ECFH

East Caribbean Financial Holding Company Limited

SUSTAINING PROFITABILITY THROUGH INNOVATION

ANNUAL REPORT
2020

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MISSION & VISION

VISION

Our Bank • Strong • Secure • Profitable

MISSION

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

OUR CORE VALUES

"I CARE"

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

NOTICE OF THE TWENTIETH ANNUAL MEETING

Notice is hereby given that the Twentieth Annual Meeting of Shareholders of the East Caribbean Financial Holding Company Limited will be held at the Finance Administrative Centre, Pointe Seraphine, Castries on Thursday July 29, 2021, at 4:15 p.m., for the following purposes:

1. To consider and adopt the Report of the Directors
2. To consider and adopt the Report of the Auditor and the Audited Financial Statements for the year ended December 31, 2020
3. To Appoint the Auditor and to authorize the Directors to fix the remuneration
4. To elect Directors

BY ORDER OF THE BOARD

Estherlita Cumberbatch
Corporate Secretary

NOTE:

PERSONS ENTITLED TO NOTICE

In accordance with Section 108(2) of the Companies Act, Chapter 13.01 Revised Laws of Saint Lucia 2001, the Directors of the Company have fixed June 29, 2021 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the company during usual business hours.

ECFH GROUP CORPORATE INFORMATION

REGISTERED OFFICE

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

CHAIRMAN

Frank V. Myers BSc (Hons), FCCA

CORPORATE SECRETARY

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

LEGAL COUNSELS

Deterville, Thomas & Co
99 Chaussee Road
P.O. Box 835,
Castries, Saint Lucia

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

Du Boulay, Anthony & Co.
Noble House, 6 Brazil Street
P.O. Box 1761
Castries, Saint Lucia

SUBSIDIARY

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

REGULATORS

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

EXTERNAL AUDITOR

KPMG
Chartered Accountants
204 Johnsons Centre
Rodney Bay, Gros Islet, Saint Lucia

CORRESPONDENT BANKS & RELATIONSHIPS

ECFH OWNERSHIP

Name	Percentage of ownership
Government of Saint Lucia	20%
National Insurance Corporation (Saint Lucia)	25%
Republic Bank Limited	11%
OECS Indigenous Banks & Financial Institutions	14%
Private Individuals & Institutions	30%

CORRESPONDENT BANKS AND RELATIONSHIPS

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

ECFH CORPORATE STRUCTURE

ECFH FINANCIAL HIGHLIGHTS

INCOME STATEMENT

	2020 EC $000	2019 EC $000	2018 EC $000	2017 EC $000	2016 EC $000	2015 EC $000	2014 EC $000
Interest Income	79,130	88,218	84,157	80,503	76,981	155,803	162,911
- Interest Expense	28,721	28,854	27,919	32,145	35,490	64,717	77,879
= Net Interest Income	**50,409**	**59,364**	**56,238**	**48,358**	**41,491**	**91,086**	**85,032**
+ Other Income	63,396	72,579	62,597	59,916	51,020	62,218	62,284
= Operating Income	**113,805**	**131,943**	**118,835**	**108,274**	**92,511**	**153,304**	**147,316**
- Staff Costs	33,699	28,790	26,247	25,609	29,917	47,093	44,318
- Administrative Costs	37,122	40,142	38,056	36,915	37,018	62,578	64,054
- Impairment Losses - Loans & Investments	28,698	6,470	8,920	16,431	128,782	45,009	20,431
= Profit before Taxes & Dividends	**14,286**	**56,541**	**45,612**	**29,319**	**(103,206)**	**(1,376)**	**18,513**
+ Profit for the year from discontinued operations	-	-	-	683	12,882	-	-
+ Gain on disposal of controlling interest in subsidiary	-	-	-	4,472	-	-	-
- Provision for loss on disposal subsidiary	-	-	-	-	15,453	-	-
- Taxes	6,579	1,259	355	(2,806)	5,726	4,045	7,158
- Dividends on Preference Shares	291	291	291	291	291	291	291
- Minority Interest	-	-	-	-	2,419	2,871	1,516
= Net Income after Taxes	**7,416**	**54,991**	**44,966**	**36,989**	**(114,213)**	**(8,583)**	**9,548**

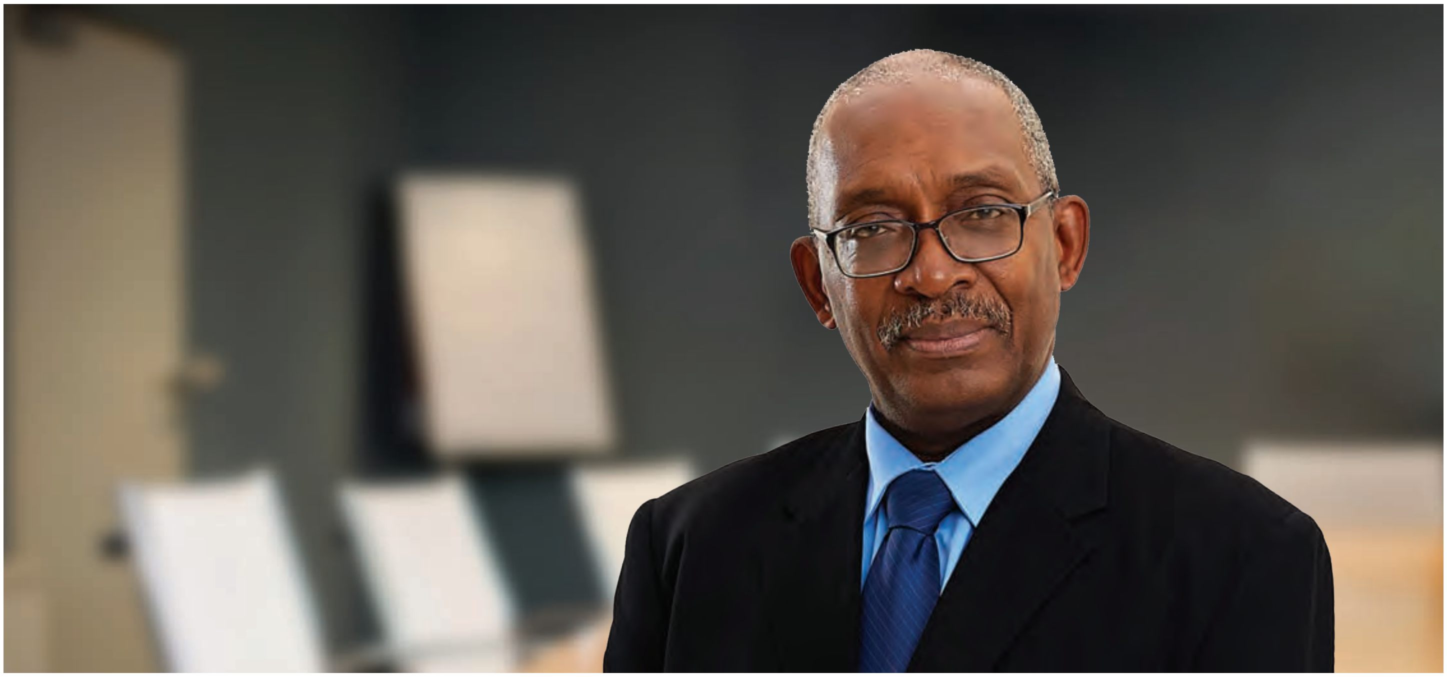
BALANCE SHEET

	2020	2019	2018	2017	2016	2015	2014
Cash and Balances with Central Bank	258,761	184,245	223,983	347,950	366,874	344,212	291,837
+ Investments	1,066,621	995,534	913,045	686,651	813,572	1,518,013	1,415,748
+ Loans	799,318	838,730	849,215	874,051	1,474,613	1,667,579	1,770,710
+ Other	213,954	212,212	200,979	209,338	994,052	243,686	244,711
= Total Assets	**2,338,654**	**2,230,721**	**2,187,222**	**2,117,990**	**3,649,111**	**3,773,490**	**3,723,006**
Deposits	1,937,091	1,862,902	1,877,168	1,842,886	2,527,787	3,312,414	3,235,180
+ Borrowings	60,008	63,844	71,519	79,181	139,710	116,646	152,883
+ Other Liabilities	76,126	53,147	48,614	47,350	836,032	92,756	65,262
+ Capital	265,429	250,828	189,921	148,573	145,586	251,674	269,681
= Total Liabilities and Capital	**2,338,654**	**2,230,721**	**2,187,222**	**2,117,990**	**3,649,111**	**3,773,490**	**3,723,006**

OTHER INFORMATION

	2020	2019	2018	2017	2016	2015	2014
ROE	**2.9%**	**25.0%**	**26.6%**	**25.1%**	**-57.5%**	**-3.3%**	**3.6%**
ROA	**0.3%**	**2.5%**	**2.1%**	**1.3%**	**-3.1%**	**-0.2%**	**0.3%**
Ordinary Dividend Payout % Age	**0%**	**14.4%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Book Value of Ordinary Shares ($)	**$10.85**	**$10.25**	**$7.76**	**$6.07**	**$3.83**	**$8.22**	**$9.03**
Average Market Value of Ordinary shares ($)	**$4.44**	**$4.45**	**$4.13**	**$4.75**	**$5.44**	**$6.22**	**$6.42**
Earnings / (Loss) per Ordinary Share ($)	**$0.30**	**$2.25**	**$1.84**	**$1.30**	**($4.46)**	**($0.69)**	**$0.39**
Dividends per Ordinary Share ($)	**$0**	**$0.30**	-	-	-	-	-
Provisions as % of Loan Portfolio	**9.6%**	**7.0%**	**6.9%**	**9.9%**	**7.1%**	**7.4%**	**5.1%**
Provisions as % of Non-performing	**77.0%**	**69.7%**	**60.8%**	**59.1%**	**49.1%**	**39.6%**	**28.7%**

CHAIRMAN'S STATEMENT



The 2020 financial year could easily be described as the most challenging period ever confronted by the Bank. The island's economy, which is in the main reliant on the tourism industry, effectively came to a sudden stop within a few weeks of the World Health Organization ("WHO") declaring COVID-19 a pandemic. The abrupt closure of the island's hotels led to approximately 15,000 persons, the majority coming from the tourism sector, being unemployed with no prospects for the future. The external situation was no better as unemployment figures climbed in all our trading partners, and economic activity declined in all industry areas. By April May 2020, the IMF projected a contraction of 3% for the global economy as protection measures considered necessary from a public health perspective severely impacted economic activity. The effect of the prevailing circumstances on our valued customers was far reaching, with the Bank implementing a number of financial relief measures in the form of fee waivers, debt moratoria and loan restructuring. Reductions in fee income and interest margins, and additional provisioning significantly hindered profitability. However, the strength of the Bank's financial position, and the resilience of management and staff, were critical in lessening the negative impact brought by the deteriorating economic realities.

ECONOMIC OUTLOOK

Up into the 3rd quarter on the year, economic growth prospects continued to dampen, despite repeated attempts to resume economic activity in several countries. The Caribbean region was significantly impacted on both an economic and humanitarian front, with the number of cases and death toll soaring past 115,646 and 2,063 respectively as at 31 March 2021. Gita Gopinath, International Monetary Fund ("IMF") Economic Counsellor and Director of Research, aptly captured the reality of the situation when she stated, "While the global economy is coming back, the ascent will likely be long, uneven, and uncertain. Economies everywhere face difficult paths back to pre-pandemic activity levels." Economic activity is not expected to return to pre-pandemic levels until 2022.

Tourism is a key growth engine for our economy and its fortunes are closely tied to the performance of our major markets. The United States, our largest source market, is expected to have contracted by 3.4% in 2020. In contrast the economy in the United Kingdom is estimated to have shrunk by 10.0% in 2020 as against the previous IMF forecast in January 2020 of 1.4% growth. These projections represent the biggest annual declines since 1946 and 1921 respectively.

The Eastern Caribbean Central Bank (ECCB) estimated that economic activity for 2020 in the Eastern Caribbean Currency Union (ECCU) contracted by 16.18%, in comparison to the pre-COVID-19 estimated growth of 3.3%. This significant downturn has resulted in unemployment rates spiking to as high as 50% in some countries.

On the local front, the deteriorating macroeconomic conditions, coupled with national COVID-19 protocols including the temporary closure of borders, full and partial lockdowns, and the introductions of curfews and other restrictions, forced local Government to engage in a delicate fiscal and socio-economic balancing act. The ECCB has estimated that our economy has already contracted by some 24%.

Although the pandemic has left the world reeling, there is a sense of optimism that growth and prosperity will eventually return to the global economy. The IMF projects a 5.1% global growth rate for 2021 and 3.6% for 2022 and the ECCB projects 3.3% for 2021 for the ECCU. Saint Lucia in particular is expected to grow by 3.63% in 2021 and 11.94% in 2022. Hopefully, the spending power of the huge savings made by consumers in the industrialised countries will power economic activity and thus the recovery in those markets. The US$1.9 trillion economic package announced recently by President Biden in the United States will assist immensely if it manages through both legislative houses in quick time. Also, successful vaccine rollouts will have a significant role to play in normalizing activities in our economies and societies. As part of our contribution to the national effort towards alleviating the economic hardship faced by a significant part of the population, the Bank continues to work with the over 3,000 customers who applied for support by way of moratoria, debt restructuring and fee waivers.

Despite the challenges brought about by COVID-19, corporate philanthropy remains at the very core of our business activity. We have not allowed these challenges to affect the commitment we have to our customers, shareholders, stakeholders and the very people who live in the communities where we operate. We remained steadfast in our commitment to socioeconomic development, to uplifting people and community. The Bank supported key initiatives and programmes in 2020, which included donations to the education sector, partner organizations and relief efforts. Our success can only come as a result of our customers' successes so we must reinvest whether it is by affordable loan programmes such as the ECPCGC partnership arrangement, entrepreneurial support, capacity building or technical assistance through our social responsibility programmes. Our efforts drew regional attention, with Bank of Saint Lucia being the proud recipient of two ECCB Awards for Technological Innovation and Financial Education and Empowerment.

STRATEGIC OUTLOOK

In 2020, the Board of Directors led efforts in charting a refreshed strategic direction for the Bank, for the triennium 2021-2023. The theme for the revised strategic plan is "Sustaining Profitability through Diversification, Digital Transformation and Cost Optimization." The Bank is well poised to continue to maximize on opportunities, effectively manage risk, retool and align our human resource capacity, invest in appropriate technology and create greater value for our customers and shareholders.

FINANCIAL PERFORMANCE

The consolidated financial statements of the ECFH Group for the year ended December 31, 2020 disclosed a total comprehensive income of EC$18.32 million (2019 - $70.79 million), with net profit after tax standing at EC$7.4 million (2019 - $54.99 million). For Bank of Saint Lucia, total comprehensive income recorded was EC$15.28 million (2019 - $62.68 million) with after tax of EC$4.38 million (2019 - $47.94 million). Our Capital Adequacy Ratio remains well above our regulatory requirements.

2020 was a year like no other. In the face of the worst that was thrown at us, the best of the Bank came to the fore. We are particularly grateful to our management and staff for their commitment to our values and their unwavering loyalty. As we go forward into 2021, it is with the expectation that we will justify the trust and confidence placed in us by all our stakeholders as we seek to resume the trend of profitability that commenced in 2017. The Bank's performance, though contracted, is testimony to the resilience of our customers, management and staff, and to sound governance, prudent decision making, and to adhering to our strategic plan. It gives us the confidence to forge ahead on our path to sustaining profitability.

Frank V. Myers
Chairman

CORPORATE GOVERNANCE

The Board of Directors of East Caribbean Financial Holding Company Limited, which is also the Board for Bank of Saint Lucia Limited, is responsible for the governance of the Bank, and is committed to adhering to the highest standards of Corporate Governance. It is guided by a formal Corporate Governance Policy and has adopted the ECCB Guidelines on Corporate Governance.

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

BOARD RESPONSIBILITIES

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

INDEPENDENCE OF THE BOARD

The majority of Directors on the Board are independent in accordance with established Corporate Governance principles. The fiduciary duty of the directors requires that they exercise their powers solely in the best interest of the Company and its shareholders.

There is a clear delineation of the Board's responsibilities from the management's responsibilities for the operations of the Bank.

The same individual cannot exercise the roles of Chairman of the Board of Directors and Managing Director.

SIZE OF THE BOARD

The Board comprises eleven members, ten of whom are elected or appointed by the holders of ordinary shares and the Managing Director who is an Executive Director on the Board of Directors. Its composition reflects the balance of skills, expertise and experience appropriate for the requirements of the business.

CONFLICT OF INTEREST

Directors are required to complete and sign a Directors' Declaration of Interest Form upon their appointment to Office, which they are expected to update annually during their term of office with any material changes being reported immediately to the Corporate Secretary.

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

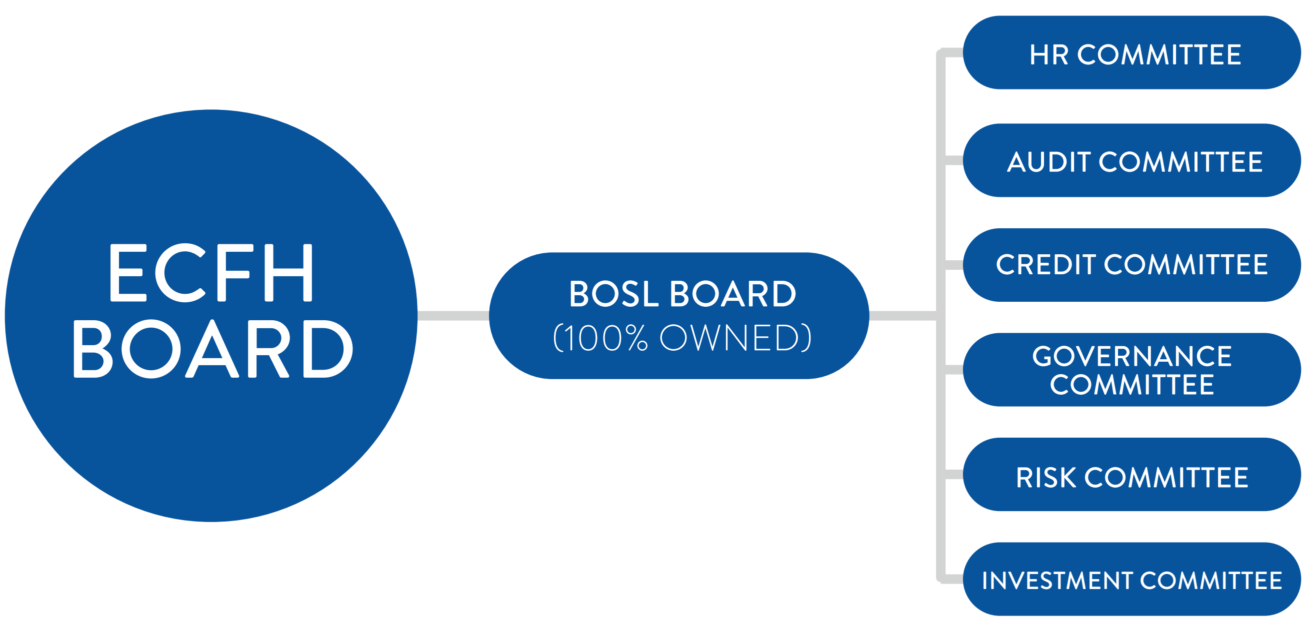
OVERSIGHT OF SUBSIDIARY BOARD

ECFH has one subsidiary, Bank of Saint Lucia Limited whose Board is comprised of the same directors. The ECFH Board has to be aware of all material risks and other issues that may ultimately affect its subsidiary to be able to exercise adequate oversight over the activities of the subsidiary.

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

BOARD COMMITTEES

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



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

The Board established an Investment Committee in 2020 to provide direct oversight over the investment portfolio, which was previously under the purview of the Credit committee. This was due to the growth of that portfolio and the need for specific focus on that line of business.

In January 2021, the Board assumed full responsibility for strategy and as a result the Strategic Committee has been discontinued.

The Committees are as follows:

1. HUMAN RESOURCE

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

- Approving staff compensation
- Approving Staff policies
- Appointment and Performance Evaluation of Senior Management
- Management Succession Planning
- Staff structure
- Ensuring that the right skills exist for the jobs within the Bank.

