POWERING PEOPLE

DRIVING SUCCESS

2022

ANNUAL REPORT

ECFH

East Caribbean Financial Holding Company

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ECFH

VISION
Our Bank • Strong • Secure • Profitable

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

CORE VALUES "I CARE"

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

NOTICE OF TWENTY SECOND ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Twenty Second Annual Meeting of the East Caribbean Financial Holding Company Limited will be held at the Finance Administrative Complex, Pointe Seraphine, Castries Saint Lucia on Thursday, July 27, 2023, at 4:00 p.m., for the following purposes:

1. To consider and adopt the Report of Directors

2. To consider and adopt the Report of the Auditors and the Audited Financial Statements for the year ended December 31, 2022

3. To Sanction Dividends

4. To appoint Auditors and authorize Directors to fix their remuneration

5. To elect Directors

BY ORDER OF THE BOARD

Estherlita Cumberbatch
Corporate Secretary

NOTE:
PERSONS ENTITLED TO NOTICE
In accordance with Section 108(2) of the Companies Act, Chapter 13.01 Revised Laws of Saint Lucia 2001, the Directors of the Company have fixed June 27, 2023 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Registered Office of the company during usual business hours.

ECFH GROUP CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

CORRESPONDENT BANKS & RELATIONSHIPS

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 OWNERSHIP

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

ECFH CORPORATE STRUCTURE

ECFH FINANCIAL HIGHLIGHTS

INCOME STATEMENT

	2022 EC $000	2021 EC $000	2020 EC $000	2019 EC $000	2018 EC $000	2017 EC $000	2016 EC $000
Interest Income	80,167	73,632	79,130	88,218	84,157	80,503	76,981
- Interest Expense	26,748	27,881	28,721	28,854	27,919	32,145	35,490
= Net Interest Income	**53,419**	**45,751**	**50,409**	**59,364**	**56,238**	**48,358**	**41,491**
+ Other Income	63,631	55,083	63,396	72,579	62,597	59,916	51,020
= Operating Income	**117,050**	**100,834**	**113,805**	**131,943**	**118,835**	**108,274**	**92,511**
- Staff Costs	31,450	27,116	33,699	28,790	26,247	25,609	29,917
- Administrative Costs	47,577	42,521	37,122	40,142	38,056	36,915	37,018
- Impairment Losses - Loans & Investments	(11,029)	5,703	28,698	6,470	8,920	16,431	128,782
= Profit before Taxes & Dividends	**49,052**	**25,494**	**14,286**	**56,541**	**45,612**	**29,319**	**(103,206)**
+ 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	7,096	2,326	6,579	1,259	355	(2,806)	5,726
- Dividends on Preference Shares	291	291	291	291	291	291	291
- Minority Interest	-	-	-	-	-		2,419
= Net Income after Taxes	**41,665**	**22,877**	**7,416**	**54,991**	**44,966**	**36,989**	**(114,213)**

BALANCE SHEET

	2022	2021	2020	2019	2018	2017	2016
Cash and Balances with Central Bank	245,455	270,955	258,761	184,245	223,983	347,950	366,874
+ Investments	1,254,163	1,141,456	1,066,621	995,534	913,045	686,651	813,572
+ Loans	860,980	803,904	799,318	838,730	849,215	874,051	1,474,613
+ Other	291,773	238,993	213,954	212,212	200,979	209,338	994,052
= Total Assets	**2,652,371**	**2,455,308**	**2,338,654**	**2,230,721**	**2,187,222**	**2,117,990**	**3,649,111**
Deposits	2,245,263	2,052,748	1,937,091	1,862,902	1,877,168	1,842,886	2,527,787
+ Borrowings	39,246	52,178	60,008	63,844	71,519	79,181	139,710
+ Other Liabilities	93,134	63,057	76,126	53,147	48,614	47,350	836,032
+ Capital	274,728	287,325	265,429	250,828	189,921	148,573	145,586
= Total Liabilities and Capital	**2,652,371**	**2,455,308**	**2,338,654**	**2,230,721**	**2,187,222**	**2,117,990**	**3,649,111**

OTHER INFORMATION

	2022	2021	2020	2019	2018	2017	2016
ROE	14.8%	8.3%	2.9%	25.0%	26.6%	25.1%	-57.5%
ROA	1.6%	1.0%	0.3%	2.5%	2.1%	1.3%	-3.1%
Ordinary Dividend Payout % Age	-	-	0%	14.4%	0.0%	0.0%	0.0%
Book Value of Ordinary Shares ($)	$11.23	$11.74	$10.85	$10.25	$7.76	$6.07	$3.83
Average Market Value of Ordinary shares ($)	$3.63	$4.24	$4.44	$4.45	$4.13	$4.75	$5.44
Earnings / (Loss) per Ordinary Share ($)	$1.70	$0.94	$0.30	$2.25	$1.84	$1.30	($4.46)
Dividends per Ordinary Share ($)	-	-	$0	$0.30	-	-	-
Provisions as % of Loan Portfolio	7.9%	9.7%	9.6%	7.0%	6.9%	9.9%	7.1%
Provisions as % of Non-performing	71.7%	78.5%	77.0%	69.7%	60.8%	59.1%	49.1%

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Despite ongoing challenges faced in the aftermath of the COVID-19 pandemic, the ECFH group of companies was able to record another profitable year, for the period ended 31st December, 2022. This, of course, would not have been possible without the commitment and diligence of the staff and management. I take the opportunity to express my gratitude to a growingly coordinated and purpose driven team of men and women.

At the last annual general meeting of shareholders, we listened to the concerns and in some cases, the disappointment of shareholders about the absence of returns on their investments. I want to reassure shareholders that the Bank is committed to meeting its responsibilities to all its stakeholders. During the year under review, we redoubled efforts to ensure that the Bank remains on a path of profitability. I am pleased to report that for the year ended 31st December 2022, the Group improved its profitability over last year, and after a long dividend drought, the Board of Directors will recommend the payment of dividends to the ordinary shareholders this year.

The Board remains cautiously optimistic about a positive outlook for the Bank, notwithstanding some of the lurking economic challenges. Our strategic initiatives continue to bear fruit, and all indications suggest that the group's profitability and asset base are on the rise.

The lurking economic challenges I referred to reside in the global, regional, and local environments.

GLOBAL ENVIRONMENT

Projected global GDP growth for 2023 has been revised downwards to 2.9 percent from 3.8 percent in 2022. There have also been repeated downward revisions for 2024 global GDP growth rates due to the fight against inflation in major industrialized countries and the Ukrainian war. Any stubborn increase in inflation is likely to be met with increases in interest rates, which will reduce the disposable incomes of citizens in our main tourism source markets, in particular the US and UK. As it relates to the war in Ukraine, any sustained escalation of the conflict is expected to be a drag on the growth of the global economy.

REGIONAL ENVIRONMENT

In the case of the Caribbean Region, economic growth is expected to increase by 5.7 percent in 2023, due to continued recovery in the tourism sector and strong performances from commodity producing countries. The economies of countries in the Eastern Caribbean Currency Union (ECCU) on the other hand are expected to grow by 5.01 percent in 2023 with a modest slowdown in growth to 4.77 percent in 2024. The absence of adequate inter-island travelling arrangements continue to undermine regional tourism. It is hoped that governments of the region will structure some workable response in 2024 to alleviate the problems of inter-island travel.

LOCAL ENVIRONMENT

At home, the local economy is projected to grow by 2.4 percent in 2023. An anticipated increase in tourism arrivals, significant investments in the hotel-room stock, and additional international airlift are expected to drive economic activity during next year, with economic growth being projected at 5.0 percent in 2024.

While economic recovery is well underway in Saint Lucia, negative external economic events can derail the growth trajectory of the local economy. Mindful of these risks, the Bank continues to make the most of new economic opportunities as they present themselves.

STRATEGIC OUTLOOK

In 2022, the Board of Directors continued to lead the charge by providing guidance under the Bank's strategic plan: "Sustaining Profitability through Diversification, Digital Transformation and Cost Optimization." The group's performance for the financial year which ended December 31st, 2022, has allowed for the maximization of investment opportunities, effective risk management, strategic positioning of its human resource capacity, and investment in modern technology, all designed to create added value for its customers and shareholders.

As Chairman, I will continue to support the strategic plan, and to ensure its successful implementation and its adaptation where the circumstances warrant it. It's my desire that the group continues to grow as a learning organization, so that it remains responsive to changes in the business environment and has the capacity to take advantage of new opportunities, as well as create them.

FINANCIAL RESULTS

The Group's financial performance for the year ended December 31st, 2022, reported a much-welcomed profit after tax of $41.7 million, an increase of 82% over last year's ($22.9 million). The Bank's asset base remains robust, with its capital adequacy two-and-a half times the regulatory requirement, and its liquidity strong. The Group's current position, though significantly better than the previous two years, remains below the pre-pandemic net profit after tax of $55 million in 2019.

The Group recorded growth of $197million in its balance sheet stemming from an increase in customer deposits. While loans and advances grew by $57 million, they remain at 32% of total assets and only 38% of total customer deposits (prudential benchmark 85%), a measure of the Bank's excess liquidity.

Notwithstanding the strong operating net profit after tax recorded this year, the Group was impacted by a comprehensive loss of $12.6 million due to unrealized losses on investments. However, we are pleased to advise that considering that the Group has reported a sustainable net profit after tax for the year, the Board of Directors will recommend that a dividend of 50 cents per share be paid to ordinary shareholders on record.

The year 2023 is expected to be another profitable year for the Group. The Bank remains well positioned in meeting its strategic objectives for 2023, providing added value to all its stakeholders: customers, staff, and shareholders.

APPRECIATION

The last few years have been challenging for the Group. Although an overall profit after tax of $41.7 million was realized, more needs to be done and will be done to enhance the Bank's profitability in the years ahead. The improved financial performance of the Bank would not have been possible without the commitment and hard work of the staff, management, and the Board of Directors.

On behalf of the Board of Directors, I say thanks, again, to team BOSL; you have done well, and I look forward to even better results in the coming years.

To my fellow directors, please accept my gracious thanks for continuing to successfully guide the ECFH Group along the path of growth, learning and success.

And to our customers, thanks for your support, loyalty, and commitment to the Bank, without you we could not exist. I promise that we will remain unstintingly committed in the provision of services that add value.

I look forward to continuing the work that we have started, providing the necessary support across the organization, and ensuring the bank fulfills its Mission and Vision, and its values are upheld.

Evaristus Jn Marie
Chairman

CORPORATE GOVERNANCE

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

The Board, which comprises appointed and elected directors, meets bi-monthly with extraordinary meetings 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 including 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 continues to achieve sustained growth, efficiency and profitability. The Board establishes the Group's, and by extension 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 duties solely in the best interest of the Company and its shareholders. The issue of Independence and Conflict of Interest are contained in the Code of Conduct for Directors.

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

SIZE OF THE BOARD

The Board shall have 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. The Code of Conduct for Directors outlines the procedures to be followed in declaring a conflict of interest.

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 excuse him/herself from the discussion and voting on the matter.

DIRECTOR TENURE

Non-Executive Directors serve for a maximum period of ten years in accordance with the Corporate Governance Policy. However, for Directors appointed by institutional shareholders, their tenure is dependent on the policy of these companies. The Managing Director retires in accordance with the terms of his contract of employment.

DIRECTOR ORIENTATION, TRAINING AND EVALUATION

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

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

Evaluation of the Board and all Committees are undertaken annually and all shortcomings identified are addressed to ensure their effectiveness are constantly improved.

INTERNAL AUDIT

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

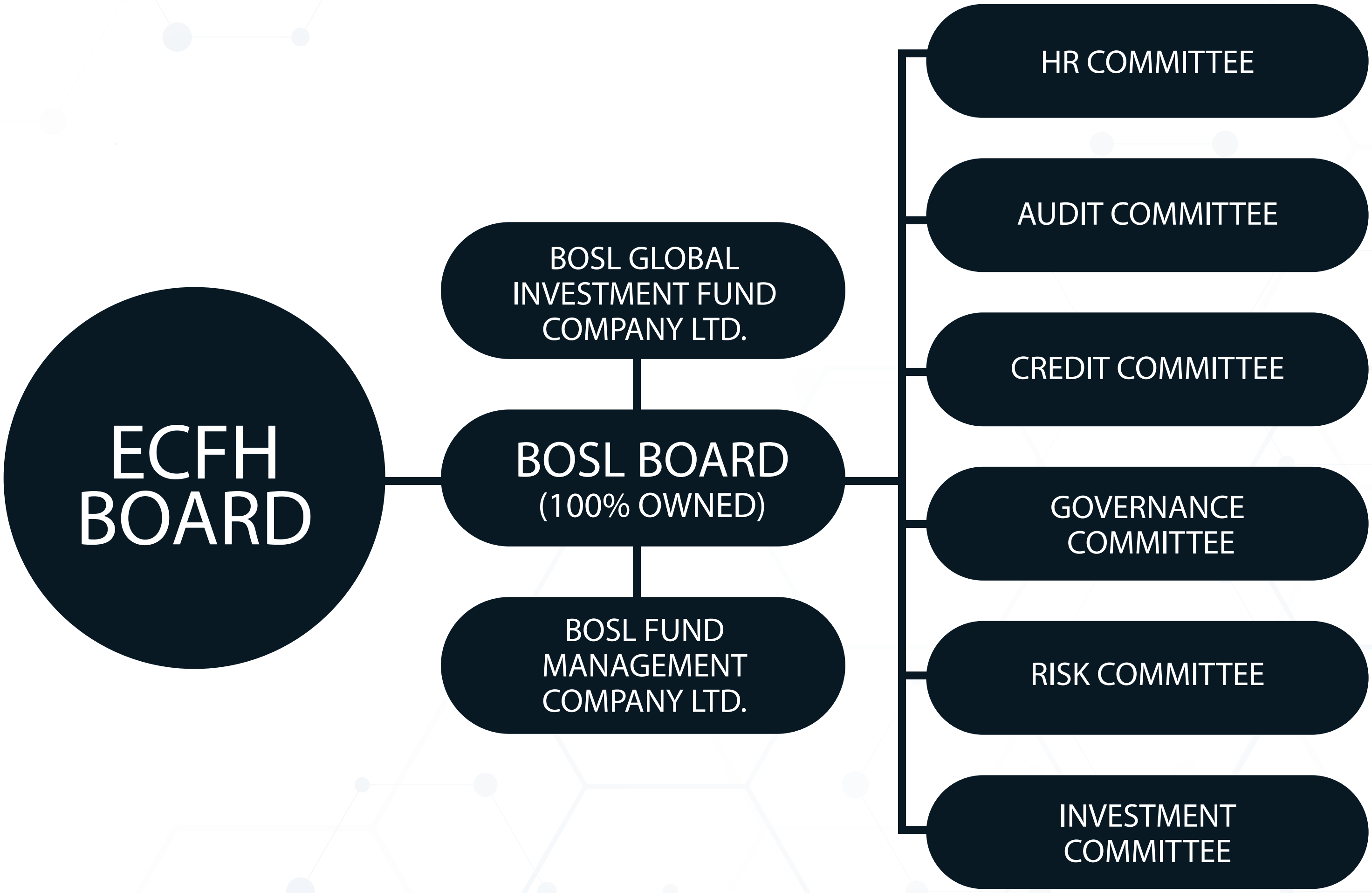
OVERSIGHT OF SUBSIDIARY BOARD

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

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

BOARD COMMITTEES

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



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

The Committees of the Board 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
- Trevor Louisy
- Rolf Phillips
- Matthew Beaubrun
- Stephen Louis

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:

- Marcus Joseph - Chairman
- Stewart Haynes
- Matthew L. Mathurin
- Malcolm Alexander
- Stephen Louis

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

MEMBERS:

- Evaristus Jn. Marie - Chairman
- Stewart Haynes
- Malcolm Alexander
- Matthew Beaubrun
- Marcus Joseph

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.

- 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
- Pat Payne
- Matthew Beaubrun
- Evaristus Jn. Marie
- Marcus Joseph

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
- Malcolm Alexander
- Matthew L. Mathurin
- Evaristus Jn. Marie
- Stephen Louis

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:

- Matthew L. Mathurin – Chairman
- Stewart Haynes
- Rolf Phillips
- Trevor Louisy

PROFILE OF DIRECTORS

EVARISTUS JN. MARIE

DATE APPOINTED
August 2021

PROFESSION
Management

QUALIFICATIONS
M.Sc. AAT, Acc. Dir.

MATTHEW BEAUBRUN

DATE APPOINTED
November 2021

PROFESSION
Management

QUALIFICATIONS
MBA, BA Econ, Acc. Dir

TREVOR LOUISY

DATE APPOINTED
September 2014

PROFESSION
Engineer

QUALIFICATIONS
BSc. (Hons)
Electrical Engineering

STEWART HAYNES

DATE APPOINTED
August 2017

PROFESSION
Actuary

QUALIFICATIONS
FIA, CFA

PAT PAYNE

DATE APPOINTED
January 2019

PROFESSION
HR Professional

QUALIFICATIONS
MSc Human Resource
Development, Cert. Strategic HR

ROLF PHILLIPS

DATE APPOINTED
November 2020

PROFESSION
Banker

QUALIFICATIONS
ACIB

MALCOLM ALEXANDER

DATE APPOINTED
October 2021

PROFESSION
Retired Banker

QUALIFICATIONS
Acc. Dir.

MATTHEW L. MATHURIN

DATE APPOINTED
November 2021

PROFESSION
Management

QUALIFICATIONS
MBA, FCCA, Acc. Dir.

MARCUS JOSEPH

DATE APPOINTED
July 2022

PROFESSION
Divisional General Manager
& Country Head

QUALIFICATIONS
BSB

STEPHEN LOUIS

DATE APPOINTED
July 2022

PROFESSION
Information &
Communications Technology
& Management Consultant

QUALIFICATIONS
DBA, MBA, BSc (Hons),
CMC, PMP

DIRECTORS' REPORT

The Directors submit their Report for the Financial Year ended December 31, 2022.

CHANGES TO THE BOARD

The following changes took place on the Board during the financial year:

1. Director Omar Davis, having served ten years on the Board retired at the close on the Annual Meeting of Shareholders on July 29, 2022
2. Director Llewellyn Gill, having served ten years on the Board retired at the close on the Annual Meeting of Shareholders on July 29, 2022
3. Director Marcus Joseph was elected as a Director at the Annual Meeting held on July 29, 2022
4. Director Stephen Louis was elected as a Director at the Annual Meeting held on July 29, 2022

DIRECTORS' INTEREST

The interests of the Directors holding office at the end of the Company's 2022 Financial Year in the Ordinary Shares of the Company were as follows:

DIRECTOR	BENEFICIAL INTEREST
TREVOR LOUISY	200
STEWART HAYNES	Nil
PAT PAYNE	Nil
ROLF K. PHILLIPS	Nil
EVARISTUS JN. MARIE	Nil
MALCOLM ALEXANDER	Nil
MATTHEW L. MATHURIN	8,000
MATTHEW BEAUBRUN	1,150
MARCUS JOSEPH	2,710
STEPHEN LOUIS	800

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

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

RESTRICTIONS OF TRADING OF SHARES BY DIRECTORS

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

STAKEHOLDER RELATIONS

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

EXTERNAL AUDITORS

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

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

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	11.13%
NATIONAL INSURANCE CORPORATION	PREFERENCE	830,000	100%

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

AYANNA CAESAR
Senior Manager
Risk Management & Compliance Services

DEBORAH PELAGE
Senior Manager
Operations

ARLETA RATE-MITCHEL
Senior Manager
Retail Banking

MARCIA GEORGE
Senior Manager
Credit Administration

DANIEL EUGENE
Senior Manager
Recoveries & Valuations

GENEVIEVE DOWNES
Senior Manager Ag.
Marketing & Corporate Communications

MELISSA SIMON
Senior Manager
Internal Audit

MINELVA OCULIEN
Senior Manager
Human Resources

TADDEUS PIERROT
Senior Manager
Information Management & Technology Services

PATRICIA JOSEPH
Senior Manager
Corporate Banking Services

CORPORATE SOCIAL RESPONSIBILITY

BEYOND BANKING WITH Bank of Saint Lucia

ALL THE BANK YOU NEED

We are committed to continue empowering our customers to make sound financial decisions for a lifetime. We view our role in making a positive contribution in our local communities as critical and remain steadfast in aligning our operations with the UN Sustainable Development Goals – the Principles of Responsible Banking.

With COVID-19 being a long-term threat, we recognized the importance of safer, more convenient banking opportunities. Along with ensuring that our banking offerings were more accessible, the need for education arose and Beyond Banking with BOSL was birthed. Our flagship Financial Literacy Programme began in 2021 and continues with Season 1, which included 5 episodes, focused on educating our customers about accessing the upgraded BOSL Online & Mobile Banking Platform.

Season 2, hosted 6 episodes, which featured the BOSL Card Services. Teaching customers how to use and apply for Debit & Credit Cards, the Visa My Rewards platform, mitigating card fraud and the benefits of merchant services along Point of Sale Machines.

Season 3 was launched in 2022 and focused on BOSL Digital which is the first of its kind in the Eastern Caribbean Currency Union. BOSL Digital's team starred in all 5 episodes which aimed at educating customers on the rational behind BOSL Digital, how to register and use the BOSL Digital Customer Platform, applying for loans, opening of accounts and also on the back-end processes and security features of the platform.

