%).

The movement in the provision for expected credit losses is as follows:

	Note	2025 $	2024 $
Balance at beginning of year		**35,512**	33,899
Expected credit losses during the year, net	**26**	**5,358**	1,925
Write offs		–	(312)
Balance at end of year		**40,870**	35,512

(expressed in thousands of Eastern Caribbean dollars)

9 Originated debts

	2025 $	2024 $
Local sovereign bonds	**27,093**	25,879
Regional sovereign bonds	**39,122**	47,727
International sovereign bond	**47,013**	35,222
International Gov't agency bonds	**–**	45,887
	113,228	154,715
Interest receivable	**1,842**	1,604
Total originated debts, gross	**115,070**	156,319
Less: provision for expected credit losses	**(345)**	(678)
Total originated debts, net	**114,725**	155,641
Current	**22,312**	53,852
Non-current	**92,413**	101,789
	114,725	155,641

Originated debts are bonds held with sovereigns in the Eastern Caribbean Currency Union (ECCU), in regional financial institution and international financial institutions.

a) Local and regional sovereign bonds

The Bank has certain investment securities which comprise of fixed rate bonds held with sovereigns in the ECCU. Bonds yield interest at rates of 1.50% – 6.75% (2024: 1.50% – 6.75%). Bonds have remaining terms to maturity ranging from within one month – 32 years (2024: within three months – 33 years) and will mature between July 18, 2025 and April 18, 2057 (2024: September 12, 2024 and April 18, 2057) and pay semi-annual coupon interest payments until maturity.

b) International bonds

The Bank holds various Agency bonds purchased through Wells Fargo which are denominated in United States Dollars and which yield interest rates ranging from 3.89% – 5.50% (2024: 3.0% – 4.75%). The bonds have maturity dates ranging from November 10, 2028 – November 8, 2034 (2024: December 23, 2024 – February 8, 2029).

c) Certificates of participation in the Government of Antigua and Barbuda 7-Year Long Term Note

The Bank placed funds on deposit with ABI Bank Limited (ABIB). These deposits were placed with ABIB, which at the time was facing serious liquidity challenges, at the request of the ECCB, having regard to the contagion effect on the ECCU and the Bank that would result if ABIB were unable to mitigate its liquidity risks.

By April 28, 2010, the Bank had placed total deposits of $32,000 with ABIB. On May 7, 2010, these deposits, along with an additional $6,710 were used to purchase from ABIB a series of certificates of participation (COPs) in the cash flows from a Long-Term Note issued by the Government of Antigua and Barbuda (GoAB), which had been securitized by ABIB.

(expressed in thousands of Eastern Caribbean dollars)

9 Originated debts *...continued*

c) Certificates of participation in the Government of Antigua and Barbuda 7-Year Long Term Note *...continued*

On July 22, 2011, the ECCB was directed by the Monetary Council to exercise the special emergency powers conferred on it by Part IIA, Article 5B of the ECCB Agreement Act 1983, to assume control of ABIB. During the years of ECCB's control of ABIB, the Bank received an annual confirmation from the ECCB of the total outstanding amounts of the COP, with the stated objective of stabilizing the operations of ABIB so that all obligations would be settled in the normal course of business. ABIB was placed in receivership on November 27, 2015 by ECCB.

On July 11, 2019, the Bank wrote to Caribbean Financial Services Corporation informing them that the Group intended to exercise its rights under clause 9.2 of the Trust Deed to bring proceedings against the Government of Antigua and Barbuda and/or any holder of the proceeds of the Note.

As at June 30, 2021, the Bank's interest under the COP amounted to $36,243. All of the COP have matured and are past due. A decision was made and approved by the Board of Directors to have the COP which amounted to $36,243 written-off at the end of the financial year ended June 2022. As at June 30, 2025 and 2024, the Bank's consolidated financial statements no longer show an interest under COP.

The Bank will continue to pursue its entitlement under the COP through ongoing legal action to recover its interest. The Bank's external legal counsel team was buttressed by the retention of Legal Counsel out of the United Kingdom, who the Bank was advised is an expert in this particular area of the law.

The Bank continues to rely on the expert legal advice received thus far as pertains to the prospects of enforcing recovery and anticipate an eventual settlement.

The movement in the originated debts during the year is as follows:

	2025	**2024**
	$	**$**
Balance at beginning of year	**155,641**	119,536
Additions	**65,741**	68,714
Disposals (sales/redemptions)	**(107,228)**	(33,146)
Expected credit recoveries/(losses) during the year, net	**333**	(313)
Movement in interest receivable	**238**	850
Balance at end of year	**114,725**	155,641

The movement in the provision for expected credit losses is as follows:

	2025	**2024**
	$	**$**
Balance at beginning of year	**678**	365
Expected credit (recoveries)/losses, net	**(333)**	313
Balance at end of year	**345**	678

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities

	2025 $	2024 $
FVTPL		
Equity investments	**498,885**	679,693
Debt investments	**20,674**	–
	519,559	679,693
FVOCI – equity securities		
Quoted equity investments	**1,786**	403
Unquoted equity investments	**11,273**	7,499
	13,059	7,902
FVOCI – debt securities		
Quoted corporate bonds	**303,332**	275,510
Quoted sovereign bonds	**251,718**	243,293
Government sponsored enterprise debentures	**4,311**	12,989
Preferred securities	**544**	–
Certificates of deposits	**3,886**	9,493
Interest receivable	**6,639**	6,718
Total debt securities – FVOCI	**570,430**	548,003
Total investment securities	**1,103,048**	1,235,598
Current	**649,667**	746,238
Non-current	**453,381**	489,360
Total investment securities	**1,103,048**	1,235,598

The movement in investment securities during the year is as follows:

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2024	679,693	7,902	548,003	1,235,598
Additions	221,255	1,556	222,938	445,749
Disposals (sales/redemptions)	(396,858)	–	(205,304)	(602,162)
Fair value losses on disposal of investment securities, net	(32,148)	–	(11,713)	(43,861)
Fair value gains on existing securities, net	47,617	3,601	16,585	67,803
Movement of interest receivable	–	–	(79)	(79)
Balance as at June 30, 2025	**519,559**	**13,059**	**570,430**	**1,103,048**

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities *…continued*

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2023	913,446	20,838	249,956	1,184,240
Additions	223,596	–	582,568	806,164
Disposals (sales/redemptions)	(533,455)	(18,539)	(297,657)	(849,651)
Fair value gains/(losses) on disposal of investment securities	41,044	7,307	(1,219)	47,132
Fair value (losses)/gains on existing securities	35,062	(1,704)	10,382	43,740
Movement of interest receivable	–	–	3,973	3,973
Balance as at June 30, 2024	**679,693**	**7,902**	**548,003**	**1,235,598**

i) FVTPL – quoted debt and equity instruments

The Group maintains certain debt and equity instruments trading in regional and international markets denominated in USD and XCD currency.

ii) FVOCI – equity instruments

The Group maintains certain equity instruments which are quoted and unquoted. The instruments are denominated in USD and XCD currency. The Group has made the irrevocable election to classify these securities as FVOCI – equity instruments as management has not obtained these instruments for the purposes of speculation or active trading.

Unquoted equity instruments

For unquoted equity securities, the Group undertakes a fair value assessment at each reporting date to assess the gains or losses attributable to such assets. During the financial year, net fair value losses related to financial assets in equity securities which are not trading in an active market amounted to $3,774 (2024: $1,369).

(expressed in thousands of Eastern Caribbean dollars)

10 Investment securities *…continued*

iii) FVOCI – debt securities – quoted corporate and sovereign bonds

The Group has certain investment securities which comprise of quoted corporate and sovereign fixed rate bonds. Bonds have coupon rates of 0.25% to 9.70% (2024: 0.949% to 9.70%); whilst, the effective interest rate for these bonds ranges from 0.25% to 9.70% (2024: 0.95% to 10.15%). Bonds have a average term of ten (10) years and will mature between July 2025 and May 2067 and pay semi-annual coupon interest payments until maturity. As at June 30, 2025, the fair values of these amounted to $570,430 (2024: $548,003).

iv) Government sponsored enterprise debentures

The Group has certain debt instruments in government sponsored enterprises of the Federal Government of the United States of America. The bonds have maturity dates ranging from January 2030 to September 2032. The bonds have coupon rates of 4.50% to 5.18% (June 30, 2024: 4.55% to 6.23%).

v) Certificates of deposits

The Group has certificates of deposits with various financial institutions based in United States and Canada. The certificates of deposits have maturity dates ranging from August 2025 – March 2028. The certificates of deposits have coupon rates of 3.25% to 5.00%.

