St. Kitts-Nevis-Anguilla National Bank Limited

Quarterly Financial Statements
December 31, 2024
(expressed in Eastern Caribbean dollars)

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Financial Position

As at December 31, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Dec 2024 $	Audited June 2024 $
Assets			
Cash and balances with Central Bank	**5**	**205,060,843**	211,793,644
Treasury bills	**6**	**56,187,210**	128,160,713
Deposits with other financial institutions	**7**	**118,057,718**	203,152,032
Loans and advances to customers	**8**	**1,087,552,990**	1,055,560,298
Originated debts	**9**	**111,017,474**	155,641,237
Financial asset	**30**	**360,419,280**	357,629,437
Investment securities	**10**	**1,277,566,035**	1,206,487,097
Investment in subsidiaries	**11**	**23,112,027**	23,112,027
Acceptances, guarantees and letters of credit		**2,809,017**	7,456,067
Income tax recoverable	**18**	**58,912,551**	49,912,551
Property and equipment	**12**	**41,738,694**	37,787,042
Intangible assets	**13**	**591,917**	707,879
Right-of-use assets	**14**	**821,621**	821,621
Other assets	**15**	**20,592,930**	28,268,353
Deferred tax asset	**18**	**31,308,399**	32,597,277
Total assets		**3,395,748,706**	3,499,087,275
Liabilities			
Customers' deposits	**16**	**2,706,040,290**	2,952,286,966
Due to other financial institutions		**2,545,670**	-
Borrowings	**10**	**161,746,049**	–
Accumulated provisions, creditors and accruals	**17**	**35,379,741**	65,384,973
Acceptances, guarantees and letters of credit		**2,809,017**	7,456,067
Income tax payable	**18**	**922,748**	922,748
Lease liabilities	**14**	**833,748**	833,748
Total liabilities		**2,910,277,263**	3,026,884,502
Shareholders' equity			
Issued share capital	**19**	**141,750,000**	141,750,000
Share premium		**3,877,424**	3,877,424
Reserves	**20**	**430,004,865**	426,138,229
Accumulated deficit		**(90,160,846)**	(99,562,880)
Total shareholders' equity		**485,471,443**	472,202,773
Total liabilities and shareholders' equity		**3,395,748,706**	3,499,087,275

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

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Income

For the quarter ended December 31, 2024

(expressed in Eastern Caribbean dollars)

	Dec 2024 $	Sept 2024 $	Dec 2023 $
Interest income	**42,154,475**	21,406,030	40,424,469
Interest expense	**(31,328,974)**	(14,347,717)	(29,267,822)
Net interest income	**10,825,501**	7,058,313	11,156,647
Fees and commission income	**14,833,922**	6,581,829	11,399,165
Fee expenses	**(12,871,705)**	(5,764,335)	(8,849,308)
Net fees and commission income	**1,962,217**	817,494	2,549,857
Net gains/(losses) on investments in debt and equity instruments	**18,019,999**	30,902,206	2,081,790
Dividend income	**5,628,225**	1,237,261	4,150,942
Gain on foreign exchange, net	**2,076,861**	1,094,969	2,490,203
Other operating income	**802,947**	52,426	55,261
Other income/(loss)	**26,528,032**	33,286,862	8,778,196
Total operating income/(loss)	**39,315,750**	41,162,669	22,484,700
Operating expenses			
Administrative and general expenses	**(27,171,545)**	(11,783,186)	(27,367,099)
Depreciation and amortisation	**(2,162,020)**	(838,260)	(2,121,050)
Credit and other impairment charges	**-**	-	-
Directors’ fees and expenses	**(580,151)**	(245,022)	(576,794)
Professional fees and related expenses	**-**	-	-
Total operating expenses	**(29,913,716)**	(12,866,468)	(30,064,943)
Operating profit/(loss) before tax	**9,402,034**	28,296,201	(7,580,243)
Income tax credit	**-**	-	-
Net income/(loss) for the period	**9,402,034**	28,296,201	(7,580,243)

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

St. Kitts-Nevis-Anguilla National Bank Limited

Statement of Comprehensive Income

For the quarter ended December 31, 2024

(expressed in Eastern Caribbean dollars)