BOSL 101 Banking Tips with BOSL was launched in 2021 and continued throughout 2022. Banking Tips are shared via social media platforms – which provide customers with quick pointers on everything banking related.

Bank of Saint Lucia
ALL THE BANK YOU NEED

TECHNOLOGICAL INNOVATION

BOSL | Digital

BOSL Digital was launched in 2021. It is the first fully operational Online Branch in the ECCU, Bank of Saint Lucia Digital affords customers the convenience of banking anywhere, anytime. The BOSL Digital Customer Platform allows customers to apply for loans, sign electronically, open savings accounts, sign up for Online & Mobile Banking. The Online Branch boasts a full range of services offered with the exception of cash transactions.

The first fully Online Branch in the ECCU, Bank of Saint Lucia Digital affords customers the convenience of banking anywhere, anytime. The BOSL Digital Customer Platform allows customers to apply for loans, sign electronically, open savings accounts, sign up for Online & Mobile Banking. The Online Branch boasts a full range of services offered with the exception of cash transactions.

BOSL Digital replaces the previous Customer Support Centre and the team is available to attend to customer requests via email, telephone and WhatsApp.

SUSTAINABLE SOLUTIONS: RENEWABLE ENERGY FINANCING

Tree planting exercise at Marquis River

BOSL
SUSTAINABLE SOLUTIONS

The Sustainable Solutions: Renewable Energy Programme was introduced in 2021. Throughout 2022, even more initiatives were rolled out which comprised of Beach Clean-Ups, Virtual Panel Discussions and Tree Planting Exercises.

The Sustainable Solutions Loan Promotion also continued throughout 2022 which offered 100% financing on electric and hybrid vehicles and solar photovoltaic (PV) systems. The programme included a number of partners who provide installation, support and special discounts to approved customers.

In addition to the Sustainable Solutions Loan Promotion, two community activities were held in 2022. The first being a beach clean up exercise in April where Staff and their families collected a significant amount of garbage along the Pigeon Island Beach.

A tree planting exercise was held in December, 2022 in Babonneau near the Marquis River which engaged students from schools in the surrounding communities. Representatives from the Ministry of Agriculture were present along with staff who planted trees along the river bed. Panel discussions dubbed "Sustainable Solutions by Bank of Saint Lucia" were held in 2022 with the first being in June. Two guests; Mr. Eugene Williams and Mr. Lyndon Arnold discussed Green Energy Financing.

Later that year, in September, a second panel discussion was held where guests; Ms. Nadia Cazaubon – Waterways Caribbean and Mr. Ronald Roach – Unite Caribbean discussed Environmental Sustainability.

The final discussion for 2022, was held in December. The discussion focused on Solar PV and Energy Efficient Solutions. Dr. Allison Jean who is the CEO at the National Utilities Regulatory Commission (NURC) joined Mrs. Kerne Antoine-Gabriel from the Ministry of Infrastructure and Mr. Haydon Henry from S-Ion Energy.

YOUTH DEVELOPMENT, CULTURE & THE ARTS

In the area of Youth Development, Culture & the Arts, Bank of Saint Lucia supported a number of initiatives. Saint Lucia Carnival 2022, Helen's Daughters and the Daren Sammy Foundation were some of the initiatives undertaken throughout the year.

After a two-year hiatus, we re-emerged into the Carnival scene. For the first time, a Carnival Queen contestant, Xenia Douglas was sponsored by the Bank. Ms. Douglas was officially dubbed Ms. BOSL WISE; representing our Retirement Savings Account.

Ms. BOSL WISE emerged victorious in July, 2022 as the 2022 National Carnival Queen.

The support of other National Carnival Events in 2022 were all a success. The Bank supported both the 2022 Panorama and King & Queen of the Bands along with other large Carnival Events including Color Me Red, U4RIA and Soundcheck (an educational component for young artistes.)

Product activations to promote BOSL WISE Retirement Accounts and BOSL Visa Credit Cards were conducted at each sponsored event.

The Bank continued with the key partnership with Helen's Daughters in support of economic empowerment of rural women in agriculture. This organization stands firmly on the belief that there is need to support rural women with the use of adaptive agricultural techniques, capacity building and improved market access.

The organization held a number of FarmHERS Markets throughout the year which gave female farmers the opportunity to sell and showcase their produce.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The East Caribbean Financial Holding Company (ECFH) and its sole subsidiary Bank of Saint Lucia Limited (BOSL) reported very strong operating results for the financial year ended December 31st 2022. The Group has again demonstrated resilience amid continued economic volatility and uncertainty characterized by high inflation, imminent threat of global economic recession and tightening monetary policy. The results are attributed to the hard work and dedication of our management and staff, our disciplined approach in executing strategies geared to improve customers experience and drive business growth, the enduring support of our loyal and trusted customers, a strong well-diversified balance sheet and prudent Risk Management practices. We positioned ourselves to derive significant benefits from the rising international interest rate environment and other opportunities as they arise.

The Group remained well capitalized during the year and maintained strong liquidity levels.

During the year, we have strengthened the Group's both digital and data capabilities and we intend to further improve our digital footprint and harness data to consistently deliver excellent service to our customers.

Major initiatives launched during the 2022 financial year included the launch of BOSL Digital – the first Digital Branch in the ECCU. This launch has shown success with increased customer responsiveness and convenience which allows customers to complete key banking transactions such as account opening and loan applications digitally. We also launched the "MY SME Portal" which provides a wealth of information for start ups and existing SMEs to grow and fund their business. We also improved our online and mobile banking capabilities by launching new features to speed up data entry and payment processes.

In November 2022, in an effort to increase our reach throughout the island and to build enduring relationships along with untapped value, we opened a sub-branch in Choiseul – "BOSL Choiseul". This service is an extension of the Soufriere Branch and offers a full range of banking services.

We completed a Data Governance and Management Assessment during the year, in support of the development of a data governance and analytics framework. The aim was to drive useful insights from our various data platforms for business growth, increase turnaround time for customer analysis and forecast customer expectations to better serve and satisfy customer needs and provide more personalized customer experiences. The Group intends to further leverage data through partnerships with key stakeholders and adoption of automated capabilities such as artificial intelligence.

In an effort to drive resilience in our technology and operations, during the year, we continued to harden our network infrastructure and improve the security networks and standards throughout the Group. We commenced the migration of technology to cloud platforms with the onboarding of our disaster recovery site and plans are to migrate even more platforms to the cloud. Additionally, during the year, we built and improved on a number of productivity dashboards to monitor customer turnaround times, waiting times, cross selling and downtimes of convenience banking platforms. Measures were instituted to curtail service interruptions and turnaround to improve the reliability and efficiency delivered to our customers.

We completed our Corporate succession plan which is expected to drive a path for career development, employee retention and continuity for key Management positions within the company. During 2023, training and assessments will be conducted to close competency skills gaps in the succession group. Initiatives for growth of our human resources continued with the establishment of our learning institute dubbed. "Bank of Saint Lucia University" or "BOSLU". To this end, a roadmap has been created based on consultations with a group of curriculum specialists. Initial modules have been created with the intention to host the first inaugural courses by June 2023. We also continued with the second phase of leadership development and training for our executives and senior management.

We remain distinctly positioned to meet our customers' lifelong financial needs with our diversified products and services which include banking and financial management.

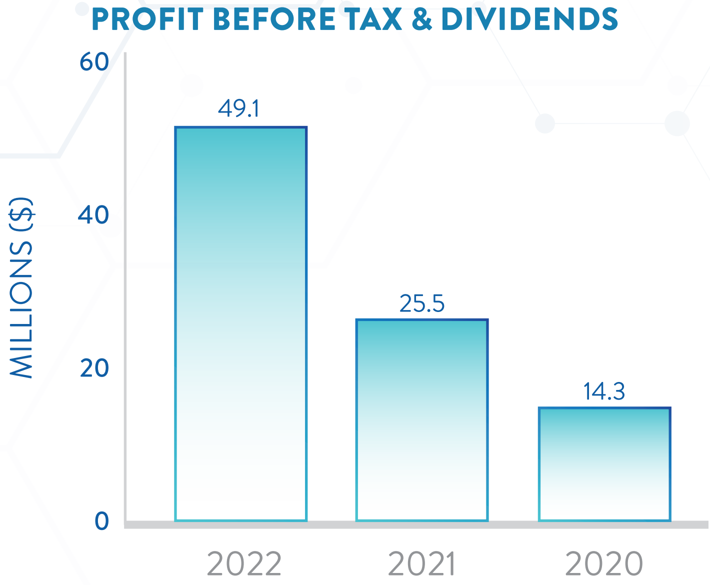
Supported by the economic rebound, with the strength and diversity of our balance sheet and strategic initiatives, we remain optimistic that the Group will report sustained high levels of profitability and growth in all our business areas including corporate and retail lending, card business, brokerage and investment banking as well as our insurance agency.

In spite of the rising cost of goods and services, we continue to practice prudent cost management and set accountability while at the same time invest in continuous improvement through strategic initiatives which will enhance operational efficiency and drive profitable growth.

FINANCIAL ANALYSIS

SUMMARY OF GROUP RESULTS

The Group's profit after tax attributable to equity shareholders for the year ended December 2022 was $41.7 million or $1.70 basic earnings per share, an increase of $18.8 million or 82.1% above the 2021 financial year. The improved results largely reflect investments and loan portfolio growth, impact of increasing international benchmark rates, reduction in impairment loss provisions on loans and investments and growth in our brokerage and card business. The strong performance demonstrates our strength and resilience despite ongoing economic volatility as we continue to pursue our strategic initiatives and seize opportunities presented.



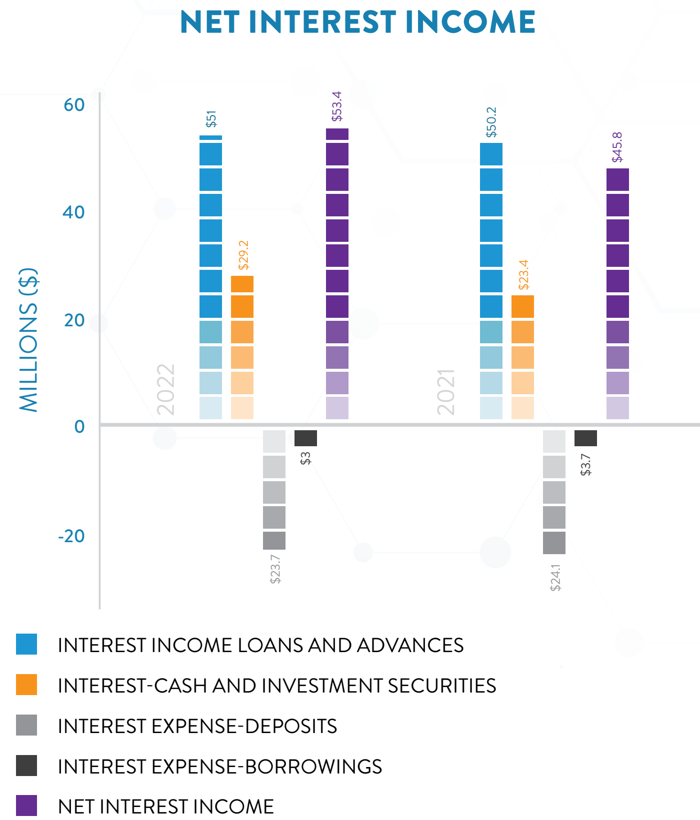
NET INTEREST INCOME

Net interest income was reported at $53.4 million, an increase of $7.6 million or 16.8% above the prior year. The increase was driven by a $5.8 million increase in interest income on investments and bank deposits, an increase of $750 thousand on loans as well as $1.1 million reduction in interest expenses on deposits and borrowings.

Growth in investment income stemmed from a net increase in the investment portfolio of $118.2 million and the benefit of sharp increases in the US policy rates during the year as the Federal reserves tried to control inflation. This led to an uplift in the average yield on investments by 55 basis points from the prior year.

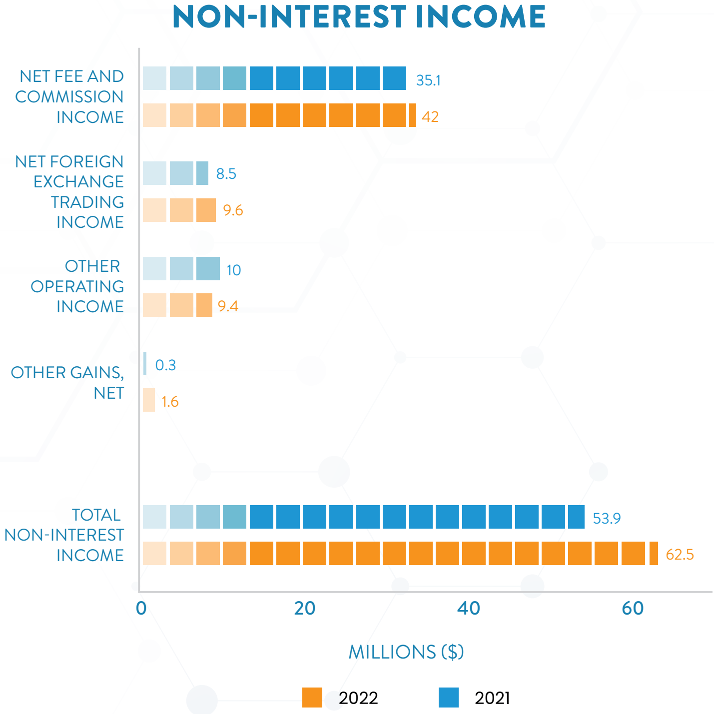
The increase in interest income on loans and advances was driven by $57 million net growth in the loan portfolio. Notwithstanding the increased income on loans, the average yields on the portfolio declined 7 basis points reflective of competitive pressures on interest rates in the local market. However, the average yields on overdrafts increased by 56 basis points.

Interest expense benefited from principal reductions of $12.9 million in borrowings resulting in $700 thousand savings in interest cost. Additionally, interest cost attributable to deposits declined by $400 thousand despite the fact that deposits increased by $197 million. The deposit growth was primarily driven by non-interest-bearing demand deposits while interest bearing term deposits declined. The average yield on borrowings and deposits declined by 10 basis points from 6.67% to 6.57% and 13 basis points from 1.19% to 1.06%, respectively.



NON-INTEREST INCOME

Non-interest income recorded a growth of $8.6 million or 15.9% from $53.9 million to $62.5 million. This was mainly driven by increased fees and commission income of $6.9 million, attributable to growth in our credit card business with increases in volume as well as usage. Brokerage and investment banking fee income also recorded increases both on merchant and capital markets arm of the business. Growth in non-interest income was also supported by increased foreign exchange income and other gains of $1 million and $1.2 million, respectively. The growth in foreign exchange income arose from higher trading activity, while net other gains were largely represented by fair value gains on investment property. This was partially offset by fair value losses on investments held at Fair Value through Profit and Loss. These positive movements were partially offset by a decline in other operating income of $672 thousand due mainly to lower collections on bad debts when compared to the prior year.



OPERATING EXPENSES

The operating efficiency improved to 64.1% from 69.6% in the previous year as the impact in the growth in all lines of income over compensated for the increased operating expense.

Total operating expenses increased by $9.4 million or 13.5% to $79 million in 2022 compared to 2021. This comprised of a $4.3 million increased staff cost and a $5.1 million increase in other operating expenses. The increased staff costs were largely attributed to accruals made for the introduction of staff performance-based pay, the reintroduction of staff engagement events after the hiatus from the COVID 19 pandemic and the impact of valuation of the pension plan. Increased operating expenses were mostly driven by expenditure to drive technological advancements, business growth, and visibility. There was also a noted general increase in prices arising from rising inflation and fuel prices.

CREDIT QUALITY IMPAIRMENT LOSSES

There was a net overall write back of impairment losses on the loan portfolio of $8.7 million, a decline of 238.6% from the prior year, arising largely from improved credit quality as well as improved economic indicators. Non-accrual loans declined $7.2 million from $109.9 million to $102.9 million and non-performing loan ratio have improved from 12.3% in 2021 to 10.9% in 2022.

Total loan loss provisions to non-performing loans ratio declined to 71.62% from 78.5% due largely to reduction in balance sheet provisions by $12.6 million from $86.3 million to $73.7 million. The Group maintains a contingency reserve as a non-distributable profit allocation to support provisioning against non-performing loans. The ratio of loan loss provisions and contingency reserves to non -accrual loans stand at 99%.

There was a net write back of impairment losses on the investments portfolio of $2.3 million following a recovery of $597 thousand compared in the prior year reflecting the more favorable macro-economic outlook.

SHARE OF PROFITS OF ASSOCIATES

Share of profits in associates was marginally lower than the prior year. The Group recorded a share of profits and other comprehensive income of $3.8 million and $189 Thousand respectively from its investment in the East Caribbean Amalgamated Bank Limited (ECAB). The Group also recorded $581 thousand and $697 thousand in share of profits and other comprehensive income from its investment in Bank of Saint Vincent and the Grenadines (BOSVG).

The Group's audit opinion was qualified by our auditors due to the non-receipt of audited financial statements for ECAB for their year ended September 30, 2022. The figures included in the financial statements were derived from unaudited management accounts.

INCOME TAX

The effective tax rate increased from 9.23% in 2021 to 14.6% in 2022. The tax expense was $4.8 million or 205.1% higher than the prior year due to growth in taxable income driven from higher profits prior year tax adjustment arising from tax assessments and an increase in the deferred tax charge for the year.

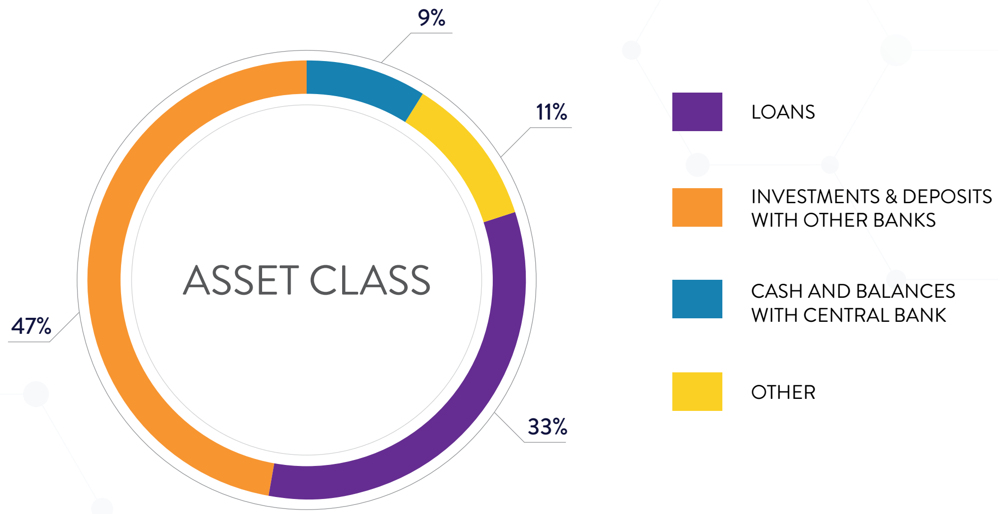
GROUP BALANCE SHEET

Total assets increased by $197.1 million or 8.0% to $2.65 billion in 2022 from the 2021 position. The increase in assets was largely reflected in $118 million increased investment securities, $57 million net increases in loans and advances and increased other assets of $52 million arising from increased level of credit card receivable balances. The balance sheet growth was supported by increased customer deposits of $197.4 million. Our balance sheet remains well diversified across all asset classes enabling us to remain resilient with balanced concentration risk, satisfactory liquidity levels and a strong capital base.

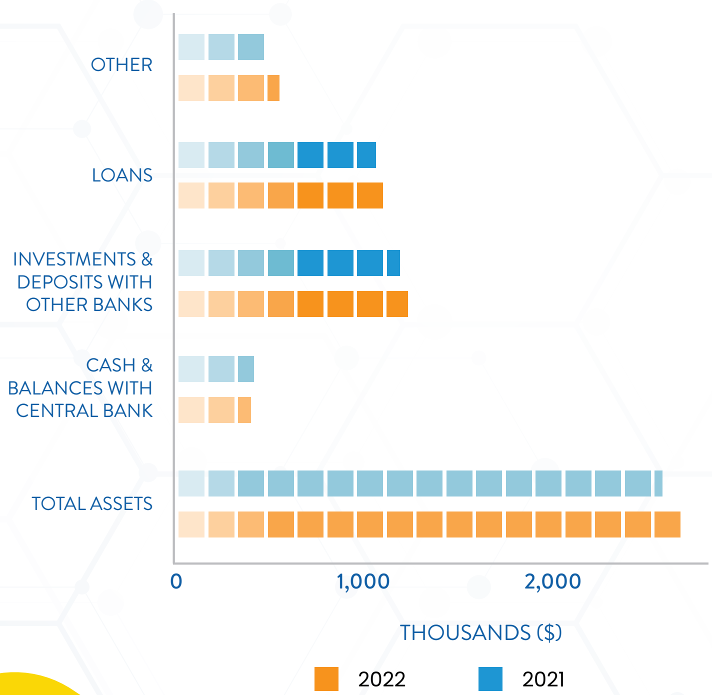
During the year the Group adjusted the carrying values of land and building to their fair values. The changes were applied retrospectively and reflected a prior year increase of $11.1 million in the carrying value of land and buildings with corresponding increase in equity.

