Financial Statements

Bank of Saint Lucia Limited

December 31, 2020

Bank of Saint Lucia Limited

Index to the Financial Statements
For the year ended 31 December 2020

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INDEPENDENT AUDITOR'S REPORT

To The Shareholder of Bank of Saint Lucia Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Saint Lucia Limited (the Bank), which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, to the financial statements including a summary of significant accounting policies.

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

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Shareholder of Bank of Saint Lucia Limited (continued)

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.

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

KPMG

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Shareholder of Bank of Saint Lucia Limited (continued)

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

- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

KPMG

Chartered Accountants
Castries, Saint Lucia
April 26, 2021.

Bank of Saint Lucia Limited

Statement of Financial Position

As at 31 December 2020

(expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Assets			
Cash and balances with Central Bank	5	**258,760,746**	184,245,453
Deposits with other banks	6	**216,447,008**	205,294,891
Deposits with non-bank financial institutions	7	**101,895,704**	53,026,053
Treasury bills	8	**10,803,898**	12,879,957
Financial assets held for trading	9	**9,487,282**	21,367,656
Investment securities	12	**720,427,027**	695,492,442
Financial instruments-pledged assets	13	**8,351,890**	8,265,705
Due from related parties	14	**76,623,099**	78,033,099
Loans and advances to customers	10	**799,318,081**	838,730,158
Property and equipment	15	**49,610,558**	47,581,798
Right-of-use-lease asset	16	**528,376**	1,056,752
Other assets	17	**39,570,253**	48,636,128
Investment in associates	19	**4,800,000**	4,800,000
Investment properties	20	**30,986,847**	31,954,500
Retirement benefit asset	21	**19,235,116**	15,032,050
Income tax recoverable		**9,919,888**	643,851
Deferred tax asset	22	**-**	7,227,827
Total Assets		**2,356,765,773**	2,254,268,320
Liabilities			
Deposits from banks	23	**35,280,646**	49,631,408
Due to customers	24	**1,904,816,124**	1,816,277,749
Lease liability	16	**538,519**	1,056,752
Deferred tax liability	22	**1,510,814**	-
Repurchase agreements	13	**8,106,859**	8,001,405
Borrowings	25	**60,008,286**	63,843,875
Dividends payable		**290,500**	290,500
Preference shares	26	**4,150,000**	4,150,000
Other liabilities	27	**61,528,801**	39,647,589
Total Liabilities		**2,076,230,549**	1,982,899,278
Equity			
Share capital	28	**265,102,745**	265,102,745
Reserves	29	**157,722,550**	204,695,603
Revaluation surplus		**13,855,322**	13,855,322
Fair value through OCI reserve		**16,145,796**	7,721,221
Accumulated Deficit		**(172,291,189)**	(220,005,849)
Total Equity		**280,535,224**	271,369,042
Total Liabilities and Equity		**2,356,765,773**	2,254,268,320

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

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

_______________ Director _______________ Director

Bank of Saint Lucia Limited

Statement of Changes in Equity

For the year ended 31 December 2020

(expressed in Eastern Caribbean dollars)

	Share Capital $	Reserves $	Revaluation Surplus $	Fair Value through OCI reserve $	Accumulated Deficit $	Total $
Balance at 1 January 2019	265,102,745	191,633,284	13,855,322	(5,139,264)	(246,734,690)	218,717,397
Total comprehensive income for the year	-	-	-	12,860,485	49,822,950	62,683,435
Dividends paid	-	-	-	-	(10,031,790)	(10,031,790)
Transfers to reserves	-	13,062,319	-	-	(13,062,319)	-
Balance at 31 December 2019	265,102,745	204,695,603	13,855,322	7,721,221	(220,005,849)	271,369,042
Balance at 1 January 2020	**265,102,745**	**204,695,603**	**13,855,322**	**7,721,221**	**(220,005,849)**	**271,369,042**
Total comprehensive income for the year	**-**	**-**	**-**	**8,424,575**	**6,858,004**	**15,282,579**
Dividends paid	**-**	**-**	**-**	**-**	**(6,116,397)**	**(6,116,397)**
Transfers from reserves	**-**	**(46,973,053)**	**-**	**-**	**46,973,053**	**-**
Balance at 31 December 2020	**265,102,745**	**157,722,550**	**13,855,322**	**16,145,796**	**(172,291,189)**	**280,535,224**

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

Bank of Saint Lucia Limited

Statement of Profit or Loss

For the year ended 31 December 2020

(expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Interest income	31	**79,129,600**	88,217,512
Interest expense	31	**(28,720,819)**	(28,853,875)
Net interest income		**50,408,781**	59,363,637
Fee and commission income	32	**32,784,127**	34,509,961
Dividend income	33	**487,473**	469,239
Net foreign exchange trading income	34	**8,277,084**	9,825,206
Other income operating income	35	**14,032,429**	17,381,236
Other gains, net fair	36	**4,777,392**	3,339,716
Impairment losses on loans and advances	11	**(25,846,024)**	(6,383,428)
Impairment losses on investments	9,11	**(2,852,126)**	(87,103)
Operating expenses	37	**(70,820,895)**	(68,932,382)
Profit before income tax and preference shares		**11,248,243**	49,486,082
Dividends on preference shares	26	**(290,500)**	(290,500)
Profit before income tax		**10,957,743**	49,195,582
Income tax expense	39	**(6,579,237)**	(1,258,765)
Profit for the year after taxation		**4,378,506**	47,936,817

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

Bank of Saint Lucia Limited

Statement of Comprehensive Income

For the year ended 31 December 2020

(expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Profit for the year		**4,378,506**	47,936,817
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Investments at FVOCI:			
Net gains on revaluation of FVOCI instruments		**9,907,707**	11,104,814
Realised (gain)/loss transferred to profit or loss		**(1,483,132)**	1,755,671
		8,424,575	12,860,485
Re-measurement gains on defined benefit pension scheme		**3,542,140**	2,694,475
Income tax effect		**(1,062,642)**	(808,342)
Net re-measurement gains	21	**2,479,498**	1,886,133
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		**10,904,073**	14,746,618
Total comprehensive income for the year (net of tax)		**15,282,579**	62,683,435

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

Bank of Saint Lucia Limited

Statement of Cash Flows

For the year ended 31 December 2020

(expressed in Eastern Caribbean dollars)

	2020 $	2019 $
Cash flows from operating activities		
Profit for the year	**4,378,506**	47,936,817
Adjustments for:		
Interest income from investments, treasury bills and deposits with banks	**(23,147,727)**	(25,793,876)
Impairment losses on loans and advances	**25,846,024**	6,383,428
Impairment losses on investments	**2,852,124**	87,103
Interest expense on borrowings	**4,048,291**	4,293,748
Fair value loss on investment property	**967,653**	-
Depreciation	**4,265,633**	4,637,800
Depreciation of leased assets	**528,376**	-
Retirement benefit contributions	**(2,630,714)**	(2,943,364)
Retirement benefit expense	**1,969,788**	1,050,926
Unrealised gain on investments at fair value through profit or loss	**(942,723)**	(1,059,411)
Gain on disposal of investments	**(4,802,322)**	(2,280,305)
Amortised premium on investments	**1,185,149**	391,454
(Gain)/loss on disposal of property and equipment	**(41,768)**	57,486
Dividends on preference shares	**290,500**	290,500
Income tax expense	**6,579,237**	1,258,765
Cash flows before changes in operating assets and liabilities	**21,346,027**	34,311,071
Changes in:		
Mandatory deposits with Central Bank	**(8,332,499)**	(1,633,320)
Loans and advances to customers	**13,566,053**	4,101,078
Pledged assets	**(104,592)**	(48,444)
Financial assets held for trading	**11,121,314**	(2,633,461)
Other assets	**9,065,875**	(91,582)
Treasury bills	**(978,571)**	(10,442,663)
Due to customers	**88,538,375**	(8,051,762)
Deposits from banks	**(14,350,762)**	(6,213,234)
Deposits with banks	**94,817,304**	(40,208,905)
Deposits with non-bank financial institutions	**27,250,170**	(32,842,295)
Repurchase agreements	**105,454**	48,527
Due from related parties	**1,410,000**	3,982,113
Lease liability	**(518,233)**	-
Other liabilities	**21,881,212**	3,717,377
Net cash from/ (used in) from operating activities	**264,817,127**	(56,005,500)
Income tax paid	**(8,179,274)**	(2,161,807)
Interest paid	**(4,114,568)**	(4,375,573)
Interest received	**24,065,743**	25,991,126
Net cash from/(used in) operating activities	**276,589,028**	(36,551,754)

Bank of Saint Lucia Limited
Statement of Cash Flows *...continued*
For the year ended 31 December 2020
(expressed in Eastern Caribbean dollars)

	Notes	2020 $	2019 $
Cash flows from investing activities			
Purchase of investment securities		**(360,512,850)**	(317,516,473)
Net proceeds from disposal and redemption of investment securities		**345,850,382**	306,709,648
Purchase of property and equipment		**(6,326,812)**	(5,830,347)
Proceeds from disposal of property and equipment		**74,187**	5,799
Net cash used in investing activities		**(20,915,093)**	(16,631,373)
Cash flows from financing activities			
Dividends paid		**(6,406,897)**	(10,612,790)
Repayment of borrowings		**(3,769,312)**	(7,593,393)
Net cash used in financing activities		**(10,176,209)**	(18,206,183)
Net increase/(decrease) in cash and cash equivalents		**245,497,726**	(71,389,310)
Cash and cash equivalents at beginning of year		**186,226,011**	257,615,321
Cash and cash equivalents at end of year	40	**431,723,737**	186,226,011

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

1 Corporate information

Bank of Saint Lucia Limited (the Bank) was incorporated in Saint Lucia on 30 June 2001. The Bank provides retail, corporate banking and investment banking services. The Bank is domiciled in St. Lucia and is a wholly owned subsidiary of East Caribbean Financial Holding Company Limited (the "Parent Company), a limited liability company incorporated and domiciled in Saint Lucia.

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

The Bank is subject to the Companies Act, 1996 and the provisions of the Banking Act of Saint Lucia, 2015.

The Bank's principal place of business and registered office is located at No.1 Bridge Street, Castries, Saint Lucia.

2 Summary of significant accounting policies

(a) Statement of compliance

Bank of Saint Lucia Limited's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at December 31, 2020.

(b) Basis of preparation

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

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

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 Bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

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

(i) Changes in accounting policies and disclosures

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Bank 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 are described below:

- **IFRS 3 - Definition of A Business (Amendments to IFRS 3)**
  The amendments to the definition of a Business aims at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

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

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

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

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

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

(i) Changes in accounting policies and disclosures*... continued*

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

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

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

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

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

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

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

(i) Changes in accounting policies and disclosures*...continued*

Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments and IFRS 7 – Financial Instruments – Disclosures – Interest rate benchmark reform.

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

The reliefs provide for the following:

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

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

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

(i) Changes in accounting policies and disclosures*... continued*

Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments and IFRS 7 – Financial Instruments – Disclosures – Interest rate benchmark reform.

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

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

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

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

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

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

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

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

(i) Changes in accounting policies and disclosures*... continued*

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

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

Additional IFRS 7 disclosures related to IBOR reform
The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform

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

2 Summary of significant accounting policies…*continued*

(b) Basis of preparation*…continued*

(ii) Standards issued but not yet effective

- **Amendments to IAS 1 - Presentation of Financial Statements**

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

  - Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights as the requirement for an 'unconditional' right has been deleted from paragraph 69(d)

  - Classification is based on the right to defer settlement, and not intention (paragraph 73), and

  - If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under IAS 32.