	Dec 2024 $	Sept 2024 $	Dec 2023 $
Net income for the quarter	**9,402,034**	28,296,201	(7,580,243)
Other comprehensive (loss)/income, net of tax:			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Financial assets measured at FVOCI – debt instruments:			
Net unrealised gains on investment securities, net of tax	**4,090,578**	1,980,316	1,529,350
Reclassification adjustments for net gains included in income, net of tax	**(223,942)**	(59,362)	(107,249)
	3,866,636	1,920,954	1,422,101
Financial assets measured at FVOCI – equity instruments:			
Unrealised gain/(loss) on investment securities, net of tax	**-**	(152,431)	(152,431)
Realised losses transferred to retained earnings	**-**	(4,895,579)	(4,895,579)
Re-measurement loss on defined benefit asset, net of tax	**-**	-	-
	-	4,743,148	4,743,148
Total other comprehensive (loss)/income for the quarter, net of tax	**3,866,636**	6,664,102	6,165,249
Total comprehensive income for the quarter	**13,268,670**	(2,336,701)	(1,414,994)

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

St. Kitts-Nevis-Anguilla National Bank Limited

Separate Statement of Changes in Shareholders' Equity

As at December 31, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Issued share capital $	Share premium $	Reserves $	Retained earnings/ (Accumulated deficit) $	Total $
Balance as of Dec 31, 2023		**141,750,000**	**3,877,424**	**412,527,850**	**(146,953,160)**	**411,202,114**
Net income for the year		–	–	–	70,674,254	70,674,254
Other comprehensive income/(loss), net		–	–	2,894,031	(5,480,126)	(2,586,095)
Total comprehensive income for the year		**–**	**–**	**2,894,031**	**65,194,128**	**68,088,159**
Transfer to reserve	**20**	–	–	10,716,348	(10,716,348)	–
Transaction with owners						
Dividends	**27**	-	–	–	(7,087,500)	(7,087,500)
Balance as of June 30, 2024		**141,750,000**	**3,877,424**	**426,138,229**	**(99,562,880)**	**472,202,773**
Net income for the year		–	–	–	9,402,034	9,402,034
Other comprehensive income/(loss), net		–	–	3,866,636	-	3,866,636
Total comprehensive loss for the year		**–**	**–**	**3,866,636**	**9,402,034**	**13,268,670**
Transfer to reserve	**20**	**–**	**–**	**–**	**–**	**–**
Transaction with owners						
Dividends	**27**	–	–	–	–	–
Balance as of Dec 31, 2024		**141,750,000**	**3,877,424**	**430,004,865**	**(90,160,846)**	**485,471,443**

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

St. Kitts-Nevis-Anguilla National Bank Limited

Separate Statement of Cash Flows

For the quarter ended December 31, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Dec 2024 $	June 2024 $
Cash flows from operating activities			
Operating profit/(loss) before tax		**9,402,034**	28,649,556
Adjustments for:			
Interest expense	**21**	**31,328,974**	58,316,946
Credit and other impairment charges	**24**	**-**	1,688,113
Depreciation and amortisation	**12, 13, 14**	**1,676,519**	3,160,078
Retirement benefit expense	**32**	**-**	1,074,159
Loss on disposal of equipment		**–**	42,431
Gain on sale of assets		**-**	-
Dividend income		**(5,628,225)**	(9,681,762)
Fair value gains/(losses), net on FVTPL investment securities	**10**	**(18,010,551)**	(32,166,434)
Interest income	**21**	**(42,154,475)**	(94,034,959)
Operating (loss)/income before changes in operating assets and liabilities		**(23,385,724)**	(42,951,872)
(Increase)/decrease in operating assets:			
Loans and advances to customers		**(31,539,844)**	(54,897,836)
Mandatory deposits with Central Bank		**24,054,385**	16,667,915
Other assets		**12,322,474**	(8,990,246)
Increase in operating liabilities:			
Customers' deposits		**(255,071,436)**	(267,995,239)
Borrowings/due to other financial institutions		**164,291,719**	-
Accumulated provisions, creditors and accruals		**(30,005,232)**	2,168,232
Cash generated from operations		**(139,333,658)**	(355,999,046)
Interest received		**21,328,556**	53,813,484
Pension contributions paid	**32**	**-**	(1,938,613)
Income taxes paid	**18**	**(9,000,000)**	(13,046,722)
Interest paid		**(22,504,214)**	(58,507,584)
Net cash from operating activities		**(149,509,316)**	(375,678,481)
Cash flows from investing activities			
Proceeds from sale of investment securities and originated debts		**134,190,758**	827,943,033
Interest received from investment securities and originated debts		**18,681,568**	35,326,588
Dividends received		**5,628,225**	9,681,762
Proceeds from sale of property and equipment		**-**	-
Payments received from the financial asset		**–**	–
Purchase of equipment and intangible assets		**(5,512,209)**	(10,226,262)
Increase in term deposits and treasury bills		**70,307,892**	243,148,755
Increase in investment securities and originated debts		**(136,763,793)**	(868,959,853)
Net cash used in investing activities		**86,532,441**	(138,764,458)