MEMBERS:

- Pat Payne – Chairperson
- Martin Dorville
- Llewellyn Gill
- Trevor Louisy
- Rolf Phillips

2. AUDIT COMMITTEE

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

- Ensuring the quality and integrity of the financial statements of the Group
- Ensuring the effectiveness of the systems of internal control over financial reporting
- Reviewing the internal and external audit processes, the Bank's processes for monitoring compliance with applicable laws and regulations, risk management processes and the code of conduct.
- Reviewing significant accounting and reporting issues

MEMBERS:

- Omar Davis- Chairman
- Marcus Joseph
- Martin Dorville
- Llewellyn Gill
- Stewart Haynes

3. CREDIT COMMITTEE

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

- Reviewing and approving all policies regarding loans and credit facilities
- Setting lending limits
- Approving loans above management's limit and making appropriate recommendations to the Board for approval
- Recommending and monitoring portfolio/ credit concentration limits
- Monitoring trends in delinquencies, non-performing assets and charge-offs loans

MEMBERS

- Llewellyn Gill - Chairman
- Frank V. Myers
- Orricia Denbow - Bullen
- Marcus Joseph
- Stewart Haynes

4. GOVERNANCE COMMITTEE

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

- Make recommendations to the Board regarding the filling of vacant elective Directorships
- Develop guidelines on the criteria for the selection of directors including criteria for the selection of nominees submitted by minority shareholders
- Make nominations and recommendations on behalf of minority shareholders concerning new director candidates in view of pending additions, resignations or retirements
- Oversee, through the Committee Chair, the process for the annual assessment of Board performance

MEMBERS:

- Trevor Louisy - Chairman
- Frank V. Myers
- Omar Davis
- Pat Payne
- Orrica Denbow – Bullen

5. RISK MANAGEMENT

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

- Reviewing and monitoring aggregate risk levels in the business and the quality of risk mitigation and control for all areas of risk to the business
- Making recommendations to the Board on areas for improving management and mitigation of risk
- Apprising the Board of progress in implementing improvements mitigation and actions

MEMBERS:

- Stewart Haynes- Chairman
- Frank V. Myers
- Marcus Joseph
- Orricia Denbow – Bullen
- Omar Davis

6. INVESTMENT COMMITTEE

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

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

MEMBERS:

- Marcus Joseph – Chairman
- Frank V. Myers
- Stewart Haynes
- Rolf Phillips

PROFILE OF DIRECTORS

FRANK V. MYERS

DATE APPOINTED
September 2019

PROFESSION
Chartered Accountant

QUALIFICATIONS
BSc. (Hons) Mathematics & Statistics, FCCA, AccDir

LLEWELLYN GILL

DATE APPOINTED
May 2016

PROFESSION
Chartered Accountant

QUALIFICATIONS
FCPA, FCGA, FCIS, FCCA, AccDir, CAMS, GPC.D

MARCUS JOSEPH

DATE APPOINTED
September 2016

PROFESSION
Attorney at Law

QUALIFICATIONS
BPTC, FCCA

ROLF PHILLIPS

DATE APPOINTED
November 2020

PROFESSION
Banker

QUALIFICATIONS
Associate - Chartered Institute of Financial Services UK

MARTIN DORVILLE

DATE APPOINTED
April 2014

PROFESSION
Management

QUALIFICATIONS
MBA-Marketing & Finance

OMAR DAVIS

DATE APPOINTED
May 2012

PROFESSION
Consultant

QUALIFICATIONS
FCCA, AccDir, Member-ICSA

PAT PAYNE

DATE APPOINTED
January 2019

PROFESSION
HR Professional

QUALIFICATIONS
MSc Human Resource Development, Cert. Strategic HR

STEWART HAYNES

DATE APPOINTED
August 2017

PROFESSION
Actuary

QUALIFICATIONS
FIA, CFA

TREVOR LOUISY

DATE APPOINTED
September 2014

PROFESSION
Engineer

QUALIFICATIONS
BSc. (Hons)
Electrical Engineering

ORRICIA DENBOW-BULLEN

DATE APPOINTED
September 2019

PROFESSION
Retired Banker

QUALIFICATIONS
FICB

In Loving Memory

Victor Eudoxie

The ECFH Group and Bank of Saint Lucia honour the life, leadership and legacy of former banker and Chairman of the Board of Directors – Mr. Victor Eudoxie, who passed away on Monday January 4th 2021.

Mr. Eudoxie served as Chairman of National Commercial Bank (NCB) from 1997. He continued in this capacity following the merger of NCB and St Lucia Development Bank (SLDB) into the East Caribbean Financial Holding Company (ECFH) and Bank of Saint Lucia from 2001 to 2013 when he later retired.

We are forever grateful for his long standing and dedicated commitment and service to the organization. We will honour his memory through our commitment to our customers, stakeholders and our communities.

The Board of Directors, Management, and Staff of Bank of Saint Lucia express our deepest sympathy to the family and loved ones of the late Victor Eudoxie.

May he rest in perfect peace.

SUSTAINING PROFITABILITY THROUGH INNOVATION

DIRECTORS' REPORT

The Directors submit their Report for the Financial Year ended December 31, 2020.

CHANGES TO THE BOARD

The following changes were made on the Board during the financial year:

1. Bernard La Corbiniere resigned the position of Managing Director as at January 31, 2020
2. Rolf K. Phillips was appointed as the Managing Director as at November 2, 2020

DIRECTORS' INTEREST

The interests of the Directors holding office at the end of the Company's 2020 Financial Year in the Ordinary Shares of the Company were as follows:

DIRECTOR	BENEFICIAL INTEREST
FRANK V. MYERS	350
OMAR DAVIS	3,530
MARCUS JOSEPH	2,710
ORRICIA DENBOW-BULLEN	3,262
LLEWELLYN GILL	200
TREVOR LOUISY	200
STEWART HAYNES	-
MARTIN DORVILLE	-
PAT PAYNE	-
ROLF PHILLIPS	-

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

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

RESTRICTIONS OF TRADING OF SHARES BY DIRECTORS

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

Substantial Interests in Share Capital as at December 31, 2020

NAME OF SHAREHOLDER	CLASS OF SHARES	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
GOSL	ORDINARY	4,893,118	20%
NATIONAL INSURANCE CORPORATION	ORDINARY	6,116,478	25%
REPUBLIC BANK LIMITED	ORDINARY	2,722,084	11%
NATIONAL INSURANCE CORPORATION	PREFERENCE	830,000	100%

SHAREHOLDERS RELATIONS

The shares of the East Caribbean Financial Holding Company Limited (ECFH) have been listed on the Eastern Caribbean Securities Exchange (ECSE) from October 19, 2001. As a result, all shares are traded on the exchange, and records maintained by the ECSE in accordance with the regulations. A total of 6,362 shares were traded during the 2020 financial year.

As the issuer of the shares, the ECFH has the responsibility to ensure that all necessary information is communicated to shareholders on a timely basis and that dividends are paid in accordance with the dividend policy approved by the Board of Directors.

During the year, Directors approved and granted two new secondary school scholarships to children of shareholders residing in Saint Lucia. The current number of scholarships granted is ten (10) at an annual cost of Fifteen Thousand dollars ($15,000). The scholarships are awarded annually on the basis of the students obtaining highest scores at the Common Entrance Examinations.

AUDITOR

The three year term of the current Auditor, KPMG, came to an end upon the completion of the 2020 audit and the presentation of the audit report to the Board. In accordance with the company's policy on appointment of its external auditor, tenders were invited for the audit of ECFH and its subsidiary Bank of Saint Lucia Limited for the three-year period 2021 to 2023 from eligible audit firms operating on island.

The Directors have agreed that a resolution for the appointment of Auditor for the ensuing year will be contained in the Information Circular that will be presented to shareholders for consideration at the Annual Meeting.

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

SENIOR MANAGEMENT TEAM

ROLF PHILLIPS
Managing Director

KETHA AUGUSTE
Chief Financial Officer

LYNDON ARNOLD
Deputy Managing Director
Operations

MEDFORD FRANCIS
Deputy Managing Director
Lending & Investments

ESTHERLITA CUMBERBATCH
Corporate Secretary

CEDRIC CHARLES
Senior Manager
Investment Banking
Services

CORNELIUS SIDONIE
Deputy Senior Manager
Corporate Banking

DEBORAH PELAGE
Senior Manager
Operations

ARLETA RATE-MITCHEL
Senior Manager
Retail Banking

CECILIA FERDINAND -LA CORBINIERE
Senior Manager
Credit Administration

DANIEL EUGENE
Senior Manager
Recoveries & Valuations

OMARI FREDERICK
Senior Manager
Marketing & Corporate Communications

MELISSA SIMON
Senior Manager
Internal Audit

MINELVA OCULIEN
Senior Manager
Human Resources

TADDEUS PIERROT
Senior Manager
Information Management & Technology Services

SHANTA LOUIS
Senior Manager
Risk Management & Compliance Services

CORPORATE SOCIAL RESPONSIBILITY

Our purpose is to be a transformative Saint Lucian company, driving the socio-economic development of our nation and uplifting people and community. We honour the philosophy of giving back, in the areas of youth development, community outreach and development, support of entrepreneurship and financial literacy. We tirelessly seek to modernize and reinvent the banking sector, to provide a platform that financially empowers people. The current COVID-19 realities have presented an opportunity to learn, to plan and to forge a new future for our institutions and communities alike.

SUPPORT OF NATIONAL & REGIONAL COVID RELIEF EFFORTS:

Despite the challenges brought about by the COVID-19 pandemic in 2020, with direct implications on the socio-economic and financial landscape, Bank of Saint Lucia remained committed to supporting national and regional relief efforts, our customers and employees, strengthening association partnerships, and supporting critical sectors, especially the education sector. As a strong corporate citizen, we were obligated to boldly commit to this humanitarian cause.

Recognizing the adverse impact of the pandemic on the livelihood of our customers, the Bank introduced a Customer Relief Programme - a moratorium up to six months, waivers on fees and debt restructuring to ease the burden during this difficult time. This was backed by a comprehensive customer relief policy and key customer education initiatives. Access was via a simple web portal. Additionally, a COVID-19 update page was created to keep customers updated on all matters pertaining to the pandemic as well as actions undertaken by the Bank. An Employee Wellness programme was launched to support the physical and mental wellbeing of employees.

The Bank undertook changes in its approach to enhanced in-branch health and safety protocols; strengthening employee remote working capabilities and rotation scheduling; enhancing capacity in the provision of sound financial advisory services; implementing strong credit management measures with respect to moratoria, debt restructuring and management; increased digital modernization efforts – convenience banking enhancements, online portals for account opening and customer Support Centre expansion plans to service customers during regular hours/ after hours.

Significant financial donations were made to Recover Saint Lucia to support recovery efforts in Saint Lucia; to the OECS regional relief efforts to support the purchase of much needed ventilators; and to the National Emergency Management Organization (NEMO) via the Bankers' Association.

In support of the local education sector, hand sanitizers and dispensers were donated to schools in collaboration with the Bureau of Health Education and Ministry of Education, and through a partnership with the National Community Foundation (NCF), laptops and critical computer

equipment were donated to schools and vulnerable students in support of the virtual learning curriculum.

BOSL remains committed to continuously assessing and developing responses to ensure the best interest of our staff, customers and the communities. When the global pandemic subsides, many will struggle to find the new normal. Now is a better time than ever, to use this opportunity to learn, to plan and to forge a new future.

EASTERN CARIBBEAN CENTRAL BANK (ECCB) AWARDS:

The ECCU Bank of the Year Awards recognize the commercial banks operating within the Eastern Caribbean Currency Union which have made outstanding contributions to the overall development of the people they serve. This year, the Awards were presented to the banks that are adjudged to have demonstrated excellence, to the highest level, in the following categories during 2020– Customer Service; Financial Education & Empowerment; Technological Innovation and Pandemic & Banking.

At the virtual awards in November 2020, Bank of Saint Lucia was bestowed the honour of Bank of the Year in the areas of 'Financial Education & Empowerment' and 'Technological Innovation', edging out the other banks in the region in this category based on our commitment to providing greater convenience in service and to empowering our valued customers to make sound financial decisions.

SUPPORTING FINANCIAL EDUCATION & EMPOWERMENT

Uplifting people and community, is at the heart of why we do, what we do. We remain committed to: 1) Creating programmes, events and initiatives that empower BOSL customers and employees to be more financially savvy; 2) Supporting programmes that improve the financial literacy of the people of St Lucia.

The second installment of the Own Your Home Showcase was held in February, 2020 in the south of the island. Following the success of the

inaugural event in November 2019, the Bank once again brought together customers and stakeholders involved in home construction and purchase - developers, contractors, engineers, architects and lawyers. Owning a home is one of the most significant investments an individual can make in their life, and it is our responsibility to provide the expertise to guide our valued customers along this journey.

In 2020, the guaranteed loans programme partnership with Eastern Caribbean Partial Credit Guarantee Corporation was officially launched. BOSL and National Bank of Dominica were pioneers in this regard being the first two regional institutions to sign on. BOSL was the first local institution to sign on, recognizing the critical importance of MSMEs as employment creators, and as engines of growth of our nation. This partnership represents a bold step in fulfilling our strategic mandate by supporting our MSMEs, particularly in light of the current COVID environment.

As a proudly indigenous institution, we strive to empower our customers in making sound financial decisions not only for the near future but for a lifetime.

TECHNOLOGICAL INNOVATION

The Bank continued to undertake digital transformation activities in keeping with the 2018-2021 Strategic Plan. In response to the current realities brought about by COVID-19, the Bank accelerated efforts considerably in delivering innovative solutions aimed at improving the customer experience in terms of convenience and safety. The initiatives undertaken include: the rollout of the upgraded online & mobile banking platform; the piloting of DCash in conjunction with ECCB; Contactless BOSL VISA Cards including VISA Platinum; expansion of Dual Currency ATM fleet; introduction of Intelligent ATMS; and an Online Account opening by appointment service.

RISE ST LUCIA SAFE SPACES PEACE LEAGUE DOCUMENTARY – REDEMPTION

The inaugural Rise St Lucia Safe Spaces Peace League officially came to a close in March 2020. The programme, fully endorsed by Bank of Saint Lucia is grounded in the belief that peace building and safety are the responsibility of each community. The program builds community leaders and peace through conflict resolution, violence interruption, community development, networking, entrepreneurship and life skills building. Over the eight-month period, all events, activities and interviews were catalogued, and in August 2020, the documentary entitled "Redemption" was released to the general public.

Redemption took a deeper dive into the lives of the many people who supported the initiative within the communities: the players, organizers, community members, law enforcement partners, community activists and supporters. Bank of Saint Lucia partnered with the Independent Film Company to produce the documentary which received critical acclaim.


BANK OF SAINT LUCIA

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

The East Caribbean Financial Holding Company (ECFH), like most financial institutions was faced with profound challenges and uncertainty brought on by the Covid-19 pandemic. Our strong and well diversified balance sheet and the tremendous efforts of our employees, cushioned some of the negative impacts of COVID-19 on the 2020 financial results. Bank of Saint Lucia Limited (BOSL) continues to be the sole subsidiary of ECFH and the results primarily reflect that of BOSL. The Group remained well capitalized during the year and maintained strong liquidity levels.

The Group's efforts over the years, in building strong capital, investing in technology and improving the credit risk culture, assisted in maintaining its operational and financial resilience during the year. The 2020 financial results reflect the effect of the pandemic on the Group. Significant increases were reported in loan impairment provisions which were necessary with respect to the expected credit losses arising from increased credit risk and deteriorated macro-economic indicators, lower net interest margins due to lower international benchmark rates and reduced loan demand. Fee income was also negatively impacted due to reduced economic activity and waivers on select fees and commissions.

Heightened recovery and credit risk mitigating strategies have been implemented to counter the significant uncertainties and challenges presented by the COVID-19 pandemic particularly in sectors most heavily impacted such as the hotel and tourism industries.

During the year loan payment relief programmes were administered for approximately 1,200 customers and during the periods of disruption, the Bank was able to seamlessly transition to remote work to ensure the needs of customers were fully met. Significant investments were made in infrastructure, and Personal Protective Equipment to ensure the recommended protocols were adhered to in safeguarding our valued customers and employees.

Despite the significant disruption and uncertainty brought on by COVID-19 we remained steadfast in achieving our strategic initiatives in 2020. Our strategic priority to enhance our digital footprint has become even more relevant. To this end the Group has made even more progress in technological advancements aimed at improving efficiency and customer satisfaction. As such, towards the fourth quarter of 2020 we introduced the first fleet of smart ATMs geared to increase reliability of the network and with the added feature of providing instant credit of cash deposits without the use of envelopes. We also introduced a new online banking platform and mobile banking app which facilitates instant peer to peer transfers, the initiation of wire transfers, merchant payments and more. There are a number of other technological advancements in progress towards improving the service offered to our customers. Our efforts in this regard have not gone unnoticed as the Group was awarded the ECCB's Bank of the Year Award in Technological Innovation for the second consecutive year.

The Group has recently refreshed its long-term strategy to ensure that we are well prepared to take advantage of opportunities, minimize risk, create value and safeguard the interest of our stakeholders. Focus remains on improving the level of service delivery to our customers and to meeting their every financial need. In addition to continued technological innovation, the Group intends to leverage existing service offering such as card business, Investment and Brokerage Services, partnership with the East Caribbean Partial Credit Guarantee (ECPCGC) to drive loan offering to the small and medium sized enterprises (SMEs).

During 2020, the balance sheet continued to benefit from the rally in international financial markets particularly the bond market, largely driven by further rate reductions by the Federal Reserve to counter the economic impact of COVID-19.

Following significant contraction in 2020 the global and regional economy is expected to continue being challenged by COVID-19 during 2021 however it is expected to gradually rebound in 2021 with widespread vaccination and the staggered re-opening of economies.

The Saint Lucian economy which is highly dependent on tourism has been severely impacted by the pandemic and is subject to a high degree of uncertainty and as such the island faces significant downside risks.

The Group remains focused on legal and regulatory changes to ensure compliance. Pillar 1 of the stricter BASEL II/III regulatory framework for measuring capital is expected to take effect from December 2021 and is coming at a time when the Bank's capital is already negatively impacted by the COVID-19 pandemic.

In response to the adverse impact of COVID-19 on the financial performance for 2020, the significant uncertainty regarding the impact of the pandemic in the ensuing year and recommendations from the Central Bank, dividends for the 2020 financial year will not be declared.

The Group maintained a prudent level of loan loss provisioning which takes account of estimated future expected losses, with the level of provisions to NPLs increasing even further in 2020 to 77.06% from 69.7% in 2019.

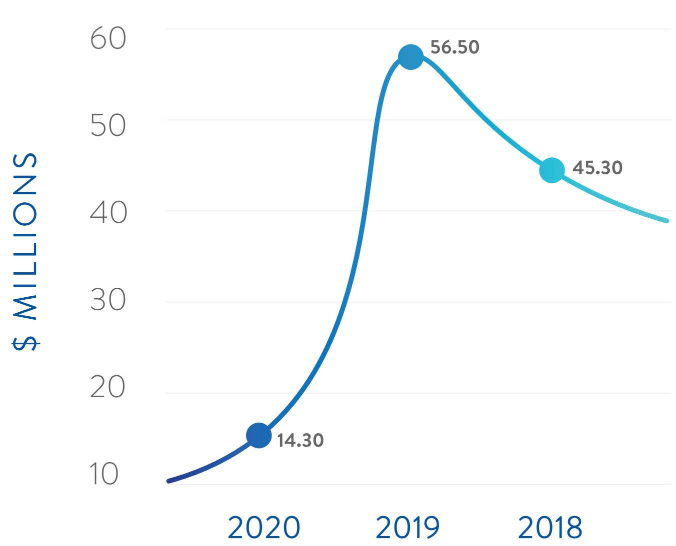
FINANCIAL ANALYSIS

Profit after tax for the year was $7.4 million or $0.30 basic earnings per share, down 86.5% from last year's net profit after tax of $55 million or $2.25 basic earnings per share reflecting the adverse impact of the COVID-19 pandemic. Other comprehensive income of $13.3 million contributed to increased capital levels and was largely driven from market value increases on financial instruments carried at fair value through other comprehensive income. Removing the impact of tax, the profits declined by $42.3 million or 75.1% from the prior year. The sharp decrease in profits was primarily driven by:

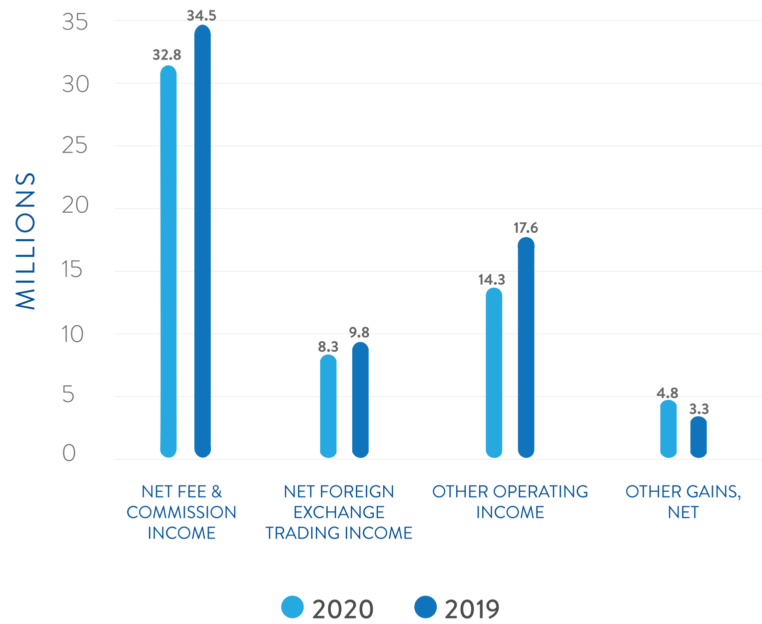
- An increase of $22.2 million in loan and investment impairment provisions to cushion the potential portfolio loses.
- A $9.1 million reduction in net interest income arising from low interest rate environment and reduced loan demand and
- A $5.3 million increase in taxes

All these factors reflect the current stressed environment.

PROFIT BEFORE TAX



NON-INTEREST INCOME



NET INTEREST INCOME

Net interest income decreased $9 million or 15.1% to $50.4 million in 2020 mainly due to a reduction of $3.9 million and $5.3 million in interest on loans and, interest on investments and cash respectively. The weighted average interest rate on loans and overdrafts declined by 37 basis points to 6.55% and 199 basis points to 12.66% respectively driven by increases in non-performing loans and the general competitive environment. The reduction in interest income on loans was also driven by a net contraction of the loan portfolio as repayments surpassed disbursements in the year. The weighted average interest on investments also declined by 47 basis points to 3.38% which primarily reflects the reduction in international benchmark interest rates. The reduction in interest income on investments comes despite net growth in the investments portfolio as maturities are re-invested at lower rates.

Interest expense on deposits increased by $300 thousand arising from increased interest-bearing deposits however this was fully offset by a reduction in interest on borrowing stemming from principal repayment on borrowings.