Return on assets improved from 1% in 2021 to 1.6% and return on equity improved from 8.3% to 14.8% reflecting the strong financial performance in the year.

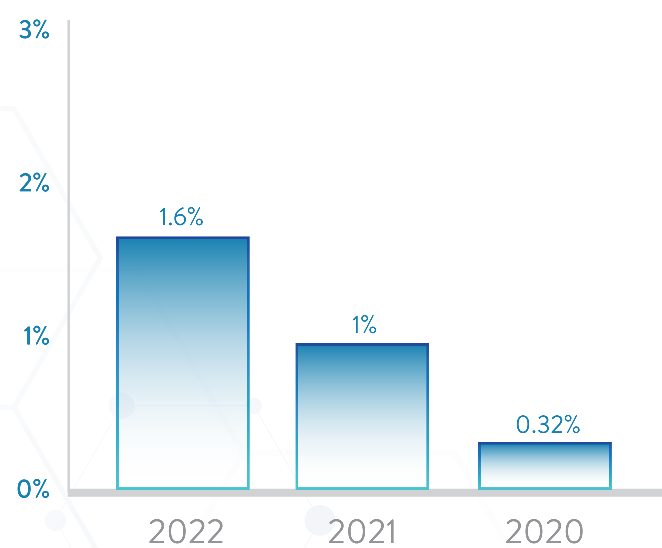
ASSET CLASS



ASSET GROWTH



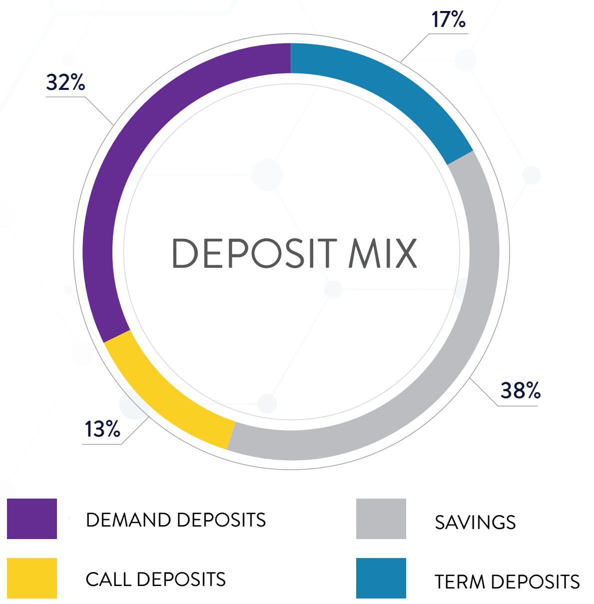
RETURN ON ASSET



CUSTOMER DEPOSITS

	2022	2021	2020	2019	CHANGES 22/21	CHANGES 21/20	CHANGES 20/19
TERM DEPOSITS	322.7	333.0	355.9	357.5	(10.3)	(22.9)	-1.6
SAVINGS	810.5	777.5	720.2	675.7	33	57.3	44.5
CALL DEPOSITS	338.3	264.0	231.4	281.0	74.3	32.6	-49.6
DEMAND DEPOSITS	751.0	650.7	594.3	499.0	100.3	56.4	95.3
TOTAL	2,222.5	2,025.2	1,901.8	1,813.2	197.3	123.4	88.6

DEPOSIT MIX



CUSTOMER DEPOSITS

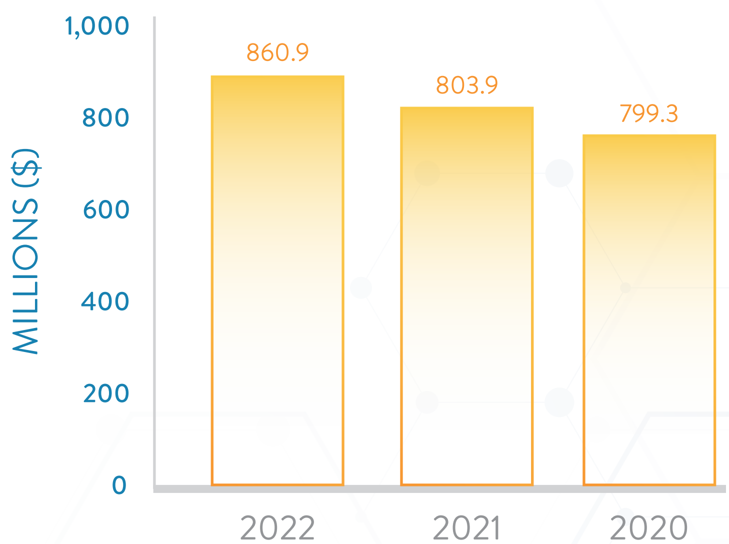
Customer deposits continued to increase at an increasing trend, with growth of $197 million or 9.8% during the year to 2.22 billion in 2022. The largest growth was seen in non-interest-bearing demand deposits and call deposits held largely by institutional clients. Household savings also recorded strong growth albeit below prior year growth levels. The Group's liquidity remains very strong with the ratio of loans to deposits at 42.3% at year end and duration and average maturity of our investment portfolio at 2.42 and 3.12 years, respectively.

LOANS AND ADVANCES

The net loans portfolio increased $57.1 million or 7.1% to $860.1 million in 2022 from the 2021 position. This was mostly attributed to growth in the corporate portfolio of $37.8 million followed by $5 million and $22 million growth in the mortgage and overdraft portfolio respectively.

A reduction of $12.6 million in allowance for impairment losses also contributed to the uplift in net loans for the year. Non-accrual loans declined $7 million from $109 million to $102.9 million through principal repayments as well as restructuring. The ratio of non-performing loans to total loans have improved from 12.3% in 2021 to 10.9% in 2022.

LOANS AND ADVANCES



INVESTMENT SECURITIES

The investment portfolio which comprises of the largest part of the Group's balance sheet recorded a net increase of $118.2 million or 13.7% to $983.6 million. The growth was driven by net volume increases of $170.7 million as productive use was made of excess cash arising from growth in deposits. This was partially offset by $51.9 million market value losses triggered by rising international benchmark rates.

SHAREHOLDERS' EQUITY

Notwithstanding the strong report profits for the year, the Group recorded a net reduction of $12.6 million or 4.4% in total shareholder's equity to 274.7 million. The decline was driven by net fair value reduction of $50 million in investments held at fair value through other comprehensive income. Net re-measurement losses of $4.3 million on the defined benefit pension plan recorded through other comprehensive income also adversely impacted the equity position. This was partially compensated for by net profit for the year of $41.7 million.

Book value of ordinary shares declined to $11.23 in 2022 from $11.74 in 2021 which is directly attributed to the net decline in equity.

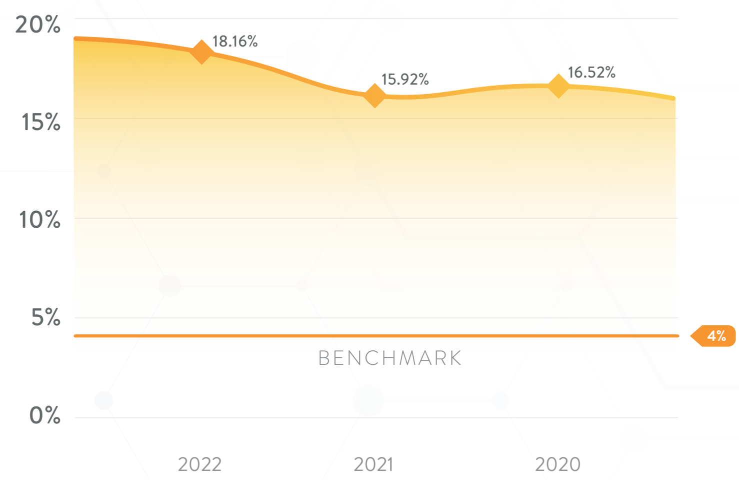
In consideration of the fact that the Group has reported solid and sustainable net profit for the year, the Board of Directors have recommended a dividend of 50 cents per share to be paid to ordinary shareholders on record. The Group did not pay dividends on ordinary shares for the year ended 2021 due to the economic impact of the pandemic on the financial results and the significant uncertainty regarding the duration and further effects of the pandemic.

Return on average equity improved to 14.8% in 2022 from 8.3% in 2021 primarily due to increased net income which was partially offset by a comprehensive loss for the year.

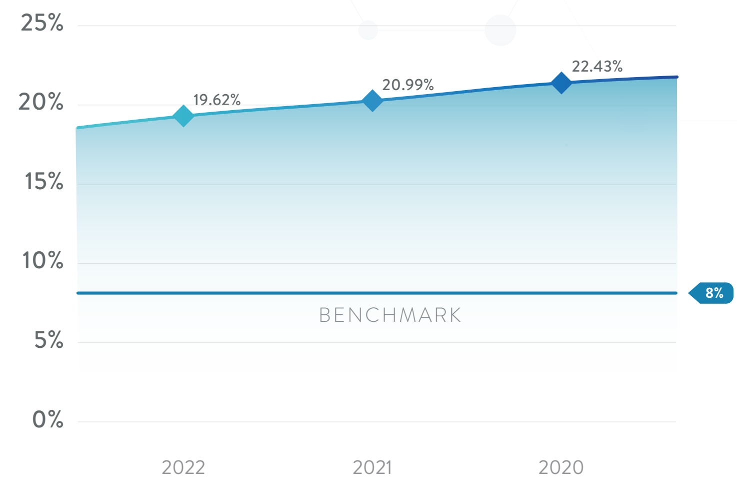
The Group's capital remains very strong and this is demonstrated by the capital adequacy ratios which measure the financial health of the financial institution and its ability to absorb expected shocks.

Bank of Saint Lucia's capital adequacy ratios were maintained well above regulatory benchmarks with the tier 1 ratio improving from 16% in 2021 to 18.2% in 2022. This was attributed to $41.2 million growth in tier 1 capital from profits for the year. On the other hand, total capital adequacy ratio (tier 1 and tier 2) also remained strong and well above the statutory requirement at 19.62% in 2022 but below 2021's 21% by 131 basis points. The decline was due to the combined effects of a reduction in tier 2 capital arising from the reduction in fair value reserve and the repayment of $10 million on a $50 million subordinated debt which supports tier 2 capital. Total Risk Weighted declined by $7.9 million despite total asset growth due to placements of net new investments in zero risk weighted class.

TIER 1 RATIO



CAPITAL ADEQUACY RATIO



STRATEGIC PLAN UPDATE

Coming off the heels of the COVID-19 Pandemic, we pushed ahead with our digital strategy and realized a soft launch of our BOSL Digital service or branch which allows customers to access non-cash services via our online portal. This service has grown tremendously since the launch and we continue to review and tweak where applicable. Our other key strategic initiatives of our Trade Desk and Mutual Fund were delayed and both of these exciting products are scheduled to be launched by mid-2023. As part of the ongoing development of our digital service channel, we are moving ahead with the installation of the complete online loan application platform that will further enhance our customer's experience of applying for a loan online. This process will take customers through to the disbursement and worst-case scenario any debt recovery efforts by the Bank. We also completed the upgrade of our ATM fleet across the island with the latest model machines with SMART deposit functionality. Our fleet of ATMs currently stands at thirty (30) and are easily accessible in most populated areas.

BOSL is a key partner with other local governmental agencies working on sustainable solutions and to this end, we continue to advocate and offer our customers financing for energy efficient systems and hybrid vehicles. There is still much work to be done in this area specifically as it relates to customer education along with the pending legislative changes for electricity production.

Work continued on the development of the first full courses of the BOSLU or BOSL University and two (2) mandatory courses for all staff will be launched by mid-2023. We are very excited about this development as we see BOSLU as a vehicle to continuously develop our staff and to provide them with training opportunities that will prepare them for job openings within the company.

Cyber security continues to be one of our major concerns and the Bank continues to update its systems and other measures to ensure the safety of depositor's funds and customer data. These measures may seem a bit onerous, but are necessary as part of a successful cyber security strategy. This is even more significant with the continued development of our BOSL Digital Branch and the many non-cash services offered. As these threats continue, this will remain a very strong focus of the bank.

OUTLOOK

The global economy is projected to grow by 2.8 percent in 2023, substantially lower than the 3.4 percent growth estimation for 2022. In 2024, the global economy is expected to rebound slightly with growth projected at 3.0 percent. The economy is settling in the post-pandemic era, characterized by slower economic growth and greater market uncertainty in the short to medium term horizon.

The return to pre-pandemic growth trends has been slower than what was initially projected as the geopolitical tension caused by Russia's invasion of Ukraine contributed further strain on international trade. The IMF estimates the costs of geopolitical fragmentation at between 0.2 percent and 7 percent of global output. Beyond the impact of increased sanctions and trade barriers, adjustments to allow for 'reshoring', 'nearshoring' and 'friend shoring' the production of critical resources has created efficiency losses.

The deglobalization of production chains has contributed to price hikes in oil and natural gas, food and essential raw materials, driving up global inflation to 8.7 percent in 2022. In 2023, the IMF has projected that inflation will moderate to 7.0 percent, significantly higher than its ten-year average of 3.54 percent. Central banks have raised their policy interest rates to taper inflation by reducing consumer demand through driving up capital costs.

The Latin America and Caribbean Region is expected to be the slowest growing region in the world according to IMF projections; growing by only 3 percent in 2023. The region's performance will be heavily impacted by the deceleration of economic growth in the Developed Economies, particularly the US. The Caribbean region's geographical proximity and its long-established transmission channels, tie its economy to US economic cycles and policy decisions. Weakening US household incomes and employment could imperil migrants' capacity to send remittances and discourage tourism. How the region fares will be closely related to the magnitude of the US economic shock and each country's capacity to absorb it.

The Eastern Caribbean Central Bank (ECCB) forecasts growth of 2.84 percent for Saint Lucia in 2023, a steep drop from the 15.88 percent estimated for 2022. The recovery in real economic activity following the pandemic has contributed to the public debt to GDP ratio decreasing from 95.54 percent at the end of the calendar year 2021 to 85.6 percent at the end of 2022. This positive trend will allow for fiscal flexibility and new capital investments to improve the country's infrastructure and encourage growth.

During 2022, liquidity in the Saint Lucian commercial banking system showed signs of recovery with liquid assets to total liabilities increasing to 43.75 percent from 39.34 percent and liquid assets to short term liabilities increasing from 43.39 percent to 47.48 percent. While liquidity in the banking system improved, credit risk remained an area of concern. The non-performing loans to gross loan ratio increased from 13.8 percent in 2021 to 14.24 percent in 2022, substantially higher than the 8.24 percent level reported in 2019. Similar to the deteriorating trend in the non-performing loans to gross loans ratio, the regulatory capital to risk weighted assets ratio of banks decreased from 16.8 percent to 15.94 percent, significantly lower than the 2019 reported level of 25.57 percent. The spread between reference lending and deposit rates for banks increased from 5.43 in 2021 to 5.58 percent in 2022, following two years of decreasing spreads. The spread for Saint Lucian banks was slightly lower than the 2022 ECCU average of 5.61 percent.

There are significant downside risks to the outlook including central bank policy execution risks, heightened geopolitical tension, energy and food price shocks and the emergence of new global health scares. Developing economies, like the Saint Lucian economy, face additional stressors from capital outflows to developed economies, greater currency volatility and reduced fiscal capacity to respond to shock events. While the challenges abound, there are opportunities to improve growth prospects through investments in climate resilience building, improving food security, green energy and digitization.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

2022 HIGHLIGHTS

The year 2022 can be described as a year of resilience and transformation for Bank of Saint Lucia. Following from the harsh effects of the Covid-19 pandemic, the global economy experienced high levels of inflation. A significant contributor to this inflation was the resultant sharp rise in the global prices of food and energy, due to the Russian invasion of Ukraine. The global economy thus experienced a decline in GDP growth in 2022.

Notwithstanding the external market conditions, throughout 2022, BOSL maintained high levels of liquidity, capital and there was minimal loss from market volatility due to the Bank's robust risk management practices. In addition, the Bank was successfully able to begin digital banking operations.

Bank of Saint Lucia successfully sustained its key risks within the Bank's acceptable risk tolerance levels:

KEY FINANCIAL ACHIEVEMENTS – LIQUIDITY, CREDIT AND CAPITAL

Liquidity buffers were effectively managed to maintain a sound risk profile; within regulatory limits and a profitable performance. Liquidity ratios remained significantly above the minimum prudential benchmarks, indicative of high level of buffers to withstand potential liquidity shocks. These excesses were also recorded when the ratios were adjusted to exclude obligations related to pledged assets.

The year saw continuous improvement in Bank's credit portfolio. Post Covid, the size of the loan portfolio exceeded that of the prior year; 2021. The Bank continued to apply a robust and aggressive credit risk management strategy aimed at increasing the size of the loan portfolio while sustaining non-performing loans within acceptable levels. These efforts bore fruit and saw a reduction in the non-performing loan ratio from that of the prior year.

The Bank recorded solid capital, with the Capital Adequacy Ratio far exceeding the minimum regulatory requirement. The capital management strategy of the Bank seeks to ensure that sufficient quality and quantity of capital is maintained to finance growth, regulatory requirements and market expectations. In an effort to achieve this, the Bank maintains robust capital adequacy controls.

KEY OPERATIONAL RISK ACHIEVEMENTS - DIGITAL TRANSFORMATION, OPERATIONAL RESILIENCE AND BUSINESS CONTINUITY

The Covid-19 pandemic propelled the Bank to fast track the timeline for commencement of digital banking operations. However, while digital banking presented new business opportunities and increased efficiency for Bank of Saint Lucia, at the same time it has given rise to new emerging risks such as Information Security Risk, Fraud and increased dependency on Third Party Suppliers. Moreover, due to the increased frequency in occurrence of cyber incidents throughout the world, our Regulators have also sought to strengthen technology risk management in the Eastern Caribbean, through the issuance of guidelines towards the end of 2022.

Information systems and software have now become a key risk to the Bank, as it is of critical importance to supporting the core operations. Consequently, to reduce the Bank's potential exposure to events that could affect the provision of services to customers, significant time and resources have been invested, aimed at strengthening the ability to recover from potential disruptive events that could have an impact on the core business services and operations. A key pillar of operational resilience as well, is BOSL's Business Continuity Plan, which seeks to ensure the continuity of core business processes in the event of a severe incident or disaster. In addition, the BCP seeks to also identify potential threats and their impact to the operations and resources.

RISK GOVERNANCE AND STRATEGY

ERM Three Lines Of Defense

Bank of Saint Lucia's Enterprise Risk Management (ERM) Framework is predicated on the three (3) lines of defense model:

First Line of Defense

- The various Business Units (Risk Owners) form the first line of defense. The Units incur risk on a daily basis and are responsible for ensuring that these risks are adequately identified, assessed, monitored, and remain within risk appetite and limits of the Bank.

Second Line of Defense

- The second line consists of the internal controls overseen by the Risk Management and Compliance Services Unit (RMCS). RMCS provides independent oversight of material risks and monitor risk-taking in relation to the Bank's risk appetite, and in accordance with best practice and regulatory requirements.

Third Line of Defense

- The third line consists of an independent internal audit function. The function provides enterprise-wide independent, objective assurance over the design and operation of the Bank's internal control, risk management and governance processes.

Notwithstanding that the second and third lines of defense have an important risk monitoring and control role, all employees of the Bank are, for some of their activities, risk owners, as all employees are capable of generating reputational and operational risks in their day-to-day activities and are therefore held accountable for owning and managing these risks.

RISK MANAGEMENT AND CONTROL

During 2022, Bank of Saint Lucia took steps to further strengthen its Enterprise Risk Management Framework in support of the achievement of its strategic goals and objectives.

A key component of the Bank's risk management strategy is the identification and assessment of the Material Risks which could potentially affect the implementation of its Strategic goals and objectives and also cause the financial condition and financial performance to deviate materially from expectations.

The Bank's Material Risks comprise both financial and non-financial risks and are tracked periodically by the Business Units through Risk Registers. Further, the Units are also responsible for developing and tracking Risk Treatment Plans for risks with high residual ratings. Any changes to the Business Unit Risk Registers during the quarter, such as, new or emerging risk factors are incorporated into the Bank's Enterprise Risk Register.

Financial Risks

- The financial risks arise from the Bank's core activities; lending, investments and deposit taking and include Credit Risk, Liquidity Risk and Market Risk. Generally, Bank of Saint Lucia has a higher risk appetite for financial risks as it is inherent to operating, and as such the Bank ensures that within its Risk Registers, financial risks are well documented and monitored to ensure it remains within established limits and appetite of the Bank.

Non-Financial Risks

- The non-financial risks are the risks inherent in the Bank's operations, which can potentially have significant negative strategic, business, financial and/or reputational consequences. These risks include Strategic Risk, Compliance Risk, Operational Risk, People & Culture Risk and Cyber Risk. In comparison to financial risks, non-financial risks are less predictable and more difficult to define and measure. The Bank has a low risk appetite for non-financial risks and mitigates these accordingly.