St. Kitts-Nevis-Anguilla National Bank Limited

Separate Statement of Cash Flows *...continued*

For the quarter ended December 31, 2024

(expressed in Eastern Caribbean dollars)

	Notes	Dec 2024 $	June 2024 $
Cash flows from financing activities			
Dividends paid	**27**	**–**	(7,087,500)
Inc/(dec) in Acceptances, guarantees and Letters of credit		**(4,647,050)**	-
Interest paid on lease liabilities	**14**	**-**	(21,752)
Repayments of lease liabilities	**14**	**-**	(718,638)
Net cash used in financing activities		**(4,647,050)**	(7,827,890)
Net (decrease)/increase in cash and cash equivalents		**(67,623,925)**	(146,592,348)
Cash and cash equivalents, beginning of year		**204,795,868**	351,388,216
Cash and cash equivalents, end of year	**31**	**137,171,943**	204,795,868

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

(expressed in Eastern Caribbean dollars)

1 Incorporation and principal activity

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

The principal activity of the Bank is the provision of financial services, being primarily commercial banking and investment activities. Its registered office is at Central Street, Basseterre, St. Kitts.

The Bank is regulated by the Eastern Caribbean Central Bank (the "Central Bank" or "ECCB").

2 Material accounting policy information

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

2.1 Basis of preparation

The separate financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The separate financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments, and in accordance with the going concern assumption.

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

The Bank has also prepared consolidated financial statements in accordance with IFRS Accounting Standards for the Bank and its subsidiaries. In the consolidated financial statements, its subsidiaries, National Caribbean Insurance Company Limited, St. Kitts and Nevis Mortgage and Investment Company Limited and National Bank Trust Company Limited have been fully consolidated.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended June 30, 2024 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The Bank has prepared these separate financial statements to file with the ECCB and the Inland Revenue Department.

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information*...continued*

2.2 Changes in accounting policies

New standards and amendments effective for the financial year beginning July 1, 2023

Standards and amendments that are effective for the first time on July 1, 2023 are as follows:
- Insurance Contracts (IFRS 17);
- Amendments to IFRS 17 *Insurance Contracts*;
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2); and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

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

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

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

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

2.3 Financial assets and liabilities

Classification and measurement

The Bank classifies its financial assets in the following measurement categories:

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

(a) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.3 Financial assets and liabilities *...continued*

Classification and measurement *...continued*

(a) Debt instruments *...continued*

Business model test:

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

Solely payments of principal and interest (SPPI) test:

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

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

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

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

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

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

(b) Equity instruments

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Bank subsequently measures all equity investments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.3 Financial assets and liabilities *…continued*

Classification and measurement …*continued*

(b) Equity instruments *…continued*

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

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

Options are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The Bank documents its risk management objective and strategy for undertaking its hedge transaction(s).

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

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.3 Financial assets and liabilities *…continued*

Credit risk measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve (12) months.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime basis.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

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

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

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

Significant increase in credit risk (SICR)

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

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

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.3 Financial assets and liabilities *…continued*

Credit risk measurement *…continued*

Significant increase in credit risk (SICR) …continued

The staging assessment requires the Bank to monitor credit risk through regular credit reviews or other monitoring at a counterparty level. All loans and investment securities held by the Bank are allocated to a credit quality rating or risk grade (internal or external) based on the most recent review, using forward-looking and other available information on an annual basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by Management.