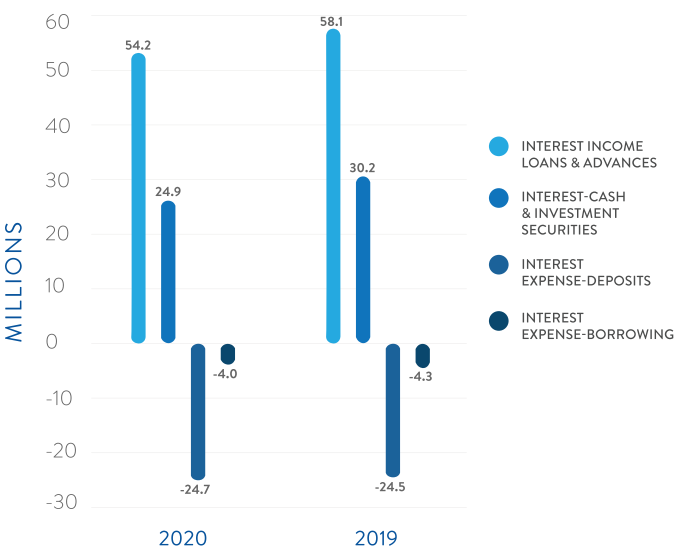
NON-INTEREST INCOME

There was a $5.2 million or 7.9% reduction in non-interest income to $60.1 million in 2020 compared to 2019. The decline was largely due to $3.3 million decline in recovery income, $1.5 million decline in foreign exchange income and $1.7 million decline in fee income particularly card income all arising from sluggish economic activity brought on by COVID-19. These reductions were partially offset by net gains of $1.4 million which represents the net of $1 million valuation loss on investment property and $2.4 million realized and unrealized gains on internationally traded investments. As discussed above the international bond portfolio benefited from the COVID-19 pandemic as investors moved away from the riskier equity market to safer bond market thus increasing demand. The reduction in benchmark interest rates also contributed to driving up bond prices.

OPERATING EXPENSES

The operating efficiency was 68.6% compared to 58.8% in the prior year due to significant reductions in operating income which was not compensated for by corresponding reduction in operating expenses.

NET INTEREST INCOME



Operating expenses increased $1.9 million or 2.7% to $70.8 million in 2020 compared to 2019. The following highlights the significant variances.

- Employee benefit cost increased by $4.9 million primarily due to the net effect of an accrual of $7.2 million for estimated loss on transfer of staff accrued benefits from a defined benefit to a defined contribution plan, lower salary expense and employee bonus accrual.
- This was partially offset by a reduction in credit card expenses of $1.6 million which correlated to reduced card income and reduced other expenses of $2 million largely stemming from the reversal of an accrual for prior year losses no longer required.

IMPAIRMENT LOSSES

Impairment losses on loans increased by $19.5 million or 305% to $25.8 million in 2020 compared to 2019. This was driven primarily by the recognition of increased credit risk arising from the economic adversity caused by the Covid-19 pandemic, and related payment deferrals granted to customers. Additionally, an increase in the non-performing loan portfolio by $20 million or 22% contributed to the increased provisions for impairment loss. The Group continues to aggressively pursue delinquent clients, strengthen risk mitigating recovery strategies to safeguard our depositors' funds and shareholder wealth. The ratio of loan loss impairment and contingency reserves remained at 100% of the non-performing portfolio.

Impairment losses on the investments portfolio also increased in 2020 by $2.8 million primarily due to expected losses arising from adverse economic indicators brought on by Covid-19.

SHARE OF PROFITS OF ASSOCIATES

Share of profits in associates was down $4 million or 55% to $3.3 million in 2020 compared to 2019, reflecting the adverse impact of COVID-19 on the profitability of our associates - East Caribbean Amalgamated Bank Limited (ECAB) and Bank of Saint Vincent and the Grenadines (BOSVG).

INCOME TAX

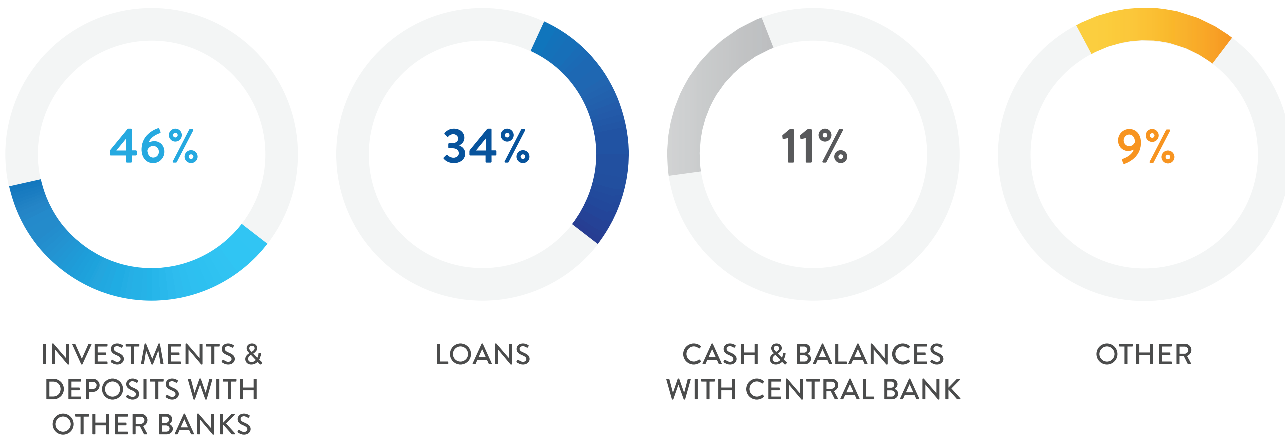
The tax expense increased by $5.3 million to $6.6 million in 2020 compared to 2019 due to the net impact of reduced corporate tax expense and increased deferred tax expense. Corporate income tax expense for 2020 declined $4.8 million due to reduced profits before tax and the positive impact of an amendment to the income tax act with reference to tax deductible investment income. There was also tax credit of $1.6 million relating to 2019 tax to reflect reduced tax expense arising from the tax amendment. Increased deferred tax expense of $11.7 million more than offset the reduced year on year corporate tax expense. This was primarily due to the reversal of deferred assets related to prior year losses which are no longer expected to be utilized by the expiration date of 2022 due to lower expected taxable profits.

GROUP BALANCE SHEET

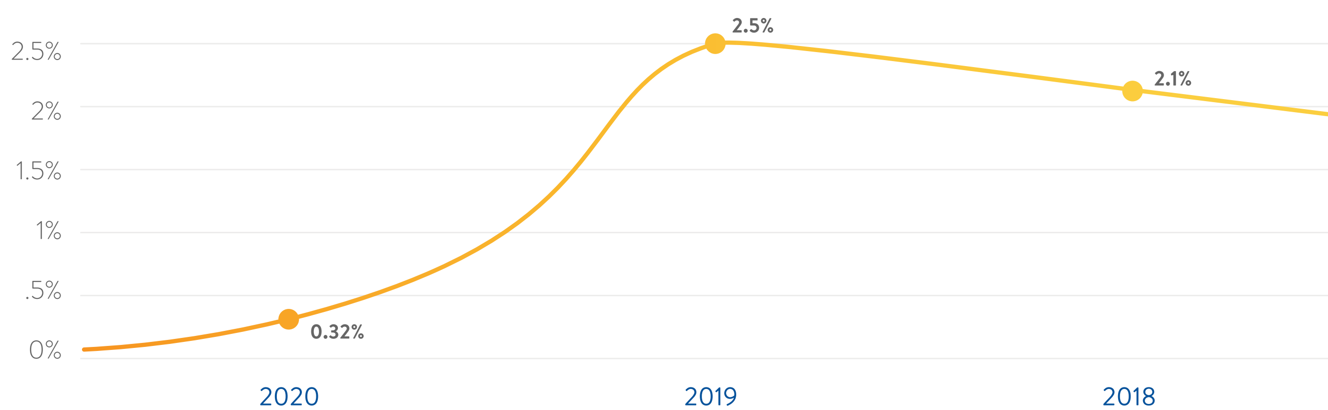
Total assets were $2.3 billion, up $105.6 million or 4.7% at the end of 2020 from 2019. The Group's balance sheet remained well managed and diversified which has allowed for us to limit the balance sheet risk arising from the COVID-19 pandemic, maintain satisfactory liquidity levels, and maintain a strong capital base. The growth in assets was largely driven by increased deposit base as customers moved away from riskier investments to the safer bank deposits.

Return on assets was down to 0.32% in 2020 from 2.5% in 2019 reflecting the stressed financial performance and challenges created by the COVID-19.

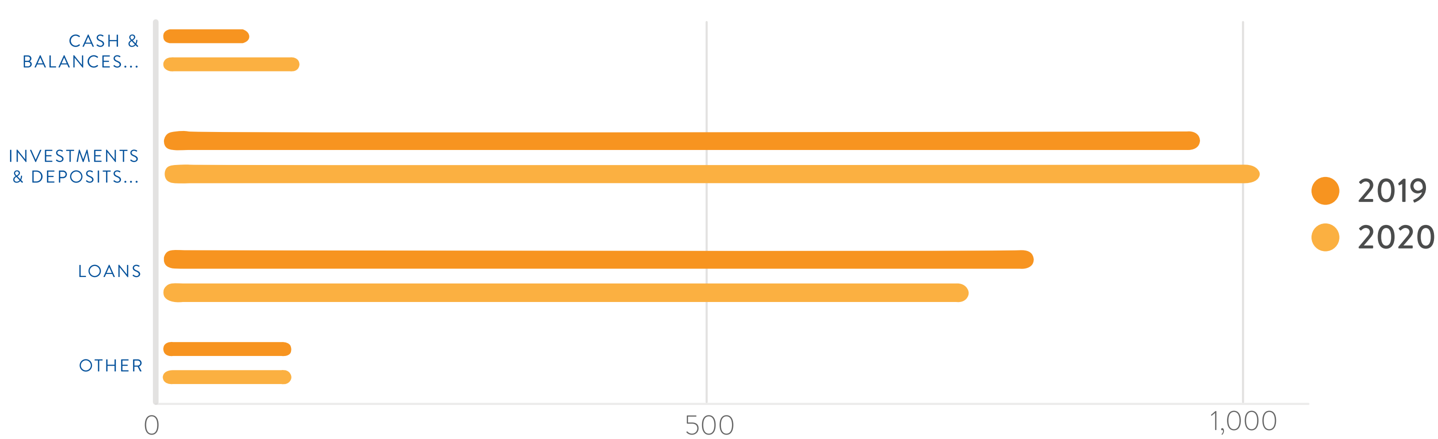
ASSET CLASS



RETURNS ON ASSETS



BALANCE SHEET GROWTH



CUSTOMER DEPOSITS

	2020	2019	CHANGES
TERM DEPOSITS	355.9	357.5	(1.6)
SAVINGS	720.2	675.7	44.5
CALL DEPOSITS	231.4	281.0	(49.6)
DEMAND DEPOSITS	594.3	499.0	95.3
TOTAL	**1,901.8**	**1,813.2**	**88.6**

CUSTOMER DEPOSITS

Despite expected liquidity crunch from increased unemployment and moratoriums due to the pandemic, customer deposits were up $88.5 million or 4.9% to $1.9 billion in 2020 compared to 2019. The increases were noted in institutional demand deposits and core savings household deposits which were partially offset by call deposits.

LOANS AND ADVANCES

Net loans portfolio contracted by $39.4 million or 4.7% primarily due to impairment provisions in the year and lower overdraft balances at the year end. The Group granted moratoriums valued at approximately $364 million and this has increased the level of inherent risk in the portfolio particularly to the tourism industry. In response to the downside risk of the loan deferments and the difficult macro-economic environment brought on by the pandemic, the Group will be closely monitoring and developing strategies to ensure the quality of the portfolio is maintained coming out of the COVID-19 pandemic.

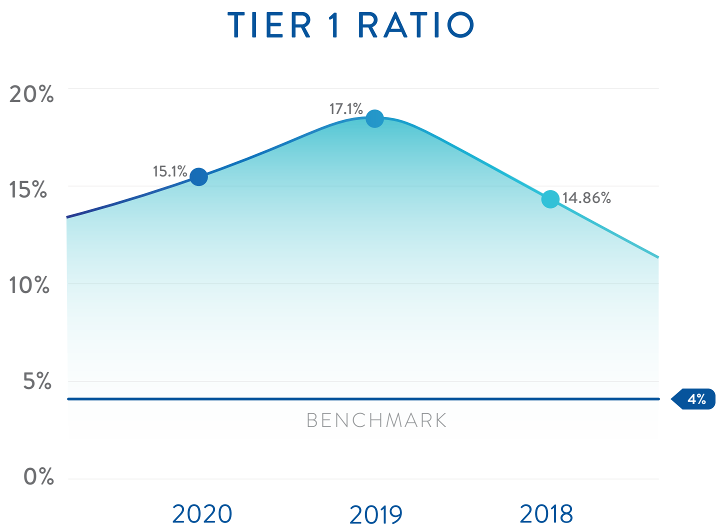
SHAREHOLDERS' EQUITY

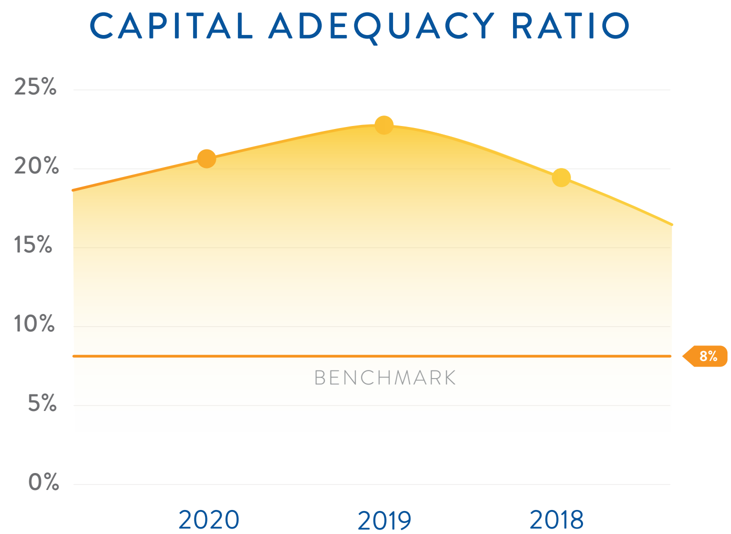
Total shareholder's equity increased $14.6 million to $265.4 million in 2020 compared to $250.8 million in 2019. This was largely attributed to fair value gains on investments held at fair value through other comprehensive income as the international bond portfolio benefited from the low interest rate environment.

Book value of ordinary shares has increased to $10.75 in 2020 from $10.25 in 2019. During the year, the Group paid dividends on ordinary shares of $0.25 per share relating to the results of 2019. In consideration of the current impact of the COVID-19 pandemic on the 2020 results, the significant uncertainty regarding the future impact and duration of the pandemic, and the need to safeguard shareholder value, the Board has decided against the payment of a dividend for the financial year ended December 2020.

Return on average equity sustained a sharp decline to 2.9% from 25% in 2019 primarily due to the decline in net income. An Increase of $8.4 million in fair value reserve also contributed to the decline in return on equity.

Bank of Saint Lucia's capital adequacy ratios were maintained well above regulatory benchmarks with the tier 1 ratio at 15.1% but slightly below 2019 by 2 percentage points arising from increased risk weighted assets. Capital Adequacy ratio remained relatively strong at 20.99% but is 1.71% lower than 2019.





STRATEGIC PLAN UPDATE

The scheduled review of our Strategic Plan coincided with the declaration of the COVID-19 pandemic. Our revised Strategic Plan is aptly themed 'Sustaining Profitability through Diversification, Digital Transformation and Cost Optimization' and will provide the roadmap for the period 2021 to 2023. This theme as we have come to realize is even more relevant in this current climate as we must focus on those opportunities brought on by the Pandemic. Key in this would be our pursuit of a Digital Branch where we can focus on the delivery of our electronic banking products and services under the fixated leadership to ensure adequacy and efficiency in the service to our customers.

Focus will also be on expanding our SME business offering given the importance of this sector and this follows on from our initiative of partnering with the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) as a funding agency. We will continue to deepen the relations with the ECPCGC and explore opportunities with other similarly focused agencies as a means of building this sector. Opportunities will also be pursued through our Investment Banking aspect of the business by the expansion of institutional fund management and the establishment of a Trading Desk and Mutual Fund. and non-traditional sectors will also be explored such as the blue economy, creative industries, agro-industry and education.

We will continue our pursuit of onboarding technological solutions that won't only enhance our service delivery to customers and operational excellence but will also ensure that we continue to build on our capacity to combat cyber security threats as they sweep across our region.

In support of all these initiatives would be the continued focus on our intangible asset development, our staff. The focus here would be talent development and alignment, the creation of a culture of engagement and productivity, enhancing the service focus of our staff and the strengthening and aligning our workforce capacity and capabilities for digital operations.

OUTLOOK

The global economy is estimated to have contracted by 3.5% in 2020 as a second wave of the COVID-19 pandemic took hold in the final quarter with new COVID-19 variants being discovered in the United Kingdom, South Africa and Brazil. This necessitated new restrictions with further lockdowns in some of Saint Lucia's key tourism source markets and amongst key trading partners, casting further doubt on a recovery.

The effects of the Pandemic have been felt across the Caribbean region with debilitating effects on tourism and commodity markets. Broad based lockdowns and travel bans have caused collapse in the tourism sectors while oil prices struggled amid weak global demand.

In line with global trends, the regional economy is estimated to have contracted in 2020 by 10.8%, down from 3.8% in 2019. The impact across the region was varied with more diversified economies showing greater resistance. With the exception of Guyana which grew by 26.2%, all other countries contracted including Trinidad and Tobago by 5.6%, Barbados by 11.6% and Jamaica by 8.6%. The OECS is estimated to have contracted by 16.18% in 2020 against a growth projection of 3.3% made in 2019.

Saint Lucia's economy is estimated to have contracted by 16.9% in 2020 significantly below the 3.2% that was originally projected for 2020. The pre-pandemic unemployment rate which was close to 20% has increased substantially, as hotels and other companies have either closed or scaled back their operations. Public debt which stood at 85% of GDP as at November, 2020 is expected to climb further in 2021 as Government seeks to supplement revenue shortfalls in order to provide critical public health services and to mount effective financial response measures to the economic fallout from COVID-19.

The domestic banking sector continues to face headwinds as total credit to the private sector shrunk for the sixth year due to stricter lending requirements by banks in an effort to reduce NPLs. The resulting increase competition for high quality assets have narrowed profit margins on interest income forcing banks to support profits through fee and commission income and international corporate debt securities. NPLs as a percentage of gross loans was 11.28% for the ECCU and 9% for Saint Lucia. Both levels are above the ECCB's prudential guideline of 5%. Growth in Financial Intermediation is estimated to have contracted by 2% in 2020. Large provisioning costs, significant moratoria awarded, reduced appetite for credit in the market, and record low interest rates on international investments continue to dig deeply into the bottom line of financial institutions.

Global and regional authorities including the ECCB are projecting a partial rebound in 2021 on hopes that large scale vaccinations programs currently underway across most countries will be successful. However, mass production and distribution of vaccines remain challenging and expectations of a recovery are therefore very much tempered by the tremendous complexity involved with the roll-out.

Governments in major economies are also providing economic stimulus measures in an unprecedented manner. In the U.S, newly elected President, Joe Biden, signed into law a $1.9 trillion coronavirus relief bill, equivalent to 11%-12% of GDP, that should bring the U.S. economy to its pre-pandemic level of output as early as the second quarter of 2021.

GDP projections for 2021 have therefore largely been revised upwards due to expectations of a vaccine and stimulus induced strengthening of activity and additional policy support in a few advanced economies. Depending on the length of the pandemic, it is likely that Saint Lucia will benefit from boosted consumer sentiments and pent-up demand in our major markets. On that basis, the ECCB is projecting 7.4% growth for Saint Lucia in 2021 followed by 10.00% in 2022.

RISK MANAGEMENT

The COVID-19 pandemic presented the Bank with a significant increase in exposure to credit risk and earnings risk in 2020, to add to an environment already experiencing heightened exposure to cyber, operational, reputational and interest rate risks. The bank took unprecedented steps in conjunction with the Eastern Caribbean Central Bank to provide moratoriums on 41% of our loan portfolio to personal and commercial customers experiencing loss of employment or reduction in income resulting in inability to service their loans, due to the economic impact of the pandemic on the tourism and other connected sectors of the economy. During the course of the year the impact of the pandemic deepened and the Central Bank granted permission for moratorium periods to be extended up to the end of September 2021.

The shortage of good lending opportunities and a very liquid banking system continued to put downward pressure on interest rates with the additional considerations to reduce interest rates to customers experiencing hardship on account of the pandemic. Notwithstanding our implementation of the moratorium program we conservatively took significant increases in provision with the expectation that the negative outlook for a short-term recovery will lead to increases in nonperforming loans to the detriment of our 2020 earnings performance.

Our risk appetite statement and risk management approach which require identification, ownership and mitigation of risk by business units, monitoring and reporting of risk by risk and compliance managers, and assurance by internal audit department were severely tested and served us in good stead to maintain the health and safety of our staff and continuity of service to our customers. We were forced to implement reduced opening hours and work from home arrangements to protect the health and welfare of our staff and customers and our strong risk management committees and practices greatly assisted our ability to successfully navigate this difficult period.

CREDIT RISK

Credit risk is the risk of a loss resulting from the Bank's borrowers' or counterparties' failure to fulfil their contractual obligations to the Bank. Strong Credit Risk management was even more critical during the review period as pressures on credit quality heightened. The Bank continued to rely on its credit risk rating system to support the determination of key credit risk parameters to be applied to the higher risk credit environment. A new Recoveries Committee was also implemented to review the recoveries strategies for the non-performing loan portfolio in preparation for a potential increase in this portfolio when the moratorium period expires.