On a quarterly basis, an Enterprise Risk Report is presented to the Risk Committee of the Board, and provides a synopsis of BOSL's overall levels of risk exposure, the effectiveness of the controls for all material risk areas affecting the Bank and risk position for the reporting period in comparison to established targets and tolerance limits.

Notable changes to the Bank's risk position, in particular any risk which falls outside the Bank's established Risk Appetite during the quarter is also reported, along with the Risk Treatment Plans with the established timelines.

Bank of Saint Lucia Limited

Statement of Financial Position

As at December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated at Dec 31, 2021 $	Restated at Jan 1, 2021 $
Assets			
Cash and balances with Central Bank	**245,455**	270,955	258,761
Deposits with other banks	**223,147**	241,410	216,447
Deposits with non-bank financial institutions	**30,314**	18,074	101,896
Treasury bills	**1,787**	1,727	10,804
Financial assets held for trading	**15,360**	13,954	9,487
Investment securities	**984,346**	866,180	720,427
Financial instruments - pledged assets	–	903	8,352
Due from related parties	**76,263**	76,263	76,623
Loans and advances to customers	**860,980**	803,904	799,318
Property and equipment	**65,036**	61,270	58,867
Intangible asset	**1,656**	1,934	790
Right-of-use-lease asset	**1,456**	1,050	528
Other assets	**105,725**	53,997	39,570
Investment in associates	**33,112**	29,164	28,706
Investment properties	**31,748**	28,019	30,987
Retirement benefit asset	**14,612**	19,569	19,235
Income tax recoverable	**4,731**	8,383	9,920
Total assets	**2,695,728**	2,496,756	2,390,718
Liabilities			
Deposits from banks	**22,696**	27,586	35,281
Due to customers	**2,225,574**	2,028,168	1,904,816
Lease liability	**1,500**	1,050	538
Deferred tax liability	**1,400**	1,911	1,511
Repurchase agreements	–	876	8,107
Borrowings	**39,246**	52,178	60,008
Dividends payable	**291**	581	291
Preference shares	**4,150**	4,150	4,150
Other liabilities	**85,793**	54,489	61,528
Total liabilities	**2,380,650**	2,170,989	2,076,230

Bank of Saint Lucia Limited

Statement of Financial Position *...continued*

As at December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 **$**	**Restated at Dec 31, 2021** **$**	**Restated at Jan 1, 2021** **$**
Equity			
Share capital	**265,103**	265,103	265,103
Reserves	**168,113**	159,782	157,722
Revaluation reserve	**26,428**	26,428	25,039
Fair value through OCI reserve	**(46,506)**	4,180	16,172
Accumulated deficit	**(98,060)**	(129,726)	(149,548)
Total equity	**315,078**	325,767	314,488
Total liabilities and equity	**2,695,728**	2,496,756	2,390,718

Approved by the Directors on May 23, 2023

Evaristus Jn Marie — Director

Rolf K. Phillips — Director

Bank of Saint Lucia Limited
Statement of Profit or Loss
For the year ended December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated 2021 $
Interest income	**80,167**	73,632
Interest expense	**(26,748)**	(27,881)
Net interest income	**53,419**	45,751
Fee and commission income	**41,980**	35,068
Dividend income	**573**	380
Net foreign exchange trading income	**9,576**	8,506
Other income	**8,787**	9,651
Share of profits of associate	**3,759**	618
Other gains, net	**1,582**	306
Impairment recovery/(losses) on loans and advances	**8,729**	(6,300)
Impairment recovery on investments	**2,300**	597
Operating expenses	**(79,027)**	(69,637)
Profit before income tax and dividends on preference shares	**51,678**	24,940
Dividends on preference shares	**(291)**	(291)
Profit before income tax	**51,387**	24,649
Income tax expense	**(7,096)**	(2,326)
Profit for the year after taxation	**44,291**	22,323

Bank of Saint Lucia Limited

Statement of Comprehensive Income

For the year ended December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated 2021 $
Profit for the year	**44,291**	22,323
Other comprehensive (loss)/income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Net loss on revaluation of FVOCI instruments	**(50,187)**	(9,513)
Realised gain transferred to profit or loss	**(688)**	(2,451)
	(50,875)	(11,964)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Share of fair value gain/(loss) of associated company carried at fair value	**189**	(28)
	(50,686)	(11,992)
Fair value gain on land and buildings	**–**	1,389
	(50,686)	(10,603)
Re-measurement loss on defined benefit pension scheme	**(6,134)**	(630)
Income tax effect	**1,840**	189
Net re-measurement loss	**(4,294)**	(441)
	(54,980)	(11,044)
Total comprehensive (loss)/income for the year (net of tax)	**(10,689)**	11,279

FINANCIAL REPORTING RESPONSIBILITIES

The management of the East Caribbean Financial Holding Company Limited is responsible for the preparation and fair presentation of the financial statements and other financial information contained within this Annual Report. The accompanying financial statements were prepared in accordance with 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.

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

Rolf Phillips
Managing Director

Ketha Auguste
Chief Financial Officer

ECFH

CONSOLIDATED FINANCIAL STATEMENT

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Independent auditors’ report

To the Shareholders of East Caribbean Financial Holding Company Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of East Caribbean Financial Holding Company Limited (the Company) and its subsidiary (together ‘the Group’) as at December 31, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

The Group’s investment in East Caribbean Amalgamated Bank Limited (ECAB), an associate accounted for by the equity method, is carried at $33,112,000 on the consolidated statement of financial position as at December 31, 2022, and the Group’s share of ECAB’s net income of $3,759,000 and comprehensive income of $189,000 are included in the consolidated statements of profit and loss and comprehensive income, respectively, for the year then ended. As disclosed in Note 16, the Group also recognised an impairment of its investment in ECAB of $3,207,000 in the consolidated statement of profit and loss for the year ended December 31, 2022.

The carrying amount of the Group’s investment in ECAB as at December 31, 2022, the Group’s share of net income and comprehensive income, the impairment loss for the year and related note disclosures were derived from ECAB’s unaudited management accounts. We were unable to obtain sufficient appropriate audit evidence because audited financial information was not available as at our opinion date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Our audit approach

Overview

- *Overall group materiality: $2,525,000, which represents approximately 1% of net assets.*

- We conducted full scope audits of the Company and its subsidiary, which were identified as two individually financially significant components.
- The audit engagement team was the auditor for both the Company and the subsidiary.

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

Audit scope

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

pwc

How we tailored our group audit scope

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

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

Overall Group materiality	$2,525,000
How we determined it	Approximately 1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $126,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional 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. In addition to the matter described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss (ECL) allowances for Stages 1 and 2 of loans and advances to customers - probability of default and loss given default *Refer to notes 2d, 4, 11 and 12 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances*	
As at December 31, 2022, a total of $7.8 million of Stage 1 and 2 expected credit losses (ECL) was recognised within the loans portfolio. The measurement of ECL allowances for financial assets at amortised cost is an area that requires the use of complex models and significant management assumptions. We focused on management's judgements in relation to the probability of default and loss given default. **Probability of default** Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. Management's probability of default assumptions are derived from the Group's loan portfolio experience. Historical default data covering 22 years was used to calculate default rates by loan age for loans aged 1 - 21 years and for the different products based on origination year. The results per year were weighted by the number of loans originated compared to the total population considered. The PD curve is smoothed and extended to year 40 assuming a constant PD in the later years. **Loss given default** Loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. Management's loss given default assumptions are derived from the Group's historical loan portfolio experience. Defaulted loans for 12 years were assessed for their loss experience to determine an average LGD by product type. In doing so management considered each defaulted loan's status across six recovery categories including;	With the assistance of our internal experts, we performed the following procedures, amongst others: Obtained an understanding of the methodology and assumptions used by management and the related controls. Evaluated the appropriateness of the Group's ECL model methodology in comparison to the Group's accounting policy. **Probability of default** On a sample basis, • Agreed defaulted loans to the PD calculation to test completeness of historical data. • Agreed the inputs within the PD calculation including loan type, origination date and default date to supporting documentation for a sample of select loans. • Performed an independent recalculation of PDs using the historical loan portfolio data and compared to the results calculated by management. **Loss given default** On a sample basis, • Agreed defaulted loans to the LGD calculation to test completeness of historical data. • Agreed inputs in the LGD calculation including loan type, recovery category, write offs, recovery proceeds, date of transfer to non-

cured, paid in full, write-off, collateral recovery, restructured and still non-performing.	accrual and interest rates to supporting documentation. • Independently recalculated LGDs using the Group's portfolio data and compared to the results calculated by management. The results of our procedures indicated that management's assumptions and results pertaining to PDs and LGDs were not unreasonable.
Credit impaired (Stage 3) loans and advances to customers *Refer to notes 2(d), 11 and 12, to the consolidated financial statements for disclosures of related accounting policies, balances, judgements and estimates.* At December 31, 2022 the Lifetime ECL on credit impaired loans for Stage 3 totalled $65.9 million. The assumptions used for estimating the amount of the ECL provisions for credit impaired loans involve significant judgement by management. We focused our testing on the following key inputs and assumptions used by management to determine the ECL provision: **Collateral value** Valuation of real estate property pledged as collateral for credit impaired loans. This is the most significant input to the projected cash flows of impaired loans. The collateral value depends on market trends as well as the circumstances of the specific property and involves judgement and the use of specialised skills depending on the nature of the property. Independent valuation experts are engaged to assist in determining the valuation of real estate property pledged as collateral. **Forced Sale Value (FSV)** A FSV haircut is applied to the collateral value. The FSV assumption takes into account the Group's historical data of foreclosed properties through comparison of the sale proceeds to the previous collateral valuation.	With the assistance of our internal valuation experts, we performed the following procedures, amongst others: Assessed the competence and objectivity of the management appointed real estate appraisers. On a sample basis agreed the collateral values recorded by management to the valuation reports. For a sample of valuation reports: • Assessed the reasonableness of the methodology used in comparison with standard property valuation practices such as the income and market approaches and comparable sale listings. • Developed a possible range of recovery values considering the age of the valuation and costs to sell. Obtained management's calculation of the TTC and FSV assumptions and reperformed the mathematical accuracy of the calculations. This also included agreeing the default date, collateral sale date, proceeds and prior collateral value to supporting documentation on a sample basis.

Time To Collect (TTC) A TTC assumption is used to discount the projected future cash flows of impaired loans. The TTC assumption takes into account the Group's historical recovery data for commercial, term and mortgage loans. The TTC applied is dependent on the loan type.	The results of our procedures indicated that management's collateral valuations, assumptions and determination of Stage 3 ECL were not unreasonable.

Other information

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

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

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

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

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 International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

PricewaterhouseCoopers

Chartered Accountants
Castries, St. Lucia
May 26, 2023

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position

As at December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated at Dec 31, 2021 $	Restated at Jan 1, 2021 $
Assets			
Cash and balances with Central Bank (note 6)	**245,455**	270,955	258,761
Treasury bills (note 7)	**1,787**	1,727	10,804
Deposits with other banks (note 8)	**223,147**	241,410	216,447
Financial assets held for trading (note 9)	**15,360**	13,954	9,487
Deposits with non-bank financial institutions (note 10)	**30,314**	18,074	101,896
Investment securities (note 14)	**983,554**	865,388	719,635
Financial instruments - pledged assets (note 15)	–	903	8,352
Loans and advances to customers (note 11)	**860,980**	803,904	799,318
Investment in associates (note 16)	**66,639**	64,620	63,981
Property and equipment (note 17)	**65,036**	61,270	58,867
Intangible assets (note 18)	**1,656**	1,934	790
Investment properties (note 19)	**31,748**	28,019	30,987
Right-of-use lease asset (note 20)	**1,456**	1,050	528
Other assets (note 21)	**105,896**	54,149	39,692
Retirement benefit asset (note 23)	**14,612**	19,569	19,235
Income tax recoverable	**4,731**	8,382	9,920
Total Assets	**2,652,371**	2,455,308	2,348,700
Liabilities			
Deposits from banks (note 24)	**22,696**	27,586	35,281
Due to customers (note 25)	**2,222,567**	2,025,162	1,901,810
Lease liability (note 20)	**1,500**	1,050	539
Deferred tax liability (note 28)	**1,400**	1,911	1,511
Repurchase agreements (note 15)	–	876	8,107
Dividends payable	**291**	581	291
Borrowings (note 26)	**39,246**	52,178	60,008
Cumulative preference shares (note 45)	**4,150**	4,150	4,150
Other liabilities (note 27)	**85,793**	54,489	61,528
Total Liabilities	**2,377,643**	2,167,983	2,073,225

East Caribbean Financial Holding Company Limited

Consolidated Statement of Financial Position *...continued*

As at December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated at Dec 31, 2021 $	Restated at Jan 1, 2021 $
Equity			
Share capital (note 29)	**170,081**	170,081	170,081
Contributed capital (note 30)	**1,118**	1,118	1,118
Reserves (note 31)	**183,016**	174,664	172,574
Revaluation reserve	**26,428**	26,428	25,039
Fair value through OCI reserve	**(43,895)**	6,094	18,099
Accumulated deficit	**(62,020)**	(91,060)	(111,436)
Total Equity	**274,728**	287,325	275,475
Total Liabilities and Equity	**2,652,371**	2,455,308	2,348,700

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

Approved by the Directors on May 23, 2023

Evaristus Jn Marie ____________ Director

Rolf K. Phillips ____________ Director

East Caribbean Financial Holding Company Limited

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	Share capital $	Contributed capital $	Reserves $	Revaluation reserve $	Fair value through OCI reserve $	Accumulated deficit $	Total equity $
Balance as at January 1, 2021 as previously stated	170,081	1,118	172,574	13,855	18,099	(110,298)	265,429
Adjustment for revaluation of land and buildings	–	–	–	11,184	–	(1,138)	10,046
Balance as at January 1, 2021 (restated)	170,081	1,118	172,574	25,039	18,099	(111,436)	275,475
Total comprehensive income for the year	–	–	–	1,389	(12,005)	22,436	11,820
Transfers to reserves	–	–	2,060	–	–	(2,060)	–
Contributions	–	–	30	–	–	–	30
Balance as at December 31, 2021 (restated)	170,081	1,118	174,664	26,428	6,094	(91,060)	287,325
Balance as at January 1, 2022	170,081	1,118	174,664	26,428	6,094	(91,060)	287,325
Total comprehensive loss for the year	–	–	–	–	(49,989)	37,371	(12,618)
Transfers to reserves	–	–	8,331	–	–	(8,331)	–
Contributions	–	–	21	–	–	–	21
Balance as at December 31, 2022	**170,081**	**1,118**	**183,016**	**26,428**	**(43,895)**	**(62,020)**	**274,728**

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, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated 2021 $
Interest income (note 33)	**80,167**	73,632
Interest expense (note 33)	**(26,748)**	(27,881)
Net interest income	**53,419**	45,751
Other operating income (notes 34 - 37)	**62,498**	53,911
Impairment recovery/(losses) - loans (note 12)	**8,729**	(6,300)
Impairment recovery - investments (note 13)	**2,300**	597
Operating expenses (note 38)	**(79,027)**	(69,637)
Operating profit	**47,919**	24,322
Share of profit of associates (note 16)	**1,133**	1,172
Profit for the year before income tax and dividends on preference shares	**49,052**	25,494
Dividends on preference shares (note 45)	**(291)**	(291)
Profit for the year before income tax	**48,761**	25,203
Income tax expense (note 40)	**(7,096)**	(2,326)
Profit for the year after taxation	**41,665**	22,877
Profit per share attributable to the equity holders of the Company during the year (note 41)		
- basic	**1.70**	0.94
- diluted	**1.65**	0.90

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, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated 2021 $
Profit for the year	**41,665**	22,877
Other comprehensive (loss)/income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
Net loss on revaluation of FVOCI instruments	**(50,187)**	(9,513)
Realised gain transferred to profit or loss	**(688)**	(2,451)
	(50,875)	(11,964)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):		
Share of fair value gain/(loss) on assets carried at fair value of associated companies (note 16)	**886**	(41)
	(49,989)	(12,005)
Fair value gains on land and buildings	**–**	1,389
	(49,989)	(10,616)
Re-measurement loss on defined benefit pension scheme (note 23)	**(6,134)**	(630)
Income tax effect (note 28)	**1,840**	189
Net re-measurement loss	**(4,294)**	(441)
	(54,283)	(11,057)
Total comprehensive (loss)/income for the year (net of tax)	**(12,618)**	11,820

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, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated 2021 $
Cash flows from operating activities		
Profit after tax	**41,665**	22,877
Adjustments for:		
Interest income on investments	**(26,921)**	(22,988)
Depreciation and amortisation	**5,762**	4,960
Impairment (gains)/losses on loans	**(8,729)**	6,300
Impairment gain on investment securities	**(2,300)**	(597)
Unrealised loss/(gain) on investments at fair value through profit or loss	**2,331**	(1,563)
Interest expense on borrowings	**3,003**	3,739
Retirement benefit expense	**1,335**	1,619
Loss on disposal of property and equipment	**–**	554
Fair value loss on land and buildings	**–**	378
Fair value (gain)/loss on investment properties	**(3,729)**	2,968
Share of profit of associate	**(1,133)**	(1,172)
Net gains on disposal of investments	**(184)**	(2,089)
Unamortised premium on investments	**2,192**	2,509
Retirement benefit contributions paid	**(2,512)**	(2,583)
Dividends on preference shares	**291**	291
Income tax expense	**7,096**	2,326
Cash flows before changes in operating assets and liabilities	**18,167**	17,529
Changes in:		
Mandatory deposits with Eastern Caribbean Central Bank	**(13,138)**	(10,426)
Loans and advances to customers	**(48,349)**	(10,886)
Other assets	**(51,746)**	(14,457)
Right of use leased asset	**(892)**	–
Due to customers	**197,405**	123,353
Deposits with banks	**(95,742)**	–
Deposits with non-bank financial institutions	**(45)**	(29)
Repurchase agreements	**(876)**	(7,230)
Deposits from banks	**(4,889)**	(7,695)
Other liabilities	**31,304**	(7,040)
Financial instruments - pledged assets	**903**	7,189
Lease liability	**450**	(538)
Trading assets	**(903)**	(4,294)
Treasury bills	**–**	9,262
Cash flows generated from operating activities ...*c/fwd*	**31,649**	94,738

East Caribbean Financial Holding Company Limited

Consolidated Statement of Cash Flows *...continued*

For the year ended December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

	2022 $	Restated 2021 $
Cash flows generated from operating activities *...b/fwd*	**31,649**	94,738
Income tax paid	**(2,116)**	(200)
Interest received on investments	**25,088**	22,564
Interest paid on borrowings	**(3,259)**	(3,895)
Dividend received from associates	**–**	492
Net cash generated from operating activities	**51,362**	113,699
Cash flows from investing activities		
Purchase of investment securities	**(404,044)**	(582,169)
Proceeds from disposal and redemption of investment securities	**234,233**	426,518
Purchase of property and equipment	**(8,787)**	(8,608)
Proceeds from disposal of property and equipment	**23**	1,086
Net cash used in investing activities	**(178,575)**	(163,173)
Cash flows from financing activities		
Dividends paid	**(581)**	–
Proceeds from capital contributions	**21**	30
Repayment of borrowings	**(12,675)**	(7,675)
Net cash used in financing activities	**(13,235)**	(7,645)
Net decrease in cash and cash equivalents	**(140,448)**	(57,119)
Cash and cash equivalents at beginning of year	**374,605**	431,724
Cash and cash equivalents at end of year (note 42)	**234,157**	374,605

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

East Caribbean Financial Holding Company Limited

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(expressed in thousands of Eastern Caribbean dollars)

1 Corporate information

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

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

The principal activity of ECFH and its subsidiary - Bank of St. Lucia Limited, (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 shareholding of the Group is stated in Note 44.

ECFH 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's) as issued by the International Accounting Standards Board (IASB) as at December 31, 2022 (the reporting date).

a) Basis of preparation

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

- Financial assets measured at fair value through profit or loss
- Debt instruments measured at fair value through other comprehensive income
- Property, plant and equipment
- Investment properties

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

(expressed in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

a) Basis of preparation *…continued*

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

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

- **Amendments to IFRS 3**
  Amendments to IFRS 3, Business Combinations update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.

  The amendment did not have a material impact on the financial statements of the Group.

- **COVID-19 Related Rent Concessions - Amendment to IFRS 16**
  Amendments to IFRS 16 *Leases* provides guidance for COVID-19 related rent concessions. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

  The application date of the practical expedient was extended from June 30, 2021 to June 30, 2022. The amendment did not have a material impact on the financial statements of the Group.

- **Amendments to IAS 37 Provisions, contingent liabilities and contingent assets.**
  The amendments specify which costs a company should include when assessing whether a contract will be loss making. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs - e.g. direct labour and materials; and an allocation of other direct costs - e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The amendment did not have a material impact on the financial statements of the Group.

- **Annual Improvements**
  Annual improvements make minor amendments to IFRS1, First-time Adoption of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS16 - Leases.

  The amendment did not have a material impact on the financial statements of the Group.

(expressed in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

a) Basis of preparation *…continued*

Changes in accounting policies and disclosures *…continued*

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

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

- **Amendments to IAS 12 -Deferred Tax**
  Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction; require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

  The amendments are effective for annual periods beginning on or after January 1, 2023 and maybe applied earlier.