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

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

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

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

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

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

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

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

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

(ii) Standards issued but not yet effective*...continued*

- **IFRS 17- Insurance Contracts**

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

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

The standard is effective for reporting periods beginning on or after January 1, 2022. The standard is not expected to have a material impact on the financial statements of the Group.

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

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

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

2 Summary of significant accounting policies…*continued*

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

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

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

  Any reduction in lease payments affects only payments originally due on or before June 30, 2021.

  The amendment is effective for annual reporting periods beginning on or after June 30, 2020. Earlier application is permitted including in financial statements not yet authorised for issue at 28 May 2020.

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

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

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

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

The principal accounting policies applied in the preparation of these financial statements are set out below.

(c) Fair value measurement

The Bank measures financial instruments such as investment securities and non- financial instruments 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 and 3
Quantitative disclosures of fair value measurement hierarchy	Note 3
Financial instruments (including those carried at amortised cost)	Note 9, 12
Land and buildings	Note 15
Investment properties	Note 20

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.

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

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

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

The Bank 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.

(d) Cash and cash equivalents

For the purposes of the cash flow statement, 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 non-bank financial institutions and other short-term securities.

(e) Investment in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate is accounted for at cost.

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

(f) Financial assets

Recognition and initial measurement
The Bank 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 measurement:
- Amortised cost,
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL) – this includes equity instruments elected at FVTPL and securities designated at 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 Bank as follows:

Debt instrument
Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

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

Investments in debt instruments are measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal balance

Business model assessment
Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank'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.

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

(f) Financial assets...*continued*

Classification...*continued*

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank 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.

Assessment of contractual cash flows
As a second step of its classification process the Bank 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 recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

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

(f) Financial assets*...continued*

Classification*...continued*

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 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 the income statement.

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 statement of financial position, which remains at its fair value.

Debt instruments measured at FVTPL

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 Statement of Financial Position, with transaction costs recognized immediately in profit or loss. Realized and unrealized gains and losses are recognized in the statement of comprehensive income**.**

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

(f) Financial assets*...continued*

Classification*...continued*

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 FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in the statement of comprehensive income. Subsequent to initial recognition the changes in fair value are recognized in the statement of Income. Equity instruments at FVTPL are primarily assets held for trading. The Bank 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 Bank 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 derecognized/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 statement of comprehensive income on sale of the security.

Recognition/derecognition
A financial asset is recognised in the Statement of Financial Position when the Bank becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers.

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

The Bank 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 Bank is recognised as a separate asset or liability.

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

(f) Financial assets*...continued*

Classification*…continued*

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

Impairment of financial assets
IFRS 9 has fundamentally changed the Bank's impairment model by replacing IAS 39's incurred loss approach with 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
- Financial guarantee contracts.

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 is as follows:

<u>Stage 1: 12-months ECL</u>
The Bank 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 Bank 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.

<u>Stage 2: Lifetime ECL – not credit impaired</u>
The Bank 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 Bank recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

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

(f) Financial assets*...continued*

Impairment of financial assets*...continued*

Stage 3: Lifetime ECL – credit impaired
The Bank 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 Bank in accordance with the contract and the cash flows that the Bank 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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- Financial guarantee contracts as the expected payments to reimburse the holder less any amounts the Bank expects to recover.
- Revolving facilities including credit cards and overdraft facilities

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

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

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

(f) Financial assets*...continued*

Impairment of financial assets*…continued*

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

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

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

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

In addition to the above, as a result of the covid-19 pandemic, the bank included as part of its definition of significant increase in credit risk:
- Debt relief extended to borrowers following guidance issued by the Central Bank.
- Sectors in the economy which were deemed more vulnerable to the adverse impact of covid-19.

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

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

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

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

(f) Financial assets*...continued*

Impairment of financial assets*...continued*

Presentation of allowance for ECL

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

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

Modified financial assets
During the normal course of business financial assets may be restructured or modified or an existing financial asset replaced with a new one. When this occurs for reasons other than those which could be considered indicators of impairment, the Bank 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 bank derecognises the original financial asset and recognises a new one at fair value with any difference recognized in profit or loss.

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

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

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

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

(f) Financial assets*...continued*

Impairment of financial assets*...continued*

Definition of default
The Bank 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 reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan.
- The restructuring of a loan or advance by the Bank on terms that the bank would not consider otherwise

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

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

Sale and repurchase agreements
Securities sold subject to linked repurchase agreements (repos) are retained in the financial statements as investments securities and the counterparty liability is included in repurchase agreement on the statement of
Financial position. 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.

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

(g) Property and equipment

Land and building comprise mainly branches and offices occupied by the Bank. Land and buildings are shown at their fair value less subsequent depreciation for buildings.

Subsequent costs 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 Bank and the cost of the item can be measured reliably. 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 is 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	10%
Office furniture and equipment	10%-15%
Computer equipment	33 1/3%
Motor vehicles	20%

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 disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(h) Leases

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

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

(h) Leases…*continued*

Definition of a lease

The Bank is the lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank 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 (i). 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 Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

- The Bank is the lessor

  When the Bank 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 Bank makes an overall assessment of whether the lease transfer 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 Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

  The Bank 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 Bank as a lessor in the comparative period were not different from IFRS 16.

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

(h) Leases*…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 of such leases as an expense on a straight-line basis over the lease term or another systematic basis.

(i) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, are classified as investment properties. Investment property comprises freehold land and buildings which are leased out under operating leases. 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 reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the Bank's statement of comprehensive income 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 Bank 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.

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

(i) Investment properties*…continued*

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 Bank 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.

(k) 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).

(l) Income tax

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 or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income.

Where the Bank 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 statement of financial position.

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

(l) Income tax*...continued*

Deferred tax
Deferred income tax is provided in full, using the liability method, 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 statement of financial position 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 and tax losses. 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.

(m) Financial liabilities
The Bank's holding in financial liabilities is at amortised cost. Financial liabilities are derecognised when extinguished.

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

(n) 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.

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

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

(p) Employee benefits

Pension obligations
As at December 31, 2019, the Bank 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 pension fund is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The pension obligation valuations are undertaken annually. The asset recognised in the statement of financial position of the Bank in respect of defined benefit pension plans 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 recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur.

Past service costs are recognised in the Bank's statement of comprehensive income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank 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

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

(p) Employee benefits*...continued*

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

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank 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, letters of credit and undrawn loan commitments
Guarantees and letters of credit comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

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

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

(r) Fiduciary activities
The Bank commonly acts as 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 financial statements, as they are not assets of the Bank.

(s) Share capital
Ordinary shares are classified as equity. 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.

(t) Reserves
The Bank allocates reserves in accordance with the Banking Act of Saint Lucia of 2015.

(u) Dividend on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

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

(v) 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.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Bank 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.

(x) Fee and commission income
Fees and commissions are generally recognised on an accruals basis when the service has been provided.

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

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

(y) Dividend income
Dividend income from available-for-sale equities is recognised when the right to receive payment is established.

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

(zi) Foreign currency translation

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

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

(zi) Foreign currency translation…*continued*

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.

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 available-for-sale, 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 available-for-sale financial assets, are included in the other comprehensive income.

3 Financial instruments

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

(a) Strategy in using financial instruments

The Bank’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 Bank’s aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank’s financial performance.

The Bank’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 Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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 Bank and the banking system. In ensuring the overall responsibility for the soundness of the Bank, it has appointed a Risk Management Committee. The purpose of the Board's Risk Management Committee is to assist the Board to oversee the risk profile and approve the risk management framework of the Bank, within the context of its risk appetite and determined strategy determined. 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 and interest rate risks.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, or market counterparties fail to fulfill their contractual obligations to the Bank. 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 Bank is also exposed to other credit risks arising from deposits with other banks and non-financial institutions, investments in debt securities, pledged assets 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 counter party probabilities of default across the various loan categories. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank'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.

<u>Debt securities and treasury bills</u>
For debt securities and treasury bills, external ratings produced by the globally known Big Three credit agencies of Standard & Poor's(S&P), Moody's, and Fitch Group, along with that of CariCRIS based in Trinidad, are used by Bank Treasury for managing the credit risk exposures. The investments in securities and bills rated by such entities as Investment Grade, are viewed as a way to gain additional wealth for the Bank, whilst effectively managing 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.

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Cash and balances with banks
Credit risk from balances with banks and financial institutions is managed by the Bank in accordance with the Bank's Board approved policy. Counterparty credit limits are reviewed by the Bank's Risk Department on an annual basis, and may be updated throughout the year subject to approval of the Bank'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 Bank manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries.

The Bank 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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary by the Board of Directors.

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

Some other specific control and mitigation measures are outlined below.

Collateral
The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for fund advanced, which is common practice. The Bank 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 Bank'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 Bank's credit exposure.

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

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

3 Financial risk management*...continued*

(b) Credit risk*...continued*

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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank 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 Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment of financial assets
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 Bank:

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

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

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 statement of financial position:

	Maximum exposure	
	2020	**2019**
	$	**$**
Balances with Central Bank	**222,378,123**	146,502,362
Deposits with other banks	**216,447,008**	205,294,891
Deposits with non-bank financial institutions	**101,895,704**	53,026,053
Treasury Bills	**10,803,898**	12,879,957
Loans and advances to customers:		
– Overdrafts	**29,059,623**	46,382,553
– Term loans	**164,388,064**	184,756,345
– Large corporate loans	**233,190,914**	234,969,875
– Mortgages	**372,679,480**	372,621,385
Financial Assets held for trading	**9,487,282**	21,367,656
Investment securities	**686,262,026**	675,740,543
Due from related parties	**76,623,099**	78,033,099
Financial instruments -pledged assets	**8,351,890**	8,265,705
Other assets	**36,361,633**	45,245,158
	2,167,928,744	2,085,085,582

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

	Maximum exposure	
	2020	**2019**
	$	**$**
Loan commitments	**82,469,229**	50,362,374
Guarantees and letters of credit	**15,998,058**	18,361,004
	98,467,287	68,723,378
	2,266,396,031	2,153,808,960

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Maximum exposure to credit risk*…continued*
The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2020 and 31 December 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above,37% (2019 – 40%) of the total maximum exposure is derived from loans and advances to customers and 33% (2019 – 33%) represents investments in debt securities.