The Bank continues to await the passage of key legislation drafted by the ECCB, including the Credit Bureau and the Uniform Foreclosure Bill, both of which would significantly enhance the robustness of credit granting, monitoring and collections. In addition, the Bank looks forward to the implementation of two Credit regulations to be issued by the ECCB specific to the Treatment of Assets and the Basel II/III regulations, both of which will impact the credit portfolio in 2022.

Specific to credit risk within the investment portfolio, the Bank created and applied an internal risk rating model to be applied to securities not otherwise rated by internal rating agencies which ensured continuous and comprehensive awareness of the risks associated with primarily regional investment exposures.

CYBER RISK

Cyber risk is the potential loss or harm, financial or reputational, related to technical infrastructure or use of technology within an organisation. Events may be the result of deliberate malicious attacks, or unintentional, such as a user error that makes a system temporarily unavailable. The Caribbean region has seen a significant escalation in Cyber Risk attacks in 2020 and the Bank as a result maintained a continuous enhanced risk posture towards mitigating against these risks. Investments were made in upgrading and acquisition of new software and equipment within the Bank towards maintaining effective access controls, network security, denial of service capability, and business continuity programs. We also increased the frequency of education programs for our staff and customers on the actions necessary to prevent illegal access to our systems and customer account information by Cyber Criminals.

OPERATIONAL RISK

Operational Risk is the risk of loss, resulting from people, inadequate or failed processes and systems, or from external events. The pandemic further heightened these associated risks, and required continual changes to operating platforms, systems and infrastructure, to mitigate against the associated risks for staff, customers and other stakeholders. This resulted in the adoption of significant teleworking strategies, coupled with changes to internal operations, with some impact on operating hours and wait times for services. Management ensured that it adapted to these risks with a robust risk-based approach to continuously enhance applicable processes and procedures, along with heightened monitoring, reporting and revisions where necessary. Our Business Continuity Plans were active for most of the year with weekly review meetings, tests, reinforcements and training where applicable. To further support these efforts, the Bank ensured that its insurance program was monitored and reviewed regularly, with timely attention to the performance of insurers and their ratings. Likewise, correspondent risk was continuously addressed with frequent enhancements to policies, customer assessments and internal controls, to ensure satisfactory ratings of stakeholders.

CAPITAL ADEQUACY

Capital adequacy is the statutory minimum capital reserve which financial institutions are required to have available as a buffer against potential losses. Despite the heightened risk environment and its impact on earnings the Bank maintained robust capital adequacy ratios well above the regulatory requirement. As the Bank looks forward to the adoption of the Basel II/III framework, it is confident that this process of identifying, measuring, aggregating and monitoring material risks to its capital buffer, will be formalized and even more effective, with the application of an internal capital adequacy assessment process. Notwithstanding, the Bank continuously applies a very prudent approach to loans loss provisions, in line with IFRS 9 requirements, which are further intended to address the sufficiency of its loss absorbing capacity to support its business profile, and ensure its stability, safety and soundness.

Bank of Saint Lucia Limited

Statement of Financial Position

As at 31 December 2020

(expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Assets		
Cash and balances with Central Bank	**258,760,746**	184,245,453
Deposits with other banks	**216,447,008**	205,294,891
Deposits with non-bank financial institutions	**101,895,704**	53,026,053
Treasury bills	**10,803,898**	12,879,957
Financial assets held for trading	**9,487,282**	21,367,656
Investment securities	**720,427,027**	695,492,442
Financial instruments-pledged assets	**8,351,890**	8,265,705
Due from related parties	**76,623,099**	78,033,099
Loans and advances to customers	**799,318,081**	838,730,158
Property and equipment	**49,610,558**	47,581,798
Right-of-use-lease asset	**528,376**	1,056,752
Other assets	**39,570,253**	48,636,128
Investment in associates	**4,800,000**	4,800,000
Investment properties	**30,986,847**	31,954,500
Retirement benefit asset	**19,235,116**	15,032,050
Income tax recoverable	**9,919,888**	643,851
Deferred tax asset	**-**	7,227,827
Total Assets	**2,356,765,773**	2,254,268,320
Liabilities		
Deposits from banks	**35,280,646**	49,631,408
Due to customers	**1,904,816,124**	1,816,277,749
Lease liability	**538,519**	1,056,752
Deferred tax liability	**1,510,814**	-
Repurchase agreements	**8,106,859**	8,001,405
Borrowings	**60,008,286**	63,843,875
Dividends payable	**290,500**	290,500
Preference shares	**4,150,000**	4,150,000
Other liabilities	**61,528,801**	39,647,589
Total Liabilities	**2,076,230,549**	1,982,899,278
Equity		
Share capital	**265,102,745**	265,102,745
Reserves	**157,722,550**	204,695,603
Revaluation surplus	**13,855,322**	13,855,322
Fair value through OCI reserve	**16,145,796**	7,721,221
Accumulated Deficit	**(172,291,189)**	(220,005,849)
Total Equity	**280,535,224**	271,369,042
Total Liabilities and Equity	**2,356,765,773**	2,254,268,320

Approved by the Board of Directors on April 26, 2021.

____________________ Director ____________________ Director

Bank of Saint Lucia Limited

Statement of Profit or Loss

For the year ended 31 December 2020

(expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Interest income	**79,129,600**	88,217,512
Interest expense	**(28,720,819)**	(28,853,875)
Net interest income	**50,408,781**	59,363,637
Fee and commission income	**32,784,127**	34,509,961
Dividend income	**487,473**	469,239
Net foreign exchange trading income	**8,277,084**	9,825,206
Other income operating income	**14,032,429**	17,381,236
Other gains, net fair	**4,777,392**	3,339,716
Impairment losses on loans and advances	**(25,846,024)**	(6,383,428)
Impairment losses on investments	**(2,852,126)**	(87,103)
Operating expenses	**(70,820,895)**	(68,932,382)
Profit before income tax and preference shares	**11,248,243**	49,486,082
Dividends on preference shares	**(290,500)**	(290,500)
Profit before income tax	**10,957,743**	49,195,582
Income tax expense	**(6,579,237)**	(1,258,765)
Profit for the year after taxation	**4,378,506**	47,936,817

FINANCIAL REPORTING RESPONSIBILITIES

The management of the East Caribbean Financial Holdings Company is responsible for the preparation and fair presentation of the financial statements and other financial information contained within this Annual Report. The accompanying financial statements were prepared in accordance with International Financial Reporting Standards. Where amounts had to be based on estimates and judgments, these represent the best estimates and judgments of Management.

In discharging its responsibility for the integrity and fairness of the financial statements, and for the accounting systems from which they were derived, Management has developed and maintains a system of accounting and reporting which provides the necessary internal controls that ensure transactions are properly authorized, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. This is supported by written policies and procedures; quality standards in recruiting and training employees; and an established organizational structure that permits accountability for performance within appropriate and well-defined areas of responsibility. An Audit Unit that conducts periodic audits of all aspects of the Group's operations further supports the system of internal controls.

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

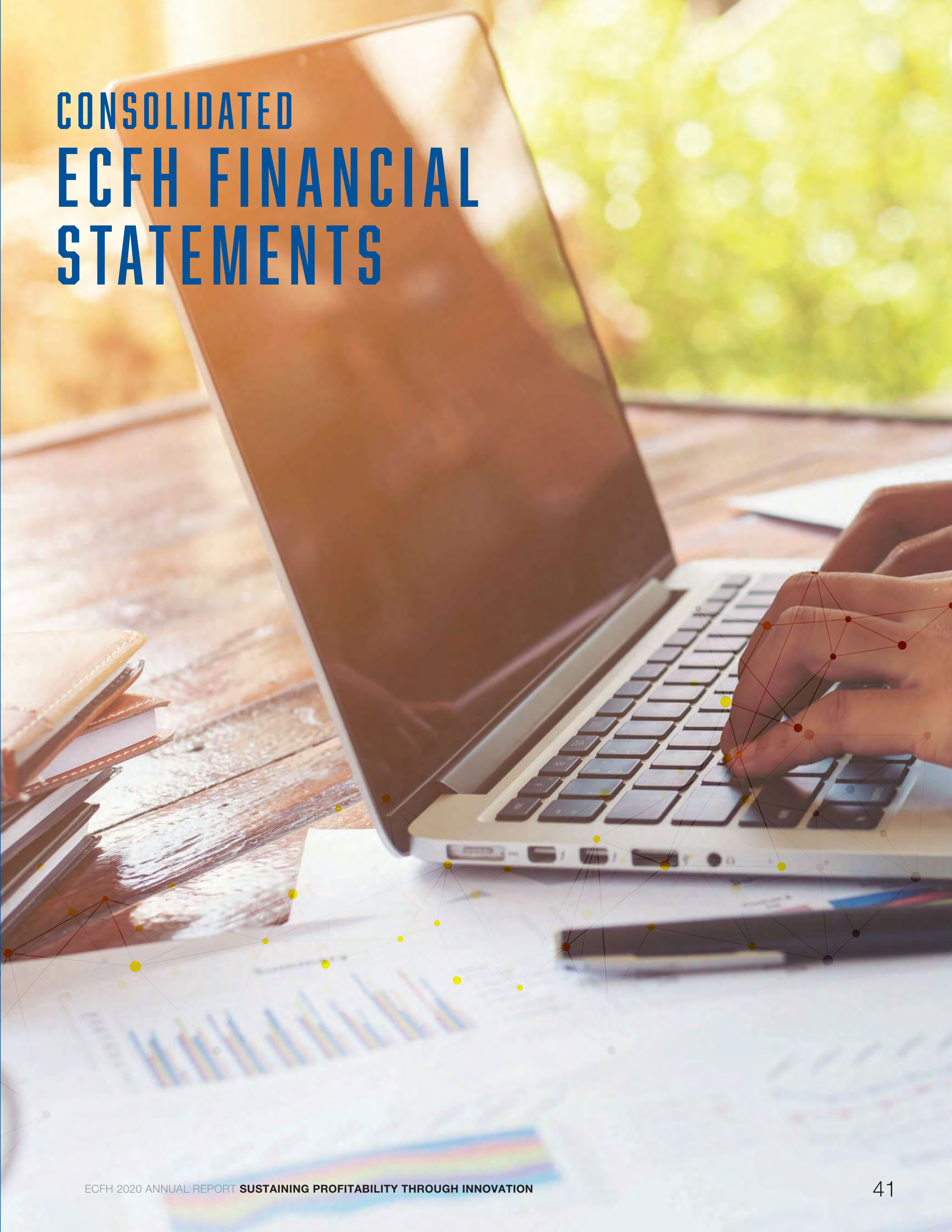
The Eastern Caribbean Central Bank conducts examinations and makes inquiries into the affairs of the Group as deemed necessary to ensure that the provision of the Banking Act relating to safety of depositors' funds and shareholders' equity is being observed and that the Group is in a sound financial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

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

Rolf Phillips
Managing Director

Ketha Auguste
Chief Financial Officer

CONSOLIDATED ECFH FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of East Caribbean Financial Holding Company Limited

Opinion

We have audited the consolidated financial statements of East Caribbean Financial Holding Company Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in our audit
IFRS 9 Expected Credit Losses	
Refer to Notes 2(d), 11, 12 and 13 of the consolidated financial statements The Group recognises expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and estimates. The key areas requiring a greater level of judgement by management and therefore increased audit focus include the identification of significant increase in credit risk ('SICR') and the application of forward-looking information. The identification of significant increase in credit risk is a key area of judgement as these criteria determine whether a 12 month or lifetime provision is recorded (i.e. the Stage allocation process). IFRS 9 requires the Group to measure expected credit losses on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is used in determining the economic scenarios and management overlay.	**General** We understood management's process and reviewed key activities around the determination of expected credit loss allowances including: - Appropriateness of modeling methodology; - Model approval; - The identification of credit impairment events; and - The review, challenge and approval of the expected credit loss allowances, including the impairment model outputs, key management judgments and overlays applied. Management has applied a heightened level of judgment in their assessment of the impact of COVID-19 on the ECL allowance. **Stage 1 and Stage 2 loans and advances** • Obtained an understanding of the impairment model used by management for the calculation of expected credit losses. • Tested the completeness and accuracy of the key data inputs used in the model to the underlying accounting records.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

Key Audit Matter	**How the matter was addressed in our audit**
IFRS 9 Expected Credit Losses (cont'd)	
	Stage 1 and Stage 2 loans and advances, (cont'd) • Involved our financial risk modelling specialists to evaluate the reasonableness of the Group's ECL estimates based on the underlying ECL models produced by the Group. As part of this, the specialists reviewed the methodologies and assumptions employed within the models for reasonableness. This included a review of the SICR criteria for loans under the moratorium program and the evaluation of management's expert credit judgment in ensuring that amounts recorded were reflective of the credit quality, macroeconomic trends and other factors including the impact of COVID-19. • The specialists also reviewed the derivation and assumptions selected for probability of default, loss given default and the exposure at default. Additionally, the specialists considered the appropriateness of using a management's overlay approach in lieu of a regression model based on the statistical credibility results provided. We assessed the reasonableness of the overlays derived outside the specific model output including the COVID-19.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in our audit
IFRS 9 Expected Credit Losses (cont'd)	
For the Group's loans and advances in Stage 1 and 2 (i.e. *Stage 1* - loans which had not experienced a significant increase in credit risk since origination and; *Stage 2* - those that had experienced such), the allowance is determined on a collective basis with the use of impairment models. These models use a number of key assumptions including probability of default, loss given default and valuation of recoveries. Management also apply overlays where they believe the model calculated assumptions and allowances require refinement due to historical trends or due to the model limitations. For the Group's loans and advances in Stage 3 (i.e. credit impaired facilities) expected credit losses are estimated on an individual basis. Specific criteria have been developed to identify loans that have become credit impaired. However, judgement is exercised to determine whether any additional loans are exhibiting specific characteristics that would lead to such classification. The Group then estimates the expected future cash flows related to those loans. We therefore determined that the impairment of loans and advances has a high degree of estimation uncertainty.	**Stage 3 loans and advances** • We critically assessed the criteria for determining whether a credit impairment event had occurred. This involved reviewing a sample of loan facilities in Stage 1 and 2 for indicators of a credit impairment event based on determined risk characteristics. • We assessed the adequacy of the impairment allowance for loans and advances by testing the key assumptions used in the Group's ECL calculations including forecasts of future cash flows and timing of such. • We involved our internal valuation specialists in the review of third-party valuations of the underlying collateral security supporting a sample of loans and advances. • We also considered the current market conditions and compared these against the Group's historical experience of the realization of security and actual collection of cash flows. • Re-performed management's allowance calculation. **Financial statement disclosures** • Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with the standard.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Key Audit Matters (continued)

Key Audit Matters	**How our audit addressed the key audit matter**
Fair Value of Investments	
Refer to Notes 2, 3(h) and 14 to the consolidated financial statements. The Group invests in various investment securities for which no published prices in active markets are available and have been classified as Level 2 assets within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.	We reviewed the reasonableness of the methods and assumptions used in determining the fair value of investment securities. We considered whether the methodology remains appropriate given current market conditions. We independently assessed the fair value of investments by performing independent valuations on the investment portfolio as well as recalculating the unrealized gain (loss) recognized. We verified that the required IFRS disclosures have been included in the consolidated financial statements at year end. We also reviewed management's assessments of whether there are any indicators of impairment including those securities that are not actively traded.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

Other Information

Management is responsible for the other information. The other information comprises the Group's 2020 Annual Report but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

To the Shareholders of East Caribbean Financial Holding Company Limited

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Baldwin Alcindor.

KPMG

Chartered Accountants
Castries, Saint Lucia
April 26, 2021.

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position

As at December 31, 2020

(in thousands of Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Assets			
Cash and balances with Central Bank	6	**258,761**	184,245
Treasury bills	7	**10,804**	12,880
Deposits with other banks	8	**216,447**	205,295
Financial assets held for trading	9	**9,487**	21,368
Deposits with non-bank financial institutions	10	**101,896**	53,026
Investment securities	14	**719,635**	694,699
Financial instruments - pledged assets	15	**8,352**	8,266
Loans and advances to customers	11	**799,318**	838,730
Investment in associates	16	**63,981**	59,986
Property and equipment	17	**49,611**	47,582
Investment property	18	**30,987**	31,955
Right-of-use lease asset	19	**528**	1,057
Other assets	20	**39,692**	48,728
Retirement benefit asset	22	**19,235**	15,032
Deferred tax asset	27	**-**	7,228
Income tax recoverable		**9,920**	644
Total Assets		**2,338,654**	2,230,721
Liabilities			
Deposits from banks	23	**35,281**	49,631
Due to customers	24	**1,901,810**	1,813,271
Lease liability	19	**539**	1,057
Deferred tax liability	27	**1,511**	-
Repurchase agreements	15	**8,107**	8,001
Dividends payable		**291**	291
Borrowings	25	**60,008**	63,844
Cumulative preference shares	44	**4,150**	4,150
Other liabilities	26	**61,528**	39,648
Total Liabilities		**2,073,225**	1,979,893

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position*...continued*

As at December 31, 2020

(in thousands of Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Equity			
Share capital	28	**170,081**	170,081
Contributed capital	29	**1,118**	1,118
Reserves	30	**172,574**	219,520
Revaluation surplus		**13,855**	13,855
Fair value through OCI reserve		**18,099**	7,304
Accumulated Deficit		**(110,298)**	(161,050)
Total Equity		**265,429**	250,828
Total Liabilities and Equity		**2,338,654**	2,230,721

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

Approved by the Board of Directors on April 26, 2021.

Director

Director

East Caribbean Financial Holding Company Limited

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(in thousands of Eastern Caribbean dollars)

	Share Capital $	Contributed Capital $	Reserves $	Revaluation Surplus $	Fair value through OCI reserve $	Accumulated Deficit $	Total Equity $
Balance at 1 January 2019	170,081	1,118	206,377	13,855	1,040	(202,550)	189,921
Adjustment for share of Associate's IFRS 9 impact	-	-	-	-	(7,650)	5,025	(2,625)
Adjusted balance at January 1, 2019	170,081	1,118	206,377	13,855	(6,610)	(197,525)	187,296
Total comprehensive income for the year	-	-	-	-	13,914	56,877	70,791
Transfers to reserves	-	-	13,062	-	-	(13,062)	-
Contributions	-	-	81	-	-	-	81
Dividends	-	-	-	-	-	(7,340)	(7,340)
Balance at 31 December 2019	170,081	1,118	219,520	13,855	7,304	(161,050)	250,828
Balance at 1 January 2020	**170,081**	**1,118**	**219,520**	**13,855**	**7,304**	**(161,050)**	**250,828**
Total comprehensive income for the year	-	-	-	-	**10,795**	**9,895**	**20,690**
Transfers to reserves	-	-	**(46,973)**	-	-	**46,973**	-
Contributions	-	-	**27**	-	-	-	**27**
Dividends	-	-	-	-	-	**(6,116)**	**(6,116)**
Balance at 31 December 2020	**170,081**	**1,118**	**172,574**	**13,855**	**18,099**	**(110,298)**	**265,429**

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

East Caribbean Financial Holding Company Limited

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

(in thousands of Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Interest income	32	**79,130**	88,218
Interest expense	32	**(28,721)**	(28,854)
Net interest income		**50,409**	59,364
Other operating income	33 - 36	**60,093**	65,261
Impairment losses - loans	12	**(25,846)**	(6,383)
Impairment losses - investments	9, 13	**(2,852)**	(87)
Operating expenses	37	**(70,821)**	(68,932)
Operating profit		**10,983**	49,223
Share of profit of associates	16	**3,303**	7,318
Profit for the year before income tax and dividends		**14,286**	56,541
Dividends on preference shares	40	**(291)**	(291)
Profit for the year before income tax		**13,995**	56,250
Income tax expense	39	**(6,579)**	(1,259)
Profit for the year after taxation		**7,416**	54,991
Profit per share attributable to the equity holders of the Company during the year	40		
- basic		**0.30**	2.25
- diluted		**0.29**	2.16

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

East Caribbean Financial Holding Company Limited

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

(in thousands of Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Profit for the year		**7,416**	54,991
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gains on revaluation of FVOCI instruments		**9,907**	11,105
Realised (gain)/ loss transferred to profit or loss		**(1,483)**	1,755
		8,424	12,860
Share of fair value gains on assets carried at fair value of associated companies		**2,371**	1,054
		10,795	13,914
Re-measurement gains on defined benefit pension scheme		**3,542**	2,694
Income tax effect		**(1,063)**	(808)
Net re-measurement gains	**22**	**2,479**	1,886
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		**13,274**	15,800
Total comprehensive income for the year (net of tax)		**20,690**	70,791

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

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

(in thousands of Eastern Caribbean dollars)

	2020 $	2019 $
Cash flows from operating activities		
Profit after tax	**7,416**	54,991
Adjustments for:		
Interest income on investments	**(23,148)**	(25,794)
Depreciation and amortisation	**4,795**	4,638
Impairment losses on loans	**25,845**	6,383
Impairment loss on investment securities	**2,852**	87
Unrealised gain on investments fair value through profit or loss	**(943)**	(1,059)
Interest expense on borrowings	**4,048**	4,294
Retirement benefit expense	**1,970**	1,051
(Gain(/loss on disposal of property and equipment	**(42)**	6
Fair value loss on investment properties	**968**	-
Share of profit of associate	**(3,303)**	(7,318)
Net gains on disposal of investments	**(4,802)**	(2,281)
Unamortised premium on investments	**1,185**	391
Retirement benefit contributions paid	**(2,631)**	(2,943)
Dividends on preference shares	**291**	291
Income tax expense	**6,579**	1,259
Cash flows before changes in operating assets and liabilities	**21,080**	33,996
Changes in:		
Mandatory deposits with Eastern Caribbean Central Bank	**(8,332)**	(1,633)
Loans and advances to customers	**13,566**	4,102
Other assets	**9,036**	(173)
Due to customers	**88,539**	(8,052)
Deposits with banks	**94,817**	(40,209)
Deposits with non-bank financial institutions	**27,250**	(32,842)
Repurchase agreements	**105**	49
Deposits from banks	**(14,350)**	(6,214)
Other liabilities	**21,880**	3,717
Financial instruments - pledged assets	**(105)**	(48)
Decrease in lease liability	**(518)**	-
Trading assets	**11,127**	(2,631)
Treasury bills	**(979)**	(10,443)
Cash from/(used in) operations	**263,116**	(60,381)
Income tax paid	**(8,179)**	(2,162)
Interest received	**24,066**	25,988
Interest paid	**(4,114)**	(4,376)
Dividend received	**1,674**	1,554
Net cash from/(used in) operating activities	**276,563**	(39,377)

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows...*continued*

For the year ended December 31, 2020

(in thousands of Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Cash flows from investing activities			
Purchase of investment securities		**(360,514)**	(317,516)
Proceeds from disposal and redemption of investment securities		**345,851**	306,710
Purchase of property and equipment		**(6,327)**	(5,830)
Proceeds from disposal of property and equipment		**74**	57
Net cash used in investing activities		**(20,916)**	(16,579)
Cash flows from financing activities			
Dividends paid		**(6,407)**	(7,921)
Proceeds from capital contributions		**27**	81
Repayment of borrowings		**(3,769)**	(7,593)
Net cash used in financing activities		**(10,149)**	(15,433)
Increase/(decrease) in cash and cash equivalents during the year		**245,498**	(71,389)
Cash and cash equivalents at beginning of year		**186,226**	257,615
Cash and cash equivalents at end of year	41	**431,724**	186,226

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

East Caribbean Financial Holding Company Limited

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(in thousands of Eastern Caribbean dollars)

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1 Corporate Information

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

Bank of Saint Lucia Limited, and ECFH are in compliance with the Companies Acts and Banking Acts and the provisions of the Insurance Act, 1995.

