

**1<sup>ST</sup> NATIONAL BANK ST. LUCIA LIMITED**

**Financial Statements**

**Year ended December 31, 2023**

**1st National Bank St. Lucia Limited**  
**Financial Statements**  
**For the year Ended December 31, 2023**  
**(Expressed in Eastern Caribbean Dollars)**

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF 1st NATIONAL BANK ST. LUCIA LIMITED

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of 1st National Bank St. Lucia Limited ('the Bank') which comprise the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 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 Auditors' 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 Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
1st NATIONAL BANK ST. LUCIA LIMITED**

**Report on the Audit of the Financial Statements (continued)**

***Other information***

Other information consists of the information included in the Bank's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Bank's 2023 Annual Report, if we conclude that it contains a material misstatement, we are required to communicate the matter to those charged with governance.

***Responsibilities of Management and The Audit Committee 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.

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
1st NATIONAL BANK ST. LUCIA LIMITED**

**Report on the Audit of the Financial Statements (continued)**

***Auditor's Responsibility 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 scepticism 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
1st NATIONAL BANK ST. LUCIA LIMITED**

**Report on the Audit of the Financial Statements (continued)**

***Auditor's Responsibility 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 the Audit Committee 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.

GRENADA

January 10th, 2025



Accountants & Business Advisers

1<sup>st</sup> National Bank St. Lucia Limited  
Statement of Financial Position  
As at December 31, 2023  
(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
<b>Assets</b>			
Cash and balances with Central Bank	7	307,071,075	315,576,840
Due from other banks	8	72,153,769	133,214,671
Treasury bills	9	54,711,593	28,247,950
Loans and advances to customers	10	927,783,273	906,948,364
Investment securities	12	195,405,997	136,135,203
Defined benefit asset	22	3,134,000	3,277,000
Property and equipment	13	16,199,489	15,012,002
Right-of-use assets	14	13,534,193	14,276,239
Intangible assets	15	18,222,227	20,269,195
Income tax recoverable	32	1,948,277	471,537
Other assets	17	30,368,209	28,653,754
<b>Total assets</b>		<b>1,640,532,102</b>	<b>1,602,082,755</b>
<b>Liabilities</b>			
Due to customers	18	1,428,323,175	1,406,410,803
Due to banks	19	24,066,199	26,636,244
Other liabilities	20	42,215,276	28,501,273
Lease liabilities	14	15,624,028	16,150,282
Provisions	21	3,004,790	2,623,615
Deferred income tax liability	23	645,630	465,100
<b>Total liabilities</b>		<b>1,513,879,098</b>	<b>1,480,787,317</b>
<b>Equity:</b>			
<b>Capital and reserves:</b>			
Share capital	24	20,000,000	20,000,000
Reserves	25	50,849,997	55,079,008
Retained earnings		55,803,007	46,216,430
<b>Total equity</b>		<b>126,653,004</b>	<b>121,295,438</b>
<b>Total liabilities and equity</b>		<b>1,640,532,102</b>	<b>1,602,082,755</b>

The notes on pages 12 to 101 are an integral part of these financial statements.

Approved on behalf of the Board: -

  
\_\_\_\_\_  
Nigel A. Fulgence

President

  
\_\_\_\_\_  
Geraldine Lendor-Gabriel

Director

1<sup>st</sup> National Bank St. Lucia Limited  
Statement of Profit or Loss and Other Comprehensive Income  
For the year ended December 31, 2023  
(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Interest and similar income	26	61,950,224	52,367,961
Interest expense and similar charges	26	(24,105,869)	(21,866,709)
<b>Net interest income</b>		<b>37,844,355</b>	<b>30,501,252</b>
<b>Other operating income, net</b>	27	<b>29,715,909</b>	<b>24,527,464</b>
<b>Net interest and other operating income</b>		<b>67,560,264</b>	<b>55,028,716</b>
Other expenses	28	(51,769,241)	(51,253,202)
Bargain purchase	36	-	8,894,978
Impairment (losses)/recovery on financial assets	31	(7,063,418)	4,619,361
<b>Profit before income tax</b>		<b>8,727,605</b>	<b>17,289,853</b>
Income tax expense	32	(4,658,074)	(961,233)
<b>Profit for the year</b>		<b>4,069,531</b>	<b>16,328,620</b>
<b>Other comprehensive income:</b>			
<b>Items that will never be reclassified to profit or loss:</b>			
Re-measurement of defined benefit asset	22	(404,000)	371,000
Deferred tax on re-measurement of defined benefit asset	23	(61,569)	111,300
Net fair value gains/(losses) on equity investments at FVOCI		454,871	(1,036,593)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Net fair value gains/(losses) on debt investments at FVOCI		1,298,733	(4,907,978)
<b>Other comprehensive income/(loss) for the year</b>		<b>1,288,035</b>	<b>(5,462,271)</b>
<b>Total comprehensive income for the year</b>		<b>5,357,566</b>	<b>10,866,349</b>
<b>Earnings per share</b>			
<b>(expressed in EC\$ per share)</b>			
Basic and diluted	33	0.58	2.43

The notes on pages 12 to 101 are an integral part of these financial statements.

1<sup>st</sup> National Bank St. Lucia Limited  
Statement of Changes in Equity  
For the year ended December 31, 2023  
(Expressed in Eastern Caribbean dollars)

	Notes	Share capital	Statutory reserve	Revaluation reserve	Revaluation reserve on FVOCI investments	Other reserves	Retained earnings	Total equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2022</b>		20,000,000	17,544,381	1,631,503	(2,883,220)	38,786,344	46,216,430	121,295,438
<b>Total comprehensive income</b>								
Profit for the year		-	-	-	-	-	4,069,531	4,069,531
<b>Other comprehensive income</b>								
Fair value loss on FVOCI investment securities	25	-	-	-	1,753,604	-	-	1,753,604
Re-measurement of defined benefit asset	22	-	-	-	-	-	(404,000)	(404,000)
Deferred tax on re-measurement of defined benefit asset	23	-	-	-	-	-	(61,569)	(61,569)
<b>Total other comprehensive income</b>		-	-	-	1,753,604	-	(465,569)	1,288,035
<b>Total comprehensive income</b>		-	-	-	1,753,604	-	3,603,962	5,357,566
Net transfer from retained earnings	25	-	2,280,403	44,494	-	-	(2,324,897)	-
Reserve for loan loss provision	25	-	-	-	-	(9,717,524)	9,717,524	-
Reserve for interest recognized on non-performing loans	25	-	-	-	-	1,410,012	(1,410,012)	-
<b>Balance at December 31, 2023</b>		20,000,000	19,824,784	1,675,997	(1,129,616)	30,478,832	55,803,007	126,653,004

The notes on pages 12 to 101 are an integral part of these financial statements.

1<sup>st</sup> National Bank St. Lucia Limited  
Statement of Changes in Equity  
For the year ended December 31, 2023  
(Expressed in Eastern Caribbean dollars)

	Notes	Share capital	Statutory reserve	Revaluation reserve	Revaluation reserve on FVOCI investments	Other reserves	Retained earnings	Total equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2021</b>		20,000,000	14,278,657	1,580,843	3,061,351	15,174,335	56,333,903	110,429,089
<b>Total comprehensive income</b>								
Profit for the year		-	-	-	-	-	16,328,620	16,328,620
<b>Other comprehensive income</b>								
Fair value loss on FVOCI investment securities	25	-	-	-	(5,944,571)	-	-	(5,944,571)
Re-measurement of defined benefit asset	22	-	-	-	-	-	371,000	371,000
Deferred tax on re-measurement of defined benefit asset	23	-	-	-	-	-	111,300	111,300
<b>Total other comprehensive income</b>		-	-	-	(5,944,571)	-	482,300	(5,462,271)
<b>Total comprehensive income</b>		-	-	-	(5,944,571)	-	16,810,920	10,866,349
Net transfer from retained earnings	25	-	3,265,724	50,660	-	-	(3,316,384)	-
Reserve for loan loss provision	25	-	-	-	-	22,408,626	(22,408,626)	-
Reserve for interest recognized on non-performing loans	25	-	-	-	-	1,203,383	(1,203,383)	-
<b>Balance at December 31, 2022</b>		20,000,000	17,544,381	1,631,503	(2,883,220)	38,786,344	46,216,430	121,295,438

The notes on pages 12 to 101 are an integral part of these financial statements.

1<sup>st</sup> National Bank St. Lucia Limited  
Statement of Cash Flows  
As of December 31, 2023  
(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Profit for the year		4,069,531	16,328,620
Adjustments for:			
Depreciation and amortization	13,15	3,766,446	2,212,246
Depreciation on right-of-use assets	14	2,284,586	2,280,488
Loss on disposal of property and equipment	27	119	2,801
Impairment loss/(recovery) on financial assets		7,063,418	(672,194)
Defined benefit income	22	(69,000)	(12,000)
Dividend income	27	(471,940)	(320,493)
Tax expense		4,658,074	961,233
Tax penalties		-	106,168
Interest and similar income		(61,950,224)	(52,367,962)
Gain on acquisition		-	(8,894,978)
Interest expense and similar charges		24,105,869	21,866,710
<b>Cash flows before changes in operating assets and liabilities</b>		(16,543,121)	(18,509,361)
Change in mandatory reserve deposits with Central Bank		135,122,084	(136,485,426)
Change in loans and advances to customers		(29,649,555)	(125,762)
Change in other assets		3,489,025	63,932,488
Change in due to customers		22,161,890	(75,309,506)
Change in other liabilities		8,954,811	(32,962,686)
<b>Cash used in operations</b>		123,535,134	(199,460,253)
Interest and similar income received		63,605,909	56,104,418
Interest expense and similar charges paid		(24,356,194)	(22,314,383)
Defined benefit contributions paid	22	(192,000)	(227,000)
Income taxes paid	32	(6,015,853)	(2,613,140)
<b>Net cash generated from /(used) operating activities</b>		156,576,996	(168,510,358)
<b>Cash flows from investing activities</b>			
Purchase of treasury bills		(90,481,507)	(49,420,947)
Proceeds from sale of treasury bills		63,956,911	36,900,256
Purchase of investment securities		(102,509,736)	(60,415,675)
Proceeds from sale of investment securities		45,021,502	39,699,209
Dividends received		471,940	320,493
Proceeds from sale of property and equipment		-	161
Acquisition of property and equipment	13	(2,762,401)	(2,822,468)
Acquisition of intangible assets	15	(144,645)	(724,460)
Acquisition of RBTT/RBC		-	129,783,988
<b>Net cash (used)/generated from investing activities</b>		(86,447,936)	93,320,557
<b>Cash flows from financing activities</b>			
Principal portion of lease liabilities	14	(2,068,884)	(1,907,534)
Repayment on bank borrowings		(2,569,148)	(2,462,396)
Dividends paid on ordinary shares		64,389	(1,087)
<b>Net cash used in financing activities</b>		(4,573,643)	(4,371,017)
<b>Net decrease in cash and cash equivalents</b>		65,555,417	(79,560,818)
Cash and cash equivalents at 1 January		240,261,086	319,821,904
<b>Cash and cash equivalents at 31 December</b>	16	305,816,503	240,261,086

The notes on pages 12 to 101 are an integral part of these financial statements.

**1. Reporting entity**

1<sup>st</sup> National Bank St. Lucia Limited, (“the Bank”) was incorporated in Saint Lucia in December 1937 and continued under the Companies Act of 1996. It commenced trading in January 1938 and provides commercial and retail banking services, including the acceptance of deposits, granting of loans and advances, credit and debit cards, foreign exchange services, and online and mobile banking services.

The Bank is subject to the provisions of the Banking Act, Cap 12.01 and the Companies Act, Cap 13.01 of the Revised Laws of St. Lucia, 2013. It is regulated by the Eastern Caribbean Central Bank (ECCB), the Financial Services Regulatory Authority and the Eastern Caribbean Securities Regulatory Commission.

The Bank serves the public from eight branches and one Bureau De Change all located in Saint Lucia. The registered office and principal place of business of the Bank is #21 Bridge Street, Castries, Saint Lucia.

On December 12, 2019, the Bank announced that it had entered into an agreement to purchase the banking operations owned by Royal Bank of Canada (RBC) in St. Lucia and St. Vincent and the Grenadines, including the retail and commercial business and substantially all of its related assets and liabilities. These transactions received regulatory approval on December 22, 2020 and other customary closing arrangements were finalized during 2021. On March 18, 2022 the Bank received the Vesting Order for the RBC owned operations in St. Vincent and the Grenadines. Regulatory approval to commence and conduct operations was received August 1, 2022 and was deemed the date of effective control.

The consideration for the transaction for both RBC owned entities in St. Lucia and St. Vincent was EC\$23 million and this was paid in full by April 8th, 2021 as agreed. At the end of the transition exercise, no equity interests was acquired. The Bank was permitted by Central Bank of Trinidad and Tobago and RBC to continue to use the name RBTT Bank Caribbean Limited in St. Vincent until August 1, 2022, whereupon it began trading in its formal name and carry the Bank’s brand.

**2. Basis of preparation**

**(a) Statement of compliance**

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors and authorized for issue on January 9th, 2025.

**2. Basis of preparation (cont'd)**

**(b) Basis of preparation**

These financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position that are measured at fair value:

- Debt investments measured at fair value through other comprehensive income
- Equity investments designated at fair value through other comprehensive income
- Land and buildings measured at revalued amounts
- Net defined benefit asset, which is measured at the fair value of plan assets less the present value of the defined benefit obligation, as explained in Note 22.

**(c) Functional and presentation currency**

These financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

**(d) Use of judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of, assets, liabilities, and the income and expenses. Actual results may differ from those estimates.

Estimates, and underlying assumptions, are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgements

For the purpose of these financial statements which are prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. Judgements made by management in the application of IFRS that have a significant effect on the amounts recognized in these financial statements are set out below:

- Classification of financial assets  
Notes 3 (e)(ii) 11 and 12: Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.
- Expected credit losses (ECL)  
Notes 3 (e)(iii), 11 and 12: Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

2. Basis of preparation (cont'd)

(d) Use of judgements and estimates (cont'd)

- Income taxes  
Notes 3 (k) and 32: Significant judgment is required in determining the provision for income taxes including any liabilities for tax audit issues. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
- Leases - Determining the lease term of contracts with renewal and termination options  
Notes 3(p) and 14: The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The Bank included the renewal period as part of the lease term for all leases of property relevant to the branches, Bureau De Change and administrative building.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in these financial statements are set out below:

- Leases - Determining the incremental borrowing rate  
Notes 3(p) and 14: The present value of the lease payments of the leased properties is determined using the discount rate representing the Bank's incremental borrowing rate. This rate represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Significant judgement was applied to determine the incremental borrowing rate.
- Impairment of financial assets  
Note 3(e)(iii): Determining inputs into the ECL measurement model, including incorporation of forward-looking information.