Backstop

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

If an asset is in investment grade at reporting date, it will be in Stage 1 irrespective of its origination rating. With respect to loans and advances to customers, however, the Bank has not used the low credit risk exemption for any of those financial instruments for the years ended June 30, 2022 and June 30, 2021.

Default

For debt securities, default is defined as the failure to meet contractual payments of principal or interest. For loans and advances to customers and other receivables, the Bank defines default based on the following criteria:

Quantitative criteria

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

Qualitative criteria

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

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

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

Impairment measurement

The Bank assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.3 Financial assets and liabilities *…continued*

Impairment measurement *…continued*

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amount the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

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

Forward-looking information

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

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

(expressed in Eastern Caribbean dollars)

2 Materia accounting policy information *...continued*

2.3 Financial assets and liabilities *...continued*

Derecognition of financial assets

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

Financial liabilities

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

Derecognition of financial liabilities

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

Offsetting financial instruments

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.4 Employee benefits

(i) Short-term employee benefits

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

(ii) Gratuity

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

(iii) Pension plan

The Bank operates a defined benefit plan. The administration of the plan is conducted by National Caribbean Insurance Company Limited, a subsidiary of the Bank. The plan is funded through payments to trustee-administered deposit funds determined by periodic actuarial calculations. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement based on factors such as age, years of service and final salary. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

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

2.5 Property and equipment

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

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.5 Property and equipment *...continued*

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

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

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

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

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

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

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

2.6 Intangible assets

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and to bring into use the specific software. These costs are amortised on the basis of the expected useful life of such software which is three to five years.

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *...continued*

2.7 Impairment of non-financial assets

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

2.8 Investment in subsidiaries

The investment in subsidiaries is accounted for using the cost method and therefore the assets, liabilities and results of operations of the entities have not been reflected in these accounts. A subsidiary is an entity in which the Bank holds controlling interest (50% plus 1 share or more) of the voting shares of that entity. Income from subsidiaries' operations is recognised only to the extent of dividends received.

2.9 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.

2.10 Provisions

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

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.11 Leased assets

The Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the separate statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets, if any, using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The right-of-use assets and lease liabilities have been disclosed separately on the separate statement of financial position.

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information*…continued*

2.12 Interest income and expense recognition

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

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

2.13 Fees and commission income

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

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

The Bank determines whether to recognise revenue based on a 5-step process:

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

2.14 Dividend income

Dividends are recognised in the separate statement of income when the right to receive payment is established.

2.15 Operating expenses and fees expenses

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

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information *…continued*

2.16 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the separate statement of income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the separate statement of income within 'Other income'.

2.17 Equity, reserves and dividend payments

(i) Issued share capital and share premium

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

(ii) Dividends on ordinary shares

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

(iii) Other components of equity

Other components of equity include the following:
- *Statutory reserve* – reserve fund as per the regulatory requirement;
- *Property revaluation reserve* – represents gains and losses from the revaluation of land and property;
- *Fair value reserves – FVOCI* – represent unrealised gains and losses from changes in the fair value of the FVOCI securities; and
- *Other reserves* – comprises the defined benefit pension plan reserve, regulatory reserve for loan impairment, regulatory reserve for interest accrued on non-performing loans and general reserve.

(expressed in Eastern Caribbean dollars)

2 Material accounting policy information*…continued*

2.18 Current and deferred income tax

Income tax payable on profits, based on applicable tax law is recognised as an expense in the period in which profits arise, except to the extent that it relates to items recognised directly in equity.

In such cases, the tax is recognised in a deferred tax liability account. The tax expense for the period comprises current and deferred tax.

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

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

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

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

2.19 Events after the financial reporting date

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management

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

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

Risk management is carried out by the Credit Division and Comptroller Division under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Bank's operating units. The Board provides principles for overall risk management, as well as approved policies covering specific areas, such as foreign exchange, interest rate and credit risks. In addition, internal audit is responsible for the independent review of risk management and the control environment.

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

3.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparties will cause financial losses for the Bank by failing to discharge their obligations. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management, therefore, carefully manages its exposure to such credit risks. Credit exposure arises principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio.