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

The principal shareholding of the Group is stated in Note 43.

The Company is listed on the Eastern Caribbean Securities Exchange.

2 Summary of Significant Accounting Policies

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

Statement of compliance
East Caribbean Financial Holding Company Limited's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at December 31, 2020 (the reporting date).

(a) Basis of preparation

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

- Financial assets measured at fair value through profit or loss
- Financial assets designated at fair value through profit or loss
- Equity instruments designated at fair value through other comprehensive income
- Debt instruments measured at fair value through other comprehensive income
- Investment property and certain classes of property and equipment are measured at market value less accumulated depreciation.

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures

The Group applied for the first-time certain standards and amendments, which are effective for annual reporting periods beginning on or after January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- **Amendments to IFRS 3 – Definition of A Business (Amendments to IFRS 3)**

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*…. continued*

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

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

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

  Three critical aspects of the amended definition must be noted:

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*…. continued*

- **Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurements and IFRS 7 – Financial Instruments – Disclosures – Interest rate benchmark reform.**

  The amendments are intended to support the provision of useful financial information during the period of uncertainty arising from the phasing out of interest rate benchmarks such as IBORs. The amendments include a number of reliefs which apply to hedging relationships that are directly affected by the interest rate benchmark reform. A two-phase approach was taken to consider what, if any, reliefs to give from the effects of the IBOR reform. Phase 1 considers reliefs to hedge accounting in the period before the reform.

  The reliefs provide for the following:

  1. Highly probable requirement (IFRS 9 and IAS 39) - The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Hence, where the hedged cash flows may change as a result of IBOR reform, this will not cause the ‘highly probable’ test to be failed.
  2. Reclassification of the amount in the cash flow hedge reserve to profit or loss (IFRS 9 and IAS 39). To determine whether the hedge cash flows are expected to occur, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.
  3. Assessment of the economic relationship between the hedged item and the hedging instrument (IFRS9) – an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or hedged risk are based, or interest rate benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of the interest rate benchmark reform.
  4. Prospective assessments (IAS 39) – an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered.
  5. Retrospective effectiveness test exception - IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this required 80–125% range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met.
  6. Risk component (IFRS 9 and IAS 39) - Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis.

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Changes in accounting policies and disclosures*…. continued*

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

The standard is effective for reporting periods beginning on or after January 1, 2020.

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

The phase 2 amendments dealt with replacement issues. More particularly, issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. The amendments include:

1. Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

2. *Relief from discontinuing hedging relationships*
The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.

3. *Separately identifiable risk components*
The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

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

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

Additional IFRS 7 disclosures related to IBOR reform

The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

Transition:

The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required however, an entity may restate prior periods if and only if, it is possible without the use of hindsight.

The adoption of the above standards did not have a significant impact on the amounts or disclosures in the financial statements.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- **Amendments to IAS 16 – Property, Plant and Equipment**

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Standards issued but not yet effective*...continued*

- **Amendment to IFRS 3 – Business Combinations**

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

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

IFRS 17- Insurance Contracts

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

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Standards issued but not yet effective*...continued*

- **Covid-19 Related Rent Concessions – Amendment to IFRS 16**

  On May 28, 2020, IASB published the above amendment which provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The changes in COVID-19 Related Rent Concessions (Amendments to IFRS16) amend IFRS 16 to:

  1. Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification,
  2. Require lessees that apply the exemption to account for COVID-19 related concessions as if they were not lease modifications,
  3. Require lessees that apply the exemption to disclose that fact, and
  4. Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

Any reduction in lease payments affects only payments originally due on or before June 30, 2022.The amendment is effective for annual reporting periods beginning on or after June 30, 2020. Earlier application is permitted including in financial statements not yet authorised for issue at May 28, 2020.

- **IFRS 9, Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities**

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

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

The consolidated financial statements of the Group comprise the financial statements of the parent entity and its subsidiary as at December 31, 2020.

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

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns
- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
    - The contractual arrangement with the other vote holders of the investee
    - Rights arising from other contractual arrangements
    - The Group's voting rights and potential voting rights

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Consolidation*...continued*

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Consolidation*...continued*

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(a) Basis of preparation*...continued*

Consolidation*...continued*

Associates *...continued*

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

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

(b) Fair value measurement

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

Disclosures for valuation methods, significant estimates and assumptions	Notes 2, 3, 14 and 18
Quantitative disclosures of fair value measurement hierarchy	Note 3
Investment properties	Note 18
Financial instruments (including those carried at amortised cost)	Notes 9, 14
Land and buildings	Note 17

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

2 Summary of Significant Accounting Policies*...continued*

(b) Fair value measurement*...continued*

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

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

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

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

(c) Cash and cash equivalents

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

(d) Financial assets

The Group allocates financial assets to the following IFRS 9 categories:
- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

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

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

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

Investments in debt instruments are measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal balance.

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

Debt instruments measured at Fair value through other Comprehensive Income*...continued*
Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated Statement of Financial Position, which remains at its fair value.

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

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

Equity instruments

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

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

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

Recognition/derecognition

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

Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

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

Financial liabilities

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

Impairment of financial assets

Scope
IFRS 9 has fundamentally changed the Group's impairment model by replacing IAS 39's incurred loss approach with a forward-looking three-stage expected credit loss (ECL) approach. As of January 1, 2018, the Group has recorded the allowance for expected credit losses for the following categories of financial assets:

- Amortised cost financial assets
- Debt instruments measured at fair value through other comprehensive income;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments are not subject to impairment under IFRS 9.

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

Impairment of financial assets*...continued*

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

Impairment of financial assets*...continued*

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.
- Undrawn loan commitments the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life and calculates the ECL as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Group expects to recover.

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

- PD **–** The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- EAD **–** The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD **–** The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

Impairment of financial assets*...continued*

Macroeconomic factors
The standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Group conducted an assessment of a broad range of forward-looking economic information including the impact of the COVID-19 pandemic, as inputs. The results were applied to the probability of default as an overlay.

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

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

In addition to the above, as a result of the COVID-19 pandemic, the Group included as part of its definition of significant increase in credit risk:

- Debt relief extended to borrowers following guidance issued by the Central Bank.
- Sectors in the economy which were deemed more vulnerable to the adverse impact of covid-19.

As such, loan facilities which were granted moratoria and loans in the more vulnerable sectors were migrated to a higher risk bucket and the appropriate level of ECL calculated.

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

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

2 Summary of Significant Accounting Policies*...continued*

(d) Financial assets*...continued*

Impairment of financial assets*...continued*

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Undrawn loan commitments and financial guarantees in other liabilities;
- Debt instruments measured at fair value through OCI the ECLs are not recognized in the consolidated statement of financial position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the assets.

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

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying value as a modification gain or loss in profit or loss.

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

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

2 Summary of Significant Accounting Policies...*continued*

(d) Financial assets...*continued*

Impairment of financial assets...*continued*

Definition of default

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

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payments;
- High probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- Measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.

The Group considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due,

Write-offs

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

(e) Offsetting financial instruments

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

2 Summary of Significant Accounting Policies*...continued*

(f) Sale and repurchase agreements

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

(g) Property and equipment

Land and buildings comprise mainly branches and offices occupied by the parent or its subsidiaries. Land and buildings are shown at fair value less subsequent depreciation for buildings. Valuations are reviewed annually by quantity surveyors.

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

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

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

Buildings	2%
Leasehold improvements	2 – 33 1/3%
Motor vehicles	20 – 25%
Office furniture and equipment	10 – 20%
Computer equipment and software	33 1/3%

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

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

Depreciation methods, useful lives and residual values are reassessed annually.

2 Summary of Significant Accounting Policies*...continued*

(h) Investment properties

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

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

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

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

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

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

2 Summary of Significant Accounting Policies…*continued*

(i) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 20 years.

Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable.

An impairment loss is recognised if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after recognition.

(a) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

(b) Other intangible assets

Other intangible assets consist of customer relationships (core deposit intangibles). Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method. Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 12 years.

(j) Impairment of other non-financial assets

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

2 Summary of Significant Accounting Policies*...continued*

(k) Income tax

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

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

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

(b) Deferred tax
Deferred income tax is provided in full on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the 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 tax asset is realised or the deferred income tax liability is settled.

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

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

(l) Financial liabilities
The Group’s holding in financial liabilities are measured at amortised cost. Financial liabilities are derecognised when extinguished.

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

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

2 Summary of Significant Accounting Policies*...continued*

(n) Provisions

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

(o) Redeemable preference shares

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

(p) Employee benefits

Pension obligations

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

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

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

The Group's policy is to fully fund the pension and to meet any funding shortfalls over a period of ten years following regular periodical actuarial reviews.

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

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

2 Summary of Significant Accounting Policies*...continued*

(p) Employee benefits*...continued*

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(s) Share capital

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

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

(t) Interest income and expense
Interest income and expense are recognised in profit or loss for all financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

(v) Dividend income
Dividend income is recognised when the entity’s right to receive payment is established.

2 Summary of Significant Accounting Policies*...continued*

(w) Foreign currency translation

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

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

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

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 profit or loss.

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

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

2 Summary of Significant Accounting Policies*...continued*

(x) Leases *...continued*

Definition of a lease

A Group company is the lessee

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

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

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

The Group is the lessor

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

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

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

2 Summary of Significant Accounting Policies*...continued*

(x) Leases *...continued*

The Group is the lessor

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

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

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular the Group:

- Did not recognise the right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the initial application date of January 1, 2019.
- Did not recognise the right-of-use assets and liabilities for leases where the lease asset was not physically distinct from the asset. IFRS 16:5, 6 & 8 states that A capacity portion of a lease of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all the capacity such that the customer obtains substantially all the economic benefits from using the asset (IFRS 16: B20). These leases therefore did not fall within the scope of IFRS 16.

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

(z) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its Board of Directors is the chief operating decision maker.

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

In accordance with IFRS 8, the Group had one reportable segment: Bank of St. Lucia Limited.

3 Financial Risk Management

(a) Strategy in using financial instruments

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

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

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

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

(b) Credit risk

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

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

<u>Loans and advances to customers</u>

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

3 Financial Risk Management…*continued*

(b) Credit risk…*continued*

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

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

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

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

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

Some other specific control and mitigation measures are outlined below.

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

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

3 Financial Risk Management*...continued*

(b) Credit risk*...continued*

Collateral*...continued*

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

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

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

Credit-related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third-party to draw drafts on the Group up to a stipulated amount under specific terms and conditions.

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

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

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(b) Credit risk*...continued*

Impairment and provisioning policies *...continued*

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

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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

Maximum exposure to credit risk

	Maximum exposure	
	2020	**2019**
	$	**$**
Credit risk exposures relating to the financial assets in the statement of financial position:		
Balances with Central bank	**222,378**	146,502
Treasury bills	**10,804**	12,880
Deposits with other banks	**216,447**	205,295
Deposits with non-bank financial institutions	**101,896**	53,026
Loans and advances to customers:		
Large corporate loans	**233,191**	234,970
Term loans	**164,388**	184,756
Mortgages	**372,679**	372,621
Overdrafts	**29,060**	46,383
Financial assets held for trading	**9,487**	21,368
Investment securities	**686,262**	675,740
Financial instruments - pledged assets	**8,352**	8,266
Other assets	**36,484**	45,338
	2,091,428	2,007,145
Credit risk exposures relating to the financial assets off the statement of financial position:		
Loan commitments	**82,469**	50,362
Guarantees, letters of credit and other credit obligations	**15,998**	18,361
	98,467	68,723
	2,189,895	2,075,868

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(b) Credit risk*...continued*

Maximum exposure to credit risk *...continued*

The above table represents a worst-case scenario of credit risk exposure to the Group at December 31, 2020 and 2019 without taking account of any collateral held or other credit enhancements attached. For assets included on the Statement of Financial Position, the exposures set out above are based on net carrying amounts as at the reporting date.

As shown above 37% (2019 – 40.5%) of the total maximum exposure is derived from loans and advances to customers and 33% (2019 – 32.5%) represents investments in debt securities.

Loans and advances are summarised as follows:

	Loans and advances and loan commitments for which the loss allowance is measured at:					
	Stage 1		**Stage 2**		**Stage3**	
	12-months expected credit loss not credit impaired		**Lifetime expected credit losses not credit impaired**		**Lifetime expected credit losses credit impaired**	
	2020 $	**2019 $**	**2020 $**	**2019 $**	**2020 $**	**2019 $**
Gross	**362,098**	647,071	**273,077**	7,699	**249,412**	247,106
Less allowance for impairment on loans and advances	**(4,168)**	(4,838)	**(9,711)**	(543)	**(71,390)**	(57,765)
Net	**357,930**	642,233	**263,366**	7,156	**178,022**	189,341

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

Loans and advances neither past due nor impaired
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

Loans and advances to customers

	Overdrafts $	**Term Loans $**	**Mortgages $**	**Large Corporate loans $**	**Total $**
December 31, 2020	**20,886**	**114,379**	**278,830**	**100,379**	**514,474**
December 31, 2019	36,642	135,041	292,200	131,907	595,790

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management *...continued*

(b) Credit risk…*continued*

Loans and advances to customers…*continued*

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

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate loans $	Total $
At December 31,2020					
Past due up to 30 days	**1,000**	**16,250**	**37,103**	**26,610**	**80,963**
Past due 30 – 60 days	**230**	**7,511**	**12,087**	**-**	**19,828**
Past due 60 – 90 days	**3,923**	**4,532**	**8,658**	**2,797**	**19,910**
	5,153	**28,293**	**57,848**	**29,407**	**120,701**

	Overdrafts $	Term loans $	Mortgages $	Large Corporate Loans $	Total $
At December 31,2019					
Past due up to 30 days	1,753	15,530	27,302	1,493	46,078
Past due 30 – 60 days	423	2,587	3,938	398	7,346
Past due 60 – 90 days	3,962	870	724	-	5,556
	6,138	18,987	31,964	1,891	58,980

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(b) Credit risk*...continued*

Loans and advances to customers*...continued*

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

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate Loans $	Total $
December 31, 2020	**12,001**	**41,158**	**59,726**	**136,527**	**249,412**
December 31, 2019	11,308	41,080	61,284	133,434	247,106

Debt securities, treasury bills and other eligible bills

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

	Financial assets held for trading $	Investment Securities $	Pledged Assets $	Treasury Bills $	Total $
December 31, 2020					
A- to A+	**-**	**161,256**	**-**	**-**	**161,256**
Lower than A-	**-**	**360,863**	**-**	**-**	**360,863**
Unrated	**9,487**	**164,143**	**8,352**	**10,804**	**192,786**
	9,487	**686,262**	**8,352**	**10,804**	**714,905**
December 31, 2019					
A- to A+	-	167,480	-	-	167,480
Lower than A-	-	359,307	-	-	359,307
Unrated	21,368	148,953	8,266	12,880	191,467
	21,368	675,740	8,266	12,880	718,254

3 Financial Risk Management*...continued*

(b) Credit risk*...continued*

Loans and advances to customers*...continued*

Concentrations of risks of financial assets with credit exposure

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

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

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

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(b) Credit risk...*continued*

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

	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
At December 31, 2020								
Balances with Central Bank	222,378	-	-	-	-	-	-	222,378
Treasury bills	-	-	-	10,804	-	-	-	10,804
Deposits with other banks	216,447	-	-	-	-	-	-	216,447
Deposits with non-bank financial institutions	101,896	-	-	-	-	-	-	101,896
Loans and receivables to customers								
Overdrafts	129	226	4,280	12,486	1,379	365	10,195	29,060
Term loans	69	364	3,341	136	9,910	109,620	40,948	164,388
Large corporate loans	-	3,184	45,978	55,508	40,767	5,612	82,142	233,191
Mortgages	-	-	-	-	-	372,679	-	372,679
Financial assets held for trading	-	-	-	9,487	-	-	-	9,487
Investment securities	307,851	-	-	110,467	-	-	267,944	686,262
Financial instruments - pledged assets	-	-	-	8,352	-	-	-	8,352
Other assets	-	-	-	-	-	-	36,484	36,484
	848,770	3,774	53,599	207,240	52,056	488,276	437,713	2,091,428
Loan commitments, letters of credit, guarantees and other credit obligations	6,107	799	420	36,094	554	14,965	39,528	98,467

East Caribbean Financial Holding Company Limited

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(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(b) Credit risk...*continued*

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

	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
At December 31, 2019								
Balances with Eastern Caribbean Central Bank	146,502	-	-	-	-	-	-	146,502
Treasury bills	-	-	-	12,880	-	-	-	12,880
Deposits with other banks	205,295	-	-	-	-	-	-	205,295
Deposits with non-bank financial institutions	53,026	-	-	-	-	-	-	53,026
Loans and receivables to customers								
Overdrafts	299	283	4,224	23,724	1,530	917	15,406	46,383
Term loans	113	630	3,727	163	12,980	147,413	19,730	184,756
Large corporate loans	-	3,655	60,027	5,241	45,534	13,248	107,265	234,970
Mortgages	-	-	-	-	-	372,621	-	372,621
Financial assets held for trading	-	-	-	21,368	-	-	-	21,368
Investment securities	240,742	-	-	77,531	-	-	357,467	675,740
Financial instruments - pledged assets	-	-	-	8,266	-	-	-	8,266
Other assets	-	-	-	-	-	-	45,338	45,338
	645,977	4,568	67,978	149,173	60,044	534,199	545,206	2,007,145
Loan commitments, letters of credit, guarantees and other credit obligations	2,513	2,781	1,739	5,612	1,933	17,066	37,079	68,723

*Other industries include construction and land development

3 Financial Risk Management*...continued*

(c) Market risk

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

Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's FVOCI investments (Note 14).