11 Property inventory

Property inventory relates mainly to land and buildings held for sale by certain companies within the Group and, is measured at the lower of cost and net realisable value.

	2025 $	2024 $
Cost	**8,783**	8,783
Net realisable value	**8,565**	8,565

12 Investment property

	2025 $	2024 $
Land at Camps	**2,021**	2,021
Land at Brighton	**2,019**	2,019
	4,040	4,040

All of the Group’s investment property is held under freehold interests. The estimated fair market value of the investment property is $4,574 based on an independent valuation that was performed in 2025.

(expressed in thousands of Eastern Caribbean dollars)

13 Property and equipment

	Note	Land and Buildings $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
At June 30, 2023							
Cost or valuation		35,734	26,056	1,860	161	490	64,301
Accumulated depreciation		(3,254)	(21,911)	(980)	(160)	–	(26,305)
Net book value		**32,480**	**4,145**	**880**	**1**	**490**	**37,996**
Year ended June 30, 2024							
Opening net book value		32,480	4,145	880	1	490	37,996
Additions		95	2,290	–	–	7,803	10,188
Disposals		–	(2,447)	(277)	–	–	(2,724)
Depreciation charge	27	(685)	(1,477)	(262)	–	–	(2,424)
Write-back on disposals		–	2,446	236	–	–	2,682
Closing net book value		**31,890**	**4,957**	**577**	**1**	**8,293**	**45,718**
At June 30, 2024							
Cost or valuation		35,829	25,899	1,583	161	8,293	71,765
Accumulated depreciation		(3,939)	(20,942)	(1,006)	(160)	–	(26,047)
Net book value		**31,890**	**4,957**	**577**	**1**	**8,293**	**45,718**

Included in the projects ongoing was $5,575 which were incorrectly classified under property and equipment. In the current year, these costs were appropriately reclassified to ongoing software projects. As a result of this, the additions reflected in intangible assets, include a total transfer from property and equipment amounting to $5,461 (see note 14), which do not represent current year cash outflows. No such transfer was completed in the financial year June 30, 2024.

Included in land and property are leasehold improvements which are not subject to revaluation. As at the year ended June 30, 2025, the net book value of these leasehold improvements amounted to $120 (2024: $165).

(expressed in thousands of Eastern Caribbean dollars)

13 Property and equipment *...continued*

	Note	Land and property $	Equipment, furniture and fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Year ended June 30, 2025							
Opening net book value		31,890	4,957	577	1	8,293	45,718
Additions		2,043	2,299	838	–	–	5,180
Disposals		–	–	–	–	(5,575)	(5,575)
Depreciation charge	**27**	(1,027)	(1,707)	(287)	–	–	(3,021)
Effect of elimination of accumulated depreciation against valuation:					–	–	
Valuation		(3,198)	–	–	–	–	(3,198)
Accumulated depreciation		3,198	–	–	–	–	3,198
Revaluation surplus		3,743	–	–	–	–	3,743
Revaluation loss		(319)	–	–	–	–	(319)
Closing net book value		**36,330**	**5,549**	**1,128**	**1**	**2,718**	**45,726**
At June 30, 2025							
Cost or valuation		37,872	28,198	2,421	161	2,718	71,370
Accumulated depreciation		(1,542)	(22,649)	(1,293)	(160)	–	(25,644)
Net book value		**36,330**	**5,549**	**1,128**	**1**	**2,718**	**45,726**

(expressed in thousands of Eastern Caribbean dollars)

13 Property and equipment *...continued*

In 2025, the Group's land and buildings were revalued based on the appraisals made by an independent firm of appraisers. Valuations were made on the basis of comparative recent market transactions on arm's length terms. The revaluation surplus was credited to 'revaluation reserve' in shareholders' equity.

The following is the historical cost carrying amount of land and buildings carried at revalued amounts.

	Land $	Buildings $	Total $
At June 30, 2025			
Cost	4,656	18,030	22,686
Accumulated depreciation	–	(9,188)	(9,188)
Net book value	**4,656**	**8,842**	**13,498**
At June 30, 2024			
Cost	4,656	18,030	22,686
Accumulated depreciation	–	(8,773)	(8,773)
Net book value	**4,656**	**9,257**	**13,913**

(expressed in thousands of Eastern Caribbean dollars)

14 Intangible assets

	Notes	Computer software $	Work in progress $	Total $
At June 30, 2023				
Cost		9,591	–	9,591
Accumulated amortisation		(8,521)	–	(8,521)
Net book value		**1,070**	**–**	**1,070**
Year ended June 30, 2024				
Opening balance		1,070	–	1,070
Additions		134	–	134
Amortisation charge	**27**	(430)	–	(430)
Closing net book value		**774**	**–**	**774**
At June 30, 2024				
Cost		9,725	–	9,725
Accumulated amortisation		(8,951)	–	(8,951)
Net book value		**774**	**–**	**774**
Year ended June 30, 2025				
Opening balance		774	–	774
Additions		279	5,513	5,792
Transfer from property and equipment	**13**	–	5,461	5,461
Amortisation charge	**27**	(386)	–	(386)
Closing net book value		**667**	10,974	**11,641**
At June 30, 2025				
Cost		10,004	10,974	20,978
Accumulated amortisation		(9,337)	–	(9,337)
Net book value		**667**	**10,974**	**11,641**

(expressed in thousands of Eastern Caribbean dollars)

15 Leases

The Group leases properties and equipment for its operations with lease terms ranging from 3 to 10 years. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets.

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

i) Amounts recognised in the consolidated statement of financial position:

Right-of-use assets	**Notes**	**$**
Cost		4,202
Accumulated depreciation		(3,139)
Balance as at June 30, 2023		**1,063**
Year ended June 30, 2024		
Opening net book value		1,063
Additions		2,729
Depreciation charge	**27**	(1,424)
Closing net book value		**2,368**
Cost		7,102
Accumulated depreciation		(4,734)
Balance as at June 30, 2024		**2,368**
Year ended June 30, 2025		
Opening net book value		2,368
Additions		4,782
Depreciation charge	**27**	(1,995)
Closing net book value		**5,155**
Cost		11,884
Accumulated depreciation		(6,729)
Balance as at June 30, 2025		**5,155**

(expressed in thousands of Eastern Caribbean dollars)

15 Leases *...continued*

i) Amounts recognised in the consolidated statement of financial position:...continued

	Notes	2025 $	2024 $
Lease liabilities			
Balance at beginning of year		**2,446**	1,084
Additions		**4,782**	2,730
Interest expense	**22**	**120**	66
Lease payments		**(2,093)**	(1,434)
Balance at end of year		**5,255**	2,446
Current		**2,053**	1,260
Non-current		**3,202**	1,186
		5,255	2,446

ii) Amounts recognised in the consolidated statement of income:

	Notes	2025 $	2024 $
Depreciation charge on right-of-use assets		**1,995**	1,424
Interest expense on lease liabilities	**22**	**120**	66
		2,115	1,490

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Each lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased asset as security. Further, the Group must keep the leased properties in a good state of repair and return the leased properties in its original condition at the end of the lease. Also, the Group must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

(expressed in thousands of Eastern Caribbean dollars)

15 Leases *...continued*

The table below describes the nature of the Group's leasing activity by type of right-of-use assets recognised on the consolidated statement of financial position.