Loans and advances
Loans and advances to customers are summarised as follows:

	Loans and advances and loan commitments for which the loss allowance is measured at:					
	Stage 1 12-months expected credit loss not credit impaired		**Stage 2 Lifetime expected credit losses not credit impaired**		**Stage3 Lifetime expected credit losses credit impaired**	
	2020 $	**2019 $**	**2020 $**	**2019 $**	**2020 $**	**2019 $**
Gross	**362,098,457**	647,071,136	**273,077,226**	7,699,415	**249,412,014**	247,105,550
Less allowance for impairment on loans and advances	**(4,169,190)**	(4,837,997)	**(9,709,552)**	(542,857)	¤ **(71,390,874)**	(57,765,089)
Net	**357,929,267**	642,233,139	**263,367,674**	7,156,558	**178,021,140**	189,340,461

Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Loans and advances*...continued*

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

	Overdrafts $	Term Loans $	Mortgages $	Large Corporate Loans $	Total $
31-Dec-20	**20,886,335**	**114,378,519**	**278,830,073**	**100,379,312**	**514,474,239**
31-Dec-19	36,642,190	135,041,393	292,199,705	131,907,103	595,790,391

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

	Overdrafts $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Total $
At 31 December 2020					
Past due up to 30 days	**1,000,432**	**16,249,526**	**37,102,863**	**26,610,208**	**80,963,029**
Past due 30 - 60 days	**230,049**	**7,511,213**	**12,086,794**	**-**	**19,828,056**
Past due 60 - 90 days	**3,922,681**	**4,532,343**	**8,657,927**	**2,797,408**	**19,910,359**
At 31 December 2020	**5,153,162**	**28,293,082**	**57,847,584**	**29,407,616**	**120,701,444**
At 31 December 2019					
Past due up to 30 days	1,753,284	15,530,515	27,301,797	1,492,271	46,077,867
Past due 30 - 60 days	423,026	2,586,714	3,938,226	398,236	7,346,202
Past due 60 - 90 days	3,962,170	869,583	724,339	-	5,556,092
At 31 December 2019	6,138,480	18,986,812	31,964,362	1,890,507	58,980,161

3 Financial risk management*...continued*

(b) Credit risk*...continued*

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 $	Term Loans $	Mortgage Loans $	Large Corporate Loans $	Total $
31 December 2020	**12,000,879**	**41,158,684**	**59,726,253**	**136,526,198**	**249,412,014**
31 December 2019	11,307,127	41,079,670	61,284,431	133,434,321	247,105,549

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

	Financial Assets Held For Trading $	Investment Securities $	Pledged Assets $	Treasury Bills $	Total $
At 31 December 2020					
AA- to A+	**-**	**161,255,570**	**-**	**-**	**161,255,570**
Lower than A+	**-**	**360,863,416**	**-**	**-**	**360,863,416**
Unrated	**9,487,282**	**164,143,040**	**8,351,890**	**10,803,898**	**192,786,110**
Total	**9,487,282**	**686,262,026**	**8,351,890**	**10,803,898**	**714,905,096**
At 31 December 2019					
AA- to A+	-	167,479,511	-	-	167,479,511
Lower than A+	-	359,307,118	-	-	359,307,118
Unrated	21,367,656	148,953,914	8,265,705	12,879,957	191,467,232
Total	21,367,656	675,740,543	8,265,705	12,879,957	718,253,861

Deposits with other banks and non-bank financial institutions are held with reputable financial institutions as such credit risk is deemed to be minimal.

3 Financial risk management*...continued*

(b) Credit risk*...continued*

Concentrations of risks of financial assets with credit exposure

(a) Geographical sectors
The Bank operates primarily in Saint Lucia.

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

3 Financial risk management...*continued*

Industry concentrations of risks of financial assets with credit exposure ...*continued*

At 31 December 2020	**Financial Institutions $**	**Manu-facturing $**	**Tourism $**	**Government $**	**Professional and Other Services $**	**Personal $**	*** Other Industries $**	**Total $**
Financial assets								
Balances with Central Bank	**222,378,123**	**-**	**-**	**-**	**-**	**-**	**-**	**222,378,123**
Deposits with other banks	**216,447,008**	**-**	**-**	**-**	**-**	**-**	**-**	**216,447,008**
Deposits with non-bank financial Institutions	**101,895,704**	**-**	**-**	**-**	**-**	**-**	**-**	**101,895,704**
Treasury Bills	**-**	**-**	**-**	**10,803,898**	**-**	**-**	**-**	**10,803,898**
Loans and advances to customers net:								
Overdrafts	**129,059**	**225,743**	**4,280,052**	**12,485,542**	**1,379,022**	**365,128**	**10,195,077**	**29,059,623**
Term loans	**69,218**	**363,755**	**3,341,358**	**136,513**	**9,909,947**	**109,620,348**	**40,946,925**	**164,388,064**
Large corporate loans	**-**	**3,184,378**	**45,977,977**	**55,508,441**	**40,767,068**	**5,612,318**	**82,140,732**	**233,190,914**
Mortgage loans	**-**	**-**	**-**	**-**	**-**	**372,679,480**	**-**	**372,679,480**
Financial assets held for trading-debt securities	**-**	**-**	**-**	**9,487,282**	**-**	**-**	**-**	**9,487,282**
Investment securities	**307,851,246**	**-**	**-**	**110,466,567**	**-**	**-**	**267,944,213**	**686,262,026**
Due from related parties	**76,623,099**	**-**	**-**	**-**	**-**	**-**	**-**	**76,623,099**
Financial instruments - pledged assets	**-**	**-**	**-**	**8,351,890**	**-**	**-**	**-**	**8,351,890**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**36,361,634**	**36,361,634**
At 31 December 2020	**925,393,457**	**3,773,876**	**53,599,387**	**207,240,133**	**52,056,037**	**488,277,274**	**437,588,581**	**2,167,928,745**
Guarantees and letters of credit	**-**	**193,300**	**15,000**	**31,000**	**169,000**	**13,541,750**	**2,048,008**	**15,998,058**
Loan commitments and other credit related obligations	**6,107,112**	**605,790**	**404,579**	**36,062,944**	**384,774**	**1,423,453**	**37,480,577**	**82,469,229**

* Other industries include construction and land development.

3 Financial risk management*...continued*

Industry concentrations of risks of financial assets with credit exposure*...continued*

	Financial Institutions $	Manu-facturing $	Tourism $	Government $	Professional and Other Services $	Personal $	* Other Industries $	Total $
At 31 December 2019								
Financial assets								
Balances with Central Bank	146,502,362	-	-	-	-	-	-	146,502,362
Deposits with other banks	205,294,891	-	-	-	-	-	-	205,294,891
Deposits with non-bank financial Institutions	53,026,053	-	-	-	-	-	-	53,026,053
Treasury Bills	-	-	-	12,879,957	-	-	-	12,879,957
Loans and advances to customers net:								
Overdrafts	298,838	282,970	4,224,307	23,724,079	1,530,044	916,762	15,405,553	46,382,553
Term loans	112,519	629,505	3,727,005	163,507	12,979,795	147,413,387	19,730,627	184,756,345
Large corporate loans	-	3,654,543	60,027,204	5,240,953	45,534,064	13,248,465	107,264,646	234,969,875
Mortgage loans	-	-	-	-	-	372,621,385	-	372,621,385
Financial assets held for trading-debt securities	-	-	-	21,367,656	-	-	-	21,367,656
Investment securities	240,741,830	-	-	77,530,794	-	-	357,467,919	675,740,543
Due from related parties	78,033,099	-	-	-	-	-	-	78,033,099
Financial instruments - pledged assets	-	-	-	8,265,705	-	-	-	8,265,705
Other assets	-	-	-	-	-	-	45,245,148	45,245,148
At 31 December 2019	724,009,592	4,567,018	67,978,516	149,172,651	60,043,903	534,199,999	545,113,893	2,085,085,572
Guarantees and letters of credit	-	193,300	15,000	31,000	169,000	16,726,704	1,226,000	18,361,004
Loan commitments and other credit related obligations	2,512,730	2,588,220	1,724,450	5,580,831	1,763,768	339,336	35,853,038	50,362,373

* Other industries include construction and land development.

3 Financial risk management*...continued*

(c) Market risk

The Bank 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 Bank exposures to market risks arise from its non-trading portfolios. Senior management of the Bank monitors and manages market risk through the Asset Liability Committee which advises on financial risks and assigns risk limits for the bank.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Bank's available-for-sale investments.

(d) Currency risk

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

3 Financial risk management*...continued*

(d) Currency risk*...continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
At 31 December 2020								
Financial assets								
Cash and balances with Central Bank	255,309,059	2,691,236	72,216	367,233	185,552	135,450	-	258,760,746
Deposits with other banks	113,358,009	78,527,952	1,476,409	20,969,183	903,135	447,843	764,477	216,447,008
Deposits with non-bank financial institution	15,705,172	85,843,550	-	323,235	23,747			101,895,704
Treasury bills	10,803,898	-	-	-	-	-	-	10,803,898
Financial assets held for trading	9,487,282	-	-	-	-	-	-	9,487,282
Loans and receivables:								
loans and advances to customers	772,015,190	27,302,597	-	294	-	-	-	799,318,081
Investment securities:								
At Fair value through OCI	85,155,886	440,844,801	-	-	-	-	-	526,000,687
Amortised cost	18,363,275	165,224,984	-	-	-	-	-	183,588,259
FVTPL – Equities	6,240	10,831,841	-	-	-	-	-	10,838,081
Financial instruments - pledged assets	8,351,890	-	-	-	-	-	-	8,351,890
Due from related parties	76,623,099	-	-	-	-	-	-	76,623,099
Other assets	36,361,634	-	-	-	-	-	-	36,361,634
Total financial assets	1,401,540,634	811,266,961	1,548,625	21,659,945	1,112,434	583,293	764,477	2,238,476,369
Financial liabilities								
Deposits from banks	35,280,645	-	-	-	-	-	-	35,280,645
Due to customers	1,734,467,208	149,085,650	-	21,263,266	-	-	-	1,904,816,124
Repurchase agreements	4,815,870	3,290,988	-	-	-	-	-	8,106,858
Borrowings	51,231,507	8,776,779	-	-	-	-	-	60,008,286
Other liabilities	61,633,801	-	-	-	-	-	-	61,633,801
Total financial liabilities	1,887,429,031	161,153,417	-	21,263,266	-	-	-	2,069,845,714
Net assets/(liabilities)	(485,888,397)	650,113,544	1,548,625	396,679	1,112,434	583,293	764,477	168,630,655
Guarantees and letters of credit	15,998,058	-	-	-	-	-	-	15,998,058
Loan commitments and other credit related obligations	82,469,229	-	-	-	-	-	-	82,469,229

3 Financial risk management*...continued*

(d) Currency risk*...continued*

	ECD	USD	BDS	EURO	GBP	CAD	Other	Total
At 31 December 2019								
Financial assets								
Cash and balances with Central Bank	177,325,572	5,910,407	125,902	422,351	263,937	197,284	-	184,245,453
Deposits with other banks	76,536,097	112,141,828	1,471,014	13,867,670	404,895	550,618	322,769	205,294,891
Deposits with non-bank financial institution	15,379,238	37,370,775	-	253,076	22,964	-	-	53,026,053
Treasury bills	12,879,957	-	-	-	-	-	-	12,879,957
Financial assets at held for trading	21,367,656	-	-	-	-	-	-	21,367,656
Loans and receivables:								
Loans and advances to customers	807,895,357	30,834,778	-	23	-	-	-	838,730,158
Investment securities:								
At fair value through OCI	94,879,080	409,340,412	-	-	-	-	-	504,219,492
At amortised cost	4,671,979	181,201,776	-	-	-	-	-	185,873,755
FVTPL - Equities	6,240	5,361,079	-	-	-	-	31,876	5,399,195
Financial instruments - pledged assets	8,265,705	-	-	-	-	-	-	8,265,705
Due from related parties	78,033,099	-	-	-	-	-	-	78,033,099
Other assets	45,245,158	-	-	-	-	-	-	45,245,158
Total financial assets	1,342,485,138	782,161,055	1,596,916	14,543,120	691,796	747,902	354,645	2,142,580,572
Financial liabilities								
Deposits from banks	49,631,408	-	-	-	-	-	-	49,631,408
Due to customers	1,681,057,948	122,350,672	-	12,869,129	-	-	-	1,816,277,749
Repurchase agreements	4,734,915	3,266,490	-	-	-	-	-	8,001,405
Borrowings	51,231,507	12,612,368	-	-	-	-	-	63,843,875
Other liabilities	39,647,589	-	-	-	-	-	-	39,647,589
Total financial liabilities	1,826,303,367	138,229,530	-	12,869,129	-	-	-	1,977,402,026
Net assets/(liabilities)	(483,818,229)	643,931,525	1,596,916	1,673,991	691,796	747,902	354,645	165,178,546
Guarantees and letters of credit	18,361,004	-	-	-	-	-	-	18,361,004
Loan commitments and other credit related obligations	50,362,374	-	-	-	-	-	-	50,362,374