(d) Currency risk

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

East Caribbean Financial Holding Company Limited

Notes to the Consolidated Financial Statements

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(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS$ $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2020								
Cash and balances with Central Bank	255,309	2,691	72	367	186	136	-	258,761
Treasury bills	10,804	-	-	-	-	-	-	10,804
Deposits with other banks	113,358	78,528	1,476	20,969	903	448	765	216,447
Financial assets held for trading	9,487	-	-	-	-	-	-	9,487
Deposits with non-bank financial institution	15,705	85,844	-	323	24	-	-	101,896
Loans and receivables:								
Loans and advances to customers	772,015	27,303	-	-	-	-	-	799,318
Investment securities:								
Amortised cost	18,363	165,225	-	-	-	-	-	183,588
FVOCI	84,364	440,845	-	-	-	-	-	525,209
FVTPL – equities	6	10,832	-	-	-	-	-	10,838
Financial instruments - pledged assets	8,352	-	-	-	-	-	-	8,352
Other assets	36,484	-	-	-	-	-	-	36,484
Total financial assets	1,324,247	811,268	1,548	21,659	1113	584	765	2,161,184

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2020								
Liabilities								
Deposits from banks	35,281	-	-	-	-	-	-	35,281
Due to customers	1,731,461	149,086	-	21,263	-	-	-	1,901,810
Repurchase agreements	4,816	3,291	-	-	-	-	-	8,107
Borrowings	51,231	8,777	-	-	-	-	-	60,008
Preference shares	4,150	-	-	-	-	-	-	4,150
Other liabilities	61,528	-	-	-	-	-	-	61,528
Total financial liabilities	1,888,467	161,154	-	21,263	-	-	-	2,070,884
Net assets/(liabilities)	(564,220)	650,114	1,548	396	1,113	584	765	90,300
Guarantees and letters of credit	15,998	-	-	-	-	-	-	15,998
Loan commitments	82,469	-	-	-	-	-	-	82,469

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS$ $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2019								
Cash and balances with Central Bank	177,326	5,910	126	422	264	197	-	184,245
Treasury bills	12,880	-	-	-	-	-	-	12,880
Deposits with other banks	76,535	112,142	1,471	13,868	405	551	323	205,295
Financial assets held for trading	21,368	-	-	-	-	-	-	21,368
Deposits with non-bank financial institution	15,379	37,371	-	253	23	-	-	53,026
Loans and receivables:								
Loans and advances to customers	807,895	30,835	-	-	-	-	-	838,730
Investment securities:								
Amortised cost	4,672	181,202	-	-	-	-	-	185,874
FVOCI	94,086	409,340	-	-	-	-	-	503,426
FVTPL - equities	6	5,361	-	-	-	-	32	5,399
Financial instruments - pledged assets	8,266	-	-	-	-	-	-	8,266
Other assets	45,338	-	-	-	-	-	-	45,338
Total financial assets	1,263,751	782,161	1,597	14,543	692	748	355	2,063,847

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(d) Currency risk...*continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2019								
Liabilities								
Deposits from banks	49,631	-	-	-	-	-	-	49,631
Due to customers	1,678,051	122,351	-	12,869				1,813,271
Repurchase agreements	4,735	3,266	-	-	-	-	-	8,001
Borrowings	51,232	12,612	-	-	-	-	-	63,844
Preference shares	4,150	-	-	-	-	-	-	4,150
Other liabilities	39,647	-	-	-	-	-	-	39,647
Total financial liabilities	1,827,446	138,229	-	12,869	-	-	-	1,978,544
Net assets/(liabilities)	(563,695)	643,932	1,597	1,674	692	748	355	85,303
Loan commitments, letters of credit, guarantees and other credit obligations	68,723	-	-	-	-	-	-	68,723

3 Financial Risk Management*...continued*

(e) Interest rate risk

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

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(e) Interest rate risk...*continued*

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

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2020							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	258,761	258,761
Treasury bills	9,820	984	-	-	-	-	10,804
Deposits with other banks	46,227	37	12,306	-	-	157,877	216,447
Financial assets held for trading	-	-	2,458	5,117	1,912		9,487
Deposits with non-bank financial institutions	59,682	13,740	15,705	-	-	12,769	101,896
Loans and receivables:							
– loans and advances to customers	23,980	4,357	26,227	159,008	585,746	-	799,318
Investment securities:							
– amortised cost	27,372	6,802	16,491	98,211	34,712	-	183,588
– FVOCI	20,861	12,996	94,416	272,846	101,180	-	502,299
Financial instruments - pledged assets	-	-	-	-	8,352	-	8,352
Other assets	-	-	-	-	-	36,484	36,484
Total financial assets	**187,942**	**38,916**	**167,603**	**535,182**	**731,902**	**465,891**	**2,127,436**

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(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(e) Interest rate risk...*continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2020							
Financial liabilities							
Deposits from banks	-	-	26,103	-	-	9,178	35,281
Due to customers	889,425	78,315	262,456	36,214	36,390	599,010	1,901,810
Repurchase agreements	-	-	8,107	-	-	-	8,107
Borrowings	750	1,231	7,007	46,020	5,000	-	60,008
Preference shares	-	-	-	-	4,150	-	4,150
Other liabilities	61,528	-	-	-	-	-	61,528
Total financial liabilities	951,703	79,546	303,673	82,234	45,540	608,188	2,070,884
Total interest repricing gap	(763,761)	(40,630)	(136,070)	452,948	686,362	(142,297)	56,552

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(e) Interest rate risk...*continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2019							
Financial assets							
Cash and balances with Central Bank	13,500	27,000	-	-	-	143,745	184,245
Treasury bills	2,793	-	-	10,087	-	-	12,880
Deposits with other banks	75,882	433	39,957	-	-	89,023	205,295
Financial assets held for trading	-	-	9,998	3,996	7,374	-	21,368
Deposits with non-bank financial institutions	5,648	27,353	15,379	-	-	4,646	53,026
Loans and receivables:							
– loans and advances to customers	19,799	7,802	67,178	147,024	596,927	-	838,730
Investment securities:							
– held-to-maturity	3,336	2,914	17,897	103,071	58,656	-	185,874
– available-for-sale	16,415	25,710	83,581	273,411	104,309	-	503,426
Financial instruments - pledged assets	-	-	103	-	8,163	-	8,266
Other assets	-	-	-	-	-	45,338	45,338
Total financial assets	**137,373**	**91,212**	**234,093**	**537,589**	**775,429**	**282,752**	**2,058,448**

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

(e) Interest rate risk...*continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2019							
Financial liabilities							
Deposits from banks	-	3,157	22,856	-	-	23,618	49,631
Due to customers	946,005	77,702	258,609	28,710	35,084	467,161	1,813,271
Repurchase agreements	-	-	8,001	-	-	-	8,001
Borrowings	1,299	1,232	2,489	53,824	5,000	-	63,844
Preference shares	-	-	-	-	4,150	-	4,150
Other liabilities	-	-	-	-	-	39,647	39,647
Total financial liabilities	947,304	82,091	291,955	82,534	44,234	530,426	1,978,544
Total interest repricing gap	**(809,931)**	**9,121**	**(57,862)**	**455,055**	**731,195**	**(247,674)**	**79,904**

3 Financial Risk Management*...continued*

(e) Interest rate risk*...continued*

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At December 31, 2020, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $131 (2019 – $496) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

(f) Liquidity risk

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

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

In 2020, the Bank in an effort to assist customers in dealing with the impact of the COVID-19 pandemic, offered loan moratorium to customers who were adversely impacted by the pandemic. Despite the significant loan moratorium granted, the Bank was able to maintain liquidity levels well above the regulatory benchmark and was therefore able to meet all cash flow commitments.

Liquidity risk management process

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

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

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

Funding approach

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

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(f) Liquidity risk*...continued*

Non-derivative cash flows

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

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities						
At December 31, 2020						
Deposits from banks	9,178	-	26,297	-	-	35,475
Due to customers	1,488,450	78,592	265,219	36,214	36,390	1,904,865
Repurchase agreements	-	-	8,167	-	-	8,167
Borrowings	750	1,817	9,016	52,171	5,183	68,937
Preference shares	-	-	-	-	4,150	4,150
Other liabilities	-	-	61,528	-	-	61,528
Total financial liabilities	1,498,378	80,409	370,227	88,385	45,723	2,083,122

	$	$	$	$	$	$
Financial assets						
At December 31, 2020						
Cash and balances with Central bank	258,761	-	-	-	-	258,761
Treasury bills	10,022	984	-	-	-	11,006
Deposits with other banks	204,104	37	12,433	-	-	216,574
Financial assets held for trading	-	-	3,208	6,620	1,912	11,740
Deposits with non-bank financial institutions	72,458	13,746	15,859	-	-	102,063
Investment securities	48,628	19,896	120,187	400,817	172,643	762,171
Financial assets - pledged	-	-	-	10,229		10,229
Loans and receivables	26,349	27,326	120,188	385,200	561,247	1,120,310
Other assets	-	-	36,484	-	-	36,484
Total financial assets	620,322	61,989	308,359	802,866	735,802	2,529,338
Net Assets/(Liabilities)	(878,056)	(18,420)	(61,868)	714,481	690,079	446,216

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(f) Liquidity risk*...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Financial liabilities						
At December 31, 2019						
Deposits from banks	23,618	3,167	-	-	-	26,785
Due to customers	1,413,187	77,979	261,329	28,710	35,084	1,816,289
Repurchase agreements	-	-	8,061	-	-	8,061
Borrowings	1,296	1,827	4,694	65,589	5,183	78,589
Preference shares	-	-	-	-	4,150	4,150
Other liabilities	-	-	47,556	-	-	47,556
Total financial liabilities	1,438,101	82,973	321,640	94,299	44,417	1,981,430
Financial assets						
At December 31, 2019						
Cash and balances with Central bank	157,361	27,094	-	-	-	184,455
Treasury bills	4,590	-	-	8,832	-	13,422
Deposits with other banks	165,571	433	40,281	-	-	206,285
Financial assets held for trading	-	-	10,554	4,446	10,895	25,895
Deposits with non-bank financial institutions	10,261	27,705	15,286	-	-	53,252
Investment securities	3	-	-	-	-	3
Financial assets - pledged	-	-	109	-	11,544	11,653
Loans and receivables	22,645	34,957	151,095	451,709	527,305	1,187,711
Other assets	-		47,557	-	93	47,650
Total financial assets	360,431	90,189	264,882	464,987	549,837	1,730,326

Assets held for managing liquidity risk

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

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

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

(in thousands of Eastern Caribbean dollars)

3. Financial Risk Management...*continued*

(g) Off-balance sheet items

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

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

	<1 Year $	**Total $**
As at December 31, 2020		
Loan commitments	**82,469**	**82,469**
Financial guarantees, letters of credit and other credit obligations	**15,998**	**15,998**
Total	**98,467**	**98,467**
As at December 31, 2019		
Loan commitments	50,362	50,362
Financial guarantees, letters of credit and other credit obligations	18,361	18,361
Total	68,723	68,723

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(h) Fair values of financial assets and financial liabilities

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

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature. The fair value of off-balance sheet commitments is also assumed to approximate the amounts disclosed in Note 42 due to their short-term nature.

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

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

Pledged assets
The estimated fair value of pledged assets is derived from market prices or broker/dealer quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

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

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

	Carrying value		**Fair value**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Financial assets				
Loans and receivables				
− Large corporate loans	**233,191**	234,970	**315,696**	334,623
− Term loans	**164,388**	184,756	**169,012**	184,905
− Mortgages	**372,679**	372,621	**393,570**	386,025
− Overdrafts	**29,060**	46,383	**29,060**	46,383
Amortised cost	**183,588**	185,874	**187,068**	188,312
Financial liabilities				
Borrowings	**60,008**	63,844	**52,072**	55,029

3 Financial Risk Management...*continued*

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

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

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as Luxembourg, New York and Trinidad and Tobago.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

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

Fair value hierarchy…continued

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2020				
Assets measured at fair value:				
Investment properties	**-**	**30,987**	**-**	**30,987**
Land and buildings	**-**	**-**	**42,042**	**42,042**
Financial assets held for trading				
- debt securities	**-**	**-**	**9,487**	**9,487**
Financial assets at FVTPL				
- equity securities	**5,174**	**4,632**	**1,032**	**10,838**
Financial assets at FVOCI				
- debt securities	**16,825**	**395,771**	**90,078**	**502,674**
- equity securities	**5,649**	**14,865**	**2,964**	**23,478**
Financial instruments – pledged assets	**-**	**-**	**8,352**	**8,352**
Total financial assets	**27,648**	**446,255**	**153,955**	**627,858**
December 31,2019				
Assets measured at fair value:				
Investment properties	-	31,955	-	31,955
Land and buildings	-	-	40,380	40,380
Financial assets held for trading:				
- debt securities	-	-	21,368	21,368
- equity securities	729	4,664	6	5,399
Financial assets at FVOCI				
- debt securities	25,854	369,576	94,436	489,866
- equity securities	5,674	6,286	2,543	14,503
Financial instruments – pledged assets	-	-	8,266	8,266
Total financial assets	32,257	412,481	166,999	611,737

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management...*continued*

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

Fair value hierarchy...continued

Assets for which fair values are disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2020				
Loans and advances to customers	**-**	**-**	**907,338**	**907,338**
Investments - Amortised costs	**20,905**	**142,906**	**19,777**	**183,588**
Total financial assets	**20,905**	**142,906**	**927,115**	**1,090,926**
December 31, 2019				
Loans and advances to customers	-	-	951,936	951,936
Investments - Amortised costs	6,856	173,359	5,659	185,874
Total financial assets	6,856	173,359	957,595	1,137,810

Liabilities for which fair values are disclosed

	Level 3 $	Total $
December 31, 2020		
Borrowings	**52,029**	**52,029**
December 31, 2019		
Borrowings	55,029	55,029

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

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

Fair value hierarchy…continued

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

There were no gains or losses for the period included in profit or loss or comprehensive income for assets held at December 31, 2020.

	Debt Securities 2020 $	**Equity Securities 2020 $**	**Debt Securities 2019 $**	**Equity Securities 2019 $**
At beginning of year	**94,436**	**2,542**	26,513	-
(Disposals)/additions	**(4,358)**	**422**	67,923	2,542
At end of year	**90,078**	**2,964**	94,436	2,542

3 Financial risk management*...continued*

(i) Capital management

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

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

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

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

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

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, unrealised gains arising on the fair valuation of equity instruments held as FVOCI and fixed asset revaluation reserves (limited to 20% on Tier 1 capital).

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

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, 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.

(in thousands of Eastern Caribbean dollars)

3 Financial Risk Management*...continued*

(i) Capital management*...continued*

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

	2020 $	2019 $
Tier 1 capital		
Share capital	**170,081**	170,081
Reserves	**172,574**	219,520
Accumulated deficit	**(110,298)**	(161,050)
Total qualifying Tier 1 capital	**232,357**	228,551
Tier 2 capital		
Revaluation reserve	**13,855**	13,855
Redeemable preference shares	**4,150**	4,150
Unrealised gain on FVOCI investments	**18,099**	7,304
Subordinated debt	**50,000**	50,000
Collective impairment allowance	**14,028**	5,383
Total qualifying Tier 2 capital	**100,132**	80,692
Total regulatory capital	**332,489**	309,243
Risk-weighted assets:		
On-balance sheet	**1,576,396**	1,382,603
Off-balance sheet	**23,723**	13,745
Total risk-weighted assets	**1,600,119**	1,396,348
Basel capital adequacy ratio	**20.78%**	22.15%

(j) Fiduciary Activities

The Group provides investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. At the statement of financial position date, the Group had financial assets under administration amounting to $139,932 (2019 – $128,139).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Going concern
The Group's management is satisfied that it has the resources to continue in business for the foreseeable future. The Group's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

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 detailed in note 2.
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Impairment of assets carried at fair value
The Group determines that FVOCI investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

The Group individually assesses available-for-sale debt securities for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies *...continued*

Impairment of non-financial assets

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

Fair value of financial instruments

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimates of the most appropriate model assumptions.

Deferred taxes

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

Revaluation of land and buildings and investment property

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

Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period is shown below:

(in thousands of Eastern Caribbean dollars)

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies *...continued*

2020:

Assumption	**Sensitivity Level**	**Impact on defined benefit obligation Increase $**	**Decrease $**
Discount rate	**1%**	**9,304**	**5,466**
Future salary increases	**1%**	**3,997**	**2,974**
Increase in average life expectancy	**1 year**		

2019:

Assumption	**Sensitivity Level**	**Impact on defined benefit obligation Increase $**	**Decrease $**
Discount rate	1%	10,262	7,153
Future salary increases	1%	4,622	3,867
Increase in average life expectancy	1 year	468	-

Corporate income taxes

Significant estimates are required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions. The deferred tax assets recognised at December 31, 2020 have been based on future profitability assumptions over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

5 Segment Analysis

Segment reporting by the Group was previously prepared in accordance with IFRS 8, ‘Operating segments’.

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

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

5 Segment Analysis*...continued*

- Bank of St. Lucia Limited (BOSL) – operating in St. Lucia and provides domestic banking services.
- Bank of St. Lucia Limited - Investment Banking Services (BOSL IBS)-incorporating Capital market activities and Merchant Banking.
- Other comprises of the holding company of the Group.

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

The revenue from external parties reported to the Group's Board of Directors is measured in a manner consistent with that in profit or loss.

Revenue from external customers is recorded as such and can be directly traced to each business segment.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Group's Board of Directors reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group's Board of Directors.

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

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

(in thousands of Eastern Caribbean dollars)

5 Segment Analysis*...continued*

	BOSL $	BOSL IBS $	Other $	Total $
At December 31, 2020				
Net interest income	**49,974**	**435**	**-**	**50,409**
Net fee and commission income	**27,321**	**5,463**	**-**	**32,784**
Other income	**27,094**	**480**	**7,526**	**35,100**
Impairment charge loans	**(28,698)**	**-**	**-**	**(28,698)**
Depreciation and amortization	**(4,781)**	**(13)**	**-**	**(4,794)**
Operating expenses	**(65,347)**	**(680)**	**-**	**(66,027)**
Profit before taxation	**5,563**	**5,685**	**7,526**	**18,774**
Dividends on preference shares	**(291)**	**-**	**-**	**(291)**
Income tax	**(6,579)**	**-**	**-**	**(6,579)**
Profit for the year	**(1,307)**	**5,685**	**7,526**	**11,904**
Total assets	**2,302,733**	**54,033**	**284,700**	**2,641,466**
Total liabilities	**2,051,633**	**24,597**	**76,624**	**2,152,854**
At December 31, 2019				
Net interest income	58,859	504	-	59,363
Net fee and commission income	29,412	5,098	-	34,510
Other income	30,780	236	11,322	42,338
Impairment charge loans,	(6,470)	-	-	(6,470)
Depreciation and amortization	(4,623)	(15)	-	(4,638)
Operating expenses	(63,663)	(631)	-	(64,294)
Profit before taxation	44,295	5,192	11,322	60,809
Dividends on preference shares	(291)	-	-	(291)
Income tax	(1,259)	-	-	(1,259)
Profit for the year	42,745	5,192	11,322	59,259
Total assets	2,224,700	29,567	284,673	2,538,940
Total liabilities	1,977,158	5,742	78,033	2,060,933

(in thousands of Eastern Caribbean dollars)

5 Segment Analysis*...continued*

Reconciliation of segment results of operations to consolidated results of operations:

	Total Management Reporting $	Consolidation entries $	Total $
At December 31, 2020			
Net interest income	**50,409**	**-**	**50,409**
Net fee and commission income	**32,784**	**-**	**32,784**
Other income	**35,100**	**(7,791)**	**27,309**
Impairment charge loans, investments and property	**(28,698)**	**-**	**(28,698)**
Depreciation and amortisation	**(4,794)**	**-**	**(4,794)**
Operating expenses	**(66,027)**	**-**	**(66,027)**
Profit before tax	**18,774**	**(7,791)**	**10,983**
Dividends on preference shares	**(291)**	**-**	**(291)**
Share profit of associates	**-**	**3,303**	**3,303**
Income tax expense	**(6,579)**	**-**	**(6,579)**
Net profit for the year	**11,904**	**(4,488)**	**7,416**
Assets	**2,641,466**	**(302,812)**	**2,338,654**
Liabilities	**2,152,854**	**(79,630)**	**2,073,224**
At 31 December 2019			
Net interest income	59,364	-	59,364
Net fee and commission income	34,510	-	34,510
Other income	42,338	(11,586)	30,752
Impairment charge loans, investments and property	(6,471)	-	(6,471)
Depreciation and amortisation	(4,638)	-	(4,638)
Operating expenses	(64,294)	-	(64,294)
Profit before tax	60,809	(11,586)	49,223
Dividends on preference shares	(291)	-	(291)
Share profit of associates	-	7,318	7,318
Income tax expense	(1,259)	-	(1,259)
Net profit for the year	59,259	(4,268)	54,991
Assets	2,538,940	(308,219)	2,230,721
Liabilities	2,060,933	(81,040)	1,979,893

(in thousands of Eastern Caribbean dollars)

6 Cash and Balances with Central Bank

	Notes	2020 $	2019 $
Cash in hand		**36,383**	37,743
Balances with Central Bank other than mandatory Deposits		**92,711**	25,167
Included in cash and cash equivalents	41	**129,094**	62,910
Mandatory deposits with Central Bank		**129,667**	121,335
		258,761	184,245

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

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

The weighted average effective interest rate in respect of interest-bearing deposits with the Central Bank at December 31, 2020 was 0.67% (2019 - 1.52%).

7 Treasury Bills

	Notes	2020 $	2019 $
Cash and cash equivalents	41	**-**	2,774
Treasury bills, other		**11,199**	10,221
Impairment allowance		**(395)**	(115)
		10,804	12,880

Treasury bills are debt securities issued by the Government of Saint Lucia. The weighted average effective interest rate at December 31, 2020 was 4.1% (2019 –3.52%).

8 Deposits with Other Banks

	Notes	2020 $	2019 $
Items in the course of collection with other banks		**3,167**	12,020
Placements with other banks		**213,280**	98,458
Included in cash and cash equivalents	41	**216,447**	110,478
Interest bearing deposits more than 90 days to maturity		**-**	94,817
		216,447	205,295

The weighted average effective interest rate of interest-bearing deposits at December 31, 2020 is 1.23% (2019 – 2.28%).

(in thousands of Eastern Caribbean dollars)

9 Financial Assets Held for Trading

	2020 $	2019 $
Debt securities – listed	**10,111**	21,368
Value reduction	**(624)**	-
	9,487	21,368

Trading financial assets were acquired for selling in the near term and would otherwise have been classified as held for collection investments. The weighted average interest rate earned on held-for-trading investment debt securities was 5.94% (2019 – 7.01%).

10 Deposits with Non-Bank Financial Institutions

	Notes	2020 $	2019 $
Deposits - cash and cash equivalents	41	**86,183**	10,064
Deposits - more than 90 days to maturity		**15,713**	42,962
		101,896	53,026

Interest rates on deposits depends on the value of deposits held. The weighted average interest rate in respect of interest-bearing deposits at December 31, 2020 was 1.86% (2019 – 3.63%).

11 Loans and Advances to Customers

	Notes	2020 $	2019 $
Large corporate loans		**266,313**	267,232
Term loans		**183,830**	195,108
Mortgage loans		**396,404**	385,448
Overdrafts		**38,040**	54,088
Gross		**884,587**	901,876
Less allowance for impairment losses on loans and advances	12	**(85,269)**	(63,146)
Net		**799,318**	838,730

The weighted average effective interest rate on productive loans stated at amortised cost at December 31, 2020 was 6.55% (2019 – 6.92%) and productive overdrafts stated at amortised cost was 12.66% (2019 – 14.65%).