June 30, 2025 Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average Remaining lease term	No. of leases with extension option	No. of leases with termination options
Office buildings	16	5	3	12	11
Storage facilities	3	1	0.7	3	2
IT Equipment	9	3	2.2 years	9	–

June 30, 2024 Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension option	No. of leases with Termination options
Office buildings	15	5	3	11	11
Storage facilities	2	–	–	2	1
IT Equipment	8	3	2.5 years	8	–

The lease liabilities are unsecured and future minimum lease payments are as follows:

	Within 1 year $	1 – 2 years $	2 – 3 years $	3 – 4 years $	4 – 5 years $	After 5 years $	Total $
June 30, 2025							
Lease payments	2,175	1,238	942	823	344	–	5,522
Finance charges	(122)	(75)	(46)	(21)	(3)	–	(267)
Net present values	**2,053**	**1,163**	**896**	**802**	**341**	–	**5,255**
June 30, 2024							
Lease payments	1,311	858	286	39	30	–	2,524
Finance charges	(51)	(22)	(4)	(1)	–	–	(78)
Net present values	**1,260**	**836**	**282**	**38**	**30**	–	**2,446**

(expressed in thousands of Eastern Caribbean dollars)

15 Leases *...continued*

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

16 Other assets

	Notes	2025 $	Restated 2024 $
Insurance related and other receivables, gross		**11,623**	14,386
Provision for expected credit losses		**(591)**	(1,310)
Insurance and other receivables, net		**11,032**	13,076
Acceptances, guarantees and letters of credit		**3,906**	7,456
Net defined benefit asset	**34**	**15,816**	16,632
Suspense assets and prepayments		**12,515**	13,746
Reinsurance contract assets	**18**	**913**	1,074
Stationery and card stock		**1,074**	946
		45,256	52,930
Current		**19,803**	30,563
Non-current		**25,453**	22,367
		45,256	52,930

(expressed in thousands of Eastern Caribbean dollars)

17 Customers' deposits

	2025 $	2024 $
Fixed deposit accounts	**950,556**	1,150,299
Direct demand accounts	**716,101**	720,902
Savings accounts	**599,605**	697,169
Call accounts	**16,605**	126,519
	2,282,867	2,694,889
Interest payable	**10,732**	12,247
	2,293,599	2,707,136
Current	**2,276,426**	2,707,136
Non-current	**17,173**	–
	2,293,599	2,707,136

Customers' deposits represent all types of deposit accounts held by the Group on behalf of customers. The deposits include demand deposit accounts, call accounts, savings accounts and fixed deposits.

The Group pays interest on all categories of customers' deposits except demand deposits. At the reporting date, total interest expense on customers' deposit accounts for the year amounted to $49,985 (2024: $52,111). The average effective rate of interest paid on customers' deposits was 2.91% (2024: 2.66%).

18 Provisions, creditors and accruals

	2025 $	2024 $
Insurance contract liabilities	**110,606**	102,718
Reinsurance contract liabilities	**6,989**	5,684
Deposit pension funds	**70,736**	67,541
Suspense liabilities	**35,351**	31,937
Other payables	**42,133**	37,920
Unpaid drafts on other banks	**3,188**	3,073
Managers' cheques and banker's payments	**1,799**	2,983
	270,802	251,856
Current	**200,066**	184,315
Non-current	**70,736**	67,541
	270,802	251,856

(expressed in thousands of Eastern Caribbean dollars)

18 Provisions, creditors and accruals *…continued*

Deposit pension funds

	2025 $	2024 $
Contributions	**3,442**	3,317
Interest	**2,568**	2,462
	6,010	5,779
Less expenses		
Management expenses	**(159)**	(158)
Group pension benefits	**(2,656)**	(2,240)
	(2,815)	(2,398)
Surplus for the year	**3,195**	3,381
Fund at beginning of the year	**67,541**	64,160
Fund at end of the year	**70,736**	67,541

The deposit funds represent pension funds which the Insurance Subsidiaries Company manages on behalf of the Group and third-party entities. The fund balance represents the amount outstanding on account of the contributors to the fund and those liabilities are supported by term deposits and treasury bills held by the Insurance Subsidiaries Company as disclosed in notes 5 and 6. There are additional deposits maintained by the Insurance Subsidiaries Company to support the liability in the amounts of $24,552 (2024: $25,812).

(expressed in thousands of Eastern Caribbean dollars)

18 Provisions, creditors and accruals *...continued*

Insurance contract liabilities
The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below. The insurance subsidiary has made an accounting policy choice to expense acquisition cash flows as they arise.

	Liabilities for remaining coverage		Liabilities for incurred claims		
Insurance contracts issued	**Excluding loss component $**	**Loss Component $**	**Present value of future cash flows $**	**Risk adjustment for non-financial risk $**	**Total $**
Opening insurance contract liabilities	89,544	3,277	8,842	1,055	102,718
Opening insurance contract assets	–	–	–	–	–
Net balance as of July 1, 2024	89,544	3,277	8,842	1,055	**102,718**
Insurance revenue	(65,053)	–	–	–	**(65,053)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	1,301	1,120	40,074	112	**42,607**
Changes that relate to past and future service -adjustments to the LIC	–	–	367	(680)	**(313)**
Changes that relate to future service	–	587	–	–	**587**
Insurance service expenses	1,301	1,707	40,441	(568)	**42,881**
Insurance service result	(63,752)	1,707	40,441	(568)	**(22,172)**
Finance expenses from insurance contracts issued	5,771	212	(936)	19	**5,066**
Total amounts recognised in comprehensive income	(57,981)	1,919	39,505	(549)	**(17,106)**
Cash flows:					
Premiums received	68,586	–	–	–	**68,586**
Claims and other directly attributable expenses paid	(3,302)	–	(40,290)	–	**(43,592)**
Total cash flows	65,284	–	(40,290)	–	**24,994**
Net balance as of June 30, 2025	**96,847**	**5,196**	**8,057**	**506**	**110,606**
Closing insurance contract liabilities	**96,847**	**5,196**	**8,057**	**506**	**110,606**
Closing insurance contract assets	–	–	–	–	–
Net balance as of June 30, 2025	**96,847**	**5,196**	**8,057**	**506**	**110,606**

(expressed in thousands of Eastern Caribbean dollars)

18 Provisions, creditors and accruals *...continued*

Insurance contract liabilities ...continued

	Liabilities for remaining coverage		Liabilities for incurred claims		Total $
Insurance contracts issued	**Excluding loss component $**	**Loss Component $**	**Present value of future cash flows $**	**Risk adjustment for non-financial risk $**	
Opening insurance contract liabilities	84,084	1,482	10,310	1,052	96,928
Opening insurance contract assets	–	–	–	–	–
Net balance as of July 1, 2023, restated	**84,084**	**1,482**	**10,310**	**1,052**	**96,928**
Insurance revenue	(62,567)	–	–	–	**(62,567)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	426	(671)	36,504	325	**36,584**
Changes that relate to past and future service -adjustments to the LIC	–	2,406	(2,645)	(332)	**(571)**
Insurance service expenses	426	1,735	33,859	(7)	**36,013**
Insurance service result	(62,141)	1,735	33,859	(7)	**(26,554)**
Finance expenses from insurance contracts issued	5,113	60	483	10	**5,666**
Total amounts recognised in comprehensive income	(57,028)	1,795	34,342	3	**(20,888)**
Cash flows:					
Premiums received	65,071	–	–	–	**65,071**
Claims and other directly attributable expenses paid	(2,583)	–	(35,810)	–	**(38,393)**
Total cash flows	62,488	–	(35,810)	–	**26,678**
Net balance as of June 30, 2024	**89,544**	**3,277**	**8,842**	**1,055**	**102,718**
Closing insurance contract liabilities	**89,544**	**3,277**	**8,842**	**1,055**	**102,718**
Closing insurance contract assets	–	–	–	–	–
Net balance as of June 30, 2024	**89,544**	**3,277**	**8,842**	**1,055**	**102,718**

(expressed in thousands of Eastern Caribbean dollars)

18 Provisions, creditors and accruals *…continued*

Insurance contract liabilities …continued

Reinsurance contracts held

	Note	2025 $	2024 $
Opening reinsurance contract assets		**1,074**	2,556
Opening reinsurance contract liabilities		**(5,684)**	(1,242)
Net balance at beginning of year		**(4,610)**	1,314
Net expenses from reinsurance contracts held			
Reinsurance expenses	**24**	**(17,224)**	(20,865)
Cash flows			
Premiums paid net of ceding commissions		**15,758**	14,941
Balance at end of year		**(6,076)**	(4,610)

	Note	2025 $	2024 $
Closing reinsurance contract assets	**16**	**913**	1,074
Closing reinsurance contract liabilities		**(6,989)**	(5,684)
		(6,076)	(4,610)

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation

The corporate income tax rate has been officially set at 25% effective January 1, 2024.