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 Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

3 Financial risk management*...continued*

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

Concentrations of financial assets and financial liabilities

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest Bearing $	Total $
At 31 December 2020							
Financial assets							
Cash and balances with Central Bank	-	-	-	-	-	258,760,745	258,760,745
Deposits with other banks	46,227,081	36,574	12,306,506	-	-	157,876,849	216,447,010
Deposits with non-bank financial Institution	59,681,532	13,740,125	15,705,172	-	-	12,768,875	101,895,704
Treasury Bills	9,819,689	984,209	-	-	-	-	10,803,898
Financial assets - Pledged	-	-	-	-	8,351,890	-	8,351,890
Loans and receivables:							
-Loans and advances to customers	23,980,354	4,357,276	26,227,348	159,007,466	585,745,637	-	799,318,081
Investment securities:							
FVOCI	21,236,227	12,995,836	94,415,606	272,846,026	101,180,072	-	502,673,767
Amortised cost	27,372,124	6,802,521	16,491,316	98,210,700	34,711,598	-	183,588,259
Financial instruments – held for trading	-	-	2,458,282	5,116,651	1,912,349	-	9,487,282
Due from related parties	-	-	-	-	-	76,623,099	76,623,099
Other assets	-	-	-	-	-	36,361,634	36,361,634
Total financial assets	188,317,007	38,916,541	167,604,230	535,180,843	731,901,546	542,391,202	2,204,311,369
Financial liabilities							
Deposits from banks	-	-	26,103,015	-	-	9,177,630	35,280,645
Due to customers	889,424,730	78,314,763	262,455,731	36,214,016	36,390,361	602,016,523	1,904,816,124
Repurchase agreements	-	-	8,106,859	-	-	-	8,106,859
Borrowings	750,384	1,231,507	7,006,599	46,019,797	5,000,000	-	60,008,287
Other liabilities	61,633,801	-	-	-	-	-	61,633,801
Total financial liabilities	951,808,915	79,546,270	303,672,204	82,233,813	41,390,361	611,194,153	2,069,845,716
Net interest repricing gap	(763,491,908)	(40,629,729)	(136,067,974)	(452,947,030)	690,511,185	(68,802,951)	134,465,653

3 Financial risk management*...continued*

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

Concentrations of financial assets and financial liabilities*...continued*

	Up to 1 month $	1 – 3 months $	3 – 12 months $	1 – 5 years $	Over 5 years $	Non-interest Bearing $	Total $
At 31 December 2019							
Financial assets							
Cash and balances with Central Bank	13,500,000	27,000,000	-	-	-	143,745,453	184,245,453
Deposits with other banks	75,882,477	432,499	39,957,101	-	-	89,022,814	205,294,891
Deposits with non-bank financial institution	5,647,657	27,353,408	15,379,238	-	-	4,645,750	53,026,053
Treasury Bills	2,793,286	-	-	10,086,671	-	-	12,879,957
Financial assets - Pledged	-	-	103,018	-	8,162,687	-	8,265,705
Loans and receivables:							
-Loans and advances to customers	19,693,786	7,798,418	67,036,021	146,826,478	597,375,455	-	838,730,158
Investment securities:							
-FVOCI	16,414,851	25,709,989	83,581,003	273,410,911	105,102,738	-	504,219,492
-Amortised cost	3,336,074	2,914,008	17,897,370	103,070,655	58,655,648	-	185,873,755
Financial instruments – held for trading	-	-	9,998,310	3,995,736	7,373,611	-	21,367,657
Due from related parties	-	-	-	-	-	78,033,099	78,033,099
Other assets	-	-	-	-	-	45,245,158	45,245,158
Total financial assets	137,268,131	91,208,322	233,952,061	537,390,451	776,670,139	360,692,274	2,137,181,378
Financial liabilities							
Deposits from banks	-	3,156,607	22,856,523	-	-	23,618,278	49,631,408
Due to customers	946,005,353	77,702,255	258,608,460	28,710,014	35,084,100	470,167,568	1,816,277,750
Repurchase agreements	-	-	8,001,404	-	-	-	8,001,404
Borrowings	1,299,313	1,231,507	2,489,252	53,823,803	5,000,000	-	63,843,875
Other liabilities	-	-	-	-	-	39,647,589	39,647,589
Total financial liabilities	947,304,666	82,090,369	291,955,639	82,533,817	40,084,100	533,433,435	1,977,402,026
Net interest repricing gap	(810,036,535)	9,117,953	(58,003,578)	454,856,634	736,586,039	(172,741,161)	159,779,352

3 Financial risk management*...continued*

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

Sensitivity analysis
Cash flow interest rate risk arises from loans and advances to customers and borrowings at variable rates. At 31 December 2020, if variable interest rates had been 0.5% higher/lower with all other variables held constant, post-tax profit/(loss) for the year would have been $131,530 (2019 – $495,879) lower/higher, mainly as a result of higher/lower interest income on variable rate loans.

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

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

(g) Liquidity risk management process
The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. 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 Bank 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 Bank 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.

3 Financial risk management*...continued*

(g) Liquidity risk management process *....continued*

Non derivative cash flows
The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed

The table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

3 Financial risk management*...continued*

(g) Liquidity risk management*...continued*

As at 31 December 2020	Up to 1 month $	1-3 Months $	3-12 Months $	1-5 Years $	Over 5 years $	Total $
Financial liabilities						
Deposits from banks	9,177,630	-	26,297,186	-	-	35,474,816
Due to customers	1,491,456,141	78,591,683	265,219,051	36,214,016	36,390,361	1,907,871,252
Repurchase Agreements	-	-	8,167,492	-	-	8,167,492
Borrowings	750,384	1,817,466	9,016,047	52,171,701	5,182,740	68,938,338
Other liabilities	-	-	61,633,801	-	-	61,633,801
Total financial liabilities	**1,501,384,155**	**80,409,149**	**370,333,577**	**88,385,717**	**41,573,101**	**2,082,085,699**
	$	$	$	$	$	$
Cash and balances with Central Bank	258,760,745	-	-	-	-	258,760,745
Deposits with other banks	204,103,929	36,574	12,432,505	-	-	216,573,008
Deposits with non-bank financial ıstitutions	72,457,728	13,745,958	15,859,033	-	-	102,062,719
Treasury Bills	10,021,910	984,209				11,006,119
Financial assets- Pledged	-	-	-	10,229,350	-	10,229,350
Loans and receivables:						
Loans and advances to customers	26,348,870	27,325,640	118,688,057	385,200,447	561,246,912	1,118,809,926
Investment securities:						
At amortised cost	27,384,558	6,838,409	16,770,166	105,925,151	42,734,363	199,652,647
At FVOCI	21,243,577	13,058,074	103,416,691	294,892,199	129,908,987	562,519,528
Financial assets held for trading	-	-	3,208,245	6,620,106	1,912,349	11,740,700
Due from related parties	-	-	-	-	76,623,099	76,623,099
Other assets	-	-	36,361,634	-	-	36,361,634
Total financial assets	**620,321,317**	**61,988,864**	**306,736,331**	**802,867,253**	**812,425,710**	**2,604,339,475**
Net assets/(liabilities)	**(881,062,838)**	**(18,420,285)**	**(63,597,246)**	**714,481,536**	**770,852,609**	**522,253,776**

3 Financial risk management*...continued*

(g) Liquidity risk management*...continued*

	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
As at 31 December 2019						
Financial liabilities						
Deposits from banks	23,618,278	3,166,800	-	-	-	26,785,078
Due to customers	1,416,193,101	77,978,629	261,329,403	28,710,014	35,084,100	1,819,295,247
Repurchase Agreements	-	-	8,061,346	-	-	8,061,346
Borrowings	1,295,768	1,827,397	4,694,374	65,589,048	5,182,740	78,589,327
Other liabilities	-	-	39,647,589	-	-	39,647,589
Total financial liabilities	1,441,107,147	82,972,826	313,732,712	94,299,062	40,266,840	1,972,378,587
As at December 31, 2019						
Financial assets						
Cash and balances with Central Bank	157,360,573	27,094,241	-	-	-	184,454,814
Deposits with other banks	165,571,266	432,499	40,280,891	-	-	206,284,656
Deposits with non-bank financial institutions	10,261,705	27,704,848	15,285,949	-	-	53,252,502
Treasury Bills	4,589,694	-	-	8,832,207	-	13,421,901
Financial assets - Pledged	-	-	108,595	-	11,544,051	11,652,646
Loans and receivables						
Loans and advances to customers	22,645,297	34,956,857	151,094,947	451,708,876	527,304,951	1,187,710,928
Investment securities						
At amortised cost	3,339,583	2,931,614	18,155,413	111,913,717	75,480,045	211,820,372
At FVOCI	17,160,916	25,777,744	85,181,443	301,024,144	146,367,883	575,512,130
Financial assets held for trading	-	-	10,553,686	4,446,130	10,895,111	25,894,927
Due from related parties	-	-	-	-	78,033,099	78,033,099
Other assets	-	-	48,636,128	-	-	48,636,128
	380,929,034	118,897,803	369,297,052	877,925,074	849,625,140	2,596,674,103
Net interest repricing gap	(1,060,178,113)	35,924,977	55,564,340	783,626,012	809,358,300	624,295,516

3 Financial risk management*...continued*

(g) Liquidity risk management*...continued*

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

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

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

3 Financial risk management...*continued*

(h) Off-balance sheet items

(a) Loan commitments
The contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 30), are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 30) are also included below based on the earliest contractual maturity date.

	1 Year $	Total $
At 31 December 2020		
Loan commitments	**82,469,229**	**82,469,229**
Guarantees and letters of credit	**15,998,058**	**15,998,058**
Total	**98,467,287**	98,467,287
At 31 December 2019		
Loan commitments	50,362,374	50,362,374
Guarantees and letters of credit	18,361,004	18,361,004
Total	68,723,378	68,723,378

(i) Fair values of financial assets and financial liabilities

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

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-balance sheet commitments is also assumed to approximate the amounts disclosed in Note 29 due to their short term nature.

3 Financial risk management...*continued*

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

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

Investment securities
Investment securities include interest bearing debt and equity securities measured at fair value through OCI, fair value through profit or loss.