2. Basis of preparation (cont'd)

(d) Use of judgements and estimates (cont'd)

Assumptions and estimation uncertainties (cont'd)

- Impairment of financial assets  
Note 3(e)(iii): Key assumptions used in estimating recoverable cash flows. To the extent that the net present value of estimated cash flows differs by +/-5%, the portfolio provision would be estimated to be \$3,576,646/4,045,988 (2022 - /+\$2,432,876 [lower/higher]).
- Measurement of defined benefit obligations  
Notes 3(j) and 22: 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 key actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.
- Determination of fair values  
Note 3(e)(ii) and 5: The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(e) (ii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted market price (unadjusted) in an active market for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the same fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

2. Basis of preparation (cont'd)

(e) Adoption of new accounting standards

i. New standards, interpretations and amendments that were effective and adopted during the period (cont'd):

*New standards, interpretations and amendments effective from 1 January 2023*

*IFRS 17 Insurance Contracts*

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as the 1<sup>st</sup> National Bank St. Lucia Limited. The Bank carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual financial statements of the Bank.

*Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the financial statements of the Bank but affect the disclosure of accounting policies of the Bank.

*Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)*

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the financial statements of the Bank.

2. Basis of preparation (cont'd)

(e) Adoption of new accounting standards

i. New standards, interpretations and amendments that were effective and adopted during the period (cont'd):

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the annual financial statements of the Bank.

*International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)*

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management of the 1<sup>st</sup> National Bank St. Lucia Limited has determined that the Bank is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Bank.

The amendments have no significant impact on the Bank's financial statements.

2. Basis of preparation (cont'd)

(e) Adoption of new accounting standards (cont'd)

ii. New standards, interpretations and amendments that were not yet effective:

*New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early.

The following amendments are effective for periods beginning on or after 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for periods beginning on or after 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Bank is currently assessing the impact of these new accounting standards and amendments. The Branch does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Bank does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Bank.

**3. Material accounting policies**

The accounting policies set out below have been consistently applied to all periods presented in these financial statements unless otherwise stated.

**(a) Functional and presentation currency**

These financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional currency, except when otherwise indicated. All amounts presented in Eastern Caribbean dollars have been rounded to the nearest dollar.

**(b) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the values were determined.

**(c) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with the Central Bank and deposits with other banks.

**(d) Sale and repurchase agreements**

Securities purchased under agreements to resell ("reverse repos") are recorded as investment securities. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. They are measured at amortized cost using the effective interest rate.

**(e) Financial instruments**

**(i) Non-derivative financial assets and financial liabilities - Recognition, initial measurement and derecognition**

The Bank initially recognizes loans and advances, deposits, and debt securities on the date they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(i) Non-derivative financial assets and financial liabilities - Recognition, initial measurement and derecognition (cont'd)

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control, over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as "Assets pledged as collateral" if the transferee has the right to sell or re-pledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in Other Comprehensive Income (OCI) is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

The Bank derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or when they expire.

(ii) Classification and measurement

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at amortized cost if it meets both of the following conditions and is not designated as at 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 on the principal amount outstanding.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Classification and measurement (cont'd)

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

**Business model assessment**

IFRS 9 requires that financial assets are classified on the basis of the Bank's business model for managing such assets unless it makes an irrevocable election to designate the asset at fair value through profit or loss. The business model refers to how financial assets are managed in order to generate cash flows. The Bank determines its business model at the level that best reflects how it manages its portfolios of financial assets to achieve its business objectives. Judgment is used in determining the Bank's business models that is supported by relevant, objective evidence including:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How performance of the business model and the financial assets held within the model are evaluated and reported to key management personnel;

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Classification and measurement (cont'd)

**Business model assessment (cont'd)**

- How managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- The frequency and significance of past sales activity, the reason for those sales as well as expectations about future sales; and
- The significant risks affecting the performance of the business model for example, market risk and credit risk and the activities undertaken to manage those risks.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is forward looking in that if cash flows are realized in a manner that is different from expectations the classification of the remaining assets in the business model is not changed but instead that information is used to assess new instruments acquired.

**Applicability to the Bank**

The Bank's business models fall into two main categories, which are indicative of the key strategies used to generate returns as follows:

- Hold to collect contractual cash flows (HTC) - the objective of this business model is to hold assets in order to collect contractual cash flows. Under this model, the Bank holds loans and investment securities to collect contractual principal and interest cash flows. Sales are expected to be insignificant or infrequent; and
- Hold to collect contractual cash flows and to sell (HTCS) - the objective of this business model is to both collect contractual cash flows and to sell. Under this model the Bank holds investment securities to manage everyday liquidity needs and sales are significant in value.

**Assessment of whether contractual cash flows are solely payments of principal and interest - SPPI assessment**

For classification purposes the Bank first reviews the terms of the instruments to determine whether they give rise on specified dates to cash flows that meet the SPPI test.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Classification and measurement (cont'd)

**Assessment of whether contractual cash flows are solely payments of principal and interest - SPPI assessment (cont'd)**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. '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 (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

**Due from banks, treasury bills, loans and advances to financial institutions and loans and advances to customers**

The Bank measured due from banks, treasury bills, loans and advances to financial institutions, loans and advances to customers and investment securities at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**The financial assets are measured at fair value through OCI if both of the following conditions are met:**

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payment so principal and interest on the principal amount outstanding.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Classification and measurement (cont'd)

**Reclassifications (cont'd)**

Loans and advances and debt instruments recognized initially at fair value are subsequently measured in accordance with the classification of financial assets policy of the Bank. The Bank's loan portfolio is carried at amortized cost using the effective interest method which represents the gross carrying amount less allowance for credit losses.

**Investment securities**

Investment securities are initially recorded at fair value and subsequently measured according to their respective classification. The Bank has no financial instruments that are measured at FVTPL.

Debt securities carried at amortized cost are measured using the effective interest method and are presented net of any allowance for credit losses, calculated in accordance with our policy for expected credit losses (ECL), as described below. Interest income, including the amortization of premiums and discounts are recorded in profit or loss.

Impairment gains or losses recognized on amortized cost securities are recorded in the allowance for impairment. When a debt instrument measured at amortized cost is sold, the difference between the sales proceeds and the amortized cost of the security at the time of sale is recorded as other gains, in profit or loss.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses from changes in fair value recognized in other comprehensive income (OCI). The loss allowance is recorded in OCI and does not reduce the carrying amount of the assets in the statement of financial position. When a debt instrument measured at FVOCI is sold the cumulative gain or loss previously recorded in equity is reclassified to profit or loss.

All equity securities are measured at fair value. On initial recognition the Bank may make an irrevocable election to present in OCI gains and losses from changes in fair value of certain equity instruments. When insufficient information is available to measure fair value, then the instrument is measured at cost when it represents the best estimate of fair value. When an equity instrument classified at FVOCI is sold the cumulative gain or loss recorded in OCI is not recycled to profit or loss. Dividends from securities measured at FVOCI are recognized in profit or loss.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Classification and measurement (cont'd)

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The Bank has not designated any financial instruments as FVTPL on initial recognition.

At initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities other than loan commitments, financial guarantees and derivatives are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions similar to the Bank's trading activities.

**Amortized cost measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

**Fair value measurement**

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.

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Classification and measurement (cont'd)

Fair value measurement (cont'd)

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price, and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

(iii) Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

**Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity 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;
- Undrawn loan commitments: 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; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

**Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

**Credit impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

**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;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

**Write-off**

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

**Impairment of financial assets**

For loans carried at amortized cost, impairment losses are recognized at each reporting date in accordance with the three-stage impairment model outlined below.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

**Impairment of financial assets (cont'd)**

An impairment allowance is established for all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include certain loans, debt securities, interest-bearing deposits with banks, customers' liability under acceptances, accounts and accrued interest receivable.

Impairment on loans is presented in 'Allowance for Impairment'. Impairment allowance on debt securities measured at FVOCI is presented in other components of equity. Other financial assets carried at amortized cost are presented net of impairment in the statement of financial position.

Off-balance sheet items subject to impairment assessment include undrawn loan commitments. The impairment is included in the provision for impairment losses to the extent that it does not exceed the related loan balance and therefore included in other liabilities as provisions.

The impairment allowance is measured at each reporting date and is based on the three-stage impairment model for expected credit losses.

**Calculation of expected credit losses**

The Bank uses the explicit probability of default method when calculating expected credit losses. The expected credit loss allowance (ECL) is based on credit losses that are expected to arise over the life of the asset, referred to as the lifetime ECL, unless there has not been a significant increase in credit risk since origination, in which case a 12-month expected credit loss (12-month ECL) is measured.

The lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Lifetime expected credit losses are calculated based on a weighted average of the expected losses with the weightings being based on the respective probabilities of default. PDs and LGDs are therefore calculated over the life of the instrument.

The 12-month ECL represents a financial asset's expected losses that are expected to arise from default events that are possible within the 12-month period following origination of the instrument or from each reporting date for those assets in stage 1. It is calculated by multiplying the probability of default occurring in the next 12 months by the lifetime ECLs that would result from that default, regardless of when those losses occur.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

Calculation of expected credit losses (cont'd)

An impairment allowance is established for all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include certain loans, debt securities, interest-bearing deposits with banks, customers' liability under acceptances, accounts and accrued interest receivable.

Impairment is assessed at each reporting period. IFRS 9 establishes a three-stage impairment model based on whether there has been a significant increase in credit risk of a financial asset since its initial recognition. The three stages then determine the amount of impairment to be recognized as expected credit losses (ECL) at each reporting date as well as the amount of interest revenue to be recorded.

The Bank makes a determination as to whether there has been a significant increase in credit risk since initial recognition by considering the deterioration in internal rating and payment delinquencies. For purposes of calculating ECL the Bank classifies its financial assets into Stages. The stages for loans and advances align with the Bank's internal ratings system. Facilities with an internal rating of 1 are aligned to Stage 1. Facilities with an internal rating of 2 are classified as Stage 2 and facilities with an internal rating of 3-5 are classified as Stage 3.

Stages 1 and 2 comprise performing financial assets while Stage 3 comprises non-performing assets as follows:

Performing financial assets

- Stage 1 - For instruments in this stage, credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized and interest income is recognized on the gross carrying amount of the financial instrument. Financial assets in this stage are operating in accordance with the contractual terms and conditions since initial recognition. These assets align with the Bank's internal rating of 1.
- Stage 2 - For instruments in this stage, credit risk has increased significantly since initial recognition. Lifetime ECL is recognized and interest income is recognized on the gross carrying amount of the financial instrument. This stage also includes financial assets reclassified from Stage 3 whose credit risk has improved. Financial assets in this stage align with the Bank's internal rating of 2.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

Calculation of expected credit losses (cont'd)

Credit-impaired financial assets

- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount. Financial assets in this stage align with the Bank's internal ratings of 3 - 5.

**Assessment of significant increase in credit risk and credit -impaired financial assets**

The transition from recognizing 12-month expected credit losses (i.e., stage 1) to lifetime expected credit losses (i.e. stage 2) is based on the notion of a significant increase in credit risk over the remaining life of the instrument in comparison with the credit risk on initial recognition. The focus is on the changes in the credit risk and not the changes in the amount of the expected credit losses.

The determination of whether there has been a significant increase in credit risk is therefore critical to the staging process. Factors to consider include:

- Changes in market or general economic conditions;
- Expectation of potential breaches;
- Expected delays in payment;
- Deterioration in credit ratings; or
- Significant changes in operating results or financial position of the borrower.

In making the determination of whether there has been a significant increase in credit risk, the Bank considers deterioration in its internal ratings as well as payment delinquencies. A significant increase in credit risk will exist when repayments are 30 days in arrears and/or when there has been a deterioration in the internal rating assigned.

Credit-impaired financial assets are those for which one or more detrimental effects on the estimated future cash flows have already occurred. These instruments are in stage 3 and lifetime expected credit losses are recognized. Indicators that an asset is credit-impaired include observable data about the following:

- Actual breach of contract, e.g. delinquency in payments
- Probability that the borrower will enter bankruptcy

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

**Definition of default**

The definition of default is integral to the ECL model. The Bank's definition of default is consistent with its internal risk management process and includes a qualitative creditworthiness criterion as well as a quantitative past due criterion. For loans and advances, default occurs when the borrower is more than 90 days past due on any obligation with the Bank and/or if the Bank considers that the borrower is unlikely to make their repayment in full without the Bank foreclosing on the loan facility. The Bank also uses its internal rating system to determine default. All loans and advances with a rating of 3 - 5 are considered to be in default. For credit card balances, default occurs when payments are 90 days past due. The definition of default is applied consistently from one year to another and to all loans and advances unless it can be demonstrated that circumstances have changed such that a new definition is appropriate.

For investment securities, the Bank considers default to take place when there has been significant deterioration in the rating of the underlying security and payment of principal and interest is over 90 days in arrears.

The Bank extended a moratorium to borrowers up to a maximum of six months in the first instance in April 2020; the moratorium was extended for a further twelve months to end in September 2021 and a further extension was granted to March 2022. In both instances, approval from the Board of Directors and the Eastern Caribbean Central Bank was sought and obtained. During the period of the moratorium, the next payment date of the loan was amended in accordance with customer requests and approved by the Assessment Department based on a review of the facility. Consequently, the Bank does not consider these loans to be in default. In this instance, default commences 90 days after the last day of moratorium in effect. IFRS 9 states that "the extension of payment holidays to all borrowers in particular classes of financial instruments should not automatically result in all those instruments being considered to have suffered an "SICR" (significant increase in credit risk). During the reporting period, we observed that COVID-19 had no impact on the recoverability of the underlying security for the loan portfolio.

**ECL calculation methodology**

For loans and advances, the Bank calculates ECL in a manner that reflects an unbiased and probability weighted amount that is determined by evaluation of a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank applies a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. The cash shortfall is the difference between the cash flows that are due according to the terms of the agreement and the cash flows it expects to collect over the relevant time period.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

**ECL calculation methodology (cont'd)**

For loans and advances, the Bank calculates ECL in a manner that reflects an unbiased and probability weighted amount that is determined by evaluation of a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank applies a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. The cash shortfall is the difference between the cash flows that are due according to the terms of the agreement and the cash flows it expects to collect over the relevant time period.

The Bank calculates the probability-weighted average of expected credit losses over different scenarios. Each scenario specifies forecasts of different economic conditions, and these economic conditions are used to adjust default probabilities to incorporate this forward-looking information.

The forward-looking information is incorporated through the use of regression formulae that translate the input economic information and uses this information to forecast default rates and non-performing loan ratios. The macroeconomic information used by the Bank are:

- Gross Domestic Product (local GDP)
- Inflation
- Global GDP (for international investments)

Three variables are integral to the calculation of the ECL - the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD). The product of these variables is adjusted for forward-looking information and discounted at the instrument's original interest rate to arrive at the calculation of ECL.

Probability of default - measures likelihood of default over a given period of time. In arriving at the probability of default the Bank first categorizes facilities according to common characteristics and uses migration analysis to measure the percentage of loans as they move across the relevant stages. From this analysis marginal PDs for successive years are generated using a multiplication matrix. In the case of investment securities, the Bank utilized information from credit loss tables that are generated by reputable external agencies.