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

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

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

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

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

  This amendment is applicable for annual periods beginning on or after January 1, 2024. The Group is assessing the impact that the amendment will have on its financial statements.

  The Group has not early adopted any of the amendments above.

(expressed in thousands of Eastern Caribbean dollars)

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

a) Basis of preparation *...continued*

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

- **Demand Deposits with Restrictions on Use arising from a contract with a Third Party**
  The IFRS Interpretations Committee (IFRIC) in March 2022, concluded that restrictions on the use of a demand deposits arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in the standard.

The Group is currently assessing the impact the IFRIC interpretation will have on the financial statements.

Consolidation

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

The consolidated financial statements of the Group comprise the financial statements of the parent entity and its subsidiary as at December 31, 2022.

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; and
- The Group's voting rights and potential voting rights.

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

(expressed in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

a) Basis of preparation *…continued*

Consolidation *…continued*

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

a) Basis of preparation *...continued*

Consolidation *...continued*

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

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount 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.

(expressed in thousands of Eastern Caribbean dollars)

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 other comprehensive income, 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 properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions	Notes 2, 3, 4, 7 and 19
Quantitative disclosures of fair value measurement hierarchy	Note 3
Investment properties	Note 19
Financial instruments (including those carried at amortised cost)	Notes 7, 9 and 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.

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.

(expressed in thousands of Eastern Caribbean dollars)

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

b) Fair value measurement *...continued*

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

d) Financial assets

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

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

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.

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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 considering any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at 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 and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

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

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

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

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

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

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

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

Equity instruments measured at Fair value through profit or loss
Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs 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.

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.

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

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

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

Equity instruments are not subject to impairment under IFRS 9.

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

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

Stage 1: 12-month 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.

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

Expected credit loss impairment model *...continued*

Stage 2: Lifetime ECL - not credit impaired

The Group collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Group 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.

Measurement of expected credit losses (ECL)

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

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

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

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

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

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

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

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

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

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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; and
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

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

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

Despite some economic recovery in 2022, management continues to exercise a high degree of caution both in the selection of economic scenarios and their weightings through management judgmental adjustments.

Methodology
Forecasts of economic data were derived from the International Monetary fund for 2023 to 2025. Management defines the published economic data as the base case. The model utilizes real GDP growth to capture the macroeconomic impact on the loan portfolio.

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

The model incorporates an economic adjustment weight which adjusts the intensity of the economic data feeding into the model. The economic adjustment weight (Vanek, 2016) and adverse scenarios were defined based on consensus with management in the context of the published economic estimates. The higher the weighting, the more intense the effect of the economic data, that is, the higher the impact that the prevailing market conditions are expected to have in the model.

The model also allows for an Adverse Scenario which directly adjusts the impact of the economic growth variable.

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

- A base case which utilized the economic growth variable forecasts with no adjustment and an economic weight of 1.
- A downside scenario which represents a 10% contraction on all forecasts with economic weights of 1 and 3.

(expressed in thousands of Eastern Caribbean dollars)

2 Summary of significant accounting policies *…continued*

d) Financial assets *…continued*

Impairment of financial assets *…continued*

ECL Scenario Analysis *…continued*

Consensus Scenario
Due to the prolonged deterioration of economic conditions as a result of the COVID-19 pandemic, and our negative outlook on the regional recovery due to worse than expected labor market conditions in St. Lucia, decades high inflation and interest rates in our source markets which have dampened growth and spending even further and expected to continue for some time, we utilized the adverse scenario in our ECL computations. While we see production improving we expect labor market conditions to remain comparatively depressed and maintain an adverse outlook for our loan portfolio.

The Group's outlook is that economic conditions have and will remain highly uncertain for 2023 albeit with a more modest outlook compared to 2022. There has been repeated downward revisions in growth for 2023 and 2024 by regional authorities and multilaterals. Decades high inflation and interest rates have dampened growth and spending even further. Additionally, despite some recovery in arrivals and tourism expenditure, employment in the tourism sector is struggling and supports our initial projection that the labour market recovery will significantly lag behind the recovery in productivity. We expect an economic slowdown in the USA in 2023 in line with market consensus and given existing income and unemployment elasticities of tourism demand, expect some deterioration in tourism for 2023.

We maintain our existing weight as we do not believe the underlying risks to growth have changed sufficiently to warrant a more optimistic outlook.

(expressed in thousands of Eastern Caribbean dollars)

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

d) Financial assets *...continued*

Impairment of financial assets *...continued*

ECL Scenario Analysis *...continued*

The following table shows the key macro-economic variables for the St. Lucian economy used in the base case and downside scenario at December 31, 2022:

	Base Case			Downside Case		
	Financial Year			Financial Year		
	2023 %	2024 %	2025 %	2023 %	2024 %	2025 %
GDP Growth Rate	6	4	3	-4	-6	-7

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.

f) Sale and repurchase agreements

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

(expressed in thousands of Eastern Caribbean dollars)

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

g) Property and equipment

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

Subsequent expenditures are included in the asset's carrying amount or are 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 & equipment	10 - 20%
Computer equipment	33 1/3%

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

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

h) Investment properties

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

(expressed in thousands of Eastern Caribbean dollars)

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

h) Investment properties *...continued*

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

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

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

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

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

i) Intangible assets

Intangible assets comprise of computer software licences. Acquired computer software licences are 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 3 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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).

(expressed in thousands of Eastern Caribbean dollars)

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

(b) Deferred tax

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

(expressed in thousands of Eastern Caribbean dollars)

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 1st, 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 triennially.

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.

(expressed in thousands of Eastern Caribbean dollars)

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

p) Employee benefits *...continued*

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

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.

<u>Defined contribution plan</u>
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.

<u>Termination benefits</u>
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 entities to pay bills of exchange drawn on customers. The Group expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

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

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

(expressed in thousands of Eastern Caribbean dollars)

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

r) Fiduciary activities

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

s) Share capital

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

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

t) Fee and commission income

Fees and commissions are generally 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.

(expressed in thousands of Eastern Caribbean dollars)

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

u) Dividend income

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

v) Rental income

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

w) Foreign currency translation

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

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

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

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

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income, a distinction is made between translation differences resulting from changes in 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 fair value through other comprehensive income, are included in the other comprehensive income.

x) Leases

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

(expressed in thousands of Eastern Caribbean dollars)

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 2g. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2) Lease Liability

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

A Group company is the lessor

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

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

The Group 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.

(expressed in thousands of Eastern Caribbean dollars)

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

x) Leases *...continued*

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

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

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

y) Segment reporting

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

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

In accordance with IFRS 8, the Group had three reportable segments: Bank of St. Lucia Limited (BOSL), Investment Management Unit - incorporating Capital market activities and Merchant Banking and Other comprises of the holding company of the Group.

3 Financial risk management

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

a) Strategy in using financial instruments

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

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

(expressed in thousands of Eastern Caribbean dollars)

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 rating agencies Standard & Poor's (S&P) or Moody's and Fitch Group, along with that of CariCRIS based in Trinidad are used by Group 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 Group, 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.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

Collateral

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

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

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

Longer-term finance and lending to corporate entities are secured; individual credit facilities are 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 - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, 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.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *…continued*

b) Credit risk *…continued*

Impairment and provisioning policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are 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 ECLs are for assets which are credit impaired.

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

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

	Maximum exposure	
	2022 **$**	**2021** **$**
Balances with Central Bank	**207,538**	236,275
Treasury bills	**1,787**	1,727
Deposits with other banks	**223,147**	241,410
Deposits with non-bank financial institutions	**30,314**	18,074
Loans and advances to customers:		
Large corporate loans	**267,084**	228,667
Term loans	**166,382**	162,914
Mortgages	**388,699**	380,153
Overdrafts and credit cards	**38,815**	32,170
Financial assets held for trading	**15,360**	13,954
Investment securities	**925,164**	817,429
Financial instruments - pledged assets	**–**	903
Other assets	**102,131**	50,406
	2,366,421	2,184,082

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

Loan commitments	**140,611**	124,379
Guarantees and letters of credit	**8,475**	10,908
	149,086	135,287
	2,515,507	2,319,369

The above table represents a worst-case scenario of credit risk exposure to the Group at December 31, 2022 and 2021 without taking account of any collateral held or other credit enhancements attached. For assets included on the Consolidated Statement of Financial Position, the exposures set out above are based on net carrying amounts as at the reporting date.

As shown above 34% (2021 - 35%) of the total maximum exposure is derived from loans and advances to customers and 37% (2021 - 35%) represents investments in debt securities.

East Caribbean Financial Holding Company Limited

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For the year ended December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

Loans and advances are summarised as follows:

	Loans and advances for which the loss allowance is measured at:							
	Stage 1 12-month ECL		Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		Total	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Gross	**675,175**	419,900	**72,153**	227,358	**187,336**	242,917	**934,664**	890,175
Less allowance for impairment on loans and advances	**(6,777)**	(6,184)	**(1,065)**	(10,871)	**(65,842)**	(69,216)	**(73,684)**	(86,271)
Net	**668,398**	413,716	**71,088**	216,487	**121,494**	173,701	**860,980**	803,904

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

Loans and advances to customers individually impaired

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

	Overdrafts and credit cards $	Term loans $	Mortgages $	Large corporate loans $	Total $
December 31, 2022	**8,510**	**32,783**	**57,100**	**88,943**	**187,336**
December 31, 2021	9,549	40,796	65,973	126,599	242,917

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

Debt securities and treasury bills

The table below presents an analysis of debt securities and treasury bills, net of expected credit loss, by rating agency designation at December 31, 2022 and 2021, based on Standard & Poor's and Moody's ratings:

	Financial assets held for trading $	Investment securities $	Pledged assets $	Treasury bills $	Total $
At December 31, 2022					
AA- to A+	**–**	**196,796**	**–**	**–**	**196,796**
Lower than A+	**–**	**198,669**	**–**	**–**	**198,669**
Unrated	**15,360**	**529,699**	**–**	**1,787**	**546,846**
	15,360	**925,164**	**–**	**1,787**	**942,311**
At December 31, 2021					
A- to A+	–	174,396	–	–	174,396
Lower than A-	–	450,009	–	–	450,009
Unrated	13,954	193,024	903	1,727	209,608
	13,954	817,429	903	1,727	834,013

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 considering any collateral held or other credit support by the industry sectors of the Group's counterparties.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

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

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

*Other industries include construction and land development.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

b) Credit risk *...continued*

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

At December 31, 2021	Financial institutions $	Manufacturing $	Tourism $	Government $	Professional and other services $	Personal $	*Other industries $	Total $
Balances with Central Bank	236,275	–	–	–	–	–	–	236,275
Treasury bills	–	–	–	1,727	–	–	–	1,727
Deposits with other banks	241,410	–	–	–	–	–	–	241,410
Deposits with non-bank financial institutions	18,074	–	–	–	–	–	–	18,074
Loans and advances to customers								
Overdrafts and credit cards	–	1,249	2,905	19,229	90	1,204	7,493	32,170
Term loans	17	252	3,640	102	9,011	97,451	52,441	162,914
Large corporate loans	–	3,406	50,250	53,562	40,591	7,014	73,844	228,667
Mortgages	–	–	–	–	–	380,153	–	380,153
Financial assets held for trading	–	–	–	13,954	–	–	–	13,954
Investment securities	364,127	–	–	145,944	–	–	307,358	817,429
Financial instruments - pledged assets	–	–	–	903	–	–	–	903
Other assets	16,550	–	–	845	–	–	33,011	50,406
	876,453	4,907	56,795	236,266	49,692	485,822	474,147	2,184,082
Guarantees and letters of credit	–	193	15	31	169	9,115	1,385	10,908
Loan commitments	1,180	2,761	4,551	85,921	2,452	15,581	11,933	124,379

*Other industries include construction and land development.

(expressed in thousands of Eastern Caribbean dollars)

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 investments at fair value through other comprehensive income (note 14).

Sensitivity analysis
At December 31, 2022, if prices were 10% higher/lower with all other variables held constant, the unrealized loss in equity would have been $326 (2021 - $365) higher/lower arising on equity investment securities held at fair value through other comprehensive income and post-tax profit/(loss) would have been $4,125 (2021 - $898) higher/lower arising on equity securities held at fair value through profit or loss.

d) Currency risk

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2021								
Cash and balances with Central Bank	265,980	4,068	115	364	202	226	–	270,955
Treasury bills	1,727	–	–	–	–	–	–	1,727
Deposits with other banks	148,763	73,072	1,186	15,356	617	846	1,570	241,410
Financial assets held for trading	13,954	–	–	–	–	–	–	13,954
Deposits with non-bank financial institutions	15,703	1,969	–	378	24	–	–	18,074
Loans and advances to customers	777,352	26,552	–	–	–	–	–	803,904
Investment securities:								
Amortised cost	19,245	165,525	–	–	–	–	–	184,770
FVOCI	87,657	580,431	–	–	–	–	–	668,088
FVTPL - equities	1,156	11,374	–	–	–	–	–	12,530
Financial instruments - pledged assets	903	–	–	–	–	–	–	903
Other assets	50,090	316	–	–	–	–	–	50,406
Total financial assets	1,382,530	863,307	1,301	16,098	843	1,072	1,570	2,266,721

East Caribbean Financial Holding Company Limited

Notes to the Consolidated Financial Statements
December 31, 2022

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

d) Currency risk *...continued*

	ECD $	USD $	BDS $	Euro $	GBP $	CAD $	Other $	Total $
At December 31, 2021								
Liabilities								
Deposits from banks	27,586	–	–	–	–	–	–	27,586
Due to customers	1,814,855	194,673	–	15,634	–	–	–	2,025,162
Repurchase agreements	876	–	–	–	–	–	–	876
Borrowings	46,108	6,070	–	–	–	–	–	52,178
Preference shares	4,150	–	–	–	–	–	–	4,150
Other liabilities	53,949	540	–	–	–	–	–	54,489
Total financial liabilities	1,947,524	201,283	–	15,634	–	–	–	2,164,441
Net assets/(liabilities)	(564,994)	662,024	1,301	464	843	1,072	1,570	102,280
Guarantees and letters of credit	10,908	–	–	–	–	–	–	10,908
Loan commitments	124,379	–	–	–	–	–	–	124,379

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk

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

Sensitivity analysis

Cash flow interest rate risk arises from loans and advances to customers, borrowings and due to customers at variable rates. At December 31, 2022, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been $1,631 (2021 - $1,434) higher/lower, mainly as a result of higher/lower interest income on variable rate loans.

Fair value interest rate risk arises from investment securities at variable rates. At December 31, 2022, if variable interest rates were 0.5% higher/lower with all other variables held constant, the unrealized loss in equity would have been $8,100 (2021 - 10,300) higher/lower arising on investment securities held at fair value through other comprehensive income and post-tax profit/(loss) would have been $183 (2021 - $238) higher/lower arising on debt securities held at fair value through profit or loss.

East Caribbean Financial Holding Company Limited
Notes to the Consolidated Financial Statements
December 31, 2022

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2022							
Financial liabilities							
Deposits from banks	8,995	3,151	10,550	–	–	–	22,696
Due to customers	1,059,545	78,852	234522	38,360	52,307	758,981	2,222,567
Repurchase agreements	–	–	–	–	–	–	–
Borrowings	709	5,861	7,007	25,669	–	–	39,246
Preference shares	–	–	–	–	4,150	–	4,150
Other liabilities	–	–	–	–	–	85,793	85,793
Total financial liabilities	1,069,249	87,864	252,079	64,029	56,457	844,774	2,374,452
Total interest repricing gap	(986,022)	(10,252)	74,011	644,191	707,629	(399,671)	29,886

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2021							
Financial assets							
Cash and balances with Central Bank	–	–	–	–	–	270,955	270,955
Treasury bills	–	–	–	1,727	–	–	1,727
Deposits with other banks	27,020	27	12,432	–	–	201,931	241,410
Financial assets held for trading	–	–	–	12,097	1,857	–	13,954
Deposits with non-bank financial institutions	–	5,152	10,551	–	–	2,371	18,074
Loans and advances to customers	20,929	8,121	34,023	163,342	577,489	–	803,904
Investment securities:							
- amortised cost	17,849	3,380	20,552	96,599	46,390	–	184,770
- FVOCI	10,232	12,570	89,636	362,657	157,564	–	632,659
Financial instruments - pledged assets	–	–	–	–	903	–	903
Other assets	–	–	–	–	–	50,406	50,406
Total financial assets	76,030	29,250	167,194	636,422	784,203	525,663	2,218,762

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

e) Interest rate risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At December 31, 2021							
Financial liabilities							
Deposits from banks	–	3,156	13,970	–	–	10,460	27,586
Due to customers	971,293	82,469	236,025	39,623	43,571	652,181	2,025,162
Repurchase agreements	–	–	876	–	–	–	876
Borrowings	719	6,108	7,007	38,344	–	–	52,178
Preference shares	–	–	–	–	4,150	–	4,150
Other liabilities	–	–	–	–	–	54,489	54,489
Total financial liabilities	972,012	91,733	257,878	77,967	47,721	717,130	2,164,441
Total interest repricing gap	(895,982)	(62,483)	(90,684)	558,455	736,482	(191,467)	54,321

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk

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

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

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk *...continued*

Non-derivative cash flows

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

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

East Caribbean Financial Holding Company Limited
Notes to the Consolidated Financial Statements
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(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk *...continued*

	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
At December 31, 2021						
Financial liabilities						
Deposits from banks	10,460	3,167	14,057	–	–	27,684
Due to customers	1,625,545	82,758	237,930	39,623	43,571	2,029,427
Repurchase agreements	–	–	883	–	–	883
Borrowings	719	6,636	8,569	43,510	–	59,434
Preference shares	–	–	–	–	4,150	4,150
Other liabilities	–	–	54,489	–	–	54,489
Total financial liabilities	1,636,724	92,561	315,928	83,133	47,721	2,176,067
Financial assets						
Cash and balances with Central Bank	251,601	–	19,354	–	–	270,955
Treasury bills	–	–	–	1,809	–	1,809
Deposits with other banks	228,951	27	12,528	–	–	241,506
Financial assets held for trading	–	–	–	16,411	2,735	19,146
Deposits with non-bank financial institutions	2,371	5,169	10,654	–	–	18,194
Investment securities	27,855	15,908	116,159	452,578	487,072	1,099,572
Financial assets - pledged	–	–	–	–	1,142	1,142
Loans and advances to customers	19,212	31,838	145,705	417,498	531,719	1,145,972
Other assets	43,646	–	5,995	765	–	50,406
Total financial assets	573,636	52,942	310,395	889,061	1,022,668	2,848,702
Net assets/(liabilities)	(1,063,088)	(39,619)	(5,533)	805,928	974,947	672,635

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

f) Liquidity risk *...continued*

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

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

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

g) Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 43) are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 43) are also included below based on the earliest contractual maturity date.

	<1 Year $	**Total $**
As at December 31, 2022		
Loan commitments	**140,611**	**140,611**
Guarantees and letters of credit	**8,475**	**8,475**
Total	**149,086**	**149,086**
As at December 31, 2021		
Loan commitments	124,379	124,379
Guarantees and letters of credit	10,908	10,908
Total	135,287	135,287

(expressed 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 Group has access at that date. The fair value of a liability reflects its non-performance risk. The following methods and assumptions were used to estimate the fair value of financial instruments.

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

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 at amortised costs, fair value through other comprehensive income and fair value through profit or loss. Assets classified as fair value through other comprehensive income and fair value through profit or loss are measured at fair value based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics, discounted cash flow models and current rates.

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

	Carrying value		Fair value	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers				
- Large corporate loans	**267,084**	228,667	**248,611**	200,711
- Term loans	**166,382**	162,914	**134,827**	132,625
- Mortgages	**388,699**	380,153	**254,648**	248,319
- Overdrafts and credit cards	**38,815**	32,170	**38,815**	32,170
Investments at amortised cost	**245,060**	184,770	**230,859**	187,980
Financial liabilities				
Borrowings	**39,246**	52,178	**36,995**	47,684

Management assessed that 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.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

Fair value hierarchy ...continued

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

Determination of fair values and fair value hierarchies:

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

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

Fair value hierarchy ...continued

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2021				
Assets measured at fair value:				
Investment properties	–	–	28,019	28,019
Land and buildings	–	–	47,848	47,848
Total land and buildings and investment property	–	–	75,867	75,867
Financial assets held for trading				
- debt securities	–	–	13,954	13,954
Financial assets at FVTPL				
- equity securities	8,042	3,332	1,156	12,530
Financial assets at FVOCI				
- debt securities	1,757	543,954	86,948	632,659
- equity securities	7,546	25,597	2,286	35,429
Financial instruments				
- pledged assets	–	–	903	903
Total financial assets	17,345	572,883	105,247	695,475

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

Fair value hierarchy ...continued

Assets for which fair values are disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
December 31, 2022				
Loans and advances to customers	**–**	**–**	**676,901**	**676,901**
Investments - Amortised costs	**57**	**220,572**	**10,230**	**230,859**
Total financial assets	**57**	**220,572**	**687,131**	**907,760**
December 31, 2021				
Loans and advances to customers	–	–	613,825	613,825
Investments - Amortised costs	5,554	160,751	21,675	187,980
Total financial assets	5,554	160,751	635,500	801,805

Liabilities for which fair values are disclosed

	Level 3 $	Total $
December 31, 2022		
Borrowings	**36,995**	**36,995**
December 31, 2021		
Borrowings	47,684	47,684

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *…continued*

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

Fair value hierarchy …continued

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter fixed income securities) is determined by using valuation techniques. These valuation techniques 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.