	2025 $	2024 $
Net income before tax	**34,911**	31,797
Tax expense at effective tax rate of 25% (2024: 25%)	**8,728**	7,949
Non-deductible expenses and other permanent differences	**23,480**	8,272
Deferred tax movement not recorded	**104**	249
Income not subject to tax	**(18,115)**	(4,936)
Prior year's deferred income tax, not previously recognized	**–**	(4,614)
Movement in deferred tax on unutilised tax losses recognised during the year	**15**	(18,722)
Tax credit from discounted interest on government loans	**(7,082)**	(7,212)
Income tax expense/(credit)	**7,130**	(19,014)
Represented as follows:		
Current year's income tax expense	**7,923**	7,656
Tax credit from discounted interest on government loans	**(7,082)**	(7,212)
	841	444
Deferred tax expense/(credit)	**6,289**	(19,458)
Income tax expense/(credit)	**7,130**	(19,014)

During the year, the Group incurred realised losses of $nil (2024: $7,307) on FVOCI equity securities held by the Bank, with a tax benefit of $nil (2024: $1,827), that were transferred directly to retained earnings.

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Deferred tax asset/(liability)

The net deferred tax asset/(liability) is comprised as follows:

	2025 $	2024 $
Items recognised in profit or loss:		
Accelerated depreciation	**1,439**	1,468
Tax losses carried forward	**30,167**	36,049
Net defined benefit asset	**(4,504)**	(4,126)
	27,102	33,391
Items recognised directly in other comprehensive income:		
Unrealised losses on FVOCI securities	**(3,077)**	(1,851)
Revaluation of buildings	**(1,784)**	(1,849)
Net defined benefit asset	**(65)**	(649)
	(4,926)	(4,349)
	22,176	29,042
Comprised as follows on the consolidated statement of financial position:		
Deferred tax asset	**25,757**	32,597
Deferred tax liability	**(3,581)**	(3,555)
	22,176	29,042

The movements on net deferred tax asset/(liability) are as follows:

	2025 $	2024 $
Balance at beginning of year	**29,042**	14,009
Movement in net unrealised losses on investment securities	**(1,226)**	(5,047)
Deferred tax movement for pension asset in profit and loss	**(378)**	447
Movement in accelerated depreciation	**(29)**	287
Deferred tax on revaluation of buildings	**65**	–
Tax losses carried forward	**(5,882)**	18,724
Movement in re-measurement of defined benefit asset	**584**	622
Balance at end of year	**22,176**	29,042

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Income tax payable

The movement in the income tax payable is as follows:

	2025 $	2024 $
Balance at beginning of year	**981**	1,974
Transfer of advance tax overpayment to tax recoverable	**–**	1,905
Prior year over-provision in tax payable	**–**	–
Current year's tax liability (limited to 20% of the Bank's taxes)	**1,176**	923
Taxes paid during the year	**(923)**	(3,821)
Balance at end of year	**1,234**	981

Tax losses

The Group has incurred income tax losses amounting to $240,861 (2024: $264,861) which may be carried forward and applied to reduce taxable income by an amount not exceeding one half of taxable income in any one year of assessment within 5 years following the year in which the losses were incurred. Subsequent to the year end, on December 31, 2024, the IRD approved the request from the Bank to carry forward the number of years to utilise the tax losses from five to ten years.

The losses expire as follows:

Year of loss	Year loss expires	Balance at June 30, 2024 $	Expired or utilised $	Incurred loss $	Balance at June 30, 2025 $
2019	2024	470	(470)	–	–
2020	2025	475	–	–	475
2021	2026	572	–	–	572
2022	2027	263,344	(23,530)	–	239,814
		264,861	**(24,000)**	**–**	**240,861**

Deferred tax asset

As at June 30, 2025, the Group recognised a deferred tax asset of $30,167 (2024: $36,049) in its financial year based on management's estimates of its ability to earn future taxable profits to utilize the loss.

Income tax recoverable

Included in the consolidated statement of financial position is an amount of $65,421 (2024: $51,024) that relates to income tax credits/advance tax payments due from the IRD in respect of tax assessments that were finalised up to the year ended June 30, 2020 and the change in the Group's estimate of the current income tax expense based on a settlement agreement with the IRD. The amount may be applied against any future taxes payable by the Group, with certain agreed restrictions.

(expressed in thousands of Eastern Caribbean dollars)

19 Taxation *...continued*

Income tax recoverable *...continued*

The movement in the income tax recoverable is as follows:

	2025 $	Restated 2024 $
Balance, beginning of year, as previously reported	**50,602**	34,392
Prior period adjustment	**422**	422
Balance, beginning of year, as restated	**51,024**	34,814
Current year's income tax credit	**7,082**	7,212
Taxes paid during the year	**14,062**	12,000
Transfer from income tax liability	**–**	1,905
Current year's income tax expense offset	**(6,747)**	(4,907)
Balance, end of year	**65,421**	51,024

20 Issued share capital

	2025 $	2024 $
Authorised		
270,000,000 ordinary shares of $1 each	**270,000**	270,000
Issued and fully paid		
141,750,000 ordinary shares of $1 each	**141,750**	141,750

21 Reserves

The reserves are comprised as follows:

	2025 $	2024 $
Statutory reserve	**144,457**	144,457
Revaluation reserve	**29,561**	25,924
Fair value reserves – FVOCI	**14,410**	7,181
Other reserves	**276,287**	293,864
	464,715	471,426

i) *Statutory reserve*
In accordance with Section 45 (1) of Saint Christopher and Nevis Banking Act, 2015, the Group is required to maintain a reserve fund into which it shall transfer not less than 20% of its net income of each year whenever the reserve fund is less than the Group's paid-up capital.

The reserve requirement was met in the year ended June 30, 2025 and 2024. Accordingly, no additional transfers were made in both years.

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *...continued*

ii) Revaluation reserve

	Note	2025 $	2024 $
Balance at beginning of year		**25,924**	25,924
Change in fair value of land and buildings, net of tax	**13**	**3,637**	–
Balance at end of year		**29,561**	25,924

iii) Fair value reserves – FVOCI

	2025 $	2024 $
Balance at beginning of year	**7,181**	(3,562)
Realised losses transferred to accumulated deficit, net of tax	**–**	5,480
Movement in market value of securities, net	**7,280**	5,150
Expected credit (losses)/recoveries recognised on investment securities	**(50)**	111
Other changes	**(1)**	2
Balance at end of year	**14,410**	7,181

The details of movement in market value of securities, net are as follows:

	2025 $	2024 $
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Net unrealised gains on investment securities, net of tax	**12,434**	8,263
Net realised losses on investment securities, net of tax	**(8,799)**	(927)
	3,635	7,336
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		
Net unrealised gains on investment securities, net of tax	**3,645**	3,294
Net realised losses on investment securities, net of tax	**–**	(5,480)
	3,645	(2,186)
	7,280	5,150

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *...continued*

iv) Other reserves

	Note	2025 $	2024 $
Balance at beginning of year		**293,864**	290,104
Transfer to regulatory reserve for loan impairment		**3,136**	633
Transfer to regulatory reserve for interest accrued on non-performing loans		**3,519**	6,746
Transfer (from)/to insurance and claims equalisation reserves		**(22,483)**	2,142
Transfer from accumulated deficit to general reserve		**–**	3,488
Transfer from general reserve to regulatory reserves		**–**	(7,379)
Other movement		**(1)**	–
		(15,829)	5,630
Remeasurement loss on defined benefit asset, net of tax		**(1,749)**	(1,868)
Other charges		**1**	(2)
Balance at end of year		**276,287**	293,864
Other reserves is represented by:			
Regulatory reserve for loan impairment	**3.1.2**	**166,743**	163,607
Regulatory reserve for interest accrued on non-performing loans	**3.1.2**	**84,052**	80,533
Insurance and claims equalisation reserves		**25,723**	48,206
General reserve		**853**	853
Defined benefit pension plan reserve		**(1,084)**	665
		276,287	293,864

The details of the movement in the general reserve is as follows:

	2025 $	2024 $
Balance at beginning of year	**853**	4,746
Transfer to regulatory reserve for interest accrued on non-performing loans	**–**	(6,746)
Transfer from accumulated deficit to general reserves	**–**	3,486
Transfer to regulatory reserve for loan impairment	**–**	(633)
Balance at end of year	**853**	853

Included in other reserves are the following individual reserves:

General reserve
General reserve is used from time to time to transfer profits from retained earnings at the discretion of the Board of Directors. There is no policy of regular transfer.