(in thousands of Eastern Caribbean dollars)

12 Allowance for Impairment Losses on Loans and Advances to Customers

The movement for impairment on loans and advances to customers was as follows:

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Large corporate loans				
Balance at January 1, 2019	2,063	61	36,964	39,088
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	-	-	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	-	-	-	-
Transferred to Lifetime ECL credit impaired stage 3	(154)	(61)	215	-
New financial assets originated or purchased	49	-	2,893	2,942
Financial assets that have been derecognised	(108)	-	(3,969)	(4,077)
Bad debts written off	-	-	(2,659)	(2,659)
Provision for the period	(46)	-	(2,771)	(2,817)
Balance at 31 December 2019	1,804	-	30,673	32,477
Balance at January 1, 2020	**1,804**	**-**	**30,673**	**32,477**
Transferred to 12-months ECL stage 1	**-**	**-**	**-**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(982)**	**982**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(53)**	**-**	**53**	**-**
New financial assets originated or purchased	**17**	**-**	**2,827**	**2,844**
Financial assets that have been derecognised	**(69)**	**-**	**(4,021)**	**(4,090)**
Bad debts written off	**-**	**-**	**(1,357)**	**(1,357)**
Provision for the period	**(215)**	**4,215**	**(752)**	**3,248**
Balance at December 31, 2020	**502**	**5,197**	**27,423**	**33,122**

(in thousands of Eastern Caribbean dollars)

12 Allowance for Impairment Losses on Loans and Advances to Customers …*continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Term loans				
Balance at January 1, 2019	1,102	241	8,478	9,821
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	16	(16)	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(6)	-	6	-
Transferred to Lifetime ECL credit impaired stage 3	(379)	(201)	580	-
New financial assets originated or purchased	223	17	28	268
Financial assets that have been derecognised	(175)	(17)	(226)	(418)
Bad debts written off	(4)	(8)	(1,693)	(1,705)
Provision for the period	(225)	81	2,396	2,252
Balance at 31 December 2019	552	97	9,569	10,218
Balance at January 1, 2020	**552**	**97**	**9,569**	**10,218**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**(227)**	**177**	**50**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**-**	**(7)**	**7**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**276**	**56**	**(332)**	**-**
New financial assets originated or purchased	**224**	**152**	**987**	**1,363**
Financial assets that have been derecognised	**(76)**	**(15)**	**(358)**	**(449)**
Bad debts written off	**(317)**	**(152)**	**(437)**	**(906)**
Provisions for the period	**266**	**1,544**	**7,406**	**9,216**
Balance at December 31, 2020	**698**	**1,852**	**16,892**	**19,442**

(in thousands of Eastern Caribbean dollars)

12 Allowance for Impairment Losses on Loans and Advances to Customers *...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Mortgage Loans				
Balance at January 1, 2019	828	271	7,695	8,794
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	87	(87)	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(1)	1	-	-
Transferred to Lifetime ECL credit impaired stage 3	(556)	(161)	717	-
New financial assets originated or purchased	49	-	73	122
Financial assets that have been derecognised	(29)	(23)	(513)	(565)
Bad debts written off	-	-	(193)	(193)
Provision for the period	(27	57	4,557	4,587
Balance at 31 December 2019	351	58	12,336	12,745
Balance at January 1, 2020	**351**	**58**	**12,336**	**12,745**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**327**	**-**	**(327)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(177)**	**407**	**(230)**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(144)**	**118**	**26**	**-**
New financial assets originated or purchased	**53**	**102**	**365**	**520**
Financial assets that have been derecognised	**(27)**	**-**	**(378)**	**(405)**
Bad debts written off	**-**	**-**	**(58)**	**(58)**
Provision for the period	**88**	**1,580**	**9,255**	**10,923**
Balance at December 31, 2020	**471**	**2,265**	**20,989**	**23,725**

(in thousands of Eastern Caribbean dollars)

12 Allowance for Impairment Losses on Loans and Advances to Customers *...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Overdrafts				
Balance at January 1, 2019	1,116	469	3,545	5,130
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	314	(173)	(141)	-
Transferred to Lifetime ECL not credit impaired - stage 2	(35)	98	(63)	-
Transferred to Lifetime ECL credit impaired stage 3	(108)	(33)	141	-
New financial assets originated or purchased	1,221	87	1	1,309
Financial assets that have been derecognised	(145)	(114)	(619)	(878)
Bad debts written off	-	(1)	(216)	(217)
Provision for the period	(232)	55	2,539	2,362
Balance at December 31, 2019	2,131	388	5,187	7,706
Balance at January 1, 2020	**2,131**	**388**	**5,187**	**7,706**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**8**	**(8)**	**-**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(36)**	**36**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(90)**	**(55)**	**145**	**-**
New financial assets originated or purchased	**241**	**97**	**99**	**437**
Financial assets that have been derecognised	**(115)**	**(64)**	**(60)**	**(239)**
Bad debts written off	**(4)**	**(282)**	**(1,097)**	**(1,383)**
Provision for the period	**362**	**285**	**1,812**	**2,459**
Balance at December 31, 2020	**2,497**	**397**	**6,086**	**8,980**

(in thousands of Eastern Caribbean dollars)

12 Allowance for Impairment Losses on Loans and Advances to Customers *...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Total credit provisioning				
Balance at January 1, 2019	5,110	1,041	56,682	62,833
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	417	(276)	(141)	-
Transferred to Lifetime ECL not credit impaired - stage 2	(42)	99	(57)	-
Transferred to Lifetime ECL credit impaired stage 3	(1,197)	(457)	1,654	-
New financial assets originated or purchased	1,543	104	2,994	4,641
Financial assets that have been derecognised	(457)	(153)	(5,328)	(5,938)
Bad debts written off	(4)	(8)	(4,761)	(4,773)
Provision for the period	(532)	193	6,722	6,383
Balance at December 31, 2019	4,838	543	57,765	63,146
Balance at January 1, 2020	**4,838**	**543**	**57,765**	**63,146**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**108**	**169**	**(277)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(1,195)**	**1,418**	**(223)**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(11)**	**119**	**(108)**	**-**
New financial assets originated or purchased	**535**	**351**	**4,278**	**5,164**
Financial assets that have been derecognised	**(287)**	**(79)**	**(4,817)**	**(5,183)**
Bad debts written off	**(321)**	**(434)**	**(2,949)**	**(3,704)**
Provision for the period	**501**	**7,624**	**17,721**	**25,846**
Balance at December 31, 2020	**4,168**	**9,711**	**71,390**	**85,269**

(in thousands of Eastern Caribbean dollars)

12 Allowance for Impairment Losses on Loans and Advances to Customers *...continued*

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

	$
Balance at January 1, 2019	153,343
Change in allowance for impairment	1,082
Classified as credit impaired during the year	71,971
Transferred to not credit impaired during the year	(136)
Net repayments	(31,360)
Disposals	(5,560)
Balance at December 31, 2019	189,340
Balance at January 1, 2020	**189,340**
Change in allowance for impairment	**13,626**
Classified as credit impaired during the year	**36,544**
Transferred to not credit impaired during the year	**(30,938)**
Net repayments	**(21,879)**
Disposals	**(8,672)**
Balance at December 31, 2020	**178,021**

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

Financial assets modified during the year	$
At amortised cost before modification	**8,487**
Net modification loss	**299**
Gross carrying amount at December 31, 2020 of financial assets for which loss allowance has changed to 12-month measurement during the year	**283**

Financial assets modified during the year	**$**
Amortised cost before modification	**5,677**
Net modification loss	**121**
Financial assets modified since initial recognition	$
Gross carrying amount at December 31, 2019 of financial assets for which loss allowance has changed to 12-month measurement during the year	2,234

(in thousands of Eastern Caribbean dollars)

13 Allowance for Impairment Losses on Investment Securities

	2020				2019
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Debt investment securities at FVOCI					
Balance at January 1, 2020	**1,430**	**-**	**943**	**2,373**	2,503
Net remeasurement of loss allowance for the year	**162**	**1,636**	**-**	**1,798**	(130)
Balance at December 31, 2020	**1,592**	**1,636**	**943**	**4,171**	2,373

The above loss allowance is not recognised in the consolidated statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

	2020				2019
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	**Total**
Debt investment securities at amortised cost					
Balance at January 1, 2020	**267**	**-**	**4,506**	**4,773**	4,671
Net remeasurement of loss allowance for the year	**119**	**31**	**-**	**150**	102
Balance at December 31, 2020	**386**	**31**	**4,506**	**4,923**	4,773

	2020				2019
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit impaired**	**Total**	**Total**
Treasury Bills					
Balance at January 1, 2020	**115**	**-**	**-**	**115**	-
Net remeasurement of loss allowance for the year	**(115)**	**395**	**-**	**280**	115
Balance at December 31, 2020	**-**	**395**	**-**	**395**	**115**

(in thousands of Eastern Caribbean dollars)

14 Investment Securities

	Amortised Cost $	FVTOCI - Debt $	FVTOCI - Equity $	FVTPL - Equities $	FVTPL - Held for Trading $	Total $
At January 1, 2020	**185,874**	**489,866**	**13,560**	**5,399**	**21,368**	**716,067**
Additions	**104,484**	**239,168**	**8,892**	**7,970**	**301**	**360,815**
Movements in interest accrued	**(283)**	**(481)**	**-**	**-**	**(161)**	**(925)**
Disposals (sale and redemption)	**(105,812)**	**(231,762)**	**-**	**(3,474)**	**(11,397)**	**(352,445)**
Changes in fair values	**-**	**6,543**	**83**	**943**	**-**	**7,569**
Provision for the year	**(150)**	**-**	**-**	**-**	**(624)**	**(774)**
Amortization of premium/(discount)	**(525)**	**(660)**	**-**	**-**	**-**	**(1,185)**
At December 31, 2020	**183,588**	**502,674**	**22,535**	**10,838**	**9,487**	**729,122**
At January 1, 2019						
Opening Balance	180,142	468,539	7,777	11,714	18,623	686,795
Additions	74,303	236,401	5,415	1,397	5,321	322,837
Movement in interest accrued	4	(119)	-	-	111	(4)
Disposals (sale and redemption)	(68,031)	(227,627)	-	(8,771)	(2,688)	(307,117)
Changes in fair value	-	12,622	368	1,059	1	14,050
Provision for the year	(102)	-	-	-	-	(102)
Amortization of premium/(discount)	(442)	50	-	-	-	(392)
At December 31, 2019	185,874	489,866	13,560	5,399	21,368	716,067

(in thousands of Eastern Caribbean dollars)

14 Investment Securities... *continued*

	2020 $	2019 $
Securities measured at amortised cost		
Debt securities at amortised cost		
- Listed	**167,709**	182,197
- Unlisted	**20,802**	8,450
	188,511	190,647
Less provision for impairment	**(4,923)**	(4,773)
Total securities at amortised cost	**183,588**	185,874
Securities measured at fair value through OCI		
Debt securities at fair value		
- Listed	**452,463**	446,077
- Unlisted	**50,211**	43,789
Total fair value through OCI - Debt	**502,674**	489,866
Equity securities at fair value		
- Unlisted	**2,422**	2,422
- Listed	**21,056**	12,081
	23,478	14,503
Less provision for impairment	**(943)**	(943)
Total fair value through OCI - Equity	**22,535**	13,560
Total securities at fair value through OCI	**525,209**	503,426
Total equity securities at fair value through P&L		
- Listed	**9,812**	5,399
- Unlisted	**1,026**	-
	10,838	5,399
Total investment securities	**719,635**	694,699

The weighted average effective interest rate on securities at fair value through other comprehensive income at December 31, 2020 was 2.91% (2019 – 3.38%).

(in thousands of Eastern Caribbean dollars)

15 Financial Instruments - Pledged Assets and Repurchase Agreements

The following assets are pledged against certain other funding instruments:

	Financial instruments - pledged assets	
	2020	**2019**
	$	**$**
Pledged against repurchase agreements	**8,352**	8,266

The value of repurchase agreements on the consolidated statement of financial position which are secured by pledged assets is $8,107 (2019 - $8,001). The variance between investment pledged against repurchase agreements and the value of repurchase agreement represents accrued interest.

16 Investment in Associates

	2020	**2019**
	$	**$**
	63,981	59,986

The investments in associates are as follows:

	2020	**2019**
	$	**$**
Associate		
At beginning of year	**59,986**	55,793
Share of Associates IFRS 9 adjustment	**(5)**	(2,625)
Adjusted beginning balance	**59,981**	53,168
Dividends from associate	**(1,674)**	(1,554)
Share of other comprehensive income	**2,371**	1,054
Share of profit of associate	**3,303**	7,318
At end of year	**63,981**	59,986

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

(in thousands of Eastern Caribbean dollars)

16 Investment in Associates*...continued*

East Caribbean Amalgamated Bank Limited of Antigua financial reporting period ends on September 30.

The Group's interest in its associate East Caribbean Amalgamated Bank Limited of Antigua, as at December 31, 2020 is as follows:

	2020 $	**2019 $**
Current assets	**149,821**	129,877
Non-current assets	**891,878**	835,791
Liabilities	**(850,298)**	(785,640)
Preference Shares	**(47,869)**	(47,869)
Equity	**143,532**	132,159
% ownership	**20%**	20%
Share of equity in associate	**28,706**	26,432
Previous share of profits from BOSVG holding	**3,207**	3,207
Carrying amount of the investment	**31,913**	29,639

Summarised statement of profit or loss of East Caribbean Amalgamated Bank Limited:

	2020 $	**2019 $**
Revenue	**49,520**	62,370
Administrative cost	**(26,828)**	(27,407)
Depreciation	**(2,995)**	(1,820)
Profit for the year	**19,697**	33,143
Tax expense	**(6,956)**	(9,645)
Other comprehensive income	**(10)**	5,246
Total comprehensive income	**12,731**	28,744

(in thousands of Eastern Caribbean dollars)

16 Investment in Associates*...continued*

In 2017, the Group disposed of its majority holding in Bank of St. Vincent and the Grenadines Limited and retained a 20% holding. The company is listed on the East Caribbean Securities Exchange and is incorporated in St. Vincent.

The Group's interest in its associate, Bank of St. Vincent and the Grenadines Limited, as at December 31, 2020 is as follows:

	2020 **$**	**2019** **$**
Current assets	**149,711**	157,771
Non-current assets	**1,064,872**	968,416
Liabilities	**(1,080,805)**	(1,001,014)
Equity	**133,778**	125,173
% ownership	**20%**	20%
Share of equity in associate	**26,755**	25,034
Adjustment for fair value of associate interest at acquisition date	**5,313**	5,313
Carrying amount of the investment	**32,068**	30,347

Summarised statement of profit or loss of Bank of St. Vincent & the Grenadines Limited at December 2020:

	2020 **$**	**2019** **$**
Revenue	**42,154**	51,955
Add/(Less) prior year adjustment	**128**	(875)
Administrative cost	**(35,762)**	(35,866)
Profit for the year	**6,520**	15,214
Tax expense	**(2,744)**	(2,124)
Other comprehensive income	**11,905**	24
Total comprehensive income	**15,681**	13,114

The associate had no contingent liabilities or capital commitments as at December 31, 2020 or 2019.

(in thousands of Eastern Caribbean dollars)

17 Property and Equipment

	Land and buildings $	Leasehold improvements $	Motor vehicles $	Office furniture and equipment $	Computer Equipment & Software $	Work-in-progress buildings $	Total $
Year ended December 31, 2019							
Opening net book amount	38,437	727	398	4,060	2,352	479	46,453
Additions	-	-	145	1,291	1,889	2,505	5,830
Disposals at cost	-	(13)	-	(4,317)	(8,037)	-	(12,367)
Accumulated depreciation on Disposal	-	13	-	4,254	8,037	-	12,304
Depreciation charge	(1,051)	(499)	(123)	(1,206)	(1,759)	-	(4,638)
Closing net book amount	37,386	228	420	4,082	2,482	2,984	47,582
At December 31, 2019							
Cost or valuation	56,938	9,390	1,101	25,774	37,751	2,984	133,938
Accumulated depreciation	(19,552)	(9,162)	(681)	(21,692)	(35,269)	-	(86,356)
Net book amount	37,386	228	420	4,082	2,482	2,984	47,582
Year ended December 31, 2020							
Opening net book amount	**37,386**	**228**	**420**	**4,082**	**2,482**	**2,984**	**47,582**
Additions	**3,049**	**75**	**204**	**1,789**	**1,506**	**-**	**6,623**
Disposals at cost	**-**	**(23)**	**(173)**	**(384)**	**(405)**	**-**	**(985)**
Transfers	**-**	**-**	**-**	**-**	**-**	**(296)**	**(296)**
Accumulated depreciation on Disposal	**-**	**23**	**173**	**352**	**405**	**-**	**953**
Depreciation charge	**(1,081)**	**(259)**	**(129)**	**(1,148)**	**(1,649)**	**-**	**(4,266)**
Closing net book amount	**39,354**	**44**	**495**	**4,691**	**2,339**	**2,688**	**49,611**
At December 31, 2020							
Cost or valuation	**59,987**	**9,442**	**1,132**	**27,179**	**38,852**	**2,688**	**139,280**
Accumulated depreciation	**(20,633)**	**(9,398)**	**(637)**	**(22,488)**	**(36,513)**	**-**	**(89,669)**
Net book amount	**39,354**	**44**	**495**	**4,691**	**2,339**	**2,688**	**49,611**

(in thousands of Eastern Caribbean dollars)

17 Property and Equipment...*continued*

The major component of land and buildings was revalued in 2017 by an independent valuer based on open market value and a management internal specialist performed a review of the remaining buildings. The valuation indicates that the market value does not differ materially from the carrying amount of the respective assets in the books of the Group.

The historical cost of land and buildings is:

	2020 $	2019 $
Cost	**44,420**	41,418
Accumulated depreciation based on historical cost	**(23,517)**	(22,436)
Depreciated historical cost	**20,903**	18,982

18 Investment Properties

	2020 $	2019 $
Land and buildings		
At beginning of year	**31,955**	31,955
Disposal of building	**(968)**	-
At end of year	**30,987**	31,955

The investment properties are valued annually based on open market value by an independent, professionally qualified valuer. Comparative analysis was used to determine the market value of the investment properties.

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

The following amounts have been recognised in profit or loss:

	2020 $	2019 $
Rental income	**1,642**	1,389
Direct operating expenses arising from investment properties that generated rental income	**(258)**	(298)
	1,384	1,091

(in thousands of Eastern Caribbean dollars)

19 Right-of-use Lease Asset

The Group leases a facility to house operations of one of the branches of its subsidiary. The lease typically run for a period of two years, with an option to renew the lease at expiration. Lease payments are negotiated with every new lease contract to reflect market rentals. The lease was entered into many years ago and was previously classified as an operating lease.

Right-of-use lease asset relates to leased properties:

	Land and Buildings $	Total $
Balance at January 1, 2019	-	-
Additions	1,057	1,057
At December 31, 2019	1,057	1,057
Balance at January 1, 2020	**1,057**	**1,057**
Accumulated depreciation	**(529)**	**(529)**
At December 31, 2020	**528**	**528**

The Group had a lease liability of $539 (2019 - $1,057) against the lease asset.

20 Other Assets

	Notes	2020 $	2019 $
Receivable accounts		**11,282**	8,718
Receivable accounts - credit card		**25,711**	36,179
Prepaid expenses		**2,483**	2,782
Stationery and supplies		**725**	608
Accounts receivable		**979**	2,056
		41,180	50,343
Less provision for impairment on other assets	21	**(1,488)**	(1,615)
		39,692	48,728

(in thousands of Eastern Caribbean dollars)

21 Provision for Impairment on Other Assets

The movement on the provision for impairment on other assets was as follows:

	2020 **$**	**2019** **$**
At beginning of year	**1,615**	1,555
Provisions made during the year	**514**	569
Receipts	**(104)**	(100)
Write offs during the year	**(537)**	(409)
At end of year	**1,488**	1,615

22 Retirement Benefit Asset

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

	2020 **$**	**2019** **$**
Fair value of plan assets	**79,519**	72,741
Present value of funded obligation	**(60,284)**	(57,709)
Asset in the consolidated statement of financial position	**19,235**	15,032

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

	2020 **$**	**2019** **$**
Beginning of year	**57,709**	54,549
Current service cost	**2,631**	1,463
Interest cost	**4,395**	4,072
Employee contribution	**843**	825
Actuarial gains	**(4,177)**	(1,856)
Benefits paid	**(1,117)**	(1,344)
End of year	**60,284**	57,709

(in thousands of Eastern Caribbean dollars)

22 Retirement Benefit Asset*...continued*

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

	2020 $	2019 $
Beginning of year	**72,741**	64,995
Actual return on plan assets	**4,714**	5,627
Employer contributions	**2,631**	2,943
Employee contributions	**843**	825
Benefits paid	**(1,117)**	(1,344)
Administrative expenses	**(293)**	(305)
End of year	**79,519**	72,741

	2020 $	2019 $
Net asset at beginning of year	**15,032**	10,446
Net periodic cost	**(1,970)**	(1,051)
Contributions paid	**2,631**	2,943
Effect on statement of comprehensive income	**3,542**	2,694
Net asset at end of year	**19,235**	15,032

Benefit cost

	2020 $	2019 $
Current service cost	**2,631**	1,463
Net interest on net defined benefit asset	**4,395**	4,072
Expected return on plan assets	**(5,349)**	(4,789)
Administration expenses	**293**	305
Net periodic cost at end of year	**1,970**	1,051

Re-measurements comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. As at January 1, 2020, the Group transitioned from a defined benefit pension plan to a defined contribution plan. Heritage members of the plan will be offered an option to transfer their accrued benefits to the defined contribution plan in the subsequent period. As a result re-measurement gains/losses of $2,479 – net of tax (2019 – $1,886) at the reporting date, will be transferred to profit or loss in the subsequent period.