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 represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

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

	Carrying value		**Fair value**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers:				
-Term loans	**164,388,064**	184,756,345	**169,011,515**	184,904,699
-Large corporate loans	**233,190,914**	234,969,875	**315,696,373**	334,623,036
-Overdrafts	**29,059,623**	46,382,553	**29,059,623**	46,382,553
-Mortgages	**372,679,480**	372,621,385	**393,569,775**	386,025,418
Investment securities:				
-At amortised cost	**183,588,259**	185,873,755	**187,068,251**	188,311,578
Financial liabilities				
Borrowings	**60,008,286**	63,843,875	**52,072,068**	55,029,253

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 Bank's interest-bearing borrowings and loans are determined by using DCF method using the discount rate that reflects the average rates at the end of the year.

3 Financial risk management*...continued*

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

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 the Luxembourg Stock Exchange and New York Stock Exchange.

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

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

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

Assets measured at fair value

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2020				
Investment properties	-	30,986,847	-	30,986,847
Land and buildings	-	-	42,052,160	42,052,160
Financial assets held for trading				
− Debt securities	-	-	9,487,252	9,487,252
Financial assets at FVTPL				
− Equity securities	5,173,406	4,632,435	1,032,240	10,838,081
Financial assets FVOCI				
− Debt securities	16,824,647	395,770,606	90,078,514	502,673,767
− Equity securities	5,648,561	14,864,983	3,339,131	23,852,675
Financial instruments-pledged	-	-	8,351,890	8,351,890
Total financial assets	27,646,614	446,254,871	154,341,187	628,242,672

3 Financial risk management*...continued*

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

Assets for which fair values are disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2019				
Investment properties	-	31,954,500	-	31,954,500
Land and buildings			40,379,606	40,379,606
Financial assets held for trading				
− Debt securities	-	-	21,367,656	21,367,656
Financial assets at FVTPL				
− Equity securities	729,120	4,663,955	6,240	5,399,315
Financial assets FVOCI				
− Debt securities	25,854,343	369,576,600	94,435,845	489,866,788
− Equity securities	5,673,800	5,870,528	3,334,131	14,878,459
Financial instruments-pledged	-	-	8,265,705	8,265,705
Total financial assets	32,257,263	412,065,583	167,789,183	612,112,029

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2020				
Loans and receivable	**-**	**-**	**907,337,286**	**907,337,286**
Investments - Amortised cost	**20,905,187**	**142,906,471**	**19,776,601**	**183,588,259**
Total financial assets	**20,905,187**	**142,906,471**	**927,113,887**	**1,090,925,545**
31 December 2019				
Loans and receivable	-	-	951,935,706	951,935,706
Investments - Amortised cost	6,856,449	173,358,852	5,658,453	185,873,754
Total financial assets	6,856,449	173,358,852	957,594,159	1,137,809,460

3 Financial risk management*...continued*

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

Liabilities for which fair values are disclosed:

	Level 3 $	Total $
31 December 2020		
Borrowings	**52,029,253**	**52,029,253**
31 December 2019		
Borrowings	55,029,253	55,029,253

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

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.

3 Financial risk management*...continued*

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

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 level 1 and level 2 financial assets during the reporting period or any transfers to level 3.

The following table presents the change in level 3 instruments for the year ended 31 December 2020:

			FVOCI		
	Debt Securities 2020 $	**Equity Securities 2020 $**	**Total 2020 $**	**Equity Securities 2019 $**	**Debt Securities 2019 $**
31 December 2020					
At beginning of year	**94,435,845**	**3,334,131**	**97,769,976**	**-**	26,513,149
(Disposals)/additions	**(4,357,331)**	**5,000**	**(4,352,331)**	3,334,1311	67,922,696
At end of year	**90,078,514**	**3,339,131**	**93,417,645**	3,334,1311	94,435,845

3 Financial risk management...*continued*

(j) Fiduciary activities

The Bank provides investment management and advisory services to third parties, which involve the Bank 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 financial statements. Some of these arrangements involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank's care. At the reporting date, the Bank had financial assets under administration amounting to $139,932,273 (2019 – $128,139,285).

(k) Capital management

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

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- To safeguard the Bank'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 Bank's management, employing techniques based on the guidelines developed by the Eastern Caribbean Central Bank (ECCB) for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

The ECCB 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 Bank'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 shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale and revaluation of fixed assets (limited to 50% of Tier 1 capital).

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

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

3 Financial risk management*...continued*

(k) Capital management*...continued*

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2020 and 2019. During those two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2020 $	2019 $
Tier 1 capital		
Share capital	**265,102,745**	265,102,745
Reserves	**157,722,550**	204,695,603
Accumulated deficit	**(172,291,189)**	(220,005,849)
Total qualifying Tier 1 capital	**250,534,106**	249,792,499
Tier 2 capital		
Revaluation reserve – FVOCI	**16,145,796**	7,721,221
Revaluation reserve – property and equipment	**13,855,322**	13,855,322
Collective impairment allowance (limited to 1.25% of risk weighted assets)	**14,028,096**	5,382,954
Redeemable preference shares	**4,150,000**	4,150,000
Subordinated debt (limited to 50% of tier 1 capital)	**50,000,000**	50,000,000
Total qualifying Tier 2 capital	**98,179,214**	81,109,497
Total regulatory capital	**348,713,320**	330,901,996
Risk-weighted assets:		
On-balance sheet	**1,637,220,000**	1,444,864,400
Off-balance sheet	**23,723,000**	13,744,600
Total risk-weighted assets	**1,660,943,000**	1,458,609,000
Basel capital adequacy ratio	**20.99%**	22.7%

4 Critical accounting estimates, and judgements in applying accounting policies

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

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

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2.

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

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

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

The Bank individually assesses financial assets for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through profit or loss.

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

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

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

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

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

Revaluation of land and buildings and investment property
The Company measures its land and buildings and investment property at revalued amounts with changes in fair value being recognized in other comprehensive income and profit or loss respectively. The Company 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.

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 Company 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 Company considers the interest rates of Government securities 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 $5,466,230 lower or $9,304,400 higher (2019 - $7,153,333 lower or $10,262,468 higher).

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 $3,996,673 higher or $2,974,332 lower (2019 - $4,621,856 higher or $3,867,207).

5 Cash and balances with Central Bank

	Notes	2020 $	2019 $
Cash in hand		**36,382,623**	37,743,091
Balances with Central Bank other than mandatory reserve deposits		**92,710,649**	25,167,387
Included in cash and cash equivalents	40	**129,093,272**	62,910,478
Mandatory reserve deposits with Central Bank		**129,667,474**	121,334,975
		258,760,746	184,245,453

Pursuant to the Banking Act of Saint Lucia of 2015, the Bank is 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 Bank's day-to-day operations. Reserve deposits with the Central Bank are non-interest bearing.

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

6 Deposits with other banks

	Notes	2020 $	2019 $
Items in the course of collection with other banks		**3,166,680**	12,019,738
Placements with other banks		**213,280,328**	98,457,849
Included in cash and cash equivalents	40	**216,447,008**	110,477,587
Interest bearing deposits more than 90 days to maturity		**-**	94,817,304
		216,447,008	205,294,891

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2020 was 1.23% (2019 – 2.28%).

7 Deposits with non-bank financial institutions

	Notes	2020 $	2019 $
Deposits – cash and cash equivalents	40	**86,183,457**	10,063,636
Deposits – more than 90 days to maturity		**15,712,247**	42,962,417
Deposits		**101,895,704**	53,026,053

The weighted average effective interest rate in respect of interest bearing deposits at 31 December 2020 was 1.86% (2019- 3.63%).

8 Treasury bills

	Notes	2020 $	2019 $
Treasury bills – cash and cash equivalents	40	**-**	2,774,310
Treasury bills, other		**11,199,416**	10,220,843
Impairment allowance		**(395,518)**	(115,196)
		10,803,898	12,879,957

The weighted average interest rate on treasury bills was 4.1% (2019-3.52%).

9 Financial assets held for trading

	2020 $	2019 $
Financial assets through profit or loss - HFT		
Debt securities	**10,111,334**	21,367,656
Impairment allowance	**(624,052)**	-
	9,487,282	21,367,656

Financial assets held for trading were acquired for the purpose of selling in the near term and would otherwise have been classified as held-to-maturity investments. The weighted average interest rate on debt securities was 5.94% (2019 – 7.01%).

10 Loans and advances to customers

	Notes	2020 $	2019 $
Large corporate loans		**266,313,126**	267,231,931
Mortgage loans		**396,403,910**	385,448,498
Term loans		**183,830,285**	195,107,875
Overdrafts		**38,040,376**	54,087,797
Gross		**884,587,697**	901,876,101
Less allowance for impairment losses on loans and advances	11	**(85,269,616)**	(63,145,943)
Net		**799,318,081**	838,730,158

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

11 Allowance for impairment on financial assets

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

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Total provisions
	$	$	$	$
Large corporate loans				
Balance at January 1, 2019	2,063,375	60,570	36,963,622	39,087,567
Changes due to financial assets recognized in the opening balance that have:				
Transferred to Lifetime ECL credit impaired stage 3	(153,903)	(60,570)	214,473	-
New financial assets originated or purchased	49,244	-	2,893,131	2,942,375
Financial assets that have been derecognised	(108,401)	-	(3,968,999)	(4,077,400)
Bad debts written off	-	-	(2,658,551)	(2,658,551)
Provision for the period	(46,197)	-	(2,770,396)	(2,816,593)
Balance at 31 December 2019	1,804,118	-	30,673,280	32,477,398
Balance at January 1, 2020	**1,804,118**	**-**	**30,673,280**	**32,477,398**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to lifetime ECL not credit impaired – stage 2	**(981,909)**	**981,909**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(53,180)**	**-**	**53,180**	**-**
New financial assets originated or purchased	**17,587**	**-**	**2,827,907**	**2,845,494**
Financial assets that have been derecognised	**(69,021)**	**-**	**(4,022,545)**	**(4,091,566)**
Bad debts written off	**-**	**-**	**(1,356,772)**	**(1,356,772)**
Provision for the period	**(215,443)**	**4,214,613**	**(751,512)**	**3,247,658**
Balance at 31 December 2020	**502,152**	**5,196,522**	**27,423,538**	**33,122,212**

11 Allowance for impairment on financial assets *...continued*

	12 months ECL $	Lifetime ECL Stage 2 $	Lifetime ECL credit impaired Stage 3 $	Total provisions $
Term loans				
Balance at January 1, 2019	1,102,117	241,042	8,477,808	9,820,967
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	15,827	(15,827)	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(5,851)	-	5,851	-
Transferred to Lifetime ECL credit impaired stage 3	(379,177)	(201,352)	580,529	-
New financial assets originated or purchased	223,296	16,866	28,029	268,191
Financial assets that have been derecognised	(174,685)	(17,148)	(226,414)	(418,247)
Bad debts written off	(3,603)	(6,716)	(1,693,583)	(1,703,902)
Provision for the period	(225,438)	80,823	2,395,959	2,251,344
Balance at 31 December 2019	552,486	97,688	9,568,179	10,218,353
Balance at January 1, 2020	**552,486**	**97,688**	**9,568,179**	**10,218,353**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**(226,713)**	**176,615**	**50,098**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**-**	**(6,623)**	**6,623**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**276,036**	**56,171**	**(332,207)**	**-**
New financial assets originated or purchased	**223,929**	**152,384**	**987,429**	**1,363,742**
Financial assets that have been derecognised	**(75,832)**	**(15,486)**	**(357,913)**	**(449,231)**
Bad debts written off	**(317,011)**	**(152,412)**	**(436,972)**	**(906,395)**
Provision for the period	**265,282**	**1,543,981**	**7,406,488**	**9,215,751**
Balance at 31 December 2020	**698,177**	**1,852,318**	**16,891,725**	**19,442,220**