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *...continued*

iv) Other reserves ...continued

Insurance and claims equalisation reserves ...continued
The insurance reserve is a discretionary reserve for the health and public liability insurance business. The underlying assets are included in the Group's cash balances which form part of 'Cash and cash equivalents'.

Claims equalisation reserve represents cumulative amounts appropriated from retained earnings based on the discretion of the Board of Directors as part of the Insurance Company's risk management strategies to mitigate against catastrophic events. Annually, the claims equalisation reserve is assessed, and transfers made as considered necessary by the Board of Directors. This reserve is in addition to the catastrophe reinsurance cover.

The movement in the insurance and claims equalisation reserve is as follows:

	2025	**2024**
	$	**$**
Balance at beginning of year	**48,206**	46,064
Transferred to retained earnings	**(24,466)**	–
Transferred from retained earnings	**1,983**	2,142
Balance at end of year	**25,723**	48,206

On January 3, 2025, the Board of Directors approved the transfer of $24,466 of the discretionary claims equalisation reserve back to the retained earnings.

Regulatory reserve for loan impairment
Regulatory reserve represents cumulative amounts appropriated from retained earnings based on the prudential guidelines of the ECCB. When the ECCB loan provision is greater than the loan provision calculated under IFRS 9, the difference is set aside in a reserve in equity and it is not available for distribution to the shareholders.

Based on an agreement between the St. Kitts-Nevis-Anguilla National Bank Limited (the Bank) and Eastern Caribbean Central Bank ("ECCB" or the "Regulator"), the Bank is required to institute measures to ensure compliance with Sections 10.4, 10.5 and 10.6 of The Impaired Assets Standard (TIAS) as follows:

(i) Undertake a reclassification exercise to ensure all classifications are in compliance with TIAS and ensure provisioning for impaired credit facilities align with the classifications; and

(ii) Ensure that a minimum of 100.0 per cent provisioning is assigned to the loss category of the lending portfolio. The Bank currently assigns a minimum loss per cent provision of 60% for all loans and advances assigned to the lending portfolio.

Consistent with the terms of the agreement, the Bank has devised a plan, which would enable the Bank to meet the 100.0 per cent provisioning requirement for non-performing loans, over a five (5) to seven (7) year period. The ECCB continues to monitor the progress the Bank to achieve compliance with this requirement. As such, an extension to this requirement has been provided until December 31, 2025, to allow the Bank to complete required evaluations related to this plan.

Were the Bank to determine the regulatory reserve for loan impairment in accordance with TIAS, the regulatory reserve and the accumulated deficit would both increase by $135,296.

(expressed in thousands of Eastern Caribbean dollars)

21 Reserves *…continued*

iv) Other reserves …continued

Reserve for interest accrued on non-performing loans
This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9. The prudential guidelines of the ECCB do not allow for the accrual of such interest. As a result, the interest is set aside in a reserve and it is not available for distribution to shareholders until received.

Defined benefit pension plan reserve
This reserve is used to record the actuarial re-measurement of the defined benefit pension asset in other comprehensive income.

22 Net interest income

	Notes	2025 $	2024 $
Interest income			
Loans and advances to customers		**47,939**	45,524
Financial asset	**32**	**5,657**	5,673
Originated debts		**7,075**	8,381
Deposits with other financial institutions		**3,424**	3,779
Investment securities at FVTPL and FVOCI		**24,954**	21,667
Others		**3,306**	10,689
Interest income for the year		**92,355**	95,713
Interest expense			
Fixed deposit accounts		**35,628**	38,534
Savings accounts		**13,248**	12,817
Line of credit	**33**	**7,310**	1
Call accounts		**1,109**	760
Finance lease liabilities	**15**	**120**	66
Interest expense for the year	**17**	**57,415**	52,178
Net interest income		**34,940**	43,535

(expressed in thousands of Eastern Caribbean dollars)

23 Net fees and commission income

	2025 $	2024 $
Fees and commission income		
International business and foreign exchange	**19,749**	17,573
Brokerage and other fees and commission	**5,149**	3,890
Credit related fees and commission	**5,119**	4,217
Fees and commission income for the year	**30,017**	25,680
Fee expenses		
International business and foreign exchange	**25,423**	21,771
Other fee expenses	**2,034**	2,470
Brokerage and other related fee expenses	**167**	92
Fee expenses for the year	**27,624**	24,333
Net fees and commission income	**2,393**	1,347

24 Other income, net

	2025 $	2024 $
Net gains on FVTPL investment securities	**69,460**	45,519
Dividend income	**9,217**	9,682
Foreign exchange gain	**4,736**	5,500
Other operating income	**3,166**	1,060
Net insurance financial result	**(118)**	23
Net losses on financial assets measured at FVOCI reclassified to profit or loss	**(8,783)**	(911)
	77,676	60,873

Net insurance financial result

	Notes	2025 $	2024 $
Insurance revenue	**18**	**65,053**	62,567
Insurance service expense	**18**	**(42,881)**	(36,013)
Net expense from reinsurance contracts held	**18**	**(17,224)**	(20,865)
Insurance service result		**4,948**	5,689
Investment return			
Net finance expenses from insurance contracts	**18**	**(5,066)**	(5,666)
Net insurance financial result		**(118)**	23

(expressed in thousands of Eastern Caribbean dollars)

25 Administrative and general expenses

2025	Note	Expenses related to insurance $	Other operating expenses $	Total $
Employee cost		**9,369**	**37,712**	**47,081**
Repairs and maintenance		**2,832**	**7,191**	**10,023**
Management fees on investment		–	**9,142**	**9,142**
Other general		–	**1,959**	**1,959**
Advertisement and marketing		–	**2,107**	**2,107**
Legal fees and expenses		–	**2,446**	**2,446**
Sundry losses		–	**1,392**	**1,392**
Communication		–	**1,103**	**1,103**
Stationery and supplies		–	**870**	**870**
Utilities		–	**846**	**846**
Security services		–	**901**	**901**
Insurance		–	**754**	**754**
Taxes and licences		–	**590**	**590**
Shareholders' expenses		–	**334**	**334**
Revaluation loss of property and equipment	13	–	**319**	**319**
Rent and occupancy		–	**293**	**293**
Premises upkeep		–	**168**	**168**
		12,201	**68,127**	**80,328**

2024	Expenses related to insurance $	Other operating expenses $	Total $
Employee cost	8,557	35,060	43,617
Management fees on investment	–	9,910	9,910
Repairs and maintenance	2,720	8,009	10,729
Other general	–	2,806	2,806
Advertisement and marketing	–	2,493	2,493
Legal fees and expenses	–	1,158	1,158
Communication	–	993	993
Stationery and supplies	–	882	882
Utilities	–	864	864
Security services	–	780	780
Insurance	–	669	669
Sundry losses	–	365	365
Taxes and licences	–	306	306
Shareholders' expenses	–	278	278
Rent and occupancy	–	257	257
Premises upkeep	–	151	151
	11,277	64,981	76,258

(expressed in thousands of Eastern Caribbean dollars)