The following table presents the change in level 3 instruments for the year ended December 31, 2022:

	2022			2021		
	Debt securities $	**Equity securities $**	**Total $**	**Debt securities $**	**Equity securities $**	**Total $**
At beginning of year	**101,805**	**3,442**	**105,247**	107,918	3,579	111,497
(Disposals)/additions	**76,493**	**(271)**	**76,222**	(5,867)	(132)	(5,999)
Unrealised gain/(loss)	**139**	**(5)**	**134**	(246)	(5)	(251)
At end of year	**178,437**	**3,166**	**181,603**	101,805	3,442	105,247

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

i) Capital management

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

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the 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.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances, unrealised gains arising on the fair valuation of equity instruments held as fair value through other comprehensive income 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, considering any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

i) Capital management *...continued*

The table below summarises the Group's capital adequacy position in accordance with Basel standards for the years ended December 31, 2022 and 2021.

	2022 $	Restated 2021 $
Tier 1 capital		
Share capital	**170,081**	170,081
Reserves	**183,016**	174,664
Accumulated deficit	**(62,020)**	(91,060)
Total qualifying Tier 1 capital	**291,077**	253,685
Tier 2 capital		
Revaluation reserve	**26,428**	26,428
Redeemable preference shares	**4,150**	4,150
Reserves - FVOCI	**(43,895)**	6,094
Subordinated debt (limited to 50% of tier 1 capital)	**35,000**	45,000
Collective impairment allowance (limited to 1.25% of risk weighted assets)	**7,842**	14,187
Total qualifying Tier 2 capital	**29,525**	95,859
Total regulatory capital	**320,602**	349,544
Risk-weighted assets:		
On-balance sheet	**1,766,969**	1,776,939
Off-balance sheet	**35,503**	32,153
Total risk-weighted assets	**1,802,472**	1,809,092
Basel capital adequacy ratio	**17.79%**	19.32%

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

	2022	Restated 2021
Basel capital adequacy ratio	**19.62%**	20.99%

(expressed in thousands of Eastern Caribbean dollars)

3 Financial risk management *...continued*

j) Fiduciary activities

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

4 Critical accounting estimates, and judgements in applying accounting policies

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

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at 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.

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

PD - Probability of default assumptions are calculated using the Group's loan portfolio experience. Historical default data covering 22 years was used to calculate default rates by loan age for loans aged 1-21 years and for the different products based on origination year. The results per year were weighted by the number of loans opened compared to the total population considered. The PD curve is smoothed and extended to year 40 assuming a constant PD in the later years.

LGD - Loss given default assumptions are based on the Group's historical loan portfolio experience. Defaulted loans for 12 years were assessed for their loss experience to determine an average LGD by product type. In doing so management considered each defaulted loan's status across six recovery categories including; cured, paid in full, write-off, collateral recovery, restructured and still non-performing.

(expressed in thousands of Eastern Caribbean dollars)

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

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

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

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

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

Fair value of financial instruments
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. See sensitivity analysis in notes 3c and 3e for further details.

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

Valuation of land and buildings and investment property was arrived at using the income approach. A market capitalization rate was assumed for the respective properties, taking into account mortgage interest rates, increasing development costs and an adjustment for risk. If the capitalization rates were 0.5% higher/lower, post-tax profits for 2022 and 2021 would be $2,533/$2,646 lower/higher and other comprehensive income would be $2,851/$2,871 lower/higher (2021 - $2,541/$3,181).

Retirement benefits
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The most sensitive assumptions used in determining the net cost (income) for pensions include the discount rate and future salary increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Were the discount rate used to increase/(decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated $5,075 lower or $8,715 higher (2021 - $4,578 lower or $8,705 higher).

(expressed in thousands of Eastern Caribbean dollars)

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

Retirement benefits *...continued*

Were the estimated salary increases used to increase/(decrease) by 1% from management's estimates, the defined benefit obligation for pension benefits would be an estimated $3,490 higher or $2,536 lower (2021 - $3,603 higher or $2,331 lower).

Were life expectancy to increase by 1 year, the defined benefit obligation would be $656 (2021 - $629) higher.

5 Segment analysis

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

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Managing Director (the chief operating decision-maker), 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:

- Bank of Saint Lucia Limited (BOSL) - operating in St. Lucia and provides domestic banking services.
- Investment Management Unit (IMU) - 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 Company's Board of Directors is measured in a manner consistent with that in profit or loss.

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

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

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

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

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

(expressed in thousands of Eastern Caribbean dollars)

5 Segment analysis *...continued*

	BOSL $	IMU $	Other $	Total $
At December 31, 2022				
Net interest income	53,016	403	–	53,419
Net fee and commission income	31,496	10,484	–	41,980
Other income	20,435	83		20,518
Share of profit of associate	3,759	–	581	4,340
Impairment charge on loans and investments	11,029	–	–	11,029
Depreciation and amortisation	(5,748)	(14)	–	(5,762)
Operating expenses	(71,990)	(1,275)	–	(73,265)
Profit before taxation	41,997	9,681	581	52,259
Dividends on preference shares	(291)	–	–	(291)
Income tax expense	(7,096)	–	–	(7,096)
Profit for the year	34,610	9,681	581	44,872
Total assets	2,625,648	70,083	301,805	2,997,536
Total liabilities	2,357,458	23,192	76,263	2,456,913

(expressed in thousands of Eastern Caribbean dollars)

5 Segment analysis *...continued*

	BOSL $	IMU $	Other $	Total $
At December 31, 2021				
Net interest income	45,454	297	–	45,751
Net fee and commission income	26,327	8,741	–	35,068
Other income	18,428	415	–	18,843
Share of profit of associate	618	–	554	1,172
Impairment charge on loans and investments	(5,703)	–	–	(5,703)
Depreciation and amortisation	(4,947)	(13)	–	(4,960)
Operating expenses	(63,611)	(1,066)	–	(64,677)
Profit before taxation	16,566	8,374	554	25,494
Dividends on preference shares	(291)	–	–	(291)
Income tax expense	(2,326)	–	–	(2,326)
Profit for the year	13,949	8,374	554	22,877
Total assets	2,447,055	49,701	300,509	2,797,265
Total liabilities	2,158,694	12,295	76,263	2,247,252

(expressed 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, 2022			
Net interest income	53,419	–	53,419
Net fee and commission income	41,980	–	41,980
Other income	20,518	–	20,518
Share of profit of associate	4,340	(3,207)	1,133
Impairment charge on loans and investments	11,029	–	11,029
Depreciation and amortisation	(5,762)	–	(5,762)
Operating expenses	(73,265)	–	(73,265)
Profit before tax	52,259	(3,207)	49,052
Dividends on preference shares	(291)	–	(291)
Income tax expense	(7,096)	–	(7,096)
Net profit for the year	44,872	(3,207)	41,665
Assets	2,997,536	(345,165)	2,652,371
Liabilities	2,456,913	(79,270)	2,377,643

(expressed in thousands of Eastern Caribbean dollars)

5 Segment analysis *...continued*

	Total management reporting $	Consolidation entries $	Total $
At December 31, 2021			
Net interest income	45,751	–	45,751
Net fee and commission income	35,068	–	35,068
Other income	18,843	–	18,843
Share of profit of associate	1,172	-	1,172
Impairment charge on loans and investments	(5,703)	–	(5,703)
Depreciation and amortisation	(4,960)	–	(4,960)
Operating expenses	(64,677)	–	(64,677)
Profit before tax	25,494	–	25,494
Dividends on preference shares	(291)	–	(291)
Income tax expense	(2,326)	–	(2,326)
Net profit for the year	22,877	–	22,877
Assets	2,797,265	(341,957)	2,455,308
Liabilities	2,247,252	(79,269)	2,167,983

(expressed in thousands of Eastern Caribbean dollars)

6 Cash and balances with Central Bank

	2022 $	2021 $
Cash in hand	**37,917**	34,680
Balances with Central Bank other than mandatory deposits	**54,306**	96,182
Included in cash and cash equivalents (note 42)	**92,223**	130,862
Mandatory deposits with Central Bank	**153,232**	140,093
	245,455	270,955

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

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

The deposits with the Central Bank were all non-interest bearing for 2022 and 2021.

7 Treasury bills

	2022 $	2021 $
Treasury bills	**1,789**	1,790
Impairment allowance - stage 1 (2021 - stage 2), (note - 13)	**(2)**	(63)
	1,787	1,727

Treasury bills are debt securities issued by the Government of Saint Lucia. The weighted average effective interest rate at December 31, 2022 was 4.5% (2021 - 4.5%).

8 Deposits with other banks

	2022 $	2021 $
Items in the course of collection with other banks	**4,240**	1,907
Placements with other banks	**123,165**	239,503
Included in cash and cash equivalents (note 42)	**127,405**	241,410
Interest bearing deposits more than 90 days to maturity	**95,742**	–
	223,147	241,410

The weighted average effective interest rate of interest-bearing deposits at December 31, 2022 is 2.24% (2021 - 0.33%).

(expressed in thousands of Eastern Caribbean dollars)

9 Financial assets held for trading

	2022 $	2021 $
Financial assets through profit or loss - HFT		
Debt securities - listed	**15,360**	13,954

Trading financial assets were acquired for selling in the near term and would otherwise have been classified as amortised costs investments. The weighted average interest rate earned on held-for-trading investment debt securities was 7.47% (2021 - 7.00%).

10 Deposits with non-bank financial institutions

	2022 $	2021 $
Deposits - cash and cash equivalents (note 42)	**14,529**	2,333
Deposits - more than 90 days to maturity	**15,785**	15,741
	30,314	18,074

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, 2022 was 2.5% (2021 - 1.35%).

11 Loans and advances to customers

	2022 $	2021 $
Large corporate loans	**298,197**	260,379
Term loans	**178,755**	179,317
Mortgage loans	**411,607**	406,607
Overdrafts and credit cards	**46,105**	43,872
Gross	**934,664**	890,175
Less allowance for impairment losses on loans and advances (note 12)	**(73,684)**	(86,271)
Net	**860,980**	803,904

The weighted average effective interest rate on productive loans stated at amortised cost at December 31, 2022 was 6.11% (2021 - 6.18%) and productive overdrafts and credit cards stated at amortised cost was 7.05% (2021 - 6.49%).

(expressed in thousands of Eastern Caribbean dollars)

12 Impairment losses on loans and advances to customers

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

Large Corporate Loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amounts as at January 1, 2022	**57,924**	**75,856**	**126,599**	**260,379**
Transfers:				
Transfers from stage 1 to stage 2	**(1,249)**	**1,249**	**–**	**–**
Transfers from stage 2 to stage 1	**50,007**	**(50,007)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**499**	**(499)**	**–**
Transfers from stage 3 to stage 1	**26,151**	**–**	**(26,151)**	**–**
Financial assets derecognised during the year other than write-offs	**(2,648)**	**(23,648)**	**(5,161)**	**(31,457)**
New financial assets originated or purchased	**88,333**	**4,612**	**779**	**93,724**
Repayments	**(24,955)**	**(107)**	**(7,392)**	**(32,454)**
Modification of contractual cash flows of financial assets	**8,892**	**1**	**2,854**	**11,747**
Changes in interest accrual	**535**	**(2,191)**	**(2,086)**	**(3,742)**
Gross carrying amounts as at December 31, 2022	**202,990**	**6,264**	**88,943**	**298,197**
Gross carrying amounts as at January 1, 2021	40,631	88,749	136,934	266,314
Transfers:				
Transfers from stage 1 to stage 3	(140)	–	140	–
Transfers from stage 2 to stage 3	–	(2,961)	2,961	–
Transfers from stage 3 to stage 2	–	347	(347)	–
Transfers from stage 2 to stage 1	–			
Financial assets derecognised during the year other than write-offs	(3,813)	–	(6,358)	(10,171)
New financial assets originated or purchased	24,376	–	3,371	27,747
Financial assets written off	–	–	(2,649)	(2,649)
Repayments	(11,596)	(12,466)	(6,270)	(30,332)
Modification of contractual cashflows of financial assets	8,494	2,536	(63)	10,967
Changes in interest accrual	(28)	(349)	(1,120)	(1,497)
Gross carrying amounts as at December 31, 2021	57,924	75,856	126,599	260,379

(expressed in thousands of Eastern Caribbean dollars)

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

Term Loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amounts as at January 1, 2022	**94,027**	**44,494**	**40,796**	**179,317**
Transfers:				
Transfers from stage 1 to stage 2	**(2,138)**	**2,138**	**–**	**–**
Transfers from stage 1 to stage 3	**(862)**	**–**	**862**	**–**
Transfers from stage 2 to stage 3	**–**	**(3,151)**	**3,151**	**–**
Transfers from stage 2 to stage 1	**432**	**(432)**	**–**	**–**
Transfers from stage 3 to stage 2		**267**	**(267)**	**–**
Transfers from stage 3 to stage 1	**1,828**	**–**	**(1,828)**	**–**
Financial assets derecognised during the year other than write-offs	**(15,420)**	**(5,310)**	**(5,467)**	**(26,197)**
New financial assets originated or purchased	**46,902**	**3,117**	**1,140**	**51,159**
Financial assets written off	**(20)**	**(256)**	**(1,182)**	**(1,458)**
Repayments	**(22,324)**	**(3,551)**	**(4,679)**	**(30,554)**
Modification of contractual cash flows of financial assets	**23,197**	**(16,701)**	**417**	**6,913**
Changes in interest accrual	**384**	**(649)**	**(160)**	**(425)**
Gross carrying amounts as at December 31, 2022	**126,006**	**19,966**	**32,783**	**178,755**
Gross carrying amounts as at January 1, 2021	84,047	58,117	41,666	183,830
Transfers:				
Transfers from stage 1 to stage 2	(2,661)	2,661	–	–
Transfers from stage 1 to stage 3	(3,259)	–	3,259	–
Transfers from stage 2 to stage 3	–	(4,499)	4,499	–
Transfers from stage 2 to stage 1	2,237	(2,237)	–	–
Transfers from stage 3 to stage 2	–	1,090	(1,090)	–
Transfers from stage 3 to stage 1	450	–	(450)	–
Financial assets derecognised during the year other than write offs	(14,539)	(10,076)	(3,699)	(28,314)
New financial assets originated or purchased	46,324	407	33	46,764
Financial assets written off	–	(101)	(700)	(801)
Repayments	(16,882)	(7,098)	(4,883)	(28,863)
Modification of contractual cashflows of financial assets	(1,574)	6,190	986	5,602
Changes in interest accrual	(116)	40	1,175	1,099
Gross carrying amounts as at December 31, 2021	94,027	44,494	40,796	179,317

(expressed in thousands of Eastern Caribbean dollars)

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

Mortgage Loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amounts as at January 1, 2022	**234,990**	**105,644**	**65,973**	**406,607**
Transfers:				
Transfers from stage 1 to stage 2	**(2,024)**	**2,024**	**–**	**–**
Transfers from stage 1 to stage 3	**(600)**	**–**	**600**	**–**
Transfers from stage 2 to stage 3	**–**	**(3,725)**	**3,725**	**–**
Transfers from stage 2 to stage 1	**56,939**	**(56,939)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**862**	**(862)**	**–**
Transfers from stage 3 to stage 1	**5,919**	**–**	**(5,919)**	**–**
Financial assets derecognised during the year other than write offs	**(11,367)**	**(6,866)**	**(3,858)**	**(22,091)**
New financial assets originated or purchased	**39,486**	**5,821**	**888**	**46,195**
Financial assets written off	**–**	**(4)**	**(19)**	**(23)**
Repayments	**(20,783)**	**(2,793)**	**(4,401)**	**(27,977)**
Modification of contractual cash flows of financial assets	**7,215**	**910**	**901**	**9,026**
Changes in interest accrual	**986**	**(1,188)**	**72**	**(130)**
Gross carrying amounts as at December 31, 2022	**310,761**	**43,746**	**57,100**	**411,607**
Gross carrying amounts as at January 1, 2021	215,499	121,834	59,071	396,404
Transfers:				
Transfers from stage 1 to stage 2	(5,522)	5,522	–	–
Transfers from stage 1 to stage 3	(3,919)	–	3,919	–
Transfers from stage 2 to stage 3	–	(8,583)	8,583	–
Transfers from stage 2 to stage 1	6,664	(6,664)	–	–
Transfers from stage 3 to stage 2	–	4,610	(4,610)	–
Transfers from stage 3 to stage 1	532	–	(532)	–
Financial assets derecognised during the year other than write offs	(15,673)	(12,513)	(1,789)	(29,975)
New financial assets originated or purchased	50,808	1,333	–	52,141
Financial assets written off	–	–	(520)	(520)
Repayments	(15,221)	(5,915)	(4,491)	(25,627)
Modification of contractual cashflows of financial assets	1,488	5,642	5,924	13,054
Changes in interest accrual	334	378	418	1,130
Gross carrying amounts as at December 31, 2021	234,990	105,644	65,973	406,607

(expressed in thousands of Eastern Caribbean dollars)

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

Overdrafts and credit cards	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amounts as at January 1, 2022	**32,957**	**1,366**	**9,549**	**43,872**
Transfers:				
Transfers from stage 1 to stage 2	**(1,189)**	**1,189**	**–**	**–**
Transfers from stage 1 to stage 3	**(227)**	**–**	**227**	**–**
Transfers from stage 2 to stage 3	**–**	**(86)**	**86**	**–**
Transfers from stage 2 to stage 1	**837**	**(837)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**24**	**(24)**	**–**
Transfers from stage 3 to stage 1	**(81)**	**–**	**81**	**–**
Financial assets derecognised during the year other than write offs	**(2,332)**	**(258)**	**(1,477)**	**(4,067)**
New financial assets originated or purchased	**1,739**	**449**	**42**	**2,230**
Financial assets written off	**(54)**	**(4)**	**(283)**	**(341)**
Repayments	**(393)**	**(19)**	**(413)**	**(825)**
Modification of contractual cash flows of financial assets	**4,147**	**355**	**761**	**5,263**
Changes in interest accrual	**12**	**–**	**(39)**	**(27)**
Gross carrying amounts as at December 31, 2022	**35,416**	**2,179**	**8,510**	**46,105**
Gross carrying amounts as at January 1, 2021	21,921	4,117	12,002	38,040
Transfers:				
Transfers from stage 1 to stage 2	(306)	306	–	–
Transfers from stage 1 to stage 3	(180)	–	180	–
Transfers from stage 2 to stage 3	–	(570)	570	–
Transfers from stage 2 to stage 1	1,427	(1,427)	–	–
Financial assets derecognised during the year other than write offs	(1,587)	(1,736)	(576)	(3,899)
New financial assets originated or purchased	3,599	515	92	4,206
Financial assets written off	–	(236)	(880)	(1,116)
Repayments	(1,057)	(4)	–	(1,061)
Modification of contractual cash flows of financial assets	9,131	405	(1,883)	7,653
Changes in interest accrual	9	(4)	44	49
Gross carrying amounts as at December 31, 2021	32,957	1,366	9,549	43,872

(expressed in thousands of Eastern Caribbean dollars)

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

Total gross carrying amounts	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Gross carrying amounts at January 1, 2022	**419,900**	**227,358**	**242,917**	**890,175**
Transfers:				
Transfers from stage 1 to stage 2	**(6,601)**	**6,601**	**–**	**–**
Transfers from stage 1 to stage 3	**(1,689)**	**–**	**1,689**	
Transfers from stage 2 to 3	**–**	**(6,962)**	**6,962**	**–**
Transfers from stage 2 to 1	**108,216**	**(108,216)**	**–**	**–**
Transfers from stage 3 to 2	**–**	**1,652**	**(1,652)**	**–**
Transfers from stage 3 to 1	**33,817**	**–**	**(33,817)**	**–**
Financial assets derecognized during the year other than write offs	**(31,768)**	**(36,082)**	**(15,963)**	**(83,813)**
New financial assets originated/purchased	**176,460**	**13,999**	**2,848**	**193,307**
Financial assets written off	**(74)**	**(264)**	**(1,485)**	**(1,823)**
Repayments	**(68,454)**	**(6,468)**	**(16,883)**	**(91,805)**
Modification of contractual cash flows of financial assets	**43,450**	**(15,435)**	**4,933**	**32,948**
Changes in interest accrual	**1,918**	**(4,030)**	**(2,213)**	**(4,325)**
Gross carrying amount at December 31, 2022	**675,175**	**72,153**	**187,336**	**934,664**
Gross carrying amounts at January 1, 2021	362,099	272,816	249,672	884,587
Transfers				
Transfers from stage 1 to stage 2	(8,489)	8,489	–	–
Transfers from stage 1 to stage 3	(7,498)	–	7,498	–
Transfers from stage 2 to stage 3	–	(16,613)	16,613	–
Transfers from stage 2 to stage 1	10,328	(10,328)	–	–
Transfers from stage 3 to stage 2	–	6,047	(6,047)	–
Transfers from stage 3 to stage 1	982	–	(982)	–
Financial assets derecognized during the year other than write offs	(35,614)	(24,324)	(12,421)	(72,359)
New financial assets originated/purchased	125,109	2,255	3,496	130,860
Financial assets written off	–	(337)	(4,749)	(5,086)
Repayments	(44,755)	(25,484)	(15,643)	(85,882)
Modification of contractual cash flows of financial assets	17,539	14,772	4,963	37,274
Changes in interest accrual	199	65	517	781
Gross carrying amounts as at December 31, 2021	419,900	227,358	242,917	890,175