11 Allowance for impairment on financial assets *...continued*

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Total provisions
	$	$	$	$
Mortgage Loans				
Balance at January 1, 2019	827,736	270,908	7,695,747	8,794,391
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	86,774	(86,774)	-	-
Transferred to Lifetime ECL not credit impaired - stage 2	(686)	686	-	-
Transferred to Lifetime ECL credit impaired stage 3	(556,030)	(161,477)	717,507	-
New financial assets originated or purchased	48,775	-	72,624	121,399
Financial assets that have been derecognised	(28,760)	(22,655)	(513,439)	(564,854)
Bad debts written off	-	-	(193,262)	(193,262)
Provision for the period	(26,621)	56,919	4,556,975	4,587,273
Balance at 31 December 2019	351,188	57,607	12,336,152	12,744,947
Balance at January 1, 2020	**351,188**	**57,607**	**12,336,152**	**12,744,947**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**326,802**	**-**	**(326,802)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(176,615)**	**407,111**	**(230,496)**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(143,971)**	**117,987**	**25,984**	**-**
New financial assets originated or purchased	**52,892**	**101,732**	**365,152**	**519,776**
Financial assets that have been derecognised	**(26,672)**	**-**	**(378,470)**	**(405,142)**
Bad debts written off	**-**	**-**	**(57,944)**	**(57,944)**
Provision for the period	**87,935**	**1,579,930**	**9,254,929**	**10,922,794**
Balance at 31 December 2020	**471,559**	**2,264,367**	**20,988,505**	**23,724,431**

11 Allowance for impairment on financial assets....*continued*

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Total provisions
	$	$	$	$
Overdrafts				
Balance at January 1, 2019	1,116,819	468,325	3,545,282	5,130,426
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	314,046	(173,304)	(140,742)	-
Transferred to Lifetime ECL not credit impaired - stage 2	(35,487)	98,278	(62,791)	-
Transferred to Lifetime ECL credit impaired stage 3	(107,879)	(33,246)	141,125	-
New financial assets originated or purchased	1,221,582	87,323	436	1,309,341
Financial assets that have been derecognised	(145,456)	(113,531)	(619,366)	(878,353)
Bad debts written off	-	(1,296)	(216,278)	(217,574)
Provision for the period	(233,422)	55,010	2,539,816	2,361,404
Balance at 31 December 2019	2,130,203	387,559	5,187,482	7,705,244
Balance at January 1, 2020	**2,130,203**	**387,559**	**5,187,482**	**7,705,244**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**8,393**	**(8,393)**	**-**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(36,216)**	**36,216**	**-**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(89,474)**	**(55,401)**	**144,875**	**-**
New financial assets originated or purchased	**241,024**	**97,038**	**99,388**	**437,450**
Financial assets that have been derecognised	**(114,677)**	**(64,357)**	**(59,941)**	**(238,975)**
Bad debts written off	**(3,863)**	**(282,097)**	**(1,096,827)**	**(1,382,787)**
Provision for the period	**361,909**	**285,784**	**1,812,128**	**2,459,821**
Balance at 31 December 2020	**2,497,299**	**396,349**	**6,087,105**	**8,980,753**

11 Allowance for impairment on financial assets *...continued*

	12 months ECL	Lifetime ECL Stage 2	Lifetime ECL credit impaired Stage 3	Total provisions
	$	$	$	$
Total credit provisioning				
Balance at January 1, 2019	5,110,049	1,040,845	56,682,458	62,833,352
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	416,648	(275,906)	(140,742)	-
Transferred to Lifetime ECL not credit impaired - stage 2	(42,024)	98,964	(56,940)	-
Transferred to Lifetime ECL credit impaired stage 3	(1,196,989)	(456,645)	1,653,634	-
New financial assets originated or purchased	1,542,897	104,189	2,994,220	4,641,306
Financial assets that have been derecognised	(457,302)	(153,334)	(5,328,217)	(5,938,853)
Bad debts written off	(3,603)	(8,012)	(4,761,674)	(4,773,289)
Provision for the period	(531,678)	192,752	6,722,354	6,383,428
Balance at 31 December 2019	4,837,998	542,853	57,765,093	63,145,944

11 Allowance for impairment on financial assets...*continued*

Balance at January 1, 2020	**4,837,998**	**542,853**	**57,765,093**	**63,145,944**
Changes due to financial assets recognized in the opening balance that have:				
Transferred to 12-months ECL stage 1	**108,482**	**168,222**	**(276,704)**	**-**
Transferred to Lifetime ECL not credit impaired - stage 2	**(1,194,741)**	**1,418,614**	**(223,873)**	**-**
Transferred to Lifetime ECL credit impaired stage 3	**(10,589)**	**118,756**	**(108,167)**	**-**
New financial assets originated or purchased	**535,432**	**351,152**	**4,279,876**	**5,166,460**
Financial assets that have been derecognised	**(286,202)**	**(79,843)**	**(4,818,869)**	**(5,184,914)**
Bad debts written off	**(320,874)**	**(434,509)**	**(2,948,515)**	**(3,703,898)**
Provision for the period	**499,684**	**7,624,307**	**17,722,033**	**25,846,024**
Balance at 31 December 2020	**4,169,190**	**9,709,552**	**71,390,874**	**85,269,616**

11 Allowance for impairment on financial assets*...continued*

Impairment allowance - investment securities

	2020				2019
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt investment securities at FVOCI	**$**	**$**	**$**	$	$
Balance 1 January 2020	**1,430,732**	**-**	**525,755**	**1,956,487**	2,086,100
Net remeasurement of loss allowance	**161,870**	**1,635,751**	**-**	**1,797,621**	(129,613)
Balance at 31 December 2020	**1,592,602**	**1,635,751**	**525,755**	**3,754,108**	1,956,487

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

	2020				2019
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt investment securities at amortised cost	**$**	**$**	**$**	**$**	$
Balance 1 January 2020	**266,729**	**-**	**4,506,177**	**4,772,906**	4,671,388
Net remeasurement of loss allowance	**119,151**	**30,980**	**-**	**150,131**	101,518
Balance at 31 December 2020	**385,882**	**30,980**	**4,506,177**	**4,923,037**	4,772,906

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

11 Allowance for impairment on financial assets*...continued*

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

	$
Balance at January 1, 2019	153,342,076
Change in allowance for impairment	1,082,632
Classified as credit impaired during the year	71,971,365
Transferred to not credit impaired during the year	(135,626)
Net repayments	(31,359,952)
Disposals	(5,560,034)
Balance at 31 December 2019	189,340,461
Balance at January 1, 2020	**189,340,461**
Change in allowance for impairment	**13,625,785**
Classified as credit impaired during the year	**36,543,807**
Transferred to not credit impaired during the year	**(30,937,847)**
Net repayments	**(21,879,319)**
Disposals	**(8,671,746)**
Balance at 31 December 2020	**178,021,141**

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	**$**
Amortised cost before modification	**8,487,198**
Net modification loss	**299,015**
Financial assets modified since initial recognition	
Gross carrying amount at December 31, 2020 of financial assets for which loss allowance has changed to 12-month measurement during the year	**283,089**

Financial assets modified during the year	**$**
Amortised cost before modification	5,676,878
Net modification loss	120,658
Financial assets modified since initial recognition	**$**
Gross carrying amount at December 31, 2019 of financial assets for which loss allowance has changed to 12-month measurement during the year	2,234,243

12 Investment securities

Securities measured at amortised cost	**2020 $**	**2019 $**
Debt securities at amortised cost		
- Unlisted	**20,802,938**	8,449,906
- Listed	**167,708,358**	182,196,755
Less allowance for impairment	**(4,923,037)**	(4,772,906)
Total securities at amortised cost	**183,588,259**	185,873,755
Securities measured at fair value through OCI		
Debt securities at fair value		
- Unlisted	**50,210,583**	43,789,349
- Listed	**452,463,184**	446,077,439
Total debt securities	**502,673,767**	489,866,788
Equity securities at fair value		
- Unlisted	**3,214,130**	3,214,130
- Listed	**20,638,545**	11,664,329
Total equity securities	**23,852,675**	14,878,459
Less allowance for impairment	**(525,755)**	(525,755)
Total securities at fair value through OCI	**526,000,687**	504,219,492
Securities measured at fair value through P&L		
Equity securities:		
- Listed	**9,812,081**	5,399,195
- Unlisted	**1,026,000**	-
Total	**10,838,081**	5,399,195
Total investment securities at fair value	**536,838,768**	509,618,687
Total investment securities	**720,427,027**	695,492,442

All debt securities have fixed interest rates.

The weighted average effective interest rate on securities at amortised cost at 31 December 2020 was 2.39% (2019- 3.30%).

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

12 Investment securities*...continued*

	Amortised Cost $	FVOCI - Debt $	FVOCI – Equity $	FVTPL - Equities $	FVTPL - Held for Trading $	Total $
At 1 January 2020	**185,873,755**	**489,866,788**	**14,352,704**	**5,399,195**	**21,367,656**	**716,860,098**
Additions	**104,483,611**	**239,167,400**	**8,892,137**	**7,969,702**	**301,896**	**360,814,746**
Movement in accrued interest	**(281,529)**	**(483,050)**	**-**	**-**	**(160,879)**	**(925,458)**
Disposals (sale and redemption)	**(105,812,430)**	**(231,762,091)**	**-**	**(3,473,539)**	**(11,397,362)**	**(352,445,422)**
Changes in fair value	**-**	**6,544,875**	**82,079**	**942,723**	**-**	**7,569,677**
Provision for the year	**(150,131)**	**-**	**-**	**-**	**(624,052)**	**(774,183)**
Amortization of Premium/Discount	**(525,017)**	**(660,155)**	**-**	**-**	**23**	**(1,185,149)**
At December 31, 2020	**183,588,259**	**502,673,767**	**23,326,920**	**10,838,081**	**9,487,282**	**729,914,309**
At 1 January 2019						
Opening Balance	180,141,654	468,538,845	8,569,024	11,714,057	18,622,966	687,586,546
Additions	74,302,497	236,401,624	5,415,408	1,396,944	5,321,206	322,837,679
Movement in interest Accrued	4,355	(119,034)	-	-	111,134	(3,545)
Disposals (sale and redemption)	(68,031,074)	(227,627,358)	-	(8,770,911)	(2,688,052)	(307,117,395)
Changes in fair value	-	12,622,102	368,272	1,059,105	306	14,049,785
Provision for the year	(101,518)	-	-	-	-	(101,518)
Amortization of Premium/Discount	(442,159)	50,609	-	-	96	(391,454)
At 31 December 2019	185,873,755	489,866,788	14,352,704	5,399,195	21,367,656	716,860,098

13 Financial instruments - pledged assets and repurchase agreements

The following assets are pledged against other funding instruments and as collateral on borrowings on behalf of the parent company, East Caribbean Financial Holding Company Limited.

	Pledged assets	
	2020	**2019**
	$	**$**
Pledged against repurchase agreements	**8,351,890**	8,265,705
	8,351,890	8,265,705

The value of repurchase agreements on the statement of financial position which are secured by pledged assets is $8,106,859 (2019 - $8,001,405). The variance between investment pledged against repurchase agreements and the value of repurchase agreements represents accrued interest.