25 Administrative and general expenses *...continued*

Employee cost

	Note	2025 $	2024 $
Salaries and wages		**29,522**	27,292
Other staff cost		**13,376**	12,590
Insurance and other benefits		**2,793**	2,472
Pension expense	**34**	**1,390**	1,263
		47,081	43,617

26 Credit and other impairment charges, net

	Note	2025 $	2024 $
Loans and advances to customers	**8**	**5,358**	1,925
Investment securities and other financial assets at amortised cost		**(845)**	798
		4,513	2,723

27 Other expenses

2025	Notes	Expenses related to insurance $	Other operating expenses $	Total $
Depreciation and amortisation	**13, 14, 15**	1,144	4,258	5,402
Directors' fees and expenses	**30**	–	2,004	2,004
Professional fees and related expenses		–	1,196	1,196
		1,144	**7,458**	**8,602**

2024	Notes	Expenses related to insurance $	Other operating expenses $	Total $
Depreciation and amortisation	**13, 14, 15**	715	3,563	4,278
Directors' fees and expenses	**30**	–	1,954	1,954
Professional fees and related expenses		–	737	737
		715	**6,254**	**6,969**

(expressed in thousands of Eastern Caribbean dollars)

28 Earnings per share

Earnings per share' is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2025 $	2024 $
Net income attributable to shareholders	**27,781**	50,811
Weighted average number of ordinary shares in issue (in thousands)	**141,750**	141,750
Basic and diluted earnings per share	**0.20**	0.36

29 Dividends

The consolidated financial statements reflect dividends of $7,087 (2024: $7,087) or $0.05 (2024: $0.05) per share for the financial year ended June 30, 2024 paid on March 20, 2025 (2024: financial year ended June 30, 2023 paid on December 27, 2023). Approval of this payment was given at the Fifty-fourth Annual General Meeting held on March 20, 2025 (2024: Fifty-third Annual General Meeting held on December 27, 2023).

Section 45 (2c) of the Banking Act, Cap. 21.01 as amended in 2023, states that, "*No licensed financial institution shall declare, credit or pay any dividend or make transfer from profits whenever the declaration, credit, payment or transfer would result in negative retained or accumulated deficit.*"

At the end of the reporting period, while the Group reported retained earnings of $4,374 (2024: accumulated deficit of $32,149), the Bank reported an accumulated deficit of $43,698 (2024: accumulated deficit of $99,563 in its separate financial statements. Therefore, the payment of the dividends is not in compliance with Section 45 (2c) of the Banking Act.

30 Related parties balances and transactions

A related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel, directors and shareholders.

Government of St. Kitts and Nevis

The Government of St. Kitts and Nevis holds 51% of the Group's issued share capital. The remaining 49% of the issued share capital is held by individuals and other institutions (over 5,500 shareholders). The Government is a customer of the Group and, as such, all transactions executed by the Group on behalf of the government are performed on strict commercial banking terms at existing market rates.

(expressed in thousands of Eastern Caribbean dollars)

30 Related parties balances and transactions *...continued*

	Notes	2025 $	2024 $
Public sector			
Customer's deposits		**931,982**	1,332,972
Financial asset	32	**385,451**	357,629
Loans and advances to customers		**363,287**	358,298
Interest on deposits		**29,640**	33,223
Interest on loans and advances to customers		**11,150**	11,439
Gross premium written		**23,434**	29,176
Gross claims incurred		**13,153**	11,907
Interest on financial asset	32	**5,657**	5,673
Insurance contract liabilities		**–**	–
Associated companies			
Loans and advances to customers		**51,252**	51,252
Customers' deposits		**8,466**	15,670
Interest on customers' deposits		**88**	87
Directors and associates			
Customers' deposits		**549**	1,949
Directors' fees and expenses	27	**2,004**	1,954
Loans and advances to customers		**1,181**	1,355
Interest from loans and advances to customers		**74**	52
Gross premiums written		**146**	44
Interest on customers' deposits		**30**	12
Outstanding balances		**60**	3
Key management			
Salaries and short-term benefits		**8,757**	9,001
Loans and advances to customers		**2,437**	1,388
Customers' deposits		**1,223**	1,308
Interest from loans and advances to customers		**89**	56
Gross written premiums		**93**	82
Interest on customers' deposits		**24**	20
Claims incurred		**223**	39
Insurance contract liabilities		**28**	2

As at June 30, 2025, directors held total shares in the Group of 81 (2024: 80) and key management held total shares in the Group of 11 (2024: 11).

Loans advanced to directors and key management during the year are repayable on a monthly basis at a weighted average effective interest rate of 5.09% (2024: 6.19%). Secured loans are collateralised by cash and mortgages over properties.

No provision (2024: $nil) has been recognised at June 30, 2025 in respect to advances made to related parties (associated company).

(expressed in thousands of Eastern Caribbean dollars)

31 Contingent liabilities and commitments

Insurance claims

The Group, like all other insurers, is subject to litigation in the normal course of its business. The Group does not believe that such litigation will have a material effect on its consolidated financial statements.

Commitments

As at reporting date, the Group had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	2025 $	2024 $
Loan commitments	**51,891**	45,720
Private equity commitment to IFC	**25,179**	–
Credit card commitments	**16,963**	16,315
	94,033	62,035

Commitment to IFC Emerging Market Funds

The Group has committed to investing US$10 million in IFC Emerging Markets Sustainability Funds in accordance with a partnership agreement entered during the financial year. As at June 30, 2025, an amount of US$9,317 remains undrawn under this commitment. The timing and amount of future calls on these funds for placement in additional private equity fund investments are subject to the investment requirements of IFC Emerging Markets.

Contingent Liabilities

Legal Matters for the financial year ended June 30, 2025

Nautilus Club (Nevis) Ltd v St. Kitts-Nevis-Anguilla National Bank Ltd

On January 13, 2025, the Bank was served with a claim instituted by the Nautilus Club (Nevis) Limited. In its claim, The Nautilus Club (Nevis) Limited alleges that the Bank failed to honour its obligations under the loan agreement dated April 16, 2021, by refusing to provide the agreed drawdowns which constitutes a breach of contract. The Nautilus Club (Nevis) Limited seeks damages for breach of contract, breach of fiduciary care and professional negligence, exemplary damages, restitution, declarations and costs.

The Bank in turn filed a Defence and Counterclaim and an Ancillary Claim against the Guarantors of the loan through its external counsel Michael Hylton, of the firm Hylton and Powell, who was retained in November 2024. The Bank claims that TNCN and its guarantors defaulted in several stipulations under the loan agreement.

On November 10, 2025, subsequent to the financial year ended June 2025, the Master delivered his decision on the matter as follows:

i. TNCN’s application for summary judgement was dismissed,
ii. The Master struck out substantial portions of TNCN’s pleadings and affidavits.

The attorneys for the Bank have recommended that the Bank make submissions for costs since TNCN’s application for summary judgement was unsuccessful.

(expressed in thousands of Eastern Caribbean dollars)

31 Contingent liabilities and commitments *...continued*

Contingent Liabilities *...continued*

Legal Matters for the financial year ended June 30, 2025 *...continued*

Glimbaro International Trading Company Limited v St. Kitts Nevis Anguilla National Bank Limited

The Bank was served with a claim in this matter on October 11, 2024. It is the Claimant's (Glimbaro) case that the Bank breached Glimbaro's constitutional rights and committed multiple breaches of the Laws of the Federation of St. Christopher and Nevis; namely, the Banking Act, Consumer Affairs Act, Freedom of Information Act, and the Integrity in Public Life Act. Glimbaro seeks (i) declarations to that extent, (ii) damages (of an unspecified sum) to be assessed, (iii) interest, and (iv) costs.

The allegations stem from a loan and overdraft facility that Glimbaro held with the Bank. Glimbaro claims that neither its loan refinancing request nor its request for the renewal of its overdraft facility were approved by the Bank. Glimbaro asserts that this was done without reason and consequently, it suffered economic loss and damages to its property.

The Bank filed its Acknowledgment of Service on October 21, 2024, its Defence on November 8, 2024, and a Strike Out Application on November 15, 2024. On January 22, 2025, Glimbaro filed an Affidavit in response to the Bank's Strike Out Application. The Bank is currently awaiting a court date.