Exposure at default - this is an estimate of the exposure at a default date that takes place in the future, taking into consideration repayments of principal or interest and interest charged. In arriving at EAD estimates, the Bank employs cash flow analyses.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

ECL calculation methodology (cont'd)

Loss given default - this is an estimate of the cash shortfall the Bank expects when a facility defaults at a point in time. For secured facilities the Bank considers the amount that may be realized from the sale of the collateral net of costs to sell. In the case of investment securities, the Bank utilized information from credit loss tables that are generated by reputable external agencies.

Macroeconomic conditions continued to improve over the period, albeit at a relatively slow rate. While there was recovery and normalcy to business, the economy fell short of the favorable economic growth projection owing to the continued impact of supply chain challenges which has been further exacerbated by the Russian war on Ukraine. The International community's efforts to address and control the resulting worldwide inflation has been the imposition of high interest rates to curb spending.

Tourism activity, the mainstay of the ECCU economies have reopened with a slow start and though far from pre-covid numbers, has shown promising signs of rebound in all the sub-sectors. The IMF has projected global economic growth of 3.1%. The ECCU Monetary Council has projected a growth rate of 5.2%.

The moratoriums culminated on March 31, 2022. The combination of that and the slow pace of economic recovery has resulted in the increase in non-performing loans. The ECL model utilized a number of inputs to include forward looking macroeconomic projections, internal assessments of the portfolio and transfers between the stages. As a result of the improvements in the country's economic performance, projections utilised were reflective of normal averages of inflation and GDP rates.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Impairment (cont'd)

ECL calculation methodology (cont'd)

Loan commitments

Loan commitments arise when an entity enters into a contract to provide a loan facility to another party. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

At the end of each reporting period, 12-month expected credit losses are initially provided for such commitments. Where there has been a significant increase in credit risk of a default occurring on the loan to which the commitment relates, lifetime expected credit losses are recognized.

For loan commitments, ECL is calculated as the difference between:

- The contractual cash flows for amounts that are repayable if the holder of the loan commitment draws on the loan; and
- The cash flows that the Bank expects to receive if the loan is drawn down.

The discount rate used is the effective interest rate for the primary facility. In instances where there have been no draw downs on the loan facility, the loss allowance is recognized and presented as a provision.

**Judgement**

Judgement is required in making assumptions and estimations when calculating the ECL. This includes the movement of financial instruments between stages and the application of forward-looking information. The underlying assumptions and estimates may result in changes to the amounts recorded from period to period and can significantly impact the results of operations.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

3. Material accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iv) Modifications of financial assets and financial liabilities (cont'd)

**Financial liabilities**

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(f) Property and equipment

(i) Recognition and measurement

Land and buildings, which comprise mainly branches and offices, are shown at fair value, based on valuations done by external independent valuers every 5 years, less subsequent depreciation for buildings. Any accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- in instances when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalized borrowing costs.

**3. Material accounting policies (cont'd)**

**(f) Property and equipment (cont'd)**

(i) Recognition and measurement (cont'd)

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. All other related expenditures are charged to profit or loss during the period in which they are incurred.

(iii) Depreciation

Depreciation is calculated to write off their costs less their estimated residual values using the straight-line method over their estimated useful lives are as follows:

Buildings	2%
Furniture and fixtures	10%
Equipment	15% - 25%
Leasehold improvements	20%
Motor vehicles	20%

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Land is not depreciated.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 costs to sell and value in use.

3. Material accounting policies (cont'd)

(g) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software licenses and other intangible assets. Intangible assets are recognized at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with a definite useful life are amortized using the reducing balance method over their estimated useful economic life.

At each reporting date intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The Bank chooses to use the cost model for the measurement after recognition. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired, the intangible asset is analyzed to assess whether their carrying amount is fully recoverable.

**Computer software licenses and other intangibles assets**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortized on the reducing balance basis. Software has a maximum expected useful life of 4 years (25% per annum). Intangible assets such as goodwill and core deposit intangibles with an indefinite useful life are not amortized.

(h) Guarantees and letters of credit

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.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. 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 recognized. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with IFRS 15 Revenue from Contracts with Customers, and the best estimate of the amount required to settle the guarantee.

These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in profit or loss within other operating expenses.

3. **Material accounting policies (cont'd)**

(i) **Provisions**

Provisions are recognized when:

- the Bank has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(j) **Employee benefits**

(i) **Pension obligation**

The Bank operates a defined benefit plan for all employees. The assets of the plan are held separately from those of the Bank. The pension plan is funded through payments from employees and the Bank, taking account of the recommendations of independent qualified actuaries. The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in OCI. The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in profit or loss.

**3. Material accounting policies (cont'd)**

**(j) Employee benefits (cont'd)**

**(i) Pension obligation (cont'd)**

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**(ii) Profit-sharing and bonus plans**

The Bank recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Bank's shareholders after certain adjustments. The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The profit-sharing decision is currently at the discretion of the Board of Directors based upon a recommendation made by management that ensures that profit share does not exceed dividends recommended for the year, nor the distributions from profit set out in the Dividend Policy. The Profit share distribution to staff is linked to basic pay.

The Bank recognized the National Workers Union (the Union) as the bargaining unit for the majority of staff in January 2020. A Collective Agreement signed between the Bank and the Union provided for a 2.5% increase in basic wages to staff in year 2020 and 2% increase thereafter for years 2021 to 2023. This will undoubtedly affect pension contributions by staff and the Bank as well as profit share distributions to staff covered under this agreement.

**(k) Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

**a) Current tax**

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the year and any adjustments to the tax payable or recoverable in respect of previous years. The amount of the current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

**3. Material accounting policies (cont'd)**

**(k) Income tax (cont'd)**

**b) Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from depreciation of property and equipment. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the Bank's business plans and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, using tax rates enacted or substantively enacted at the reporting date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(l) Share capital**

**(i) Ordinary shares**

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Bank. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

**(ii) Dividends on ordinary shares**

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the shareholders. Dividends for the year declared after the reporting date are disclosed in the notes to the financial statements.

**3. Material accounting policies (cont'd)**

**(m) Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognized within “interest income” and “interest expense” in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points 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.

**Interest on loans and advances and fee income**

Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Fees that are an integral part of the effective interest rate are treated as an adjustment to the effective interest rate.

Fees that relate to activities such as originating, restructuring, or renegotiating loans are deferred and recognized as non-interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as fee income over the expected term of the resulting loans using the effective interest method.

**(n) Fees and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

**(o) Dividend income**

Dividends are recognized in profit or loss when the Bank’s right to receive payment is established.

**(p) Leases**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Material accounting policies (cont'd)

(p) Leases (cont'd)

(i) The Bank is the lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right of use asset has been depreciated on a straight-line basis over the remaining lease term for each lease.

**Lease liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

**Short-term leases and leases of low-value assets**

The Bank applies the short-term lease recognition exemption to its short-term leases of office floor lease and a few of the motor vehicle leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Bank is the lessor

When assets are leased out under an operating lease, the assets are included in the statement of financial position based on the nature of the assets. Lease income is recognized over the term of the lease on the straight-line basis.

### 3. Material accounting policies (cont'd)

#### (q) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

### 4. Financial risk management

The Bank has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk (including currency risk, interest rate and other price risk); and
- Operational risk

#### 4.1 Risk management framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of its risk management framework. 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 retail banking, and 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 minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

4. Financial risk management (cont'd)

4.1 Risk management framework (cont'd)

The Audit Committee oversees how management, through the finance department, monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. Management identifies and evaluates financial risks in close co-operation with the Bank's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. It undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

4.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, due from other banks, and investment debt securities in investment securities and other bills. 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. There is also credit risk in off-balance sheet financial instruments such as loan commitments. Credit risk is managed and controlled by management which reports to the Board of Directors.

4.2.1 Credit risk measurement

(a) Loans and advances

Eastern Caribbean Central Bank's prudential guidelines are embedded in the Bank's daily operational management. The operational measurements are based on losses that have been incurred at the reporting date.

The Bank assesses the probability of default of individual counterparties using the Eastern Caribbean Central Bank prudential guidelines. Clients of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Bank's rating	Description of the grade
1	Stage 1 - Pass
2	Stage 2 - Special Mention
3	Stage 3 - Sub-standard
4	Stage 3 - Doubtful
5	Stage 3 - Loss

This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.1 Credit risk measurement (cont'd)

(b) Debt securities and other bills

For debt securities and other bills, external ratings such as CariCRIS or their equivalents are used by management for management of the credit risk exposures.

4.2.2 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 the industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits.

Covering on-balance sheet and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

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.

(a) 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 funds 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.

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.2 Risk limit control and mitigation policies (cont'd)

(a) Collateral (cont'd)

Longer-term finance and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured. In addition, in order to minimize 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.

(b) 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 authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions) are collateralized 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 authorizations 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.

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.3 Impairment and provisioning policies

The impairment provision shown in the statement of financial position at the reporting date is derived from each of the five internal rating grades. The table below shows the percentage of the Bank's on-balance sheet items relating to loans and advances and the expected credit loss (ECL) for each of the Bank's internal rating categories:

	2023		2022	
	Loans and advances	ECL provision	Loans and advances	ECL provision
Bank's rating	%	%	%	%
Stage 1 - Pass	81.3	14.94	83.2	12.2
Stage 2 - Special mention	5.16	3.22	4.3	8.5
Stage 3 - Sub-standard, doubtful, loss	13.54	81.85	12.5	79.3

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following factors 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.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

1<sup>st</sup> National Bank St. Lucia Limited  
Notes to the Financial Statements  
December 31, 2023  
(Expressed in Eastern Caribbean dollars)

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

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

	Maximum exposure	
	2023	2022
	\$	\$
Due from other banks	72,153,769	133,214,671
Treasury bills	54,711,593	28,247,950
Loans and advances to customers:		
- Overdrafts	50,896,676	34,545,464
- Demand loans	466,216,323	436,570,887
- Promissory notes	550,892	5,454,306
- Mortgages	405,791,404	426,115,580
- Credit cards	5,223,754	5,157,903
- FV arising from business combinations (Note 36)	(895,776)	(895,776)
-Investment securities:		
- Debt instrument at FVOCI	74,238,934	43,223,235
- Debt instrument at amortized cost	103,097,788	74,788,848
Other assets	26,792,340	25,774,878
	<u>1,258,777,697</u>	<u>1,212,197,946</u>

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

Financial guarantees	1,589,481	3,759,754
Loan commitments and other credit related facilities	108,634,070	130,618,816
	<u>110,223,551</u>	<u>134,378,570</u>
At December 31	<u>1,369,001,248</u>	<u>1,346,576,516</u>

The above table represents a worst-case scenario of credit risk exposure to the Bank at December 31, 2023 and 2022, 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.

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements (cont'd)

Loans and advances to customers comprise 68% of the total maximum exposure (2022 - 66%); investments in debt securities comprise 13% (2022 - 9%).

Notwithstanding the current dynamics of the economy, management is fairly confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank based on the following:

- 86% (2022 - 88%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;
- 69% (2022 - 69%) of the portfolio is backed by collateral in the form of mortgage debentures, legal mortgages, life and comprehensive insurances, bills of sale, cash and guarantees;
- 81% (2022 - 84%) of the total loans and advances portfolio is considered to be neither past due nor impaired;
- The Bank continues to grant loans and advances in accordance with its lending policies and guidelines; and
- 39% (2022 - 19%) of investments are rated above A-; 4% of investments were rated CariA (2022 - 8%); 24% (2022 - 39%) are rated from B- and up to BBB+; 11% (2022 - 24%) are rated from CariBBB to CariA; 14% are rated CariBBB- (2022 - 39%). Many issuers are not rated but only 12% (2022 - 9%) of investments in the portfolio are not rated and none are selective default both in 2023 and 2022.

4.2.5 Loans and advances

Loans and advances are summarized as follows:

	Notes	2023 \$	2022 \$
<b>Loans and advances to customers</b>			
Performing loans		799,697,526	796,247,619
Underperforming loans		50,793,021	40,673,485
Non-performing loans		133,122,900	119,960,223
<b>Gross</b>		<b>983,613,447</b>	<b>956,881,327</b>
FV arising from business combinations	36	(895,776)	(895,776)
Less: expected credit loss	10, 11	(54,934,398)	(49,037,187)
<b>Net</b>		<b>927,783,273</b>	<b>906,948,364</b>

1<sup>st</sup> National Bank St. Lucia Limited  
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4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.5 Loans and advances (cont'd)

(a) Performing loans and advances neither past due nor impaired

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

	Overdrafts	Credit Cards	Demand loans	Promissory notes	Mortgages	Total loans and advances to customers
	\$	\$	\$	\$	\$	\$
<b>December 31, 2023</b>						
Loans and advances to customers						
Grades						
1. Stage 1 - pass	21,687,105	5,414,050	342,349,294	176,175	430,070,902	799,697,526
Total	21,687,105	5,414,040	342,349,294	176,175	430,070,902	799,697,526
<b>December 31, 2022</b>						
Loans and advances to customers						
Grades						
1. Stage 1 - pass	4,253,409	4,028,581	337,652,256	3,434,851	349,782,959	699,152,056
2. Stage 2 - special mention	18,315,492	757,104	49,073,235	82,882	28,866,850	97,095,563
Total	22,568,901	4,785,685	386,725,491	3,517,733	378,649,809	796,247,619

1<sup>st</sup> National Bank St. Lucia Limited  
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4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.5 Loans and advances (cont'd)

(b) Underperforming loans and advances

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

	Overdraft	Credit cards	Demand loans	Promissory notes	Mortgages	Total loans and advances to customers
December 31, 2023	\$	\$	\$	\$	\$	\$
Past due up to 30 days	664,319	1,125,163	50,831,068	38,108	33,960,801	86,619,459
Past due 30-60 days	-	213,896	2,851,387	7,429	6,760,791	9,833,503
Past due 61-90 days	-	148,114	3,790,838	10,347	5,683,882	9,633,181
<b>Total</b>	<b>664,319</b>	<b>1,487,173</b>	<b>57,473,293</b>	<b>55,884</b>	<b>46,405,474</b>	<b>106,086,143</b>
Fair value of collateral	6,033,255	-	165,292,224	45,781	287,280,021	458,651,281

	Overdraft	Credit cards	Demand loans	Promissory notes	Mortgages	Total loans and advances to customers
December 31, 2022	\$	\$	\$	\$	\$	\$
Past due up to 30 days		757,104	49,073,235	82,882	28,866,850	78,780,071
Past due 30-60 days		272,932	13,561,751	54,370	6,806,522	20,695,575
Past due 61-90 days	444,945	191,806	11,392,538	52,005	6,023,558	18,104,852
<b>Total</b>	<b>444,945</b>	<b>1,221,842</b>	<b>74,027,524</b>	<b>189,257</b>	<b>41,696,930</b>	<b>117,580,498</b>
Fair value of collateral	-	-	221,253,339	2,221,212	77,125,873	300,600,424

(c) Non-performing loans and advances

The table below shows the gross amount of individually non-performing loans and advances to customers by grades before taking into consideration the cash flows from collateral held.