14 Related party balances and transactions

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 in making financial or operational decisions.

The Bank is controlled by East Caribbean Financial Holding Company Limited which owns 100% of the ordinary shares and is related to the companies listed below by common ownership and control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and receivables. Included in amounts due from related parties is an amount of $76,623,099 (2019 - $78,033,099) which is non-interest bearing and has no fixed terms of repayment.

	2020	**2019**
	$	**$**
Due from related parties		
East Caribbean Financial Holding Company Limited	**76,623,099**	78,033,099

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

The following accounts maintained by related parties are included under due to customers and loans and advances:

	2020 $	2019 $
Bank of Saint Vincent and the Grenadines Limited		
Current account	**2,655,486**	1,181,101
Investments	**7,199,959**	7,067,127
EC Global Insurance Company Limited		
Current account	**8,263,087**	4,570,436
Fixed deposit	**344,253**	340,274
Managed funds	**5,752,463**	9,650,440
East Caribbean Amalgamated Bank		
Current account	**113,232**	269,242
Fixed Deposit	**18,995,000**	19,002,898
Student Loan Guarantee Fund		
Current account	**732,783**	732,783
Fixed deposit	**3,007,776**	2,959,135
Productive Equity Funds		
Current account	**2,273,616**	2,273,631

The following transactions were carried out with related companies:

	2020 $	2019 $
Income		
Service and management charges	**264,000**	381,000

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

	2020 $	2019 $
Liabilities	**203,723**	1,325,305
Commissions	**2,355,633**	1,895,166
Expenses	**842,196**	1,191,382

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

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 Bank:

	2020		2019	
	Loans	**Deposits**	**Loans**	**Deposits**
	$	**$**	**$**	**$**
Government of Saint Lucia	**61,002,757**	**185,399,227**	67,750,507	120,671,812
Statutory bodies	**12,915,597**	**330,738,866**	12,946,228	451,304,579
Directors and key management	**10,646,324**	**4,327,238**	12,773,181	4,296,727

The loans issued to directors and other key management personnel during the year are repayable monthly over an average of 2 years (2019 – 8 years) and have a weighted average effective interest rates of 6.45% (2019 – 5.15%)

Interest income and interest expense with other related parties:

	2020		2019	
	Income	**Expenses**	**Income**	**Expenses**
	$	**$**	**$**	**$**
Government of Saint Lucia	**1,005,634**	**553,444**	2,723,653	595,002
Statutory bodies	**698,898**	**5,168,674**	844,131	5,347,589
Directors and key management	**565,924**	**99,598**	681,898	99,126

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

Key management compensation

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

	2020	2019
	$	**$**
Key management compensation		
Salaries and other short-term benefits	**6,169,713**	5,983,339
Post-employment benefit – Pension costs	**675,807**	759,736
	6,845,520	6,743,075

15 Property and equipment

	Notes	Land and Buildings $	Leasehold Improvements $	Office Furniture and Equipment $	Computer Equipment and Software $	Work-in-Progress	Motor Vehicles $	Total $
Year ended 31 December 2019								
Opening net book amount		38,445,924	726,942	4,070,168	2,333,912	479,390	396,200	46,452,536
Additions		-	-	1,291,190	1,889,316	2,505,006	144,835	5,830,347
Disposals at cost		-	(13,084)	(4,316,894)	(8,036,609)	-	-	(12,366,587)
Accumulated depreciation on disposals		-	13,084	4,253,609	8,036,609	-	-	12,303,302
Depreciation charge	37	(1,050,714)	(498,848)	(1,205,806)	(1,759,621)	-	(122,811)	(4,637,800)
Closing net book amount		37,395,210	228,094	4,092,267	2,463,607	2,984,396	418,224	47,581,798
At 31 December 2019								
Cost		57,108,845	9,376,849	25,460,297	26,265,149	2,984,396	1,155,970	122,351,506
Accumulated depreciation		(19,713,635)	(9,148,755)	(21,368,030)	(23,801,542)	-	(737,746)	(74,769,708)
Net book amount		37,395,210	228,094	4,092,267	2,463,607	2,984,396	418,224	47,581,798
Year ended 31 December 2020								
Opening net book amount		**37,395,210**	**228,094**	**4,092,267**	**2,463,607**	**2,984,396**	**418,224**	**47,581,798**
Additions		**3,049,431**	**75,156**	**1,788,519**	**1,506,216**	**-**	**203,765**	**6,623,087**
Disposals at cost		**-**	**(22,780)**	**(384,318)**	**(404,601)**		**(172,500)**	**(984,199)**
Transfers						**(296,275)**		**(296,275)**
Accumulated depreciation on disposals		**-**	**22,780**	**351,899**	**404,601**	**-**	**172,500**	**951,780**
Depreciation charge	37	**(1,080,602)**	**(258,882)**	**(1,148,106)**	**(1,649,042)**	**-**	**(129,001)**	**(4,265,633)**
Closing net book amount		**39,364,039**	**44,368**	**4,700,261**	**2,320,781**	**2,688,121**	**492,988**	**49,610,558**
At 31 December 2020								
Cost		**60,158,276**	**9,429,225**	**26,864,498**	**27,366,764**	**2,688,121**	**1,187,235**	**127,694,119**
Accumulated depreciation		**(20,794,237)**	**(9,384,857)**	**(22,164,237)**	**(25,045,983)**	**-**	**(694,247)**	**(78,083,561)**
Net book amount		**39,364,039**	**44,368**	**4,700,261**	**2,320,781**	**2,688,121**	**492,988**	**49,610,558**

15 Property and equipment*...continued*

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

The historical cost of land and buildings is:

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

16 Right-of-use lease asset

The Bank leases a facility to house the operations of one of its Branches. 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:

	Land and Buildings $	Total $
Balance at January 1, 2019	-	-
Additions	1,056,752	1,056,752
At 31 December 2019	1,056,752	1,056,752
Balance at January 1, 2020	**1,056,752**	1,056,752
Accumulated depreciation	**(528,376)**	(528,377)
At 31 December 2020	**528,376**	528,375

The Bank had a lease liability of $538,519 (2019 - $1,056,752) against the lease asset.

17 Other assets

	2020 $	2019 $
Suspense accounts - credit cards	**25,710,616**	36,178,510
Other receivables	**11,160,440**	8,625,415
Rent receivables	**978,984**	2,056,059
	37,850,040	46,859,984
Less provision for impairment on other receivables	**(1,488,407)**	(1,614,826)
	36,361,633	45,245,158
Stationery and supplies	**725,437**	607,992
Prepaid expenses	**2,483,183**	2,782,978
	3,208,620	3,390,970
	39,570,253	48,636,128

As of 31 December 2020, trade receivables of $220,212 (2019 - $1,574,468) 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:

	2020 $	2019 $
Greater than 30 days but less than 60 days	**110,197**	463,516
Greater than 60 days but less than 90 days	**110,015**	348,223
Greater than 90 days	**504,127**	1,074,611
	724,339	1,886,350

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

18 Provision for impairment on other receivables

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

	2020 $	2019 $
At beginning of year	**1,614,826**	1,555,040
Provisions made during the year	**514,399**	568,407
Receipts	**(104,332)**	(99,500)
Write offs during the year	**(536,486)**	(409,121)
At end of year	**1,488,407**	1,614,826

19 Investment in associates

	2020 $	2019 $
At beginning of year	**4,800,000**	4,800,000
At end of year	**4,800,000**	4,800,000

The Bank's interests in its associates comprise a **20%** holding in East Caribbean Amalgamated Bank Limited, an unlisted company incorporated in St. Kitts.

20 Investment properties

	Notes	2020 $	2019 $
At beginning of year		**31,954,500**	31,954,500
Fair value loss		**(967,653)**	-
At end of year		**30,986,847**	31,954,500

The investment properties are composed of land and buildings. The investment properties are valued annually at fair value by an independent, professionally qualified valuer. The following amounts have been recognised in profit or loss:

	2020 $	2019 $
Rental income	**1,641,835**	1,388,958
Direct operating expenses arising from investment properties that generated rental income	**(258,319)**	(297,664)
Profit arising from investment properties carried at fair value	**1,383,516**	1,091,294

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. "In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis."

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Company is the price per square foot (sq. ft.).

21 Retirement benefit asset

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

	2020 $	2019 $
Fair value of plan assets	**79,518,888**	72,741,351
Present value of funded obligation	**(60,283,772)**	(57,709,301)
Asset in the statement of financial position	**19,235,116**	15,032,050

Movement in the asset recognised in the statement of financial position:

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

	2020 $	2019 $
Beginning of year	**57,709,301**	54,548,600
Current service cost	**2,630,714**	1,463,298
Interest cost	**4,394,793**	4,071,996
Employee contribution	**842,869**	825,396
Actuarial (gain)/loss	**(4,177,162)**	(1,856,334)
Benefits paid	**(1,116,743)**	(1,343,655)
End of year	**60,283,772**	57,709,301

21 Retirement benefit asset*...continued*

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

	2020 $	2019 $
Beginning of year	**72,741,351**	64,993,737
Actual return on plan assets	**4,713,546**	5,627,057
Employer contributions	**2,630,714**	2,943,364
Employee contributions	**842,869**	825,396
Benefits paid	**(1,116,743)**	(1,343,655)
Administrative expenses	**(292,849)**	(304,548)
End of year	**79,518,888**	72,741,351

	Notes	2020 $	2019 $
Net asset at beginning of year		**15,032,050**	10,445,137
Net periodic cost	38	**(1,969,788)**	(1,050,926)
Contributions paid		**2,630,714**	2,943,364
Effect on statement of other comprehensive income		**3,542,140**	2,694,475
Net asset at end of year		**19,235,116**	15,032,050

Benefit cost:

	2019 $	2020 $
Current service cost	**2,630,714**	1,463,298
Interest on net defined benefit asset	**4,394,793**	4,071,996
Expected return on plan assets	**(5,348,568)**	(4,788,916)
Administrative expenses	**292,849**	304,548
	1,969,788	1,050,926

Re-measurements comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. As at January 1, 2020, the Bank transitioned from a defined benefit pension plan to a defined contribution plan. Heritage members of the plan will be offered an option to transfer their accrued benefits to the defined contribution plan in the subsequent period. As a result re-measurement gains/losses of $2,479,498 – net of tax (2019 - $1,886,133) at the reporting date, will be transferred to profit or loss in the subsequent period.

21 Retirement benefit asset...*continued*

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

	2020 $	2019 $
Gain from change in assumptions	**(1,578,165)**	-
Gain/(loss) from experience	**(2,598,997)**	(1,856,334)
Expected return on plan assets	**5,348,568**	4,788,916
Actual return on plan assets	**(4,713,546)**	(5,627,057)
	(3,542,140)	(2,694,475)

The principal actuarial assumptions used were as follows:

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

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

Plan assets allocation is as follows:

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

21 Retirement benefit asset*...continued*

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

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

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

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

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

	2020 $	2019 $
Investments quoted in active markets:		
Quoted equity investments:		
- Energy	**29,715**	42,177
- Consumer staples	**3,788,620**	3,102,634
- Other	**4,608,330**	4,302,057
Quoted debt securities:		
- Sovereign bonds	**28,271,023**	25,680,796
- Industrial	**1,113,994**	2,739,082
- Other	**10,882,752**	10,094,747
Cash and cash equivalents	**9,571,305**	5,045,757
Unquoted investments		
Unquoted debt securities:		
- Sovereign bonds	**17,695,972**	20,277,445
- Other	**3,507,176**	1,406,656
Unquoted equity securities		
- Other	**50,000**	50,000
Total	**79,518,888**	72,741,351

21 Retirement benefit asset*...continued*

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

	2020 $	2019 $
Within the next 12 months	**973,323**	971,260
Between 1 and 5 years	**5,350,756**	5,112,232
Between 5 and 10 years	**13,830,432**	13,015,050
Total expected payments	**20,154,511**	19,098,542

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

Defined Contribution plan

At December 31, 2020, there were 312 (2019 – nil) members of the defined contribution section of the plan. During the year ended December 31, 20120, the charge to the Statement of Profit or Loss in respect of the defined contribution scheme was 2,630,714 (2019 – nil) representing the contributions payable by the Bank in accordance with the scheme's rules.