The Bank has estimated that the financial effect on the Bank from possible loss will be negligible based on the likelihood of success in both matters.

Pinneys Hotel Development Limited vs St. Kitts-Nevis-Anguilla National Bank Ltd

The Bank is a defendant in ongoing litigation brought by Pinneys Hotel Development Limited concerning an alleged breach of a loan agreement dated July 2014 for $1,285,200. The Claimant seeks damages for breach of contract arising from the Bank's refusal to disburse loan funds following delays and a caveat on the property intended for purchase.

The matter has been subject to extensive procedural applications and appeals, including to the Judicial Committee of the Privy Council, which refused permission to appeal in April 2022. Recent applications by the Claimant to strike out the Bank's amended defence were dismissed, and costs have been awarded in favor of the Bank. The substantive claim remains unresolved, and the matter is scheduled for further hearing on January 30, 2026.

Based on external legal advice, management believes the Bank has strong grounds to defend the claim. However, as the outcome of the litigation cannot be determined with sufficient reliability at this time, no provision has been recognized in these financial statements. The amount of any potential liability cannot be reasonably estimated at this stage, and the timing and outcome of the proceedings remain uncertain. The Bank will continue to monitor developments and update its assessment as necessary.

(expressed in thousands of Eastern Caribbean dollars)

31 Contingent liabilities and commitments *…continued*

Contingent Liabilities *…continued*

Tax matter for the financial year ended June 30, 2025

VAT on Imported Services

The Group has received a request from the Inland Revenue Department (IRD) for payment of Value Added Tax (VAT) in relation to imported services. Preliminary calculation of the obligation by the Group amounts to approximately $1.3 million. The Group has formally challenged the request, and the matter is currently under review by the Ministry of Finance for further discussions with the Attorney General's Office.

As at the reporting date, there is significant uncertainty regarding the outcome of the review. Management believes there are valid grounds for contesting the liability. However, due to the inherent uncertainty of legal and regulatory proceedings, the likelihood of a favorable or unfavorable outcome cannot be reliably assessed.

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, no provision has been recognised in respect of this matter, as the liability is not considered probable at this stage. The matter has been disclosed as a contingent liability due to the potential financial impact should the challenge be unsuccessful.

If the challenge is unsuccessful, the Group may be required to pay VAT in the amount of approximately $1.3 million. The timing of any resolution remains uncertain.

32 Financial asset

	2025 **$**	**2024** **$**
Financial asset	**352,284**	352,284
Interest receivable	**13,367**	7,710
Financial asset, gross	**365,651**	359,994
Less provision for expected credit losses	**(2,540)**	(2,365)
Financial asset, net	**363,111**	357,629

The movement in the provision for expected credit losses is as follows:

	2025 **$**	**2024** **$**
Beginning provision	**2,365**	2,562
Expected credit losses/(recoveries) for the year	**175**	(197)
Ending provision	**2,540**	2,365

(expressed in thousands of Eastern Caribbean dollars)

32 Financial asset *…continued*

The financial asset of $363,111 (2024: $357,629) along with the provision for expected credit losses of $2,540 (2024: $2,365) represents the Group's right to that amount of cash flows from the sale of certain lands pursuant to a Shareholder's Agreement (Agreement) dated April 18, 2012 and September 4, 2014 between the Group and its majority shareholder, the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration ("NIA"), respectively. Under the terms of the Agreement, the secured debt obligations owed to the Group by the GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Group in exchange for the transfer of certain land assets to the Group. Further, the unsecured debt obligations owed to the Group by GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Group in exchange for the transfer of certain unencumbered land assets to a specially created entity, Special Land Sales Company (St. Kitts) Limited ("SLSC") and the allocation of certain shares in SLSC to the Group. SLSC was incorporated for the purpose of selling land assets in order to fulfill the terms of the Agreement of the contracting parties. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreement of the contracting parties.

By way of supplemental agreements, the effective date of the Agreement was amended to July 1, 2013. Accordingly, the first step in the 'Land for Debt' swap took place on July 1, 2013 in the amount of $565,070, which is the value of the 1,200 acres of land in the first tranche based on an independent valuation. The second and third tranches were completed during 2015 and the amounts swapped amounted to $230,951 which is the value of 735 acres of land.

Based on the terms of the Agreement:

1. On the effective date, SLSC shall use all appropriate commercial efforts to sell the secured land assets that were vested to the Group at the best price reasonably possible and as soon as reasonably practicable.

2. Commencing from the effective date of the Agreement, July 1, 2013, the Group is entitled to receive interest payments at a rate of 3.5% per annum on the face value of the eligible secured debt that was exchanged for the secured land assets. The amount is to be paid by the GOSKN annually from the effective date. Subsequently, the interest rate was reduced to 2.75% for the period July 1, 2017 to June 30, 2019 and 1.75% for the period July 1, 2019 to July 30, 2020. At year end the interest remained at 1.75%.

3. Distribution of sale proceeds of the Group land assets shall be applied as follows:

    a. First towards the payment of selling and operational costs of SLSC;

    b. Secondly to the Group until the Group has received the face amount of the eligible secured debt immediately prior to the effective date and the interest payments, less amounts paid to the Group;

    c. Thirdly to the Group in exchange for the redemption of its relative interest in SLSC which was allotted for the release of eligible unsecured debt that was owed to the Group prior to the effective date; and

    d. Fourthly to the Government of St. Kitts and Nevis.

(expressed in thousands of Eastern Caribbean dollars)

32 Financial asset *...continued*

For the year ended June 30, 2025, the Group's consolidated statement of income includes interest income amounting to $5,657 (2024: $5,673) (see note 22). Further, as of June 30, 2025, interest receivable of $13,367 (2024: $7,710) was pending from the GOSKN. During the year no interest payments (2024: $5,657) of cumulative interest payments were received from the GOSKN. The increase in the provision for expected credit losses amounted to $175 (2024: decrease of $197) during the year. Subsequent to the financial year end, on November 25, 2025, interest payments totalling $5,673 were received from the GOSKN.

Based on the terms of the Agreement, all of the risks and rewards of ownership of the secured land assets have not been transferred to the Group. The Group is only entitled to receive cash flows from the sales of said lands up to the face value of the eligible secured debt that was exchanged and any interest payments as noted above. Additionally, if the lands are sold for less than the value that was transferred, the GOSKN and NIA is obligated to transfer additional lands to make up for the shortfall. The Group's interest in the land assets is not subject to variation of returns as there is no risk of loss for the Group, and also the Group does not stand to benefit should the lands be sold for more than the value. Therefore, the Group has not classified the amounts received in exchange for the loans as inventory, but as a financial asset based on its rights to the cash flows from the sales of the land assets under the Agreement.

The Group has not included in these consolidated financial statements any investment in SLSC. Further, the Group has not invested any funds in SLSC.

33 Cash and cash equivalents

	Notes	2025 $	2024 $
Deposits with other financial institutions	7	**108,413**	161,118
Cash and balances with Central Bank	5	**53,857**	48,658
Treasury bills	6	**14,944**	14,376
		177,214	224,152
Less: Borrowings – Line of credit		**(130,052)**	–
		47,162	224,152

Borrowings

The Group has a Line of Credit with Raymond James which provides a maximum borrowing capacity of US$90 million (US$90 million). As of June 30, 2025, the outstanding balance was $130,052 (2024: $nil). The credit line is secured by investment securities under management. Subsequent to the financial year ended June 30, 2025, the amount outstanding on the Line of Credit was fully repaid on August 14, 2025.

The rate of interest charged on the outstanding Line of Credit balance is variable, calculated using the US Federal Funds rate plus 100 basis points. The interest rate charged on the Line of Credit balance as at June 30, 2025, was 5.50%. Total interest paid during the year amounted to $7,310 (2024: $nil) (see note 22).

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of June 30, 2025 by independent actuaries. The present value of the defined benefit obligation and related current service cost were measured using the Projected Unit Credit Method.

	2025 Per annum %	2024 Per annum %
Actuarial assumptions		
Discount rate	**3.50**	3.50
Return on plan assets	**5.00**	5.00
Future salary increases	**3.00**	3.00

Mortality table (UP94 table projected to 2021 using Scale AA) in both years.