	2023 \$	2022 \$
<b>Individual impaired loans</b>		
1. Stage 3 - Sub-standard, doubtful, loss	133,122,900	119,960,223
<b>Total</b>	<b>133,122,900</b>	<b>119,960,223</b>
Fair value collateral	307,607,946	288,835,081

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.6 Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2023 and 2022, based on Caricris or their equivalent:

	Investment securities			Total \$
	Treasury Bills \$	Debt Instruments at FVOCI \$	Debt Instruments at Amortized Cost \$	
<b>At December 31, 2023</b>				
AAA-to AAA+	-	1,299,268	-	1,299,268
AA-to AA+	25,767,187	35,230,945	-	60,998,132
A- to A+	-	10,699,947	16,578,204	27,278,151
BBB- to BBB+	-	27,008,774	11,201,978	38,210,752
B- to B+	9,978,411	-	7,383,609	17,362,020
CariA-	-	-	9,508,062	9,508,062
CariBBB	16,539,712	-	-	16,539,712
CariBBB-	1,288,696	-	32,122,699	33,411,395
Unrated	1,137,587	-	26,303,236	27,440,823
<b>Total</b>	<b>54,711,593</b>	<b>74,238,934</b>	<b>103,097,788</b>	<b>232,048,315</b>

	Investment securities			Total \$
	Treasury Bills \$	Debt Instruments at FVOCI \$	Debt Instruments at Amortized Cost \$	
<b>At December 31, 2022</b>				
AAA-to AAA+	-	1,273,497	-	1,273,497
AA-to AA+	2,680,426	2,535,957	2,705,852	7,922,235
A- to A+	-	14,875,369	8,642,424	23,517,793
BBB- to BBB+	-	24,538,412	6,176,368	30,714,780
B- to B+	7,879,433	-	3,509,959	11,389,392
CariA-	-	-	9,509,402	9,509,402
CariBBB-	16,550,559	-	32,171,149	48,721,708
Unrated	1,137,532	-	12,073,694	13,211,226
<b>Total</b>	<b>28,247,950</b>	<b>43,223,235</b>	<b>74,788,848</b>	<b>146,260,033</b>

4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.7 Repossessed collateral

At December 31, 2023, the Bank had in its possession one vehicle valued at \$74,897 that was held as security.

Repossessed vehicles are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

4.2.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The Bank operates primarily in Saint Lucia and the exposure to credit risk is concentrated there.

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of counterparties.

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4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.8 Concentration of risks of financial assets with credit risk exposure (cont'd)

(b) Industry sectors (cont'd)

	Financial institutions	Manufacturing	Tourism	Government	Professional and other services	Personal	Other industries	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Due from other banks	72,153,769	-	-	-	-	-	-	72,153,769
Treasury bills	-	-	-	54,711,593	-	-	-	54,711,593
<i>Loans and advances to customers:</i>								
- Overdraft	-	834,391	-	-	7,049,233	20,775,560	22,237,492	50,896,676
- Credit cards	45,666	1,835	19,432	-	218,124	4,682,977	255,720	5,223,754
- Demand loans	114,280	13,678,397	15,858,649	32,762,732	156,678,911	137,920,124	109,203,230	466,216,323
- Promissory notes	-	-	-	-	-	317,091	233,801	550,892
- Mortgages	-	898,590	3,787,805	4,088,338	98,436,693	251,471,352	47,108,626	405,791,404
FV adjustment arising from business combinations (note 36)	-	-	-	-	-	-	(895,776)	(895,776)
<i>Investment securities:</i>								
- Debt instruments at FVOCI	18,902,468	12,882,455	-	32,630,351	-	-	9,823,660	74,238,934
- Debt instruments at amortized Cost	60,346,903	-	-	42,647,794	-	-	103,091	103,097,788
Other assets	26,792,340	-	-	-	-	-	-	26,792,340
<b>As at December 31, 2023</b>	<b>178,355,426</b>	<b>28,295,668</b>	<b>19,665,886</b>	<b>166,840,808</b>	<b>262,382,961</b>	<b>415,167,104</b>	<b>188,069,844</b>	<b>1,258,777,697</b>
Credit commitments	2,316,034	1,738,906	3,772,885	132,327	46,772,975	24,446,983	31,043,441	110,223,551

1<sup>st</sup> National Bank St. Lucia Limited  
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4. Financial risk management (cont'd)

4.2 Credit risk (cont'd)

4.2.8 Concentration of risks of financial assets with credit risk exposure (cont'd)

(b) Industry sectors (cont'd)

	Financial institutions	Manufacturing	Tourism	Government	Professional and other services	Personal	Other industries	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Due from other banks	133,214,671	-	-	-	-	-	-	133,214,671
Treasury bills	-	-	-	28,247,950	-	-	-	28,247,950
<i>Loans and advances to customers:</i>								
- Overdraft	2,764,239	2,725,871	430,879	-	4,522,876	2,065,918	22,035,681	34,545,464
- Credit cards	9,715	5,074	68,406	1,176	462,688	3,476,634	1,134,210	5,157,903
- Demand loans	571,376	22,362,120	19,300,701	36,406,784	147,565,420	122,213,050	88,151,437	436,570,888
- Promissory notes	-	-	-	-	21,627	5,237,502	195,177	5,454,306
- Mortgages	-	2,426,118	2,000,947	4,069,383	83,255,462	300,371,094	33,992,576	426,115,580
FV adjustment arising from business combinations (note 36)	-	-	-	-	-	-	(895,776)	(895,776)
<i>Investment securities:</i>								
- Debt instruments at FVOCI	14,727,049	2,115,619	-	-	-	-	26,380,567	43,223,235
- Debt instruments at amortized Cost	36,117,233	-	-	36,671,615	-	-	-	72,788,848
Other assets	25,774,878	-	-	-	-	-	-	25,774,878
<b>As at December 31, 2022</b>	<b>213,179,161</b>	<b>29,634,802</b>	<b>21,800,933</b>	<b>105,396,908</b>	<b>235,828,073</b>	<b>433,364,198</b>	<b>170,993,872</b>	<b>1,210,197,947</b>
Credit commitments	128,584	2,377,576	2,149,396	24,100,000	44,909,769	14,571,343	46,141,902	134,378,570

#### 4. Financial risk management (cont'd)

##### 4.3 Market risk

Market risk is the risk that changes in market prices - e.g., equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) - will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the return on risk.

The Bank's exposures to market risks primarily arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities and equity risks arising from the Bank's investments measured at fair value through other comprehensive income.

##### 4.3.1 Other price risk

The Bank is exposed to equity securities price risk because of investments held by the Bank and classified in the statement of financial position as equity instruments at fair value through other comprehensive income.

To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio.

- At December 31, 2023, if equity securities prices had been 5% higher/ lower with all other variables held constant, comprehensive income for the year would have been \$903,464 higher/lower (2022 - \$906,156 higher/lower) as a result of a reasonably possible increase/decrease in fair value of equity investments through other comprehensive income at the reporting date.

##### 4.3.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency, and in total, 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 1976. The rate of exchange of EC\$1 currency unit for relevant major currencies was as follows:

	USD \$	BBD \$	CAD \$	EUR \$	GBP \$
At December 31, 2023	2.70	1.3517	2.0370	2.9850	3.4364
At December 31, 2022	2.70	1.3517	1.9954	2.8805	3.2523

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4. Financial risk management (cont'd)

4.3 Market risk

4.3.2 Foreign exchange risk

The following table summarizes the Bank's exposure to foreign currency exchange rate risk at December 31, 2023 and 2022. Included in the table, are the Bank's financial instruments at carrying amount, categorized by currency.

Concentration of currency risk - on and off balance sheet financial instruments.

	ECD	CAD	EURO	USD	GBP	TTD	BD	Total
<b>As at December 31, 2023</b>								
<b>Financial assets</b>								
Cash and balances with Central Bank	303,519,146	298,062	598,571	2,253,108	206,106	-	196,082	307,071,075
Due from other banks	35,232,915	772,263	573,500	32,803,359	2,310,077	311,545	150,110	72,153,769
Treasury bills	28,944,406	-	-	25,767,187	-	-	-	54,711,593
Loans and advances to customers	927,975,362	-	-	703,687	-	-	-	928,679,049
Fair value arising from business combination	(3,994,485)	-	-	3,098,709	-	-	-	(895,776)
Investment securities								-
- Debt instruments at FVOCI	-	-	-	74,238,934	-	-	-	74,238,934
- Debt instruments at amortized cost	83,615,313	-	-	19,482,475	-	-	-	103,097,788
Other assets	26,792,340	-	-	-	-	-	-	26,792,340
<b>Total financial assets</b>	<b>1,402,084,997</b>	<b>1,070,325</b>	<b>1,172,071</b>	<b>158,347,459</b>	<b>2,516,183</b>	<b>311,545</b>	<b>346,192</b>	<b>1,565,848,772</b>
<b>Financial liabilities</b>								
Due to customers	1,393,766,960	-	-	34,556,215	-	-	-	1,428,323,175
Other liabilities	42,215,276	-	-	-	-	-	-	42,215,276
Lease liabilities	15,624,028	-	-	-	-	-	-	15,624,028
<b>Total financial liabilities</b>	<b>1,451,606,264</b>	<b>-</b>	<b>-</b>	<b>34,556,215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,486,162,479</b>
<b>Net on-balance sheet positions</b>	<b>(49,521,267)</b>	<b>1,070,325</b>	<b>1,172,071</b>	<b>123,791,244</b>	<b>2,516,183</b>	<b>311,545</b>	<b>346,192</b>	<b>79,686,293</b>
Credit commitments	102,984,126	-	-	7,239,425	-	-	-	110,223,551

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4. Financial risk management (cont'd)

4.3 Market risk (cont'd)

4.3.2 Foreign exchange risk (cont'd)

	ECD	CAD	EURO	USD	GBP	TTD	BD	Total
<b>As at December 31, 2022</b>								
<b>Financial assets</b>								
Cash and balances with Central Bank	312,023,113	238,644	563,545	2,411,501	171,020	-	169,017	315,576,840
Due from other banks	48,156,971	817,297	2,510,918	73,876,374	1,609,627	5,850,340	393,144	133,214,671
Treasury bills	25,598,019	-	-	2,649,931	-	-	-	28,247,950
Loans and advances to customers	907,844,140	-	-	-	-	-	-	907,844,140
Fair value arising from business combination	(3,994,485)	-	-	3,098,709	-	-	-	(895,776)
Investment securities	-	-	-	-	-	-	-	-
- Debt instruments at FVOCI	-	-	-	43,223,235	-	-	-	43,223,235
- Debt instruments at amortized cost	63,440,573	-	-	11,348,275	-	-	-	74,788,848
Other assets	25,774,878	-	-	-	-	-	-	25,774,878
<b>Total financial assets</b>	<b>1,378,843,209</b>	<b>1,055,941</b>	<b>3,074,463</b>	<b>136,608,025</b>	<b>1,780,647</b>	<b>5,850,340</b>	<b>562,161</b>	<b>1,527,774,786</b>
<b>Financial liabilities</b>								
Due to customers	1,362,393,291	-	-	44,017,512	-	-	-	1,406,410,803
Other liabilities	28,501,273	-	-	-	-	-	-	28,501,273
Lease liabilities	9,610,143	-	-	6,540,139	-	-	-	16,150,282
<b>Total financial liabilities</b>	<b>1,400,504,707</b>	<b>-</b>	<b>-</b>	<b>50,557,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,451,062,358</b>
<b>Net on-balance sheet positions</b>	<b>(21,661,498)</b>	<b>1,055,941</b>	<b>3,074,463</b>	<b>86,050,374</b>	<b>1,780,647</b>	<b>5,850,340</b>	<b>562,161</b>	<b>76,712,428</b>
Credit commitments	134,069,734	-	-	308,836	-	-	-	134,378,570

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4. Financial risk management (cont'd)

4.3 Market risk (cont'd)

4.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The 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 losses in the event that unexpected movements arise.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing and maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2023	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Cash and balances with Central Bank	-	-	-	-	-	307,071,075	307,071,075
Due from other banks	36,045,200	-	-	-	35,924,542	184,027	72,153,769
Treasury bills	14,581,928	9,362,948	30,766,717	-	-	-	54,711,593
Loans and advances to customers	46,040,513	81,673	15,739,777	48,659,309	818,157,777	(895,776)	927,783,273
Investment securities:							
- Debt instruments at FVOCI	4,009,801	-	16,188,300	40,373,042	13,667,791	-	74,238,934
- Debt instruments at amortized cost	-	3,008,522	51,029,418	33,993,637	15,066,211	-	103,097,788
Other assets	-	-	-	-	-	26,792,340	26,792,340
<b>Total financial assets</b>	<b>100,677,442</b>	<b>12,453,143</b>	<b>113,724,212</b>	<b>123,025,988</b>	<b>882,816,321</b>	<b>333,151,666</b>	<b>1,565,848,772</b>
<b>Liabilities</b>							
Due to customers	757,766,148	33,814,394	329,025,505	5,718,583	-	301,998,545	1,428,323,175
Other liabilities	29,327,686	-	-	-	-	12,887,590	42,215,276
Lease liabilities	193,247	389,582	1,764,539	12,222,715	1,053,945	-	15,624,028
<b>Total financial liabilities</b>	<b>787,287,081</b>	<b>34,203,976</b>	<b>330,790,044</b>	<b>17,941,298</b>	<b>1,053,945</b>	<b>314,886,135</b>	<b>1,486,162,479</b>
<b>Total interest repricing gap</b>	<b>(686,609,639)</b>	<b>(21,750,833)</b>	<b>(217,065,832)</b>	<b>105,084,690</b>	<b>881,762,376</b>	<b>18,265,531</b>	<b>79,686,293</b>

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4. Financial risk management (cont'd)

4.3 Market risk (cont'd)

4.3.3 Interest rate risk (cont'd)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2022	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Cash and balances with Central Bank	-	-	-	-	-	315,576,840	315,576,840
Due from other banks	95,025,022	-	-	-	32,406,620	5,783,029	133,214,671
Treasury bills	11,228,153	9,342,186	7,677,611	-	-	-	28,247,950
Loans and advances to customers	26,687,491	589,400	10,317,223	88,993,988	781,255,958	(895,696)	906,948,364
Investment securities:							
- Debt instruments at FVOCI	-	-	2,695,093	27,558,362	12,969,780	-	43,223,235
- Debt instruments at amortized cost	-	6,821,207	34,404,883	33,562,758	-	-	74,788,848
Other assets	-	-	-	-	-	25,774,878	25,774,878
<b>Total financial assets</b>	<b>132,940,666</b>	<b>16,752,793</b>	<b>55,094,810</b>	<b>150,115,108</b>	<b>826,632,358</b>	<b>346,239,051</b>	<b>1,527,774,786</b>
<b>Liabilities</b>							
Due to customers	1,022,299,385	25,699,500	345,820,685	7,375,595	5,000,000	215,637	1,406,410,802
Other liabilities	14,910,286	-	13,590,987	-	-	-	28,501,273
Lease liabilities	159,995	343,566	1,444,086	11,367,212	2,835,424	-	16,150,283
<b>Total financial liabilities</b>	<b>1,037,369,666</b>	<b>26,043,066</b>	<b>360,855,758</b>	<b>18,742,807</b>	<b>7,835,424</b>	<b>215,637</b>	<b>1,451,062,358</b>
<b>Total interest repricing gap</b>	<b>(904,429,000)</b>	<b>(9,290,273)</b>	<b>(305,760,948)</b>	<b>131,372,301</b>	<b>818,796,934</b>	<b>346,023,414</b>	<b>76,712,428</b>

**4. Financial risk management (cont'd)**

**4.3 Market risk (cont'd)**

**4.3.3 Interest rate risk (cont'd)**

The Bank's fair value interest rate risk arises from debt securities classified as FVOCI debt. At December 31, 2023, if market interest rates had been 100 basis points higher/lower with all variables held constant, comprehensive income for the year would have been \$9,050,735 higher/\$4,881,761 lower. At December 31, 2022, if the same scenario was applied, comprehensive income would be \$7,692,385 higher/\$9,213,524 as a result of the decrease/increase in fair value of FVOCI debt securities.