(in thousands of Eastern Caribbean dollars)

22 Retirement Benefit Asset*...continued*

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

	2020 $	2019 $
Gain from change in assumptions	**(1,578)**	-
Gain from experience	**(2,599)**	(1,856)
Expected return on plan assets	**5,349**	4,789
Actual return on plan assets	**(4,714)**	(5,627)
	(3,542)	(2,694)

The principal actuarial assumptions used were as follows:

	2020 %	2019 %
Discount rate	**7.25**	7.25
Future promotional salary increases	**3.5 - 4.5**	4.5
Future inflationary salary increases	**1-1.75**	1.75

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

Plan assets allocation is as follows:

	2020 %	2019 %
Debt securities	**78**	83
Equity securities	**10**	10
Other	**12**	7
	100	100

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

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

(in thousands of Eastern Caribbean dollars)

22 Retirement Benefit Asset*...continued*

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

	2020	2019
Male	**24.94**	24.86
Female	**26.99**	26.94

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

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

	2020 $	2019 $
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	**30**	42
- Consumer staples	**3,789**	3,103
- Other	**4,608**	4,302
Quoted debt securities		
- Sovereign bonds	**28,271**	25,681
- Industrial	**1,114**	2,739
- Other	**10,883**	10,095
Cash and cash equivalents	**9,571**	5,046
Unquoted investments		
Unquoted debt securities		
- Sovereign bonds	**17,696**	20,277
Unquoted equity securities	**3,507**	1,406
- Other	**50**	50
Total	**79,519**	72,741

(in thousands of Eastern Caribbean dollars)

22 Retirement Benefit Asset*...continued*

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

	2020 $	2019 $
Within the next 12 months	**973**	971
Between 2 and 5 years	**5,351**	5,112
Between 5 and 10 years	**13,830**	13,015
Total expected payments	**20,154**	19,098

The average duration of the defined benefit plan obligation at the end of the reporting period is 12.97 years (2019– 15 years).

Defined Contribution plan

At December 31, 2020, there were 312 (2019 – nil) members of the defined contribution section of the plan. During the year ended December 31, 2020, the charge to the profit or loss statement in respect of the defined contribution scheme was $2,631 (2019 – nil) representing the contributions payable by the Group in accordance with the scheme's rules.

23 Deposits from Banks

	2020 $	2019 $
Deposits from banks	**35,281**	49,631

The weighted average effective interest rate on deposits from banks was 0.95% (2019 – 0.89%).

24 Due to customers

	2020 $	2019 $
Term deposits	**355,879**	357,522
Savings deposits	**720,227**	675,710
Call deposits	**231,383**	281,046
Demand deposits	**594,321**	498,993
	1,901,810	1,813,271

The weighted average effective interest rate of customers' deposits at December 31, 2020 was 1.28 % (2019 – 1.26%).

(in thousands of Eastern Caribbean dollars)

25 Borrowings

	Due	Interest rate %	2020 $	Interest rate %	2019 $
Other borrowed funds					
Caribbean Development Bank	2017-2026	**4.74**	**8,777**	4.74	12,612
National Insurance Corporation (Saint Lucia)	2016-2026	**7.25**	**51,231**	7.25	51,232
			60,008		63,844

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

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

26 Other Liabilities

	2020 $	2019 $
Other payables	**57,139**	34,615
Managers' cheques outstanding	**3,621**	4,460
Agency loans	**768**	573
	61,528	39,648

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

(in thousands of Eastern Caribbean dollars)

27 Deferred Tax

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

	Notes	2020 $	2019 $
Net deferred tax position at beginning of year		**(7,228)**	(4,000)
Deferred tax charge to the income statement:			
Arising from retirement benefit plan		**198**	568
Arising from other timing differences		**268**	297
Arising from tax losses not utilised		**7,210**	(4,901)
Deferred tax charge for the year	39	**7,676**	(4,036)
Deferred tax charge to other comprehensive income			
Deferred tax arising from retirement benefit plan		**1,063**	808
Deferred tax liability/(asset) at end of year		**1,511**	(7,228)

The deferred tax account is detailed as follows:

	2020 $	2019 $
Accelerated capital allowances	**(3,424)**	(3,693)
Fair value of pension assets	**5,771**	4,510
Unutilised tax losses	**(836)**	(8,045)
Net deferred tax liability/(asset)	**1,511**	(7,228)

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

28 Share Capital

	No. of Shares	2020 $	No. of Shares	2019 $
Ordinary shares				
Authorised:				
50,000,000 ordinary shares of no par value				
Issued and fully paid				
At beginning and end of year	**24,465,589**	**170,081**	24,465,589	170,081

(in thousands of Eastern Caribbean dollars)

29 Contributed Capital

Total capital contributions received at December 31 were as follows:

	2020 $	2019 $
Productive Sector Equity Fund Incorporated	**1,118**	1,118
	1,118	1,118

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

30 Reserves

	2020 $	2019 $
(a) General reserve	**14,005**	62,957
(b) Statutory reserve	**112,049**	111,173
(c) Student loan guarantee fund reserve	**847**	820
(d) Special reserve	**-**	2,034
(e) Retirement benefit reserve	**19,235**	15,032
(f) Contingency reserve	**26,438**	27,504
Total reserves at December 31	**172,574**	219,520

Movements in reserves were as follows:

	2020 $	2019 $
(a) General		
At beginning of the year	**62,957**	62,957
Transferred to accumulated deficit	**(48,952)**	-
At end of the year	**14,005**	62,957

It is the policy of the Group to maintain a general reserve for reinvestment in operations. Transfers to the reserve are based on a maximum of 35% of the consolidated Group's profit for the year after transfers to statutory reserve. At December 31, 2020 $48,952 (2019 – nil) was transferred to accumulated deficit.

	2020 $	2019 $
(b) Statutory		
At beginning of the year	**111,173**	101,587
Allocated from profits for the year	**876**	9,586
At end of the year	**112,049**	111,173

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

(in thousands of Eastern Caribbean dollars)

30 Reserves*...continued*

	2020 $	2019 $
(c) Student loan guarantee fund		
At beginning of the year	**820**	739
Contributions	**27**	81
At end of the year	**847**	820

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

	2020 $	2019 $
(d) Special		
At beginning and end of the year	**2,034**	2,034
Transferred to accumulated deficit	**(2,034)**	-
	-	2,034

The previous finance contract between the European Investment Bank ("EIB") and the former St. Lucia Development Bank, now assumed by Bank of Saint Lucia Limited, required the institution to establish and maintain a special reserve. The contract has since expired and at December 31, 2020 the balance was transferred to retained earnings.

	2020 $	2019 $
(e) Retirement benefit		
At beginning of the year	**15,032**	10,445
Allocated from profits for the year	**4,203**	4,587
At end of the year	**19,235**	15,032

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

(in thousands of Eastern Caribbean dollars)

30 Reserves*...continued*

	2020 $	2019 $
(f) Contingency reserve		
At beginning of the year	**27,504**	28,615
Transferred to accumulated deficit	**(1,066)**	(1,111)
At end of the year	**26,438**	27,504

The contingency reserve fund is created as an appropriation from retained earnings to set aside a portion of profits against loan loss provisions. This reserve will be funded annually to the extent that the reserve fund does not exceed 100% of non-performing loans.

31 Related Party Transactions and Balances

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

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

	2020		2019	
	Income $	Expense $	Income $	Expense $
Government of Saint Lucia	**1,006**	**553**	2,724	595
Statutory bodies – Saint Lucia	**699**	**5,169**	844	5,348
Directors and key management	**566**	**100**	682	99

(in thousands of Eastern Caribbean dollars)

31 Related Party Transactions and Balances *...continued*

Related party balances with the Group were as follows:

	2020		2019	
	Loans $	**Deposits $**	**Loans $**	**Deposits $**
Government of Saint Lucia	**61,002**	**185,399**	67,751	120,672
Statutory bodies – Saint Lucia	**12,916**	**330,739**	12,946	451,304
Directors and key management	**10,646**	**4,327**	12,773	4,297

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 2 years (2019 - 8 years) and have a weighted average effective interest rate of 6.45% (2019 – 5.15%). The secured loans advanced to the directors during the year are collateralised by mortgages over residential properties.

Transactions with related parties were carried out on commercial terms and conditions.

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

	2020 $	2019 $
Salaries and other short-term benefits	**6,170**	5,983
Pension costs	**676**	760
	6,846	6,743
Directors remuneration	**400**	402

(in thousands of Eastern Caribbean dollars)

32 Net Interest Income

	2020 $	2019 $
Interest income		
Loans and advances	**54,221**	58,054
Treasury bills and investment securities	**23,148**	25,794
Cash and short-term funds	**1,761**	4,370
	79,130	88,218
Interest expense		
Time deposits	**8,692**	8,498
Borrowings	**4,048**	4,339
Savings deposits	**14,924**	14,955
Demand deposits	**639**	603
Correspondent banks	**418**	459
	28,721	28,854
Net interest income	**50,409**	59,364

33 Net Fee and Commission Income

	2020 $	2019 $
Fee and commission income		
Credit related fees and commissions	**32,389**	34,115
Asset management and related fees	**395**	395
	32,784	34,510

34 Net Foreign Exchange Trading Income

	2020 $	2019 $
Foreign exchange		
Net realised gains	**7,335**	8,931
Net unrealised gains	**942**	894
	8,277	9,825

(in thousands of Eastern Caribbean dollars)

35 Other Operating Income

	2020 $	2019 $
Rental income	**2,626**	2,589
Bad debt recovery income	**11,142**	14,411
Dividend income	**223**	-
Other	**264**	586
	14,255	17,586

36 Other Gains, net

	2020 $	2019 $
Gains on disposal of FVOCI investment securities	**2,423**	530
Gains on disposal of investment securities at amortised cost	**2,085**	948
Gains on FVTPL investment securities	**294**	803
Unrealised gains on FVTPL investment securities	**943**	1,059
Disposal of investment property	**(968)**	-
	4,777	3,340

(in thousands of Eastern Caribbean dollars)

37 Operating Expenses

	Notes	2020 $	2019 $
Employee benefit expense	38	**33,699**	28,790
Depreciation and amortisation	17 & 19	**4,795**	4,638
Utilities and telecommunications		**3,745**	4,028
Repairs and maintenance		**8,512**	7,794
Advertising and promotion		**1,128**	1,106
Bank and other licences		**295**	215
Security		**1,478**	1,463
Printing and stationery		**509**	839
Legal and professional fees		**275**	550
Insurance		**857**	769
Credit card and IDC visa charges		**7,919**	9,469
Corporate responsibility		**26**	27
Bank charges		**1,290**	991
Travel and entertainment		**296**	296
Other expenses		**5,997**	7,957
		70,821	68,932

38 Employee Benefit Expense

	2020 $	2019 $
Wages and salaries	**20,272**	21,358
Other staff costs	**4,247**	6,381
Pensions	**9,180**	1,051
	33,699	28,790

Included in employee benefits is an accrual of $7,209 (2019 – nil) which represents an estimated loss on conversion of the pension plan from a defined benefit plan to a defined contribution plan.

(in thousands of Eastern Caribbean dollars)

39 Income Tax Expense

	Notes	2020 $	2019 $
Current tax		**516**	5,295
Overpayment of tax – prior year		**(1,613)**	-
Deferred tax charge / (recovery)	27	**7,676**	(4,036)
		6,579	1,259
Deferred tax income in other comprehensive income:			
Deferred tax arising from defined benefit pension plan		**1,063**	808
		7,642	2,067

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

	2020 $	2019 $
Profit for the year before income tax and dividends	**14,286**	56,541
Tax calculated at the applicable tax rate of 30%	**4,286**	16,962
Tax effect of income not subject to tax	**(5,652)**	(5,045)
Deferred tax asset recognised/ unrecognised on tax losses	**7,210**	(4,901)
Tax effect of expenses not deductible for tax purposes	**2,864**	(462)
Prior year over payment of tax	**(1,613)**	-
Tax effect of utilised losses	**(516)**	(5,295)
	6,579	1,259

The Group has unutilised tax losses of $2,786 (2019 –$26,818) for which a deferred tax asset of $836 (2019 - $8,046) has been recognised due to the certainty of its recoverability. Unutilized tax losses may be carried forward and deducted against 50% of future taxable income within six years following the year in which the losses were incurred. The losses are based on income tax returns, which have not yet been assessed by the Inland Revenue Department. The Group also has unutilised tax losses of $111,862 (2019 – $98,243) for which no deferred tax asset has been recognised.

Tax losses expire as follows:

	2020 $	2019 $
2020	**-**	6,367
2021	**13,620**	13,620
2022	**105,079**	105,079
	118,699	125,066

There was no income tax effect relating to components of other comprehensive income.

(in thousands of Eastern Caribbean dollars)

40 Earnings Per Share

Basic and diluted

The calculation of basic earnings per share is based on the profit from continuing operations attributable to ordinary shareholders of $7,416 (2019 – $54,991) and 24,465 (2019 – 24,465) shares, being the weighted average number of ordinary shares in issue in each year. For the purpose of calculating diluted earnings per share, the profit for the year attributable to equity holders of the company is the profit for the year after deducting preference dividends of $291 (2019 – $291).

41 Cash and Cash Equivalents

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

	Notes	2020 $	2019 $
Cash and balances with Central Bank	6	**129,094**	62,910
Deposits with other banks	8	**216,447**	110,478
Deposits with non-bank financial institutions	10	**86,183**	10,064
Treasury Bills	7	**-**	2,774
		431,724	186,226

42 Contingent Liabilities and Commitments

Commitments

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

	2020 $	2019 $
Loan commitments	**82,469**	50,362
Guarantees, letters of credit and other credit obligations	**15,998**	18,361
	98,467	68,723

(in thousands of Eastern Caribbean dollars)

43 Principal Subsidiary Undertakings

	Holding	
	2020	**2019**
	%	**%**
Bank of Saint Lucia Limited	**100**	100

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

Another company named East Caribbean Financial Holding Company Limited was then incorporated at the same time to hold the shares of Bank of Saint Lucia Limited, and Bank of Saint Vincent and the Grenadines Limited. On June 30, 2017, the Group disposed of its majority holding in Bank of St. Vincent and the Grenadines Limited, as part of its strategic objective to focus on its local share of Bank of St. Lucia Limited (see note 16).

44 Cumulative Preference Shares

	No. of shares	**2020 $**	**No. of Shares**	**2019 $**
7% Cumulative preference shares				
Authorised:				
11,550,000 preference shares				
At beginning and end of year	**830,000**	**4,150**	830,000	4,150

The preference shares are non-voting and are to be converted to ordinary shares. The Group has imposed certain restrictions with respect to the number of preference shares that can be converted to ordinary shares in any one year.

The Board of Directors of the Company and the National Insurance Corporation respectively have formally agreed that future conversions of preference shares should be done at $5 per share.

Dividends declared and unpaid on the preference shares during the year amounted to $291 (2019 – $291).

45 Comparatives

Certain balances were reclassified in the prior year to be consistent with the current year's presentation. These changes had no impact on the total assets or total equity.

46 Dividend

A dividend in respect of the 2019 financial year end of $6,116 (2019 - $7,340) was paid for each unit of paid up share capital.

47 COVID -19

On March 11, 2020, the World Health Organisation declared the 2019 novel coronavirus outbreak a global pandemic. This disease, now called COVID-19, has had and continues to have a significant adverse impact on the global economy generally, and on the Saint Lucian economy in particular which is largely driven by tourism. Hotel closures and reduced occupancy levels for those which remained open resulted in increased unemployment and reduced revenue for both the public and private sectors, including financial institutions. In common with other countries, the Government of Saint Lucia ("GOSL") took several measures to contain the spread of the virus including complete shutdown of the local economy, closure of non-essential businesses, curfews, social distancing measures and the institution of national protocols. These measures were initially successful at curbing the spread of the virus. However, the subsequent easing of these restrictions both locally and internationally, while allowing the reopening of many economies and a partial economic recovery, also resulted in a resurgence in infection rates. This has led to the re-institution of some of the measures initially implemented to contain the pandemic.

On December 11, 2020, the United States Food and Drug Administration ("FDA") granted Emergency Use Authorisation for the Pfizer-BioNTech COVID-19 vaccine. It is expected that this, along with other vaccines since authorised for use in the U.S. and other parts of the world, will eventually lead to a global economic recovery including Saint Lucia. However, it is accepted that the strength and depth of the recovery will depend on the efficiency of the distributions of the vaccines. Recent discoveries of mutated forms of COVID-19 has brought on additional complexities to the situation as it is unclear whether the existing vaccines will be effective in treating more aggressive forms of the virus. Consequently, the Group's operating environment will continue to be uncertain and fluid in the near term.

Critical judgements and estimates

The Group has taken into account the impact of COVID-19 and related market volatility in preparing these consolidated financial statements. While the methodologies and assumptions applied in the measurement of various items within the consolidated financial statements remain unchanged from those applied in the 2019 financial statements, the impact of COVID-19 has resulted in the application of further judgement and the incorporation of estimates and assumptions specific to the impact of COVID-19.

47 COVID-19...*continued*

Critical judgements and estimates

COVID-19 has given rise to heightened uncertainty as it relates to the key areas of estimation and how the outbreak will impact customer demands for banking services and thus the Group's business in future periods. Management has therefore modelled a number of different scenarios to assess the financial performance of the business in the next 12 months. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations, economic forecasts, along with management's proposed responses over the period. The base case scenario includes the benefits of actions and decisions already taken by management to mitigate the financial downsides brought on by COVID-19. These include the suspension of dividends, staff rationalisation, reducing non-essential capital expenditure and deferring or cancelling discretionary spend. It assumes that the Group will continue to operate and the economy will begin to rebound gradually. However, significant credit risk will persist leading to increased expected credit losses for 20% of the loan moratorium portfolio. The downside scenario was more severe with 50% of loan moratoriums requiring stage three expected credit losses and assumes periods of lockdowns as in country transmission of COVID increases.

The Group's risk and capital management framework continues to be applied, and the Group continues to monitor the impact of COVID-19 on its risk and capital profile. Non-financial risks emerging from global movement restrictions and remote working by staff, counterparties and customers are being identified, assessed, managed and governed through timely application of the Group's Risk Management Framework.

Consideration of the potential impacts of COVID-19 on specific financial statement line items

Valuation of financial instruments - Given market volatility during the year, the Group reviewed the appropriateness of the inputs into its fair values. As a result, and as part of the process to determine fair values of financial instruments since the onset of the pandemic, the Group has applied heightened levels of judgement to a broader population of financial instruments than would otherwise generally be required with the objective of determining the fair value that is most representative of those financial instruments.

Loans and advances –The Group introduced support measures for customers impacted by COVID-19, including the deferral of payments for corporate, retail and small business customers for an initial period of six months. The option to extend for an additional twelve months is available to all customers who still experience challenges in meeting their loan commitments. The terms and conditions related to the deferrals were considered to be substantial modifications and they were accounted for as modified assets. Modification gains or losses have been recognized in expected credit losses in note 11 with regards to these exposures.

Provision for the credit impairment on loans at amortised cost - In determining the appropriate level of expected credit losses (ECLs) this year, the Group considered the macro-economic outlook, economic sector analysis, customer credit quality, the type of collateral held, exposure at default, and the effect of payment deferral options at the reporting date.

The ECL methodology, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as at December 31, 2019. The model inputs, including forward-looking information, scenarios and associated weightings, were revised to reflect the current outlook brought on by the COVID-19 pandemic.

(in thousands of Eastern Caribbean dollars)

47 COVID-19*...continued*

Key Macroeconomic overlays

Usually, the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. Qualitative adjustments or overlays may therefore be made for certain portfolios or geographies as temporary adjustments in circumstances where, in the Group's view, the inputs, assumptions, and/or modelling techniques do not capture all relevant risk factors, including the emergence of economic or political events.

In considering the assumptions used to measure expected credit losses this year, the Group contemplated both the unprecedented impact and significant uncertainty of COVID-19 on current conditions and outlook, including the timing of economic recovery combined with the continued shut-down of economies around the world and associated uncertainty regarding re-opening.

To address the uncertainties inherent in the current environment, the Group recognized significant increase in credit risk with respect to the impact that the COVID-19 pandemic will have on the migration of certain exposures that we believe are the most susceptible to these risks and the resulting measurement of the ECL for those exposures. In addition, considering the adverse economic impact brought on by COVID 19, the Group incorporated economic overlays into the ECL model and considered a range of possible future economic scenarios in determining an economic overlay which was applied to the expected credit loss model.

Impact of deferral programs - Modifications

The table below sets out the gross credit risk exposures which remain on deferral at December 31, 2020:

	$
Stage 1	-
Stage 2	253,015
Stage 3	118,255
Total	371,270

Options available for customers upon expiry of the initial deferral period included:

- extension of moratoriums for up to an additional 12 months,
- resuming regular repayments,
- extension of loan terms,
- converting outstanding interest to a separate loan, and
- consolidation of debt.

Given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impacts of such a pandemic, the actual outcomes for the Group in future may differ from assumptions that have been applied in the measurement of the Group's assets and liabilities.

48 Subsequent Event

The East Caribbean Financial Holding Company Limited has a twenty percent (20%) interest in the Bank of St. Vincent and the Grenadines Limited ("BOSVG") that is accounted for using the equity method as prescribed by IAS 28.

On April 9, 2021, after decades of inactivity, the La Soufriere volcano on the island of St. Vincent and the Grenadines erupted. Several explosive eruptions of varying intensities have subsequently been experienced. At the date of issue of these financial statements, we are unable to quantify the financial impact, if any, of these volcanic eruptions on the future financial statements of BOSVG, and by extension, of ECFH.

ECFH
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