	Note	2025 $	2024 $
Changes in the present value of the defined benefit obligation			
Opening defined benefit obligation		**63,808**	59,348
Current service cost		**2,946**	2,811
Interest cost		**2,234**	2,077
Actuarial losses		**1,422**	1,642
Benefits paid		**(2,209)**	(2,070)
Closing defined benefit obligation		**68,201**	63,808
Changes in the fair value of the plan assets			
Opening fair value of plan assets		**80,440**	77,057
Interest income		**4,022**	3,853
Employer's contribution		**2,906**	2,676
Management fees		**(232)**	(228)
Return on plan assets (other than net interest)		**(910)**	(848)
Benefit paid		**(2,209)**	(2,070)
Closing fair value of plan assets		**84,017**	80,440
Benefit cost	**Note**		
Current service cost		**2,946**	2,811
Interest cost		**2,234**	2,077
Management fees		**232**	228
Interest on plan assets		**(4,022)**	(3,853)
Pension expense	**25**	**1,390**	1,263

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *...continued*

	2025 $	2024 $
Amount recognised in other comprehensive income		
Actuarial losses	**1,422**	1,642
Interest income on plan assets	**4,022**	3,853
Actual return on plan assets	**(3,112)**	(3,005)
Re-measurement loss on net defined benefit asset	**2,332**	2,490

	2025 $	2024 $
Net defined benefit asset recognised in the consolidated statement of financial position		
Fair value of plan assets	**84,017**	80,440
Present value of defined benefit obligation	**(68,201)**	(63,808)
Net defined benefit asset	**15,816**	16,632

	Note	2025 $	2024 $
Reconciliation: Net defined benefit asset			
Opening balance		**16,632**	17,709
Employer's contribution		**2,906**	2,676
Period cost		**(1,390)**	(1,263)
Other effects recognised in other comprehensive income		**(2,332)**	(2,490)
Closing balance	16	**15,816**	16,632

Plan assets allocation is as follows:

	2025 %	2024 %
Certificates of deposit	**99.60**	99.60
Shares and treasury bills	**0.40**	0.40
	100.00	100.00

(expressed in thousands of Eastern Caribbean dollars)

34 Defined benefit asset *…continued*

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the average life expectancy. The calculation of the net defined benefit liability is sensitive to these assumptions. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit obligation.

	Discount rate plus 50 basis points $	Discount rate minus 50 basis points $
(Decrease)/increase in obligation	**(3,480)**	**3,792**

	Mortality plus 10% $	Mortality minus 10% $
(Decrease)/increase in obligation	**(1,552)**	**1,687**

35 Subsidiaries

	Percentage of direct and indirect equity interest held	
	2025 %	**2024** %
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited	**100**	100
National Caribbean Insurance Company Limited	**100**	100
St. Kitts and Nevis Mortgage and Investment Company Limited	**100**	100

(expressed in thousands of Eastern Caribbean dollars)

36 Prior period adjustments and reclassifications

Prior period adjustment for the treatment of deposit payments
The Group recognised a prior period adjustment related to the write-off of a deposit previously paid for the planned construction of a new headquarters at Camps Estate amounting to $1,687. The Board subsequently decided not to proceed with the project as part of a revised strategic direction. As a result, the deposit was assessed as unrecoverable and written off.

Prior period adjustment for penalty fees for National Bank Trust Company (St. Kitts-Nevis) Limited
The Group Financial Statements as at June 30, 2024, have been restated to incorporate the impact of penalty fees of $109 payable to the Financial Services Regulatory Commission (FSRC) in accordance with Section 19(7) of the Financial Services (Trust and Corporate Business) Regulations, No. 3 of 2019 for the late filing of the audited financial statements of National Bank Trust Company (St. Kitts-Nevis) Limited.

In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, these prior period adjustments have been accounted for retrospectively. Comparative information has been restated and the opening retained earnings of the earliest period presented has been adjusted to reflect these corrections.

The following table outlines the impact on the statement of financial position:

	Other assets $	Income tax Recoverable $	Accumulated deficit $
Balance as previously reported at July 1, 2024	46,745	34,392	(63,367)
Prior period adjustment - deposits	(1,687)	422	(1,265)
Balance as restated at July 1, 2023	**45,058**	**34,814**	**(64,632)**

	Other assets $	Provisions, Creditors and Accruals $	Income tax recoverable $	Accumulated deficit $
Balance as previously reported at July 1, 2024	54,085	251,193	50,602	(30,753)
Prior period adjustment – deposits	(1,687)		422	(1,265)
Prior period adjustment – penalties	–	109	–	(109)
Effects of IFRS 17 transition	(22)	–	–	(22)
Balance as restated at July 1, 2024	**52,376**	**251,302**	**51,024**	**(32,149)**

There was no impact on the consolidated statement of income, consolidated statement of other comprehensive income or the consolidated statement of cashflows as a result of these adjustments.

(expressed in thousands of Eastern Caribbean dollars)

36 Prior period adjustments and reclassifications *...continued*

Reclassifications
Certain line items in the consolidated financial statements have been reclassified to achieve a clearer or more appropriate presentation. The comparative figures have been similarly formatted and reclassified in order to achieve comparability with the current period.

The summary of reclassifications is shown below.

	Balance, as restated at July 1, 2024 $	Reclassifications $	As reclassified at July 1, 2024 $
Effect on the consolidated statement of financial position			
Assets			
Other assets	52,376	554	52,930
Liabilities			
Other liabilities	251,302	554	251,856

37 Business segments

As at June 30, 2025, the operating segments of the Group were as follows:

1. Commercial and retail banking incorporating deposit accounts, loans and advances, investment brokerage services and debit, prepaid and gift cards;
2. Insurance including coverage of life assurance, non-life assurance and pension schemes; and
3. Real estate, property management and the provision of trustee services.

Transactions between the business segments are carried out on normal commercial terms and conditions. These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment and rating results.

Segment information is based on internal reporting about the results of operating segments, such as revenue, expenses, profits or losses, assets, liabilities and other information on operations that are regularly reviewed by the Boards of Directors of the various Group companies.

(expressed in thousands of Eastern Caribbean dollars)

37 Business segments *…continued*

The table below gives the results and balances of those transactions:

	Commercial and retail Banking $	Insurance $	Real estate and trust services $	Consolidation and other adjustments $	Total $
June 30, 2025					
Total segment revenues	238,808	5,767	5,473	(50,000)	**200,048**
Intersegment revenues	199	5,750	232	(6,181)	**-**
Revenue for the year from external customers	239,007	11,517	5,705	(56,181)	**200,048**
Cost of revenue generation	(164,526)	(5,430)	(1,208)	6,027	**(165,137)**
Income tax expense	(4,873)	(2,257)	–	–	**(7,130)**
Net income for the year	**69,608**	**3,830**	**4,497**	**(50,154)**	**27,781**
Property and equipment and intangible assets	46,923	10,430	14	–	**57,367**
Depreciation and amortisation	3,735	1,618	49	–	**5,402**
Segment assets	3,253,658	283,563	26,106	(240,182)	**3,323,145**
Segment liabilities	2,709,244	200,732	15,862	(217,409)	**2,708,429**
June 30, 2024					
Total segment revenues	176,709	5,116	441	–	**182,266**
Intersegment revenues	749	5,750	234	(6,733)	**–**
Revenue for the year from external customers	177,458	10,866	675	(6,733)	**182,266**
Cost of revenue generation	(148,808)	(7,842)	(1,703)	7,884	**(150,469)**
Income tax credit/(expense)	20,050	(1,036)	–	–	**19,014**
Net income for the year	**48,700**	**1,988**	**(1,028)**	**1,151**	**50,811**
Property and equipment and intangible assets	38,495	7,976	21	–	**46,492**
Depreciation and amortisation	3,160	1,067	51	–	**4,278**
Segment assets, as restated	3,499,087	318,169	22,444	(281,366)	**3,558,334**
Segment liabilities, as restated	3,026,884	188,598	15,174	(257,226)	**2,973,430**