Cash flow interest rate risk arises from loans and advances to customers at variable rates. At December 31, 2023, if variable interest rates had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been \$3,650,615 higher/lower (2022 - \$6,021,297).

**4.4 Liquidity risk**

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

**4.4.1 Liquidity risk management process**

The Board of Directors establishes the strategy and policy for the management of liquidity risk. The Bank's liquidity is managed by the Finance Department. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. While a significant proportion of the Bank's liabilities fall within the current category, the Bank maintains approximately 17% (2021 - 18%) of assets to manage any payment obligations as history has shown that the assets maintained to manage these outflows is adequate.

The key elements of the liquidity management process are as follows:

- Daily and weekly monitoring to ensure that requirements are met. This includes the replenishment of funds as they mature or as borrowed by customers. The Bank ensures that sufficient funds are held in the one-to-thirty-day maturity bucket to satisfy liquidity requirements.
- Maintaining a portfolio of marketable assets that can easily be liquidated, as protection against any unforeseen liquidity problems. Additionally, the investment portfolio is fairly diversified by currency, geography, provider, product and term.

4. Financial risk management (cont'd)

4.4 Liquidity risk (cont'd)

4.4.1 Liquidity risk management process (cont'd)

The key elements of the liquidity management process are as follows:

- Weekly monitoring of the statement of financial position liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Reviewing sources of liquidity regularly to maintain a wide diversification by currency, geography, provider, product and term.

4.4.2 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows; the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>As at December 31, 2023</b>	\$	\$	\$	\$	\$	\$
<b>Financial liabilities</b>						
Due to customers	1,059,764,693	33,814,394	329,025,505	5,718,583	-	1,428,323,175
Other liabilities	39,211,107	-	3,004,169	-	-	42,215,276
Lease liabilities	193,247	389,582	1,764,539	12,222,716	1,053,945	15,624,029
<b>Total financial liabilities</b>						
(Contractual maturity dates)	1,099,169,047	34,203,976	333,794,213	17,941,299	1,053,945	1,486,162,480
<b>Assets held for managing liquidity risk</b>						
(Contractual maturity dates)	333,157,165	15,040,188	202,171,335	112,983,511	825,711,487	1,489,063,686

4. Financial risk management (cont'd)

4.4 Liquidity risk (cont'd)

4.4.2 Non-derivative cash flows (cont'd)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at December 31, 2022	\$	\$	\$	\$	\$	\$
<b>Financial liabilities</b>						
Due to customers	1,022,415,022	25,699,501	345,920,685	7,375,595	5,000,000	1,406,410,803
Other liabilities	14,910,286	-	13,590,987	-	-	28,501,273
Lease liabilities	159,996	343,566	1,444,086	11,367,212	2,835,422	16,150,282
<b>Total financial liabilities</b> (Contractual maturity dates)	<u>1,037,485,304</u>	<u>26,043,067</u>	<u>360,955,758</u>	<u>18,742,807</u>	<u>7,835,422</u>	<u>1,451,062,358</u>
<b>Assets held for managing liquidity risk</b> (Contractual maturity dates)	<u>147,987,189</u>	<u>49,634,317</u>	<u>192,295,525</u>	<u>142,953,444</u>	<u>765,892,715</u>	<u>1,298,763,190</u>

4.4.3 Assets held for managing liquidity risk

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, Central Bank balances, items in the course of collection, and treasury and other eligible bills, loans and advances to financial institutions, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

4.4.4 Off-balance sheet items

(a) Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 35), are summarized in the table following.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 35) are also included below based on the earliest contractual maturity date.

4. Financial risk management (cont'd)

4.4 Liquidity risk (cont'd)

4.4.4 Off-balance sheet items (cont'd)

	1 year	1-5 years	Over 5 years	Total
<b>As at December 31, 2023</b>				
Loan commitments	107,634,070	1,000,000	-	108,634,070
Guarantees, acceptances and other financial facilities	-	1,589,481	-	1,589,481
<b>Total</b>	<b>107,634,070</b>	<b>2,589,481</b>	<b>-</b>	<b>110,223,551</b>
<b>As at December 31, 2022</b>				
Loan commitments	120,401,417	10,217,399	-	130,618,816
Guarantees, acceptances and other financial facilities	2,170,273	1,589,481	-	3,759,754
<b>Total</b>	<b>122,571,690</b>	<b>11,806,880</b>	<b>-</b>	<b>134,378,570</b>

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, and liquidity risks - e.g., those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has oversight of the operational risk management strategy and processes of the Bank, delegated to the credit risk committee and the managing director. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transaction;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is cost-effective.
- Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit, which reports direct to the Audit Committee.

## **5. Fair values of financial assets and 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.

### **(i) Loans and advances to customers**

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

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques. Input into the valuation techniques includes the expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the underlying collateral. Input into the models may include data from third party brokers and information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation estimates, loans are grouped into portfolios with similar characteristics such as the quality of collateral, repayment, and delinquency rates. For the loans and advances at amortized cost, one or more of the inputs was not based on observable market data.

### **(ii) Investment securities**

Investment securities include only interest-bearing assets at amortized cost as well as assets classified as fair value through other comprehensive income. The fair value for investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit maturity and yield characteristics. For equity securities that are unlisted, the Bank estimated its fair value based on quoted equities in a similar market on the Eastern Caribbean Stock Exchange (ECSE) and examined the price to earnings ratio of these companies. A high and low data point was used and applied to the net profit to ascertain a value per share, with the average of the two being used as the value per share per unlisted security. For the debt securities at amortized cost, one or more of the significant inputs was not based on observable market data.

The categories are explained in Note 3(e)(ii).

5. Fair values of financial assets and liabilities (cont'd)

(iii) Due to customers

The estimated fair value of deposits with no stated maturity, which includes non interest-bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are assumed to have fair values which approximate carrying values. For the deposits with a fixed maturity, one or more of the significant inputs was not based on observable market data.

(iv) Lease liabilities

The fair value of lease liabilities has been estimated using current observable interest rate data, a Level 2 input.

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

	Carrying amount		Fair value	
	2023 \$	2022 \$	2023 \$	2022 \$
<b>Financial assets</b>				
Due from other banks	72,153,769	133,214,671	72,153,769	133,214,671
Loans and advances to customers:				
- Overdrafts	50,896,676	34,545,464	50,896,676	30,087,941
- Demand loans	466,216,323	436,570,887	375,044,860	389,008,853
- Promissory notes	550,892	5,454,306	234,685	5,980,858
- Mortgages	405,791,404	426,115,580	340,069,891	390,044,551
- Credit cards	5,223,754	5,157,903	5,223,754	5,157,903
FV adjustment arising from business contributions (note 36)	(895,776)	(895,776)	(895,766)	(895,776)
Investment securities:				
- Treasury bills	54,711,593	28,247,950	54,763,470	28,247,950
- Debt instruments at amortized cost	103,097,788	74,788,848	105,268,801	70,438,352
<b>Financial liabilities</b>				
Due to customers:				
- Time deposits	201,198,958	210,907,734	210,206,227	210,907,734
- Savings accounts	858,602,429	820,688,787	858,602,429	820,688,787
- Demand accounts	366,842,673	372,885,650	366,842,673	372,885,650

## 5. Fair values of financial assets and liabilities (cont'd)

### 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 Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs that are unobservable (not based on observable market data). This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between instruments.

### 5.1 Assets measured at fair value

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>December 31, 2023</b>				
Investment securities				
– Debt instruments at FVOCI	74,238,934	-	-	74,238,934
– Equity instruments at FVOCI	5,182,079	3,286,250	9,600,946	18,069,275
Total assets	<u>79,421,013</u>	<u>3,286,250</u>	<u>9,600,946</u>	<u>92,308,209</u>
<b>December 31, 2022</b>				
Investment securities				
– Debt instruments at FVOCI	43,223,235	-	-	43,223,235
– Equity instruments at FVOCI	-	7,823,979	10,299,141	18,123,120
Total assets	<u>43,223,235</u>	<u>7,823,979</u>	<u>10,299,141</u>	<u>61,346,355</u>

## 6. Capital management

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

- to comply with the capital requirements set by the Eastern Caribbean Central Bank;
- 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 ("the Central Bank") for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires every bank within its regulatory jurisdiction to: (a) hold the minimum level of paid-up capital of \$20,000,000, and (b) maintain a ratio of total regulatory capital to the risk-weighted assets (the "Basel ratio") at or above the minimum indicated in the prudential guidelines.

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held at fair value through other comprehensive income.

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.

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6. Capital management (cont'd)

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the years ended December 31, 2023, and 2022. During those two years, the Bank complied with all of the externally imposed capital requirements.

	2023 \$	2022 \$
<b>Tier 1 capital</b>		
Share capital	20,000,000	20,000,000
Statutory reserve	19,824,784	17,544,381
Retained earnings	55,803,007	46,216,430
	<u>95,627,791</u>	<u>83,761,811</u>
Less:		
Goodwill	(4,942,900)	(4,942,900)
Other intangibles	(13,279,327)	(15,326,295)
<b>Total qualifying Tier 1 capital</b>	<u>77,405,564</u>	<u>63,491,616</u>
<b>Tier 2 capital</b>		
Other reserves	40,962,053	48,920,364
Revaluation reserve - FVOCI investments	(1,129,616)	(2,883,220)
Revaluation reserve - property and equipment	1,675,997	1,631,503
<b>Total qualifying Tier 2 capital</b>	<u>41,508,434</u>	<u>47,668,647</u>
<b>Total regulatory capital</b>	<u>118,913,998</u>	<u>111,160,263</u>
<b>Risk-weighted assets:</b>		
On-balance sheet	906,380,000	927,397,000
Off-balance sheet	110,222,000	145,069,000
<b>Total risk-weighted assets</b>	<u>1,016,602,000</u>	<u>1,072,466,000</u>
<b>Basel ratio - actual</b>	12%	10%
<b>Basel ratio - required</b>	10%	10%

The capital adequacy ratio is calculated as total qualifying Tier 1 capital divided by total risk-weighted assets. The Basel ratio is calculated as total regulatory capital divided by total risk-weighted assets.

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**7. Cash and balances with Central Bank**

	Notes	2023 \$	2022 \$
Cash in hand		28,468,379	23,618,198
Balances with Central Bank other than mandatory reserve deposits		205,194,355	83,428,217
Included in cash and cash equivalents	16	233,662,734	107,046,415
Mandatory reserve deposits with Central Bank		73,408,341	208,530,425
		<u>307,071,075</u>	<u>315,576,840</u>

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. The balances with the Central Bank are non-interest bearing.

**8. Due from other banks**

	Notes	2023 \$	2022 \$
Items in the course of collection from other banks		(3,886,395)	9,573,855
Placements with other banks		76,040,164	123,640,816
Included in cash and cash equivalents	16	72,153,769	133,214,671

The weighted average effective interest rate in respect of interest-bearing deposits at December 31, 2023 was 3.03% (2022 - 0.65%).

**9. Treasury bills**

	Notes	2023 \$	2022 \$
Treasury bills	12	54,711,593	28,247,950

The Bank has invested in treasury bills issued by the Governments of Saint Lucia, St. Vincent & the Grenadines and Antigua. The weighted average effective interest rate of the treasury bills in 2023 was 4.20% (2022 - 3.32%). All treasury bills have fixed interest rates, and they mature within one year of the end of the financial year.

The December 31, 2023 balance includes ECL of \$42,192 (2022: \$43,368).

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10. Loans and advances to customers

	Notes	2023 \$	2022 \$
Overdrafts		60,155,675	40,029,146
Demand loans		492,589,507	458,268,089
Promissory notes		1,311,397	6,808,358
Mortgages		425,915,359	449,639,129
Credit cards		9,620,675	8,316,061
		<u>989,592,613</u>	<u>963,060,783</u>
Less: Deferred fees		(3,561,180)	(3,759,985)
Less: Interest earned not collected		(2,417,986)	(2,419,471)
		<u>983,613,447</u>	<u>956,881,327</u>
Less: Impairment allowance on loans and advances	11	(54,934,398)	(49,037,187)
		<u>928,679,049</u>	<u>907,844,140</u>
Add: Fair value adjustment arising from business combinations	36	(895,776)	(895,776)
		<u>927,783,273</u>	<u>906,948,364</u>
Current		32,252,707	33,599,629
Non-current		895,530,566	873,348,735
		<u>927,783,273</u>	<u>906,948,364</u>

The weighted average effective interest rate on productive loans measured at amortized cost at December 31, 2023 was 5.45% (2022: 5.65%) and the rate on productive overdrafts measured at amortized cost was 4.92% (2022: 7.32%).

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11. Provision for impairment of loans and advances

Reconciliation of the allowance account for losses on loans and advances by class is as follows:

	Overdraft \$	Credit Cards \$	Demand Loans \$	Promissory Notes \$	Mortgage \$	Total \$
<b>Balance at December 31, 2022</b>	4,743,443	3,158,158	21,697,204	927,226	18,511,156	49,037,187
Transferred at August 1 2023						
Provision for ECL (Note 31)	4,037,356	1,238,765	1,893,497	(166,722)	(418,093)	6,584,803
Loans written off during the year	-	-	(58,079)	-	(629,513)	(687,592)
<b>At December 31, 2023</b>	<b>8,780,799</b>	<b>4,396,923</b>	<b>23,532,622</b>	<b>760,504</b>	<b>17,463,550</b>	<b>54,934,398</b>
<b>Balance at December 31, 2021</b>	4,822,255	1,159,634	18,492,637	2,257,576	27,050,050	53,782,152
Transferred at August 1 2022	965,709	357,370	1,359,527	198,974	756,827	3,638,407
Provision for ECL (Note 31)	(1,083,683)	1,641,154	1,923,403	(1,529,324)	(8,258,271)	(7,306,721)
Loans written off during the year	-	-	(39,201)	-	(1,037,450)	(1,076,651)
<b>At December 31, 2022</b>	<b>4,704,281</b>	<b>3,158,158</b>	<b>21,736,366</b>	<b>927,226</b>	<b>18,511,156</b>	<b>49,037,187</b>

The total impairment provision for loans and advances to customers is \$54,934,397 (2022 - \$49,037,187).