(expressed in thousands of Eastern Caribbean dollars)

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

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

Large corporate loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total provisions $**
Balance at January 1, 2022	**877**	**4,261**	**26,574**	**31,712**
Changes due to financial assets recognized in the opening balance that have:				
Transfers from stage 1 to stage 2	**(24)**	**24**	–	–
Transfers from stage 1 to stage 3	–	–	–	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	**3,101**	**(3,101)**	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	**640**	–	**(640)**	–
New financial assets originated or purchased	**1,360**	**245**	**220**	**1,825**
Financial assets that have been derecognised	**(36)**	**(1,161)**	**(2,176)**	**(3,373)**
Bad debts written off	–	–	–	–
Provision for the period	**(2,850)**	**81**	**3,793**	**1,024**
Balance at December 31, 2022	**3,068**	**349**	**27,771**	**31,188**
Balance at January 1, 2021	502	5,196	27,424	33,122
Changes due to financial assets recognized in the opening balance that have:				
Transfers from stage 1 to stage 2	–	–	–	–
Transfers from stage 1 to stage 3	(2)	–	2	–
Transfers from stage 2 to stage 3	–	(166)	166	–
Transfers from stage 2 to stage 1	–	–	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	–	–	–	–
New financial assets originated or Purchased	501	–	1,637	2,138
Financial assets that have been derecognised	(55)	–	(2,106)	(2,161)
Bad debts written off	–	–	(1,500)	(1,500)
Provision for the period	(69)	(769)	951	113
Balance at December 31, 2021	877	4,261	26,574	31,712

(expressed in thousands of Eastern Caribbean dollars)

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

Term loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	**528**	**2,146**	**13,728**	**16,402**
Transfers from stage 1 to stage 2	**(86)**	**86**	**–**	**–**
Transfers from stage 1 to stage 3	**(6)**	**–**	**6**	**–**
Transfers from stage 2 to stage 3	**–**	**(222)**	**222**	**–**
Transfers from stage 2 to stage 1	**794**	**(794)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**69**	**(69)**	**–**
Transfers from stage 3 to stage 1	**155**	**–**	**(155)**	**–**
New financial assets originated or purchased	**334**	**79**	**721**	**1,134**
Financial assets that have been derecognised	**(68)**	**(230)**	**(842)**	**(1,140)**
Bad debts written off	**(20)**	**(257)**	**(1,181)**	**(1,458)**
Provisions for the period	**(1,407)**	**(712)**	**(494)**	**(2,613)**
Balance at December 31, 2022	**224**	**165**	**11,936**	**12,325**
Balance at January 1, 2021	698	1,852	16,892	19,442
Transfers from stage 1 to stage 2	(22)	22	–	–
Transfers from stage 1 to stage 3	(13)	–	13	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	164	(164)	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	84	–	(84)	–
New financial assets originated or purchased	163	57	29	249
Financial assets that have been derecognised	(131)	(305)	(1,405)	(1,841)
Bad debts written off	–	(13)	(326)	(339)
Provisions for the period	(415)	697	(1,391)	(1,109)
Balance at December 31, 2021	528	2,146	13,728	16,402

(expressed in thousands of Eastern Caribbean dollars)

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

Mortgage loans	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	**773**	**3,947**	**21,734**	**26,454**
Transfers from stage 1 to stage 2	**(27)**	**27**	**–**	**–**
Transfers from stage 1 to stage 3	**(1)**	**–**	**1**	**–**
Transfers from stage 2 to stage 3		**(553)**	**553**	**–**
Transfers from stage 2 to stage 1	**1,740**	**(1,740)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**260**	**(260)**	**–**
Transfers from stage 3 to stage 1	**637**	**–**	**(637)**	**–**
New financial assets originated or purchased	**76**	**104**	**359**	**539**
Financial assets that have been derecognised	**(23)**	**(279)**	**(718)**	**(1,020)**
Bad debts written off	**–**	**(4)**	**(18)**	**(22)**
Provision for the period	**(2,482)**	**(1,939)**	**1,382**	**(3,039)**
Balance at December 31, 2022	**693**	**(177)**	**22,396**	**22,912**
Balance at January 1, 2021	472	2,264	20,989	23,725
Transfers from stage 1 to stage 2	(11)	11	–	–
Transfers from stage 1 to stage 3	(8)	–	8	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	225	(225)	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	67	–	(67)	–
New financial assets originated or purchased	28	137	–	165
Financial assets that have been derecognised	(34)	(239)	(570)	(843)
Bad debts written off	–	–	(367)	(367)
Provision for the period	34	1,999	1,741	3,774
Balance at December 31, 2021	773	3,947	21,734	26,454

(expressed in thousands of Eastern Caribbean dollars)

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

Overdrafts and credit cards	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	**4,007**	**515**	**7,180**	**11,702**
Transfers from stage 1 to stage 2	**(69)**	**69**	**–**	**–**
Transfers from stage 1 to stage 3	**(123)**	**–**	**123**	**–**
Transfers from stage 2 to stage 3	**–**	**(25)**	**25**	**–**
Transfers from stage 2 to stage 1	**346**	**(346)**	**–**	**–**
Transfers from stage 3 to stage 2	**–**	**24**	**(24)**	**–**
Transfers from stage 3 to stage 1	**103**	**–**	**(103)**	**–**
New financial assets originated or purchased	**264**	**152**	**42**	**458**
Financial assets that have been derecognised	**(229)**	**(83)**	**(146)**	**(458)**
Bad debts written off	**(54)**	**(4)**	**(284)**	**(342)**
Provision for the period	**(1,455)**	**425**	**(3,071)**	**(4,101)**
Balance at December 31, 2022	**2,790**	**727**	**3,742**	**7,259**
Balance at January 1, 2021	2,497	396	6,087	8,980
Transfers from stage 1 to stage 2	(23)	23	–	–
Transfers from stage 1 to stage 3	(192)	–	192	–
Transfers from stage 2 to stage 3	–	–	–	–
Transfers from stage 2 to stage 1	198	(198)	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	–	–	–	–
New financial assets originated or purchased	324	263	–	587
Financial assets that have been derecognised	(143)	(141)	(292)	(576)
Bad debts written off	–	(7)	(803)	(810)
Provision for the period	1,346	179	1,996	3,521
Balance at December 31, 2021	4,007	515	7,180	11,702

(expressed in thousands of Eastern Caribbean dollars)

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

Total credit provisioning	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total provisions $
Changes due to financial assets recognized in the opening balance that have:				
Balance at January 1, 2022	**6,184**	**10,871**	**69,216**	**86,271**
Transfers from stage 1 to stage 2	**(206)**	**206**	**–**	**–**
Transfers from stage 1 to stage 3	**(130)**	**–**	**130**	**–**
Transfers from stage 2 to stage 3	**–**	**(801)**	**801**	**–**
Transfers from stage 2 to stage 1	**5,981**	**(5,981)**	**–**	**–**
Transfers from stage 3 to stage 2		**353**	**(353)**	**–**
Transfers from stage 3 to stage 1	**1,536**	**–**	**(1,536)**	**–**
New financial assets originated or purchased	**2,034**	**579**	**1,342**	**3,955**
Financial assets that have been derecognised	**(355)**	**(1,752)**	**(3,882)**	**(5,989)**
Bad debts written off	**(74)**	**(265)**	**(1,485)**	**(1,824)**
Provision for the period	**(8,193)**	**(2,145)**	**1,609**	**(8,729)**
Balance at December 31, 2022	**6,777**	**1,065**	**65,842**	**73,684**
Balance at January 1, 2021	4,169	9,709	71,391	85,269
Transfers from stage 1 to stage 2	(57)	57	–	–
Transfers from stage 1 to stage 3	(215)	–	215	–
Transfers from stage 2 to stage 3		(166)	166	–
Transfers from stage 2 to stage 1	587	(587)	–	–
Transfers from stage 3 to stage 2	–	–	–	–
Transfers from stage 3 to stage 1	151	–	(151)	–
New financial assets originated or purchased	1,016	456	1,667	3,139
Financial assets that have been derecognised	(363)	(685)	(4,374)	(5,422)
Bad debts written off	–	(20)	(2,995)	(3,015)
Provision for the period	896	2,107	3,297	6,300
Balance at December 31, 2021	6,184	10,871	69,216	86,271

(expressed in thousands of Eastern Caribbean dollars)

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

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

	$
Balance at January 1, 2021	178,021
Change in allowance for impairment	(2,175)
Classified as credit impaired during the year	27,798
Transferred to not credit impaired during the year	(7,029)
Net repayments	(5,439)
Write-offs and amounts derecognised	(17,475)
Balance at December 31, 2021	173,701
Balance at January 1, 2022	**173,701**
Change in allowance for impairment	**(3,374)**
Classified as credit impaired during the year	**11,499**
Transferred to not credit impaired during the year	**(35,469)**
Net repayments	**(7,415)**
Write-offs and amounts derecognised	**(17,448)**
Balance at December 31, 2022	**121,494**

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

	$
Financial assets modified during the year ended December 31, 2022	
At amortised cost before modification	**29,374**
Net modification loss	**2,986**
Financial assets modified since initial recognition at December 31, 2022	
Gross carrying amount at December 31, 2022 of financial assets for which loss allowance has changed to 12-month measurement during the year	**957**
Financial assets modified during the year ended December 31, 2021	
At amortised cost before modification	42,002
Net modification loss	1,681
Financial assets modified since initial recognition at December 31, 2021	
Gross carrying amount at December 31, 2021 of financial assets for which loss allowance has changed to 12-month measurement during the year	8,752

(expressed in thousands of Eastern Caribbean dollars)

13 Impairment losses on investment securities

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Debt investment securities at FVOCI				
Balance at January 1, 2021	1,592	1,636	–	3,228
Net measurement of loss allowance	(249)	155	–	(94)
Balance at December 31, 2021	1,343	1,791	–	3,134
Balance at January 1, 2022	**1,343**	**1,791**	**–**	**3,134**
Net measurement of loss allowance	**(59)**	**(1,791)**	**–**	**(1,850)**
Balance at December 31, 2022	**1,284**	**–**	**–**	**1,284**

The above loss allowance is recognised in Other Comprehensive Income in the consolidated statement of Financial Position and recognised in the consolidated statement of Profit or Loss. The loss allowance is not recorded against the gross carrying amounts of the investment securities because the carrying amount of debt investment securities at FVOCI is their fair value.

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Debt investment securities at amortised cost				
Balance at January 1, 2021	386	31	4,506	4,923
Net measurement of loss allowance	(170)	–	–	(170)
Balance at December 31, 2021	216	31	4,506	4,753
Balance at January 1, 2022	**216**	**31**	**4,506**	**4,753**
Net measurement of loss allowance	**77**	**269**	**(735)**	**(389)**
Balance at December 31, 2022	**293**	**300**	**3,771**	**4,364**

(expressed in thousands of Eastern Caribbean dollars)

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

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Treasury bills				
Balance at January 1, 2021	–	396	–	396
Net measurement of loss allowance	–	(333)	–	(333)
Balance at December 31, 2021	–	63	–	63
Balance at January 1, 2022	**–**	**63**	**–**	**63**
Net measurement of loss allowance	**2**	**(63)**	**–**	**(61)**
Balance at December 31, 2022	**2**	**–**	**–**	**2**

Total investment provisions were as follows:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Balance at January 1, 2021	1,978	2,063	4,506	8,547
Net remeasurement of loss allowance	(419)	(178)	-	(597)
Balance at December 31, 2021	1,559	1,885	4,506	7,950
Balance at January 1, 2022	**1,559**	**1,885**	**4,506**	**7,950**
Net remeasurement of loss allowance	**20**	**(1,585)**	**(735)**	**(2,300)**
Balance at December 31, 2022	**1,579**	**300**	**3,771**	**5,650**

East Caribbean Financial Holding Company Limited

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(expressed in thousands of Eastern Caribbean dollars)

14 Investment securities

	Amortised cost $	FVOCI - Debt $	FVOCI - Equity $	FVTPL - Equities $	Total $
At January 1, 2022	**184,770**	**632,659**	**35,429**	**12,530**	**865,388**
Additions	**113,617**	**263,956**	**–**	**26,471**	**404,044**
Movements in interest accrued	**1,092**	**737**	**–**	**–**	**1,829**
Disposals (maturities)	**(33,999)**	**(123,167)**	**–**	**–**	**(157,166)**
Disposal (sales)	**(20,536)**	**(43,630)**	**(8,383)**	**(4,333)**	**(76,882)**
Changes in fair values	**–**	**(48,532)**	**(366)**	**(2,958)**	**(51,856)**
Provision for the year	**389**	**–**	**–**	**–**	**389**
Amortization of premium/discount	**(273)**	**(1,919)**	**–**	**–**	**(2,192)**
At December 31, 2022	**245,060**	**680,104**	**26,680**	**31,710**	**983,554**
At January 1, 2021	183,588	502,674	22,534	10,839	719,635
Additions	213,326	351,588	12,973	4,282	582,169
Movements in interest accrued	(90)	750	–	–	660
Disposals (maturities)	(188,551)	(149,811)	–	–	(338,362)
Disposals (sales)	(23,258)	(58,654)	–	(4,048)	(85,960)
Changes in fair values	–	(11,794)	(78)	1,457	(10,415)
Provision for the year	170	–	–	–	170
Amortization of premium/discount	(415)	(2,094)	–	–	(2,509)
At December 31, 2021	184,770	632,659	35,429	12,530	865,388

(expressed in thousands of Eastern Caribbean dollars)

14 Investment securities *...continued*

	2022 $	2021 $
Securities measured at amortised cost		
Debt securities at amortised cost		
- Unlisted	**9,686**	19,865
- Listed	**239,738**	169,658
	249,424	189,523
Less provision for impairment	**(4,364)**	(4,753)
Total securities at amortised cost	**245,060**	184,770
Securities measured at fair value through OCI		
Debt securities at fair value		
- Unlisted	**127,803**	65,156
- Listed	**552,301**	567,503
Total debt securities	**680,104**	632,659
Equity securities at fair value		
- Unlisted	**1,529**	1,479
- Listed	**25,151**	33,950
Total equity securities	**26,680**	35,429
Total securities at fair value through OCI	**706,784**	668,088
Securities measured at fair value through P&L		
- Listed	**31,663**	8,269
- Unlisted	**47**	4,261
Total securities at fair value through P&L	**31,710**	12,530
Total investment securities	**983,554**	865,388

The weighted average effective interest rate on securities at fair value through other comprehensive income at December 31, 2022 was 3.21% (2021 - 2.66%).

(expressed 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	
	2022	2021
	$	$
Pledged against repurchase agreements	–	903

The value of repurchase agreements on the consolidated statement of financial position which are secured by pledged assets is $nil (2021 - $876). The variance between investment pledged against repurchase agreements and the value of repurchase agreement represents accrued interest.

16 Investment in associates

The investments in associates are as follows:

	2022	2021
	$	$
At beginning of year	**64,620**	63,981
Dividends from associate	–	(492)
Share of other comprehensive income	**886**	(41)
Share of profit of associates	**1,133**	1,172
At end of year	**66,639**	64,620

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

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

The adjustments for share of profits of ECAB for 2022 were based on management accounts at September 30, 2022 and December 31, 2022.

(expressed in thousands of Eastern Caribbean dollars)

16 Investment in associates *...continued*

The Group's interest in its associate East Caribbean Amalgamated Bank Limited of Antigua as at December 31, 2022 is as follows:

	2022 $	2021 $
Assets	**2,265,617**	2,152,157
Liabilities	**(2,052,186)**	(1,958,468)
Preference shares	**(47,869)**	(47,869)
Equity	**165,562**	145,820
% ownership	**20%**	20%
Share of equity in associate	**33,112**	29,164
Previous share of profits from BOSVG holding	**–**	3,207
Carrying amount of the investment	**33,112**	32,371

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

At the time ECFH held majority interest in BOSVG, and accordingly accounted for as a subsidiary, BOSVG held an 8% investment in ECAB ($2M). This was accounted for in BOSVG's accounts as investment securities (equity). However, on consolidation the 8% investment was reclassified to investments in associates to reflect the Group's holding of 28% in ECAB. The holding of 28% was accounted for using equity accounting on consolidation. Upon disposal of 31% holding in BOSVG in 2017, the Group retained the accumulated share of annual profits which represents the 8% holding on consolidation, totaling $3,207 (2021 - $3,207). The net carrying value of investment in ECAB on consolidation therefore represented 20% of the net assets of the company plus perceived goodwill of $3,207 (2021 - $3,207). The $3,207 was written off during the year to its carrying value.

(expressed in thousands of Eastern Caribbean dollars)

16 Investment in associates *...continued*

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

	2022 $	2021 $
Revenue	**100,888**	52,792
Administrative cost	**(64,756)**	(41,715)
Depreciation	**(9,144)**	(3,338)
Profit for the year	**26,988**	7,739
Tax expense	**(7,402)**	(4,652)
Net income	**19,586**	3,087
Retained earnings adjustment	**(791)**	–
	18,795	3,087
% ownership	**20%**	20%
Share of profits	**3,759**	618
Other comprehensive income	**946**	(140)
Ownership	**20%**	20%
Share of other comprehensive income	**189**	(28)
Total comprehensive income	**3,948**	590

(expressed in thousands of Eastern Caribbean dollars)

16 Investment in associates *...continued*

Investment in Bank of St. Vincent and the Grenadines Limited (BOSVG)
In 2017, the Group disposed of its majority holding in Bank if St. Vincent and the Grenadines Limited and retained a 20% holding. The company is a listed company incorporated in St. Vincent.

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

The Group's interest in its associate Bank of St. Vincent and the Grenadines Limited as at December 31, 2022 is as follows:

	2022 $	2021 $
Assets	**1,323,231**	1,294,419
Liabilities	**(1,182,155)**	(1,159,736)
Equity	**141,076**	134,683
% ownership	**20%**	20%
Share of equity in associate	**28,215**	26,937
Equity method goodwill	**5,312**	5,312
Carrying amount of the investment	**33,527**	32,249

Summarised statement of profit or loss of Bank of St. Vincent & the Grenadines Limited at December 2022:

	2022 $	2021 $
Revenue	**51,289**	43,539
Administrative cost	**(45,418)**	(40,914)
Profit for the year	**5,871**	2,625
Tax recovery/(expense)	**(2,964)**	146
Net income	**2,907**	2,771
% ownership	**20%**	20%
Share of profits	**581**	554
Other comprehensive income	**3,485**	(67)
% ownership	**20%**	20%
Share of comprehensive income	**697**	(13)
Total comprehensive income	**1,278**	541

East Caribbean Financial Holding Company Limited

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(expressed in thousands of Eastern Caribbean dollars)

17 Property and equipment (restated)

	Land and buildings $	Leasehold improvements $	Motor vehicles $	Office furniture and equipment $	Computer equipment $	Work-in-progress $	Total $
Year ended December 31, 2021 (restated)							
Opening net book amount (restated)	49,088	368	493	4,686	1,544	2,688	58,867
Additions	476	–	410	5,433	1,129	–	7,448
Revaluation adjustment	1,011	–	–	–	–	–	1,011
Disposals at cost	(2,481)	–	(325)	(1,128)	(458)	–	(4,392)
Transfers	–	–	–	–	–	(710)	(710)
Accumulated depreciation on disposal	884	–	325	1,092	451	–	2,752
Depreciation charge	(1,130)	(187)	(162)	(1,178)	(1,049)	–	(3,706)
Closing net book amount (restated)	47,848	181	741	8,905	1,617	1,978	61,270
At December 31, 2021 (restated)							
Cost or valuation	47,848	9,948	1,152	31,138	14,247	1,978	106,311
Accumulated depreciation	–	(9,767)	(411)	(22,233)	(12,630)	–	(45,041)
Net book amount (restated)	47,848	181	741	8,905	1,617	1,978	61,270

(expressed in thousands of Eastern Caribbean dollars)

17 Property and equipment (restated) *...continued*

	Land and buildings $	Leasehold improvements $	Motor vehicles $	Office furniture and equipment $	Computer equipment $	Work-in-progress $	Total $
Year ended December 31, 2022							
Opening net book amount	47,848	181	741	8,905	1,617	1,978	61,270
Additions	–	–	158	595	1,362	6,039	8,154
Disposals at cost	–	(9,418)		(13,366)	(11,534)	–	(34,318)
Transfers	1,427	–	–	164	–	(1,591)	–
Accumulated depreciation on disposal	–	9,418	–	13,359	11,518	–	34,295
Depreciation charge	(1,118)	(99)	(262)	(1,792)	(1,094)	–	(4,365)
Closing net book amount	48,157	82	637	7,865	1,869	6,426	65,036
At December 31, 2022							
Cost or valuation	49,275	530	1,310	18,531	4,075	6,426	80,147
Accumulated depreciation	(1,118)	(448)	(673)	(10,666)	(2,206)	–	(15,111)
Net book amount	48,157	82	637	7,865	1,869	6,426	65,036

(expressed in thousands of Eastern Caribbean dollars)

17 Property and equipment (restated) *...continued*

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

The historical cost of land and buildings is as follows:

	2022 $	2021 $
Cost	**43,842**	42,451
Accumulated depreciation based on historical cost	**(24,881)**	(23,763)
Depreciated historical cost	**18,961**	18,688

18 Intangible asset

	Computer software $
Year ended December 31, 2021	
Balance at January 1, 2021	790
Additions	1,870
Amortisation	(726)
Closing net book value	1,934
Year ended December 31, 2021	
Cost	15,630
Accumulated amortisation	(13,696)
Net book value	1,934
Year ended December 31, 2022	
Balance at January 1, 2022	1,934
Additions	633
Disposals at cost	(1,212)
Accumulated amortisation on disposals	1,212
Amortisation	(911)
Closing net book value	1,656
At December 31, 2022	
Cost	15,051
Accumulated amortisation	(13,395)
Net book value	1,656

(expressed in thousands of Eastern Caribbean dollars)

19 Investment properties

	2022 $	2021 $
Land and buildings		
At beginning of year	**28,019**	30,987
Fair value gain/(loss)	**3,729**	(2,968)
At end of year	**31,748**	28,019

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

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

The following amounts have been recognised in profit or loss:

	2022 $	2021 $
Rental income	**1,536**	1,534
Direct operating expenses arising from investment properties that generated rental income	**(448)**	(342)
	1,088	1,192

(expressed in thousands of Eastern Caribbean dollars)

20 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 assets related to leased properties are as follows:

	Land and buildings $	**Total $**
Balance at January 1, 2021	528	528
Additions	1,050	1,050
Depreciation	(528)	(528)
At December 31, 2021	1,050	1,050
Balance at January 1, 2022	**1,050**	**1,050**
Additions	**892**	**892**
Depreciation	**(486)**	**(486)**
At December 31, 2022	**1,456**	**1,456**

The Group had a lease liability of $1,500 (2021 - $1,050) against the lease asset.