The assets of the defined contribution section of the plan amounted to $3,326,229 (2019 – nil).

22 Deferred tax

The movement on the deferred tax (asset) /liability is as follows:

	2020 $	2019 $
At beginning of year	**(7,227,827)**	(3,999,622)
Deferred tax charge/(credit) during the year	**7,675,999**	(4,036,548)
Expense during the year in other comprehensive income	**1,062,642**	808,343
At end of year	**1,510,814**	(7,227,827)

The deferred tax (asset)/liability account is detailed below:

	2020 $	2019 $
Unutilised tax losses	**(835,742)**	(8,045,549)
Accelerated capital allowances	**(3,423,979)**	(3,691,893)
Fair value pension gains	**5,770,535**	4,509,615
Deferred tax liability/(asset) at end of year	**1,510,814**	(7,227,827)

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 30%.

23 Deposits from banks

	2020 $	2019 $
Deposits from other banks	**35,280,646**	49,631,408

The weighted average effective interest rate on deposits from other banks at 31 December 2020 was 0.95% (2019– 0.89%).

24 Due to customers

	2020 $	2019 $
Term deposits	**355,878,971**	357,521,753
Savings deposits	**720,226,950**	675,710,577
Call deposits	**233,656,466**	283,319,292
Demand deposits	**595,053,737**	499,726,127
	1,904,816,124	1,816,277,749

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

25 Borrowings

	Due	Rate %	2020 $	Rate %	2019 $
Caribbean Development Bank	2026	4.74	**8,776,779**	4.46	12,612,368
National Insurance Corporation	2026	7.25	**51,231,507**	7.25	51,231,507
Total			**60,008,286**		63,843,875

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

The Bank has not had any defaults of principal, interest or other breaches with respect to borrowings during the year.

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

26 Cumulative preference shares

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

The preference shares are non-voting and are to be converted to ordinary shares. The Bank 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 Bank and the National Insurance Corporation have formally agreed that future conversions of preference shares should be done at $5 per share.

Dividends declared on the preference shares during the year amounted to $290,500 (2019 - $290,500).

27 Other liabilities

	2020 $	2019 $
Managers' cheques outstanding	**3,621,612**	4,459,278
Other payables	**57,138,975**	34,615,043
Agency loans	**768,214**	573,268
	61,528,801	39,647,589

The Agency loans are funds issued to the Bank by the Government of Saint Lucia for disbursement to the related projects. The Bank earns an agency fee on the amounts disbursed. The funds belong to the Government of Saint Lucia.

28 Share capital

	Number of shares	2020 $	Number of shares	2019 $
Authorised:				
Unlimited ordinary shares up to 3,000,000				
Issued and fully paid:				
At beginning of year	**1,972,909**	**265,102,745**	1,972,909	265,102,745
At end of year	**1,972,909**	**265,102,745**	1,972,909	265,102,745

29 Reserves

	2020 $	2019 $
(a) General reserve	**-**	48,952,219
(b) Statutory reserve	**112,049,229**	111,173,590
(c) Special reserve	**-**	2,034,132
(d) Retirement benefit reserve	**19,235,116**	15,032,050
(e) Contingency reserve	**26,438,205**	27,503,612
	157,722,550	204,695,603

Movements in reserves were as follows:

(a) General reserve

	2020 $	2019 $
At the beginning and end of the year	**48,952,219**	48,952,219
Transferred to accumulated deficit	**(48,952,219)**	-
	-	48,952,219

Balances in general reserves which were previously set aside for reinvestment in banking operations, have been transferred to accumulated deficit at December 31, 2020 (December 2019 – nil).

(b) Statutory reserve

	2020 $	2019 $
At the beginning of the year	**111,173,590**	101,586,227
Allocated from profits for the year	**875,639**	9,587,363
At the end of the year	**112,049,229**	111,173,590

Pursuant to Section 45 (1) of the Banking Act of Saint Lucia 2015, the Bank 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 Bank.

(c) Special reserve

	2020 $	2019 $
At the beginning of the year	**2,034,132**	2,034,132
Transferred to accumulated deficit	**(2,034,132)**	-
At the end of the year	**-**	2,034,132

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

29 Reserves*...continued*

(d) Retirement benefit reserve

	2020 $	2019 $
At the beginning of the year	**15,032,050**	10,445,137
Allocated from profits for the year	**4,203,066**	4,586,913
At the end of the year	**19,235,116**	15,032,050

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

(e) Contingency reserve

	2020 $	2019 $
At the beginning of the year	**27,503,612**	28,615,569
Transferred to accumulated deficit	**(1,065,407)**	(1,111,957)
At the end of the year	**26,438,205**	27,503,612

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 until the total loan loss provisions and the contingency reserve equates to non-performing loans. Upon implementation of IFRS 9 in January 2018, the required adjustment for expected credit losses for loans and undrawn commitments as at January 1, 2018 was posted to the contingency reserve.

30 Contingent liabilities and commitments

Commitments

At 31 December the Bank had contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows:

	2020 $	2019 $
Loan commitments	**82,469,229**	50,362,374
Guarantees and letters of credit	**15,998,058**	18,361,004
	98,467,287	68,723,378

31 Net interest income

	2020 $	2019 $
Interest income		
Loans and advances	**54,220,625**	58,053,610
Treasury bills and investment securities	**23,147,727**	25,793,876
Deposits with banks	**1,761,248**	4,370,026
	79,129,600	88,217,512
Interest expense		
Time deposits	**(8,691,946)**	(8,497,895)
Savings deposits	**(14,923,653)**	(14,955,024)
Other borrowed funds	**(4,048,291)**	(4,338,917)
Demand deposits	**(639,208)**	(603,141)
Correspondent banks	**(417,721)**	(458,898)
	(28,720,819)	(28,853,875)
Net interest income	**50,408,781**	59,363,637

32 Fee and commission income

	2020 $	2019 $
Credit related fees and commissions	**27,414,584**	29,605,201
Brokerage related fees and commissions	**4,974,412**	4,509,889
Asset management and related fees	**395,131**	394,871
	32,784,127	34,509,961

33 Dividend income

	2020 $	2019 $
Equity instruments at FVTPL	**223,473**	205,239
Associates	**264,000**	264,000
	487,473	469,239

34 Net foreign exchange trading income

	2020 $	2019 $
Foreign exchange		
- transaction gains, net	**7,335,261**	8,930,994
- translation gains, net	**941,823**	894,212
	8,277,084	9,825,206

35 Other income

	Note	2020 $	2019 $
Service and management fees	14	**264,000**	381,000
Rental income		**2,626,274**	2,588,947
Bad debt recovery income		**11,142,155**	14,411,289
		14,032,429	17,381,236

36 Other gains/(loses), net

	2020 $	2019 $
Fair value gains/(losses):		
- Gains on disposal of FVOCI investments	**2,423,441**	530,114
- Gain on disposal of Amortised Cost investments	**2,084,974**	947,651
- Unrealised gain on FVTPL investments	**942,723**	1,059,411
- Unrealized loss on investment property	**(967,653)**	-
- Gain on disposal of FVTPL investments	**293,907**	802,540
	4,777,392	3,339,716

37 Operating expenses

	Notes	2020 $	2019 $
Employee benefit expense	38	**33,698,858**	28,789,628
Rent		**269,224**	836,901
Utilities		**3,745,835**	4,028,225
Security		**1,477,516**	1,462,791
Bank and other licences		**295,100**	215,000
Credit card expenses		**7,919,402**	9,469,108
Advertising and promotions		**1,127,959**	1,105,742
Repairs and maintenance		**8,511,619**	7,793,751
Legal and professional fees		**274,705**	550,256
Other expenses		**8,706,668**	10,043,180
Depreciation	15 & 16	**4,794,009**	4,637,800
		70,820,895	68,932,382

38 Employee benefit expense

	2020 $	2019 $
Wages and salaries	**20,272,192**	21,357,798
Other staff costs	**4,246,957**	6,380,904
Pensions	**9,179,709**	1,050,926
	33,698,858	28,789,628

Included in pension expense is an accrual of $7,209,921 (2019 – nil) which represents the settlement loss on the transfer of employee accrued benefits from the Defined benefit plan to the defined contribution plan.

39 Income tax expense

	2020 $	2019 $
Current tax	**515,888**	5,295,312
Reversal of overpayment of tax	**(1,612,650)**	-
Deferred tax charge/(credit) during the year	**7,675,999**	(4,036,547)
	6,579,237	1,258,765
Income tax expense in other comprehensive income:		
Deferred tax arising from defined benefit plan	**1,062,642**	808,343
	7,641,879	2,067,108

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

	2020 $	2019 $
Profit before income tax and dividends on preference shares	**11,248,243**	49,486,082
Tax calculated at the applicable tax rate of 30%	**3,374,473**	14,845,825
Tax effect of exempt income	**(4,741,185)**	(2,929,064)
Tax effect of expenses not deductible for tax purposes	**2,864,679**	(461,752)
Losses utilised	**(515,887)**	(5,295,312)
Prior year overpayment of tax	**(1,612,650)**	-
Fixed asset adjustment	**-**	(29)
Deferred tax asset recognised-losses	**7,209,807**	(4,900,903)
	6,579,237	1,258,765

The Bank has unutilised tax losses of $2,785,808 (2019 – $26,818,496) for which a deferred tax assets of $835,742 (2019: $8,045,549) 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 five years following the year in which the losses were incurred. The Bank has unutilised tax losses of $111,861,798 (2019 - $98,247,453) for which no deferred tax asset has been recognized.

Tax losses expire as follows:

	2020 $	2019 $
2020	**-**	6,366,799
2021	**13,619,552**	13,619,552
2022	**105,079,598**	105,079,598
	118,699,150	125,065,949

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

40 Cash and cash equivalents

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

	Notes	2020 $	2019 $
Cash and balances with Central Bank	5	**129,093,272**	62,910,478
Deposits with other banks	6	**216,447,008**	110,477,587
Deposits with non-bank financial institutions	7	**86,183,457**	10,063,636
Treasury bills	8	**-**	2,774,310
		431,723,737	186,226,011

41 Comparatives

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

42 Dividend

A dividend of $6,116,397 was paid during the year ended December 31, 2020 (2019: 10,031,790).

43 Covid 19

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

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

43 Covid 19*...continued*

Critical judgements and estimates

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

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

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

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

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

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

43 Covid 19*...continued*

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

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

Key Macroeconomic overlays

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

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

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

43 Covid 19*...continued*

Impact of deferral programs - Modifications

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

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

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

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

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