A breakdown of the staging of advances and the related ECLs for loans and advances is illustrated below:

	Demand \$	Mortgages \$	Promissory Notes \$	Overdrafts \$	Credit Cards \$	Total \$
<b>December 31, 2023</b>						
<b>Loans and advances before provision</b>	489,748,945	423,254,955	1,311,397	59,677,473	9,620,677	983,613,447
Stage 1: 12-month ECL	(5,003,683)	(1,922,706)	(2,955)	(804,448)	(470,919)	(8,204,711)
Stage 2: Lifetime ECL	(554,709)	(835,458)	(1,291)	(168,946)	(206,741)	(1,767,145)
Stage 3: Credit Impaired	(17,974,230)	(14,705,386)	(756,258)	(7,807,405)	(3,719,263)	(44,962,542)
<b>Loans and advances after provision</b>	<b>466,216,323</b>	<b>405,791,405</b>	<b>550,893</b>	<b>50,896,674</b>	<b>5,223,754</b>	<b>928,679,049</b>
<b>December 31, 2022</b>						
<b>Loans and advances before provision</b>	458,268,090	444,626,737	6,381,532	39,288,907	8,316,061	956,881,327
Stage 1: 12-month ECL	(3,598,565)	(1,290,143)	(12,233)	(714,550)	(367,336)	(5,982,827)
Stage 2: Lifetime ECL	(1,941,756)	(1,034,382)	(3,718)	(985,706)	(185,631)	(4,151,193)
Stage 3: Credit Impaired	(16,156,881)	(16,186,631)	(911,275)	(3,043,187)	(2,605,193)	(38,903,167)
<b>Loans and advances after provision</b>	<b>436,570,888</b>	<b>426,115,581</b>	<b>5,454,306</b>	<b>34,545,464</b>	<b>5,157,901</b>	<b>907,844,140</b>

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11. Provision for impairment of loans and advances (cont'd)

A breakdown of the staging of advances and the related ECLs for loans and advances is illustrated below (cont'd)

	Demand \$	Mortgages \$	Promissory Notes \$	Overdrafts \$	Credit Cards \$	Total \$
<b>Stage 1: 12-month ECL</b>						
ECL allowance as at:						
January 1, 2023	3,598,566	1,290,143	12,233	714,550	367,336	5,982,828
Credit loss movements, new Loans, repayments, etc.	1,405,117	632,563	(9,278)	89,898	103,583	2,221,883
<b>As at December 31, 2023</b>	<b>5,003,683</b>	<b>1,922,706</b>	<b>2,955</b>	<b>804,448</b>	<b>470,919</b>	<b>8,204,711</b>
<b>Stage 2: Lifetime ECL</b>						
ECL allowance as at:						
January 1, 2023	1,941,757	1,034,381	3,718	985,706	185,631	4,151,193
Credit loss movements, new Loans, repayments, etc.	(1,387,048)	(198,923)	(2,427)	(816,760)	21,110	(2,384,048)
<b>As at December 31, 2023</b>	<b>554,709</b>	<b>835,458</b>	<b>1,291</b>	<b>168,946</b>	<b>206,741</b>	<b>1,767,145</b>
<b>Stage 3: Lifetime ECL</b>						
ECL allowance as at:						
January 1, 2023	16,156,881	16,186,632	911,275	3,043,187	2,605,191	38,903,166
Transferred at August 1, 2023	(58,079)	(629,513)	-	-	-	(687,592)
Credit loss movements, new Loans, repayments, etc.	1,875,428	(851,733)	(155,017)	4,764,218	1,114,072	6,746,968
<b>As at December 31, 2023</b>	<b>17,974,230</b>	<b>14,705,386</b>	<b>756,258</b>	<b>7,807,405</b>	<b>3,719,263</b>	<b>44,962,542</b>
<b>Total</b>	<b>23,532,622</b>	<b>17,463,550</b>	<b>760,504</b>	<b>8,780,799</b>	<b>4,396,923</b>	<b>54,934,398</b>

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11. Provision for impairment of loans and advances (cont'd)

A breakdown of the staging of advances and the related ECLs for loans and advances is illustrated below (cont'd)

	Demand \$	Mortgages \$	Promissory Notes \$	Overdrafts \$	Credit Cards \$	Total \$
<b>Stage 1: 12-month ECL</b>						
ECL allowance as at:						
January 1, 2022	1,056,365	879,376	134,449	847,595	278,271	3,196,056
Transferred at August 1, 2022	27,580	33,036	27,857	29,515	65,768	183,756
Credit loss movements, new						
Loans, repayments, etc.	2,514,621	377,731	(150,073)	(162,560)	23,297	2,603,016
<b>As at December 31, 2022</b>	<b>3,598,566</b>	<b>1,290,143</b>	<b>12,233</b>	<b>714,550</b>	<b>367,336</b>	<b>5,982,828</b>
<b>Stage 2: Lifetime ECL</b>						
ECL allowance as at:						
January 1, 2022	1,510,982	11,053,475	151,549	35,933	557,774	13,309,713
Transferred at August 1, 2022	2,830	57,807	21,823	98,688	291,602	472,750
Credit loss movements, new						
Loans, repayments, etc.	427,945	(10,076,901)	(169,654)	851,085	(663,745)	(9,631,270)
<b>As at December 31, 2022</b>	<b>1,941,757</b>	<b>1,034,381</b>	<b>3,718</b>	<b>985,706</b>	<b>185,631</b>	<b>4,151,193</b>
<b>Stage 3: Lifetime ECL</b>						
ECL allowance as at:						
January 1, 2022	15,925,290	15,117,199	1,971,578	3,938,727	323,589	37,276,383
Transferred at August 1, 2022	935,299	665,984	149,294	1,231,324	-	2,981,901
Charge-offs and write-offs						
	-		(39,201)	-	(1,037,450)	(1,076,651)
Credit loss movements, new						
Loans, repayments, etc.	(703,708)	403,448	(1,170,396)	(2,126,864)	3,319,053	(278,467)
<b>As at December 31, 2022</b>	<b>16,156,881</b>	<b>16,186,631</b>	<b>911,275</b>	<b>3,043,187</b>	<b>2,605,192</b>	<b>38,903,166</b>
<b>Total</b>	<b>21,697,204</b>	<b>18,511,155</b>	<b>927,226</b>	<b>4,743,443</b>	<b>3,158,159</b>	<b>49,037,187</b>

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12. Investment securities

	2023 \$	2022 \$
<b>Fair value through other comprehensive income (FVOCI)</b>		
Equity securities - Listed	8,468,329	7,823,979
Equity securities - Unlisted	9,600,946	10,299,141
	<u>18,069,275</u>	<u>18,123,120</u>
Debt securities - Listed	74,248,938	43,243,497
Allowance for impairment	(10,004)	(20,262)
	<u>74,238,934</u>	<u>43,223,235</u>
<b>Total securities: FVOCI</b>	<u>92,308,209</u>	<u>61,346,355</u>
<b>Amortized cost</b>		
Debt securities - Listed	15,495,500	48,277,711
Debt securities - Unlisted	88,130,872	26,928,716
Allowance for impairment	(528,584)	(417,579)
<b>Total securities: amortized cost</b>	<u>103,097,788</u>	<u>74,788,848</u>
<b>Total investment securities</b>	<u>195,405,997</u>	<u>136,135,203</u>
Current	146,286,708	43,921,183
Non-current	49,119,289	92,214,020
	<u>195,405,997</u>	<u>136,135,203</u>

Unlisted equity securities totalling \$9,600,946 (2022: \$10,299,141) are carried at fair values. The fair value was estimated using quoted market prices for securities with similar credit maturity and yield characteristics.

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12. Investment securities (cont'd)

All debt securities have fixed interest rates.

The movements in investment securities financial assets including Treasury Bills during the year are as follows:

	Fair value through OCI \$	Amortized Cost \$	Treasury Bills \$	Total \$
<b>At December 31, 2022</b>	61,346,355	74,788,848	28,247,950	164,383,153
Additions	33,025,485	70,122,670	90,419,378	193,567,533
Fair value adjustment on business combination	(508,715)	-	-	(508,715)
Disposals (sale and redemption)	(3,318,777)	(41,702,725)	(63,956,911)	(108,978,413)
Gain from changes in fair value (debt and equity securities)	1,244,888	-	-	1,244,888
Gain from Fair value adjustment of investments on business combination	508,715	-	-	508,715
Allowance for expected credit losses	10,258	(111,005)	1,176	(99,571)
<b>At December 31, 2023</b>	<b>92,308,209</b>	<b>103,097,788</b>	<b>54,711,593</b>	<b>250,117,590</b>
<b>At December 31, 2021</b>	55,622,782	65,760,401	15,674,819	137,058,002
Additions	17,383,314	43,118,078	49,492,447	109,993,839
Disposals (sale and redemption)	(5,707,400)	(33,991,809)	(36,900,256)	(76,599,465)
Loss from changes in fair value (debt and equity securities)	(5,944,572)	-	-	(5,944,572)
Allowance for expected credit losses	(7,769)	(97,822)	(19,060)	(124,651)
<b>At December 31, 2022</b>	<b>61,346,355</b>	<b>74,788,848</b>	<b>28,247,950</b>	<b>164,383,153</b>

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12. Investment securities (cont'd)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's credit rating system and year end stage classification for investments, including Treasury Bills.

	Stage 1 12 Month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Credit Impaired Financial Assets Lifetime ECL \$	Total \$
December 31, 2023				
Gross exposure	250,698,369	-	-	250,698,369
ECL	(580,779)	-	-	(580,779)
<b>Net exposure</b>	<b>250,117,590</b>	<b>-</b>	<b>-</b>	<b>250,117,590</b>
ECL allowance as at				
January 1, 2023	481,208	-	-	481,208
ECL for the year	99,571	-	-	99,571
<b>At December 31, 2023</b>	<b>580,779</b>	<b>-</b>	<b>-</b>	<b>580,779</b>
December 31, 2022				
Gross exposure	164,864,361	-	-	164,864,361
ECL	(481,208)	-	-	(481,208)
<b>Net exposure</b>	<b>164,383,153</b>	<b>-</b>	<b>-</b>	<b>164,383,153</b>
ECL allowance as at				
January 1, 2022	356,557	-	-	356,557
ECL for the year	124,651	-	-	124,651
<b>At December 31, 2022</b>	<b>481,208</b>	<b>-</b>	<b>-</b>	<b>481,208</b>

The net exposure and ECL balance as at December 31, 2023 above includes investment securities of \$195,405,997 [ECL - \$538,588] (2022: 136,135,203 [ECL - \$437,841]) as included in Note 12 and treasury bills of 54,711,593 [ECL - \$42,192] (2022: \$28,247,950 [ECL - \$43,368]) as included in Note 9.

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13. Property and equipment

	Land and building \$	Furniture and Fixtures \$	Equipment \$	Motor Vehicles \$	Work in progress \$	Total \$
<b>Year ended December 31, 2023</b>						
Opening net book amount	9,641,884	538,364	3,006,858	89,869	1,735,027	15,012,002
Additions	48,255	106,719	1,333,566	-	1,343,217	2,831,757
Disposals	-	(8,876)	(71,164)	-	-	(80,040)
Adjustment for cost written off	129,580	(43,861)	201,427	-	(357,970)	(70,824)
Depreciation on disposals	-	8,757	71,164	-	-	79,921
Adjustment for depreciation written off	-	857	611	38	-	1,506
Depreciation (Note 28)	(310,628)	(105,250)	(1,105,502)	(53,453)	-	(1,574,833)
Closing net book amount	9,509,091	496,710	3,436,960	36,454	2,720,274	16,199,489
<b>At December 31, 2023</b>						
Cost or valuation	15,149,017	2,103,628	15,087,400	320,660	2,720,274	35,380,979
Accumulated depreciation	(5,639,926)	(1,606,918)	(11,650,440)	(284,206)	-	(19,181,490)
<b>Net book amount</b>	<b>9,509,091</b>	<b>496,710</b>	<b>3,436,960</b>	<b>36,454</b>	<b>2,720,274</b>	<b>16,199,489</b>
<b>Year ended December 31, 2022</b>						
Opening net book amount	7,578,356	570,002	2,707,628	160,550	259,073	11,275,609
Transferred at August 1, 2022	2,665,505	-	48,154	-	-	2,713,659
Additions	-	79,238	1,267,276	-	1,475,954	2,822,468
Disposals	-	(4,700)	(47,541)	-	-	(52,241)
Depreciation on disposals	-	3,040	46,200	-	-	49,240
Depreciation (Note 28)	(601,977)	(109,216)	(1,014,859)	(70,681)	-	(1,796,733)
Closing net book amount	9,641,884	538,364	3,006,858	89,869	1,735,027	15,012,002
<b>At December 31, 2022</b>						
Cost or valuation	14,971,182	2,049,646	13,623,571	320,660	1,735,027	32,700,086
Accumulated depreciation	(5,329,298)	(1,511,282)	(10,616,713)	(230,791)	-	(17,688,084)
<b>Net book amount</b>	<b>9,641,884</b>	<b>538,364</b>	<b>3,006,858</b>	<b>89,869</b>	<b>1,735,027</b>	<b>15,012,002</b>

The historical cost of land and buildings are:

	2023 \$	2022 \$
Cost	6,647,233	6,647,233
Accumulated depreciation based on historical cost	(3,903,615)	(3,829,238)
Depreciated historical cost	2,743,618	2,817,995

13. Property and equipment (cont'd)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Market based approach:</i>  The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution.</p> <p>The approach requires comparison of the subject property with others of inter alia similar design and utility, which were sold in the recent past.</p> <p>However, as no two properties are exactly alike, adjustment is made for the difference between property subject to valuation and comparable properties.</p>	<ul style="list-style-type: none"> <li>• Details of sales of comparable properties.</li> <li>• Conditions influencing the sale of the comparable properties.</li> <li>• Comparability adjustment.</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Sale value of comparable properties were higher/(lower)</li> <li>• Comparability adjustment were added/(deducted).</li> </ul>

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14. Leases

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right of Use Property \$	Lease Liability \$
<b>As at 1 January 2023</b>	14,276,239	16,150,282
Additions	1,542,540	1,542,538
Depreciation expense	(2,284,586)	-
Principal payments	-	(2,068,884)
Derecognition, net	-	92
<b>As at 31 December 2023</b>	<b>13,534,193</b>	<b>15,624,028</b>
<b>As at 1 January 2022</b>	16,016,686	17,517,941
Additions	547,648	547,648
Depreciation expense	(2,280,488)	-
Principal payments	-	(1,907,534)
Derecognition, net	(7,607)	(7,773)
<b>As at 31 December 2022</b>	<b>14,276,239</b>	<b>16,150,282</b>
	<b>2023</b>	<b>2022</b>
<b>Lease Liability</b>	<b>\$</b>	<b>\$</b>
Current	2,347,368	1,947,648
Non-current	13,276,660	14,202,634
	<b>15,624,028</b>	<b>16,150,282</b>