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

	2022 $	**2021 $**
Depreciation charge on right-of-use asset	**486**	528
Interest expense	**109**	11
Total cash outflow for right-of-use lease liability	**619**	619

(expressed in thousands of Eastern Caribbean dollars)

21 Other assets

	2022 $	2021 $
Suspense accounts and other receivables	**12,575**	8,054
Other receivables - card services	**89,502**	41,975
Rent receivable	**1,579**	1,913
	103,656	51,942
Less provision for impairment of other assets (note 22)	**(1,525)**	(1,536)
	102,131	50,406
Stationery and supplies	**647**	574
Prepaid expenses	**3,118**	3,169
	3,765	3,743
	105,896	54,149

As of December 31, 2022, trade receivables of $1,281 (2021 - $1,606) were past due but not impaired. These relate mainly to receivables from existing customers with some defaults in the past but all amounts due were fully recovered. The aging analysis of these trade receivables is as follows:

	2022 $	2021 $
Greater than 30 days but less than 60 days	**118**	592
Greater than 60 days but less than 90 days	**121**	–
Greater than 90 days	**1,042**	1,014
	1,281	1,606

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

(expressed in thousands of Eastern Caribbean dollars)

22 Provision for impairment of other assets

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

	2022 $	2021 $
At beginning of year	**1,536**	1,488
Provisions made during the year	**591**	624
Write offs during the year	**(602)**	(576)
At end of year	**1,525**	1,536

23 Retirement benefit asset

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

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

	Defined Benefit		Defined Contribution	
	2022 $	2021 $	2022 $	2021 $
Fair value of plan assets	**73,281**	76,169	**10,088**	6,759
Present value of funded obligations	**(58,600)**	(56,811)	**(10,157)**	(6,548)
Asset in the consolidated statement of financial position	**14,681**	19,358	**(69)**	211

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

	Defined Benefit		Defined Contribution	
	2022 $	2021 $	2022 $	2021 $
Beginning of year	**56,811**	57,010	**6,548**	3,273
Current service cost	**–**	–	**2,512**	2,610
Interest cost	**4,184**	4,049	**77**	483
Employee contribution	**–**	–	**848**	852
Actuarial gain	**(335)**	(1,919)	**276**	(555)
Benefits paid	**(2,060)**	(2,329)	**(104)**	(115)
End of year	**58,600**	56,811	**10,157**	6,548

(expressed in thousands of Eastern Caribbean dollars)

23 Retirement benefit asset *...continued*

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

	Defined Benefit		Defined Contribution	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Beginning of year	**76,169**	76,193	**6,759**	3,325
Actual return on plans assets	**(590)**	2,573	**88**	114
Employer contributions	**–**	–	**2,512**	2,583
Employee contribution	**–**	–	**848**	852
Benefits paid	**(2,060)**	(2,329)	**(104)**	(115)
Administrative expenses	**(238)**	(268)	**(15)**	–
End of year	**73,281**	76,169	**10,088**	6,759

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

	Defined Benefit		Defined Contribution	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Beginning of year	**19,358**	19,183	**211**	52
Net periodic cost	**1,204**	1,113	**(2,539)**	(2,732)
Contributions paid	**–**	–	**2,512**	2,583
Effect on the consolidated statement of comprehensive income	**–** **(5,881)**	– (938)	**–** **(253)**	– 308
End of year	**14,681**	19,358	**(69)**	211

(expressed in thousands of Eastern Caribbean dollars)

23 Retirement benefit asset *...continued*

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

	Defined Benefit		Defined Contribution	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Current service cost	**–**	–	**2,512**	2,610
Net interest on net defined benefit (liability)/asset	**4,184**	4,049	**77**	483
Expected return on plan assets	**(5,626)**	(5,430)	**(65)**	(361)
Administrative expenses	**238**	268	**15**	–
Consolidated statement of profit or loss	**(1,204)**	(1,113)	**2,539**	2,732

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

	Defined Benefit		Defined Contribution	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Gain from change in assumptions	**–**	(1,211)	**–**	–
(Gain)/loss from experience	**(335)**	(708)	**276**	(555)
Expected return on plan assets	**5,626**	5,430	**65**	361
Actual return on plan assets	**590**	(2,573)	**(88)**	(114)
Consolidated statement of comprehensive income	**5,881**	938	**253**	(308)

(expressed in thousands of Eastern Caribbean dollars)

23 Retirement benefit asset *...continued*

The principal actuarial assumptions used were as follows:

	2022 %	2021 %
Discount rate	**7.5**	7.5
Future promotional salary increases	**3.5 - 4.5**	3.5 - 4.5
Future inflationary salary increases	**1 - 2**	1 - 2

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

Plan assets allocation is as follows:

	2022 %	2021 %
Debt securities	**70**	82
Equity securities	**14**	15
Other	**16**	3
	100	100

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

Mortality rate

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

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

	2022	2021
Male	**25.11**	25.03
Female	**27.07**	27.03

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.

(expressed in thousands of Eastern Caribbean dollars)

23 Retirement benefit asset *...continued*

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

	Defined Benefit 2022 $	Defined Benefit 2021 $	Defined Contribution 2022 $	Defined Contribution 2021 $
Investments quoted in active markets:				
Quoted equity investments				
- Energy	**28**	29	**–**	–
- Consumer staples	**3,562**	4,089	**–**	–
- Other	**6,705**	5,018	**528**	290
Quoted debt securities				
- Sovereign bonds	**22,407**	28,202	**1,452**	424
- Industrial	**793**	816	**544**	–
- Other	**9,583**	10,891	**896**	1,760
Cash and cash equivalents	**9,849**	970	**3,921**	1,262
Unquoted investments				
Unquoted debt securities:				
- Sovereign bonds	**16,966**	19,446	**2,747**	2,729
- Other	**2,948**	3,353	**–**	–
Unquoted equity securities				
- Other	**440**	3,355	**–**	294
Total	**73,281**	76,169	**10,088**	6,759

At December 31, 2022, the Pension fund assets included $8,390 (2021 - $1,124) cash held with related company Bank of Saint Lucia Limited.

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

	2022 $	2021 $
Within the next 12 months	**1,326**	1,172
Between 2 and 5 years	**7,122**	6,533
Between 5 and 10 years	**15,855**	15,287
Total expected payments	**24,303**	22,992

The average duration of the defined benefit plan obligation at the end of the reporting period is 11.78 years (2021 - 11.70 years).

At December 31, 2022, there were 330 (2021 - 329) members of the defined contribution section of the plan.

(expressed in thousands of Eastern Caribbean dollars)

24 Deposits from banks

	2022 $	2021 $
Deposits from banks	**22,696**	27,586

The weighted average effective interest rate on deposits from banks was 0.77% (2021 - 1.01%).

25 Due to customers

	2022 $	2021 $
Term deposits	**322,700**	332,957
Savings deposits	**810,502**	777,519
Call deposits	**338,325**	264,986
Demand deposits	**751,040**	649,700
	2,222,567	2,025,162

The weighted average effective interest rate of customers' deposits at December 31, 2022 was 1.10% (2021 - 1.19%).

26 Borrowings

		2022		2021	
	Due	Interest rate %	$	Interest rate %	$
Other borrowed funds					
Caribbean Development Bank	2026	**4.75**	**3,384**	3.3	6,069
National Insurance Corporation (Saint Lucia)	2026	**7.5**	**35,862**	7.5	46,109
			39,246		52,178

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

In August 2016, the 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.

(expressed in thousands of Eastern Caribbean dollars)

27 Other liabilities

	2022 $	2021 $
Trade and other payables	**81,180**	49,467
Managers' cheques outstanding	**3,431**	4,071
Agency loans	**1,182**	951
	85,793	54,489

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.

28 Deferred tax

The movements on the deferred tax asset are as follows:

	2022 $	2021 $
Net deferred tax position at beginning of year	**1,911**	1,511
Deferred tax charge to the income statement:		
Arising from retirement benefit plan	**354**	289
Arising from other timing differences	**(84)**	524
Arising from tax losses not utilised	**1,059**	(224)
Deferred tax charge for the year (note 40)	**1,329**	589
Deferred tax charge to other comprehensive income		
Deferred tax arising from retirement benefit plan	**(1,840)**	(189)
Deferred tax liability at end of year	**1,400**	1,911

The deferred tax account is detailed as follows:

	2022 $	2021 $
Accelerated capital allowances	**(2,984)**	(2,901)
Fair value of pension assets	**4,384**	5,871
Unutilised tax losses	**–**	(1,059)
Net deferred tax liability	**1,400**	1,911

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

(expressed in thousands of Eastern Caribbean dollars)

29 Share capital

	2022 No of shares	2022 $	2021 No of shares	2021 $
Ordinary shares				
Authorised:				
Unlimited ordinary shares of no par value				
Issued and fully paid				
At beginning and end of year	**24,465,589**	**170,081**	24,465,589	170,081

30 Contributed capital

Total capital contributions received at December 31 were as follows:

	2022 $	2021 $
Productive Sector Equity Fund Incorporated	**1,118**	1,118

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

31 Reserves

	2022 $	2021 $
(a) General reserve	**14,005**	14,005
(b) Statutory reserve	**125,449**	116,590
(c) Student loan guarantee fund reserve	**898**	877
(d) Retirement benefit reserve	**14,612**	19,569
(e) Contingency reserve	**28,052**	23,623
Total reserves at December 31	**183,016**	174,664

Movements in reserves were as follows:

	2022 $	2021 $
(a) General		
At beginning and end of the year	**14,005**	14,005

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. There were no transfers to reserves in 2022 and 2021.

(expressed in thousands of Eastern Caribbean dollars)

31 Reserves *...continued*

	2022 $	2021 $
(b) Statutory		
At beginning of the year	**116,590**	112,049
Allocated from profits during the year	**8,859**	4,541
At end of the year	**125,449**	116,590

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.

	2022 $	2021 $
(c) Student loan guarantee fund		
At beginning of the year	**877**	847
Contributions received during the year	**21**	30
At end of the year	**898**	877

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.

	2022 $	2021 $
(d) Retirement benefit		
At beginning of the year	**19,569**	19,235
(Transferred to accumulated deficit)/allocated from profits during the year	**(4,957)**	334
At end of the year	**14,612**	19,569

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

(expressed in thousands of Eastern Caribbean dollars)

31 Reserves *...continued*

	2022 $	2021 $
(e) Contingency reserve		
At beginning of the year	**23,623**	26,438
Allocated from profits/(transferred to accumulated deficit) during the year	**4,429**	(2,815)
At end of the year	**28,052**	23,623

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.

32 Related party transactions and balances

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

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

	2022 $	2021 $
Bank of St. Vincent and the Grenadines Limited		
Current account	**1,350**	424
Fixed deposit	**7,418**	7,326
EC Global Insurance Company Limited		
Current account	**4,464**	7,264
Fixed deposit	**352**	348
East Caribbean Amalgamated Bank		
Current account	**676**	2,428
Fixed deposit	**13,605**	13,605

(expressed in thousands of Eastern Caribbean dollars)

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

The following transactions were carried out with related companies:

	2022 $	2021 $
Income		
Service and management fees (note 36)	**159**	94

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

	2022 $	2021 $
Liabilities	**82**	554
Commissions	**1,820**	2,099
Expenses	**1,185**	1,271

Other related parties

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

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

	2022		2021	
	Loans $	Deposits $	Loans $	Deposits $
Directors and key management	**5,794**	**4,547**	6,940	3,456

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 5 years (2021 - 8 years) and have a weighted average effective interest rate of 5.66% (2021 - 5.23%). The secured loans advanced to the directors during the year are collateralised by mortgages over residential properties.

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

	2022		2021	
	Income $	Expense $	Income $	Expense $
Directors and key management	**279**	**103**	220	85

(expressed in thousands of Eastern Caribbean dollars)

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

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

	2022 $	2021 $
Salaries and other short-term benefits	**3,327**	3,394
Pension costs	**343**	340
	3,670	3,734
Directors' remuneration	**410**	379

The Government of St. Lucia has a significant shareholding in ECFH and the exemption allowed under IAS 24 was adopted during the year. A number of Banking transactions are entered into with the Government of St. Lucia in the normal course of business including loans and overdrafts and the related interest income, deposits and the related interest expense, investments, brokerage services and payment of taxes.

33 Net interest income

	2022 $	2021 $
Interest income		
Loans and advances	**50,954**	50,204
Treasury bills and investment securities	**26,921**	22,988
Cash and short-term funds	**2,292**	440
	80,167	73,632
Interest expense		
Term deposits	**(5,636)**	(7,202)
Other borrowed funds	**(3,460)**	(4,195)
Savings deposits	**(17,058)**	(16,167)
Demand deposits	**(400)**	-
Correspondent banks	**(194)**	(317)
	(26,748)	(27,881)
Net interest income	**53,419**	45,751

(expressed in thousands of Eastern Caribbean dollars)

34 Net fee and commission income

	2022 $	2021 $
Fee and commission income		
Credit related fees and commissions	**35,082**	29,719
Brokerage related fees and commissions	**6,476**	4,969
Asset management and related fees	**422**	380
	41,980	35,068

35 Net foreign exchange trading income

	2022 $	2021 $
Foreign exchange		
Transaction gains, net	**9,108**	7,457
Translation gains, net	**468**	1,049
	9,576	8,506

36 Other operating income

	2022 $	2021 $
Rental income	**2,519**	2,519
Bad debt recovery income	**6,109**	7,038
Dividend income	**573**	380
Service and management fees (note 32)	**159**	94
	9,360	10,031

37 Other gains, net

	2022 $	2021 $
(Losses)/gains on disposal of FVOCI investments	**(128)**	1,626
(Losses)/gains on disposal of amortised cost investments	**(31)**	355
Gains on disposal of FVTPL investments	**343**	108
Unrealised (losses)/gains on FVTPL investments	**(2,331)**	1,563
Fair value gain/(loss) on investment property	**3,729**	(2,968)
Fair value loss on property and equipment	**–**	(378)
	1,582	306

(expressed in thousands of Eastern Caribbean dollars)

38 Operating expenses

	2022 $	2021 $
Employee benefit expense (note 39)	**31,450**	27,116
Depreciation and amortisation (notes 17, 18 and 20)	**5,762**	4,960
Utilities	**4,957**	3,973
Repairs and maintenance	**8,899**	8,343
Advertising and promotion	**1,639**	1,242
Bank and other licences	**240**	297
Security	**1,696**	1,488
Printing and stationery	**709**	612
Legal and professional fees	**832**	538
Insurance	**1,034**	1,000
Credit card expenses	**10,424**	8,473
Bank charges	**1,492**	1,357
Travel and entertainment	**134**	144
Premium expense	**1,839**	1,977
RRIA portfolio expenses	**–**	498
Other expenses	**7,920**	7,619
	79,027	69,637

39 Employee benefit expense

	2022 $	2021 $
Wages and salaries	**21,957**	20,678
Other staff costs	**8,158**	4,819
Pensions	**1,335**	1,619
	31,450	27,116

(expressed in thousands of Eastern Caribbean dollars)

40 Income tax expense

	2022 $	2021 $
Current tax	**2,629**	1,737
Prior year tax	**3,138**	–
Deferred tax charge (note 28)	**1,329**	589
	7,096	2,326
Deferred tax income in other comprehensive income:		
Deferred tax arising from defined benefit pension plan	**(1,840)**	(189)
	5,256	2,137

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:

	2022 $	Restated 2021 $
Profit for the year before income tax and dividends on preference shares	**49,052**	25,494
Tax calculated at the applicable tax rate of 30%	**14,716**	7,648
Tax effect of income not subject to tax	**(7,569)**	(4,532)
Deferred tax asset recognised/(unrecognised) on tax losses	**1,060**	(224)
Prior year tax	**3,138**	–
(Recovery)/expense not deductible for tax purposes	**(1,620)**	1,261
Fixed asset adjustment	**–**	(90)
Tax effect of utilised losses	**(2,629)**	(1,737)
	7,096	2,326

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

The Group has unutilised tax losses of $nil (2021 - $3,531) for which a deferred tax asset of $nil (2021 - $1,059) 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 $nil (2021 - $101,548) for which no deferred tax asset has been recognised.

(expressed in thousands of Eastern Caribbean dollars)

40 Income tax expense *...continued*

Tax losses expire as follows:

	2022 $	2021 $
2022	–	105,080

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

41 Earnings per share

Basic and diluted
Basic profit per share is calculated by dividing profit for the year attributable to ordinary shareholders of $41,665 (2021 - $22,877) by the weighted average number of ordinary shares in issue each year of 24,465,589 (2021 - 24,465,589). Profit attributable to shareholders is profit after deducting preference dividends of $291 (2021 - $291).

Diluted profit per share is calculated by dividing profit for the year attributable to ordinary shareholders of $41,665 (2021 - $22,877) by the weighted average number of dilutive shares of 25,295,589 (2021 - 25,295,589) being the total number of shares that would exist if all the preference shares are converted to ordinary shares. Profit attributable to shareholders is profit after deducting preference dividends of $291 (2021 - $291).

42 Cash and cash equivalents

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

	2022 $	2021 $
Cash and balances with Central Bank (note 6)	**92,223**	130,862
Deposits with other banks (note 8)	**127,405**	241,410
Deposits with non-bank financial institutions (note 10)	**14,529**	2,333
	234,157	374,605

(expressed in thousands of Eastern Caribbean dollars)

43 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.

	2022 $	2021 $
Loan commitments	**140,611**	124,379
Guarantees and letters of credit	**8,475**	10,908
	149,086	135,287

44 Principal subsidiary undertakings

	Holding	
	2022 %	2021 %
Bank of Saint Lucia Limited	**100**	100

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

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

(expressed in thousands of Eastern Caribbean dollars)

45 Cumulative preference shares

	2022		2021	
	No. of shares	**$**	**No. of shares**	**$**
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 (2021 - $291).

(expressed in thousands of Eastern Caribbean dollars)

46 Restatement of financial statements

The Group adjusted the carrying values of land and buildings to their fair values. The impact of the change on the consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income is detailed in the table below:

Effects on the consolidated statement of financial position were as follows:

	2020 as Previously stated $	Adjustment $	2020 Restated $	2021 as Previously stated $	Adjustment $	2021 Restated $
Property and equipment	48,821	10,046	58,867	50,213	11,057	61,270
Total assets	2,338,654	10,046	2,348,700	2,444,251	11,057	2,455,308
Revaluation reserve	13,855	11,184	25,039	13,855	12,573	26,428
Accumulated deficit	(110,298)	(1,138)	(111,436)	(89,544)	(1,516)	(91,060)
Total equity	265,429	10,046	275,475	276,268	11,057	287,325
Total liabilities and equity	2,338,654	10,046	2,348,700	2,444,251	11,057	2,455,308

Effects on the consolidated statement of profit or loss were as follows:

Profit for the year	7,416	(1,138)	6,278	23,255	(378)	22,877

Effects on the consolidated statement of comprehensive income were as follows:

Profit for the year	7,416	(1,138)	6,278	23,255	(378)	22,877
Other comprehensive income	13,274	11,184	24,458	(12,446)	1,389	(11,057)
Total comprehensive income	20,690	10,046	30,736	10,809	1,011	11,820

47 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.

48 Dividends

On May 23, 2023 the Directors declared a dividend of $0.50 (2021 - $nil) per ordinary share to shareholders in respect of the 2022 financial year.

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