Future minimum lease payments at 31 December 2023 were as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>As at 31 December 2023</b>						
Lease payments	279,643	559,288	2,476,585	14,674,851	1,178,829	19,169,196
Finance charges	(86,396)	(169,706)	(712,046)	(2,452,136)	(124,884)	(3,545,168)
Net Present Values	<b>193,247</b>	<b>389,582</b>	<b>1,764,539</b>	<b>12,222,715</b>	<b>1,053,945</b>	<b>15,624,028</b>
<b>As at 31 December 2022</b>						
Lease payments	272,145	544,290	2,404,215	15,063,011	3,146,938	21,430,599
Finance charges	(112,150)	(221,022)	(939,831)	(3,695,800)	(311,514)	(5,280,317)
Net Present Values	<b>159,995</b>	<b>323,268</b>	<b>1,464,384</b>	<b>11,367,211</b>	<b>2,835,424</b>	<b>16,150,282</b>

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14. Leases (cont'd)

The table below describes the nature of the leasing activities by type of right-of-use asset recognized in the statement of financial position:

	No of right-of-use assets leased	Range of remaining term	Average remaining term of lease	No of leases with extension option	No of leases with option to purchase	No of leases with termination option	No of leases with variable payment linked to an index
<b>Right of use asset</b>							
Office building	9	1-9 years	6 years	9	1	9	0
Storage related facility	2	½ year	½ year	2	0	2	0

15. Intangible assets

	Note	Goodwill \$	Core deposit Intangibles \$	Software \$	Assembled workforce	Total \$
<b>Year ended December 31, 2023</b>						
Opening net book amount		4,942,900	13,812,733	408,219	1,105,343	20,269,195
Additions for the year		-	-	144,645	-	144,645
Amortization		-	(1,977,431)	(214,182)	-	(2,191,613)
Closing net book amount		4,942,900	11,835,302	338,682	1,105,343	18,222,227
<b>As at December 31, 2023</b>						
Cost		4,942,900	13,812,733	4,316,033	1,105,343	24,177,009
Accumulated amortization		-	(1,977,431)	(3,977,351)	-	(5,954,782)
Net book amount		4,942,900	11,835,302	338,682	1,105,343	18,222,227
<b>Year ended December 31, 2022</b>						
Opening net book amount		4,942,900	7,791,452	99,272	-	12,833,624
Additions for the year		-	-	724,460	-	724,460
Acquired through combinations	36	-	6,021,281	-	1,105,343	7,126,624
Amortization		-	-	(415,513)	-	(415,513)
Closing net book amount		4,942,900	13,812,733	408,219	1,105,343	20,269,195
<b>As at December 31, 2022</b>						
Cost		4,942,900	13,812,733	4,171,388	1,105,343	24,032,364
Accumulated amortization		-	-	(3,763,169)	-	(3,763,169)
Net book amount		4,942,900	13,812,733	408,219	1,105,343	20,269,195

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16. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 3 months maturity:

	Notes	2023 \$	2022 \$
Cash and balances with Central Bank	7	233,662,734	107,046,415
Due from other banks	8	72,153,769	133,214,671
		<u>305,816,503</u>	<u>240,261,086</u>

17. Other assets

	2023 \$	2022 \$
Accounts receivable	24,629,661	23,698,012
Inventories of stationery and supplies	294,807	322,810
Deferred expenditure	362,929	333,710
Prepayments	2,918,133	2,222,356
Interest earned not collected	2,162,679	2,076,866
	<u>30,368,209</u>	<u>28,653,754</u>

18. Due to customers

	2023 \$	2022 \$
Time deposits	201,198,958	210,907,734
Savings accounts	858,602,429	820,688,787
Demand amounts	366,842,673	372,885,650
	<u>1,426,644,060</u>	<u>1,404,482,171</u>
Interest payable	1,679,115	1,928,632
	<u>1,428,323,175</u>	<u>1,406,410,803</u>
Current	1,422,513,321	1,366,174,147
Non-current	5,809,854	40,236,656
	<u>1,428,323,175</u>	<u>1,406,410,803</u>

All deposits bear fixed interest rates.

The weighted average effective interest rate of customers' deposits at December 31, 2023 was 1.57% (2022 - 1.57%).

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19. Due to banks

	2023 \$	2022 \$
St. Kitts Nevis Anguilla National Bank ( <i>Note 19.a</i> )	24,057,795	26,626,943
Interest payable	8,404	9,301
	<u>24,066,199</u>	<u>26,636,244</u>

19. a

	2023 \$	2022 \$
<b>St. Kitts-Nevis-Anguilla National Bank Limited</b>		
Original loan of \$29,700,000 (USD11,000,000 x 2.70). The loan is repayable in monthly installments of \$304,241(USD112,682 x 2.70) at an interest rate of 4.25% per annum effective on the 28th of the month following the disbursement of the funds. Security is provided by way of assignment of investment securities totaling \$42,428,062. The loan is due to be fully paid after 10 years (120 months).		
	24,057,795	26,626,943

	2023 \$	2022 \$
Non-current	21,385,924	24,066,199
Current	2,680,275	2,570,045
	<u>24,066,199</u>	<u>26,636,244</u>

20. Other liabilities

	2023 \$	2022 \$
Manager's cheques outstanding	4,766,455	6,243,264
Accounts payable and accrued expenses	35,622,600	20,428,283
Due to affiliated companies	-	67,894
Dividends payable on ordinary shares	1,187,155	1,122,766
Provision for retiree group life benefit	466,389	466,389
Deferred income	172,677	172,677
	<u>42,215,276</u>	<u>28,501,273</u>

The provision for retiree group life benefit pertains to retiree group life benefit coverage for RBC St. Lucia employees.

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21. Provisions

	2023	2022
	\$	\$
Provision for undrawn loan commitments	3,004,790	2,623,615

The Bank is required to allocate a provision for expected credit losses related to loan commitments issued as a result of the implementation of IFRS 9.

22. Defined benefit asset

Net Asset in Statement of Financial Position

The amount recognized in the statement of financial position at the reporting date is determined as follows:

	2023	2022
	\$	\$
Present value of funded obligations	7,263,000	7,228,000
Fair value of plan assets	(11,021,000)	(10,505,000)
Surplus	(3,758,000)	(3,277,000)
Effect of asset ceiling	624,000	-
Net defined benefit asset	(3,134,000)	(3,277,000)

Movement in defined benefit obligations

	2023	2022
	\$	\$
Defined benefit obligation at start of year	7,228,000	7,086,000
Current service cost	169,000	185,000
Interest cost	492,000	486,000
Members' contributions	62,000	81,000
Transfer payments received	-	-
Experience adjustments	(269,000)	(315,000)
Benefits paid	(419,000)	(295,000)
Defined benefit obligation at end of year	7,263,000	7,228,000

The defined benefit obligation is allocated between the Plan's members as follows:

(i) Active members	48%	71%
(ii) Transfer values and AVCs	2%	2%
(iii) Deferred members	16%	9%
(iv) Pensioners	34%	18%

The weighted average duration of the defined benefit obligation at the end of the reporting period was 9.0 years (2022 - 8.6 years). 96% (2022 - 97%) of the benefits for active members are vested. 11% (2022 - 7%) of the defined benefit obligation for active members is conditional on future salary increases.

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22. Defined benefit asset (cont'd)

Movement in fair value of plan assets

	2023 \$	2022 \$
Fair value of Plan Assets at start of year	10,505,000	9,753,000
Interest income	730,000	683,000
(Loss)/return on Plan Assets, excluding interest income	(49,000)	56,000
Bank's contributions	192,000	227,000
Members' contributions	62,000	81,000
Benefits paid	(419,000)	(295,000)
<b>Fair value of plan assets at end of year</b>	<b>11,021,000</b>	<b>10,505,000</b>
Actual return on plan assets	681,000	739,000

Allocation of plan assets

	2023 \$	2022 \$
Locally listed equities	750,000	750,000
Government issued bonds	8,558,000	8,297,000
Corporate bonds	1,208,000	1,194,000
Cash and cash equivalents	505,000	264,000
<b>Fair value of plan assets at end of year</b>	<b>11,021,000</b>	<b>10,505,000</b>

Government bonds have been calculated on a fair value basis.

The Plan's assets are invested in a strategy agreed with the Plan's Trustees, which is largely driven by the statutory constraints and asset availability. There are no asset-liability matching strategies used by the Plan.

Amounts recognized in the statement of income

	Notes	2023 \$	2022 \$
Current service cost		169,000	185,000
Net interest on net defined benefit asset		(238,000)	(197,000)
Net pension income	30	(69,000)	(12,000)

Re-measurements recognized in Other Comprehensive Income

	2023 \$	2022 \$
Experience losses	(220,000)	(371,000)
Effect of asset ceiling	624,000	-
<b>Total amount recognized in other comprehensive income</b>	<b>404,000</b>	<b>(371,000)</b>

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22. Defined benefit asset (cont'd)

Reconciliation of opening and closing statement of financial position amounts

	2023	2022
	\$	\$
Net defined benefit asset at January 1	(3,277,000)	(2,667,000)
Net pension cost	(69,000)	(12,000)
Re-measurements recognized in Other Comprehensive Income	404,000	(371,000)
Bank contributions paid	(192,000)	(227,000)
Net defined benefit asset at December 31	<u>(3,134,000)</u>	<u>(3,277,000)</u>

Summary of principal actuarial assumptions as at December 31

	2023	2022
	%	%
Discount rate	7.0	7.0
Future salary increases	4.0	4.0
Future NIC earnings increases	2.0	2.0
Future Pension increases	0.0	0.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at December 31, 2023 and 2022 are as follows:

Life expectancy at age 60 for current pensioner in years

- Male	21.9	21.9
- Female	26.2	26.1

Life expectancy at age 60 for current members age 40 in years

- Male	22.8	22.7
- Female	27.1	27.1

## 22. Defined benefit asset (cont'd)

### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarizes how the defined benefit obligation as at December 31, 2023 would have changed as a result of a change in assumptions used.

	1% p.a. decrease	1% p.a. increase
Discount rate	686,000	(551,000)
Future salary increases	(186,000)	240,000

An increase of 1 year in the assumed life expectancies shown above would have increased the defined benefit obligation at December 31, 2023 by \$80,000 (2022 - \$75,000).

### Funding

The Bank meets the balance of the cost of funding the defined benefit pension plan and the Bank must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 4 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Bank expects to pay \$186,000 (2022 - \$222,000) to the Pension Plan during 2023.

## 23. Deferred income tax liability

Deferred income taxes are calculated on temporary differences between amounts for financial reporting purposes and those for tax purposes, using a principal tax rate of 33%.

	Notes	2023 \$	2022 \$
At beginning of year		(465,100)	(532,115)
Deferred tax credit recognised in statement of profit	32	(15,669)	(44,285)
Deferred tax (credit)/charge recognised in other comprehensive income		(61,569)	111,300
Deferred tax credit arising on change in tax rate recognised in statement of profit	32	(103,292)	-
Deferred income tax liability at end of year		<u>(645,630)</u>	<u>(465,100)</u>

The deferred income tax liability comprises the following temporary differences:

	2023 \$	2022 \$
Accelerated capital allowances	2,205,990	2,951,334
Defined benefit asset	(3,134,000)	(3,277,000)
Arising on business combination	(3,098,709)	(3,098,709)
Leases	2,089,835	1,874,040
	<u>(1,936,884)</u>	<u>(1,550,335)</u>
Deferred tax liability at income tax rate of 33%	<u>(645,630)</u>	<u>(465,100)</u>

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**24. Share capital**

	No. of Shares	2023 \$	No. of Shares	2022 \$
Authorized:				
7,000,000 ordinary shares of no par value				
Issued and fully paid shares:				
At the beginning of year	6,726,478	20,000,000	6,726,478	20,000,000
Stock dividend	268,389	-	-	-
At end of year	<u>6,994,867</u>	<u>20,000,000</u>	<u>6,726,478</u>	<u>20,000,000</u>

In accordance with the provisions of Section 44 (1)(a) of the Banking Act, Cap 12.01, the Bank is required to hold a minimum level of paid-up capital of \$20,000,000. During 2017, in order to be in compliance with this requirement, the Bank temporarily transferred an amount of \$12,028,546 from retained earnings to paid-up capital. \$3,000,000 of this amount was issued as bonus shares on September 1, 2017, giving each existing shareholder one share for every five shares held.

Further to this, the Bank sought and received approval from shareholders at a Special Meeting dated December 17, 2016 to pursue an additional public offering ('APO') of 1,000,000 shares at \$10.00 per share to augment its capital base. At the same time, shareholders also approved the transfer of \$9,028,546 from paid up capital back to retained earnings upon the sale of these 1,000,000 shares.

During 2017, 372,492 shares, equating to capital of \$3,724,920 were sold over the subscription period of September 4 to November 13, 2017. At the completion of that process, 627,508 shares remained unsubscribed. At a Special Meeting of Shareholders held on May 30, 2019, the shareholders approved a stock dividend in the ratio of one share for every thirty-six shares held. A further 177,013 shares were approved in lieu of cash dividend for the financial year ended December 31, 2019. This was appropriated from retained earnings at the end of the 2021 financial year end. This brought the total of unsubscribed shares to 273,482. A plan to distribute the remaining unsubscribed shares was ratified by the Board of Directors, to be distributed during the 2023 financial year. At the 2021 Annual General Meeting held in 2023 the stock dividend was declared for the remaining 268,389 unsubscribed shares. The remaining 5,093 shares have been put up for sale.

**25. Reserves**

	2023 \$	2022 \$
Statutory reserve	19,824,784	17,544,381
Revaluation reserve - property and equipment	1,675,997	1,631,503
Revaluation reserve for interest on non-performing loans	7,417,540	6,007,528
Revaluation reserve for loan impairment	20,061,292	29,778,816
Revaluation reserve - investment securities	(1,129,616)	(2,883,220)
Resiliency reserve	3,000,000	3,000,000
	<u>50,849,997</u>	<u>55,079,008</u>

25. Reserves (cont'd)

Statutory reserve

	2023 \$	2022 \$
Balance at beginning of year	17,544,381	14,278,657
Transfer from profit after taxation	2,280,403	3,265,724
Balance at end of year	<u>19,824,784</u>	<u>17,544,381</u>

Section 45 (1) of the Banking Act, Cap 12.01, requires “all banks to maintain a reserve fund. Every licensed financial institution shall maintain a reserve fund and shall, out of its net profits of each year, transfer to that fund a sum equal to not less than twenty per cent of profits whenever the amount of the reserve fund is less than a hundred per cent of the paid-up or, as the case may be, assigned capital of the licensed financial institution.”

Revaluation reserve - Property and equipment

	2023 \$	2022 \$
Balance at beginning of year	1,631,503	1,580,843
Depreciation transfer	44,494	50,660
Balance at end of year	<u>1,675,997</u>	<u>1,631,503</u>

The revaluation reserve relates to the revaluation of property and equipment above its previous carrying amount. The Bank transfers a portion of the reserve to retained earnings annually as the asset is used by the Bank. The value of the transfer is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost.

Any decline in value upon revaluation are initially applied to the existing reserve amount and any amounts in excess are taken to profit or loss.

Revaluation reserve for interest on non-performing loans

	2023 \$	2022 \$
Balance at beginning of year	6,007,528	4,804,145
Increase in reserve for regulatory purposes	1,410,012	1,203,383
Balance at end of year	<u>7,417,540</u>	<u>6,007,528</u>

This reserve is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with International Financial Reporting Standards. The Eastern Caribbean Central Bank, however, does not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to the shareholders.

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25. Reserves (cont'd)

Reserve for loan impairment

	2023 \$	2022 \$
Balance at beginning of year	29,778,817	7,370,190
Increase in reserve for regulatory purposes	(9,717,524)	22,408,626
Balance at end of year	20,061,293	29,778,816

This reserve is created to set aside the amount by which the loan loss provision calculated under the Prudential Guidelines of the Eastern Caribbean Central Bank exceeds the loan loss provision calculated in accordance with IFRS 9. The excess is therefore set aside in a reserve and is not available for distribution to the shareholders.

Revaluation reserve - FVOCI securities

	2023 \$	2022 \$
Balance at beginning of year	(2,883,220)	3,061,351
Decrease/(Increase) in market value of FVOCI	1,753,604	(5,944,571)
Balance at end of year	(1,129,616)	(2,883,220)

This reserve comprises the fair value reserve related to financial assets measured at FVOCI.

Resiliency reserve

	2023 \$	2022 \$
Balance at end of year	3,000,000	3,000,000

This reserve was established for the eventualities associated with natural disasters and for the investments in necessary assets and key strategic initiatives which shall strengthen the Bank's response to internal and external shocks.

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26. Net interest income

	2023 \$	2022 \$
<b>Interest and similar income</b>		
Loans and advances	51,696,773	47,345,187
Investment securities	8,748,914	4,859,294
Deposits with banks	1,504,537	163,480
	<u>61,950,224</u>	<u>52,367,961</u>
<b>Interest expense and similar charges</b>		
Savings deposits	17,900,440	15,197,190
Time deposits	3,780,652	3,810,473
Interest on lease liabilities	1,236,976	1,457,519
Demand deposits	96,830	213,886
Borrowings	1,090,971	1,187,641
	<u>24,105,869</u>	<u>21,866,709</u>
<b>Net interest income</b>	<u>37,844,355</u>	<u>30,501,252</u>

27. Other operating income, net

	2023 \$	2022 \$
Commission and other income	17,381,718	15,466,627
Bad debts recovered	2,894,699	2,732,423
Foreign exchange gains	7,570,638	6,073,517
Dividend income	471,940	320,493
Fee income	1,330,589	(62,795)
Loss on disposal of property and equipment	(119)	(2,801)
Office losses/Branch errors	66,444	-
	<u>29,715,909</u>	<u>24,527,464</u>

28. Other expenses

	Notes	2023 \$	2022 \$
Administrative expenses	29	29,142,997	32,377,436
Staff costs	30	16,575,212	14,383,032
Depreciation and amortization	13,15	3,766,446	2,212,246
Depreciation on right-of-use assets	14	2,284,586	2,280,488
		<u>51,769,241</u>	<u>51,253,202</u>

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29. Administrative expenses

	2023	2022
	\$	\$
Advertising	828,210	520,579
Audit fees	320,000	280,000
Bank charges	1,408,362	913,504
Bank licence	220,000	220,100
Card services expense	7,383,827	6,773,419
Computer expense	3,459,788	3,173,721
Directors' fees and expenses	341,631	408,797
Insurance	336,268	308,580
Other operating expenses	6,045,514	8,289,941
Other professional fees	929,928	3,865,140
Postage, telephone and telexes	2,000,936	1,411,516
Rates and taxes	1,722,342	2,186,076
Repairs and maintenance	1,331,497	1,629,749
Security expenses	869,802	632,586
Stationery	607,855	452,006
Utilities	1,337,037	1,311,722
Total administrative expenses	<u>29,142,997</u>	<u>32,377,436</u>

30. Staff costs

	2023	2022
	\$	\$
Other employee benefits	2,653,837	2,180,415
Pension income	(69,000)	(12,000)
Social security costs	526,656	474,783
Salaries and wages	13,463,719	11,739,834
	<u>16,575,212</u>	<u>14,383,032</u>

31. Impairment losses/(recovery)

	2023	2022
	\$	\$
Impairment losses / (Recovery of impairment) from loans and advances	6,584,803	(7,306,721)
Impairment on investments	99,571	124,651
Impairment on undrawn loan commitments	379,044	2,562,709
	<u>7,063,418</u>	<u>(4,619,361)</u>

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32. Income tax expense

		2023	2022
	Notes	\$	\$
Current tax		4,539,113	916,948
Deferred tax charge	23	118,961	44,285
		<u>4,658,074</u>	<u>961,233</u>

Tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 33% (2022 - 33%) as follows:

	2023	2022
	\$	\$
Profit before income tax	8,727,605	17,289,853
Tax calculated at the statutory tax rate of 33% (2022 -33%)	4,491,848	5,929,881
Tax calculated at the statutory tax rate of 30% (2022 -nil)	(1,424,786)	(774,959)
Tax effect of exempt income	(2,312,113)	(5,183,326)
Tax effect of non-deductible expenses	3,120,373	663,814
Tax incentives	267,403	(449,136)
Tax under accrual	515,349	-
	<u>4,658,074</u>	<u>961,233</u>

At the end of the year ended December 31, 2023, the Bank recorded an income tax payable and recoverable. A reconciliation of the two amounts is as follows:

	2023	2022
	\$	\$
Income tax payable brought forward	(471,537)	1,118,486
Income tax paid during the year	(6,015,853)	(2,613,140)
Income tax charge for the year	4,539,113	916,948
Penalties	-	106,169
Income tax recoverable	<u>(1,948,277)</u>	<u>(471,537)</u>

33. (a) Earnings per share

	2023	2022
	\$	\$
Weighted average no. of shares	6,994,867	6,726,478
Profit for the year	4,069,531	16,328,620
Earnings per share	<u>0.58</u>	<u>2.43</u>

33. (a) Earnings per share (cont'd)

**Basic and diluted**

Earnings per share of \$0.58 (2022: \$2.43) for the year ended December 31, 2023, is calculated by dividing the net profit for the year attributable to shareholders of \$4,069,531 (2022: \$16,328,620) by the weighted average number of ordinary shares in issue for the year of 6,994,867 (2022 - 6,726,478).

The weighted average number of shares for the year is calculated as follows:

	Notes	2023 \$	2022 \$
Weighted average number of shares at beginning of year	24	6,726,478	6,726,478
Effect of shares issued during the year - stock dividend		268,389	-
Weighted average number of ordinary shares at end of year		<u>6,994,867</u>	<u>6,726,478</u>

(b) Dividends

A stock dividend in the form of the 268,389 unsubscribed shares was declared by the Board of Directors at the 2021 Annual General Meeting and allocated to shareholders during the financial year ending December 31, 2023.

The Board of Directors has approved a cash dividend of \$0.15 for each unit of paid up share capital with respect to 2023 financial year. The financial statements do not reflect this proposed cash dividend. If ratified, the amount will be accounted for in equity as an appropriation of retained earnings in the year ending December 31, 2024.

On October 18th, 2024, a dividend of 0.25 per share totaling \$1,681,620 was declared by the Board of Directors with respect to the 2022 financial statements. The transaction will be reflected in the Statement of Changes in Equity for the financial year 2024.

34. Related party balances and transactions

**Related party definition**

A related party is a person or entity that is related to the Bank.

- (a) A person or a close member of that person's family is related to the Bank if that person:
  - (i) has control or joint control over the Bank;
  - (ii) has significant influence over the Bank; or
  - (iii) is a member of the key management personnel of the Bank or of a parent of the Bank.
- (b) An entity is related to the Bank if any of the following conditions applies:
  - (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

34. Related party balances and transactions (cont'd)

Related party definition (cont'd)

A related party is a person or entity that is related to the Bank.

- b) An entity is related to the Bank if any of the following conditions applies (cont'd):
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
  - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the Bank or is a member of the key management personnel of the Bank (or of a parent of the Bank).
  - (viii) The entity, or any member of a group of which it is part, provides key management personnel services to the Bank or its parent.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

The related party transactions, outstanding balances at the year-end and related expenses and income for the year are as follows:

Loans and advances to Directors and related entities

	2023	2022
	\$	\$
Loans outstanding at beginning of year	54,461,139	39,223,368
Net loans issued during the year	8,199,548	15,237,771
Loans outstanding at end of year	62,660,687	54,461,139
Interest income earned	2,287,341	2,081,672

Loans and advances to key management personnel

	2023	2022
	\$	\$
Loans outstanding at beginning of year	5,308,675	5,320,841
Net loans (repaid)/issued during the year	(1,077,201)	(12,166)
Loans outstanding at end of year	4,231,474	5,308,675
Interest income earned	234,325	255,447

The loans and advances to directors and other key management personnel are secured over property of the respective borrowers.

No related party debts were doubtful during the year. However, a total expected credit loss allowance of \$341,300 (2022 - \$58,345) was recognized with respect to loans and advances for related parties for the year.

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34. Related party balances and transactions (cont'd)

Loans and advances to key management personnel (cont'd)

Deposits from Directors and related entities

	2023	2022
	\$	\$
Deposits at beginning of year	108,412,147	103,492,461
Net (withdrawals)/deposit during the year	(2,349,473)	4,919,686
Deposits outstanding at end of year	106,062,674	108,412,147
Interest expense on deposits	1,655,799	1,835,926

Deposits from key management personnel

	2023	2022
	\$	\$
Deposits at beginning of year	752,266	2,054,211
Net withdrawals received during the year	(205,615)	(1,301,945)
Deposits outstanding at end of year	546,651	752,266
Interest expense on deposits	8,699	16,164

Key management personnel compensation

Key management personnel are those persons that have authority and responsibility for directly or indirectly planning, directing and controlling the activities of the Bank.

	2023	2022
	\$	\$
Salaries and other short-term benefits	1,561,592	1,096,145
Post and other employment benefits	36,916	465,447
	1,598,508	1,561,592

At the end of the financial year, directors' holding of shares totalled \$40,528 (2022 - \$40,528) or 0.60% (2022 - 0.60%) of shares outstanding.

Transactions with Directors and related parties

During the year, the Bank entered service transactions with Directors and related parties as follows:

	2023	2022
	\$	\$
Lease payment for premises	475,453	433,125

The value of right of use assets and liabilities relevant to related parties are as follows:

	2023	2022
	\$	\$
Right of use asset	1,902,891	1,911,376
Lease liability	2,171,337	2,163,764

### 35. Contingent liabilities and commitments

#### Loan commitments, guarantees and other financial facilities

At December 31, 2023, the Bank had contractual off-balance sheet financial instruments in respect of (i) commitments to extend credit to customers, (ii) guarantees, and (iii) other facilities, as follows:

	2023 \$	2022 \$
Undrawn loan commitments	110,223,551	132,694,493
Guarantees and standby letters of credit	1,589,481	1,589,481
	111,813,032	134,283,974

The Bank is currently in discussions with the Inland Revenue Department of Saint Lucia (IRD) on a matter related to previous tax filings. The outcome is subject to a final assessment by the IRD and cannot be determined at this stage.

On March 31, 2021, in an effort to settle the stamp duty on the transfer of assets from the Asset Purchase Agreement between the Bank and Royal Bank of Canada (RBC) for the banking operations in St. Lucia, the parties to the transaction wrote to the Inland Revenue Department (IRD) indicating that their computation of the stamp duty due on the transaction was \$2,428,710.35. Each bank to the transaction paid 50% of the amount due. However, the IRD wrote to the Bank indicating their assessment of the tax due was \$8,989,452.26. The matter is currently in Court and there has been no date for a hearing, the outcome of which cannot be determined at this time. As a result, no provision was made in the financial statements.

### 36. Business combinations

(a) On August 1, 2022, 1st National Bank St. Lucia Limited acquired the net assets of RBTT Bank Caribbean Limited (RBTT St. Vincent). The bank pursued the acquisition for the following general reasons:

- Cost savings and value enhancements due to the consolidation of staff operations and back-office functions and other RBC infrastructure related costs.
- Increased competitive position as the amalgamation will result in a more formidable wider product offerings to a large client base. This is expected to increase profitability for the combined entity.
- From improved economies of scope, revenues of the combined entity will be generated by a smaller set of resources. In addition, existing delivery channels and product and process development structures may be leveraged to deliver a wider set of products through existing group resources leading to increased profitability, which has not been projected.<sup>59</sup>
- Diversification of customer base to reduce risk.

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36. Business combinations (cont'd)

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and bargain purchase were as follows:

	Book Value 2022 \$	Adjustments 2022 \$	Fair value 2022 \$
<b>Assets</b>			
Cash and due from banks	122,368,938	-	122,368,938
Statutory reserve with central banks	15,191,922	-	15,191,922
Loans and advances to customers	78,370,409	(3,994,484)	74,375,925
Other receivables	11,937,409	-	11,937,409
Investments	785,969	-	785,969
Premises and equipment	3,129,466	-	3,129,466
Others assets	1,267,551	-	1,267,551
<b>Total assets</b>	<b>233,051,664</b>	<b>(3,994,484)</b>	<b>229,057,180</b>
<b>Liabilities</b>			
Customer deposits	203,383,252	-	203,383,252
Due to affiliated companies	236,957	-	236,957
Other liabilities - transactions with Head Office	9,559,311	-	9,559,311
Other liabilities	6,418,337	-	6,418,337
<b>Total liabilities</b>	<b>219,597,857</b>	<b>-</b>	<b>219,597,857</b>
<b>Total Net Tangible Assets</b>	<b>13,453,807</b>	<b>(3,994,484)</b>	<b>9,459,323</b>
Core deposit intangibles - Term Deposits	-	189,179	189,179
Core deposit intangibles - Current	-	3,767,355	3,767,355
Core deposit intangibles - Savings	-	2,064,747	2,064,747
Assemble workforce in place	-	1,105,343	1,105,343
<b>Total Intangible Assets</b>	<b>-</b>	<b>7,126,624</b>	<b>7,126,624</b>
<b>Total Net Assets</b>	<b>13,453,807</b>	<b>3,132,140</b>	<b>16,585,947</b>
Purchase price			<u>7,690,969</u>
Bargain purchase			<u>(8,894,978)</u>

37. Comparatives

Certain comparatives have been amended to conform to the current year's presentation.