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.1 Credit risk *…continued*

(i) Loans and advances to customers

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

The Bank assesses the probability of default of individual borrowers using internal rating tools tailored to the various categories of borrowers. These rating tools are fashioned from the guidelines of the Bank regulators. Advances made by the Bank are segmented into five rating classes that reflect the range of default probabilities for each rating class. The rating tools are kept under review and upgraded as necessary.

Bank rating	Description of the classifications
1	Pass
2	Special mention
3	Substandard
4	Doubtful
5	Loss

(ii) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Bank's Treasury/Fund Managers for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

3.1.1 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 and countries.

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

The exposure to any one borrower, including banks and other financial institutions, is further restricted by sub-limits covering on-statement of financial position and off-statement of financial position exposures. Actual exposures against limits are monitored. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

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

Other specific controls and mitigation measures are outlined below.

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

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

Longer term finance and lending to corporate entities and individual credit facilities are generally secured. In addition, in order to minimise 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.

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions) are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans and advances, guarantees or letters of credit. With respect to credit risk, 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 terms of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.1 Credit risk *…continued*

3.1.2 Impairment and provisioning

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

	Deposits with other financial institutions (term deposits) $	Treasury bills $	Originated debts $	Financial asset $	Debt securities – FVOCI $	Other assets $	Acceptances, guarantees and letters of credit $	Total $
Credit grade:								
Investment grade	14,171,175	-	36,188,039	–	512,886,039	10,185,474	2,809,017	576,239,744
Non-investment grade	32,773,729	56,244,195	75,507,884	362,783,693	46,167,709	–	–	573,477,210
Default	–	–	–	–	–	1,111,449	–	1,111,449
Gross carrying amount	46,944,904	56,244,195	111,695,923	362,783,693	559,053,748	11,296,923	2,809,017	1,150,828,403
Loss allowance	(85,125)	(56,985)	(678,449)	(2,364,413)	–	(296,682)	–	(3,481,654)
Carrying amount as at Dec 31, 2024	**46,859,779**	**56,187,210**	**111,017,474**	**360,419,280**	**559,053,748**	**11,000,241**	**2,809,017**	**1,147,346,749**
Credit grade:								
Investment grade	28,160,773	73,099,888	82,029,551	-	494,851,320	17,831,441	7,456,067	703,429,040
Non-investment grade	32,445,935	55,117,810	74,290,135	359,993,850	49,603,121	-	-	571,450,851
Default	-	-	-	-	-	1,111,449	-	1,111,449
Gross carrying amount	60,606,708	128,217,698	156,319,686	359,993,850	544,454,441	18,942,890	7,456,067	1,275,991,340
Loss allowance	(85,125)	(56,985)	(678,449)	(2,364,413)	–	(296,682)	–	(3,481,654)
Carrying amount as at June 30, 2024	**60,521,583**	**128,160,713**	**155,641,237**	**357,629,437**	**544,454,441**	**18,646,208**	**7,456,067**	**1,272,509,686**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

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

	Loans to customers $	Overdrafts $	Credit cards $	Total $
Credit grade:				
Performing	648,103,826	26,595,232	14,877,704	669,875,653
Under-performing	6,219,459	–	465,642	7,541,052
Non-performing	357,537,142	68,210,871	739,476	417,601,229
Gross carrying amount	1,011,860,427	94,806,103	16,082,822	1,122,749,352
Loss allowance	(28,864,544)	(4,240,101)	(2,091,717)	(35,196,362)
Carrying amount as at Dec 31, 2024	**982,995,883**	**90,566,002**	**13,991,105**	**1,087,552,990**
Credit grade:				
Performing	627,928,425	17,445,859	13,359,907	658,734,191
Under-performing	4,651,830	-	465,642	5,117,472
Non-performing	358,249,514	67,916,006	739,477	426,904,997
Gross carrying amount	990,829,769	85,361,865	14,565,026	1.090,756,660
Loss allowance	(28,864,544)	(4,240,101)	(2,091,717)	(35,196,362)
Carrying amount as at June 30, 2024	**961,965,225**	**81,121,764**	**12,473,309**	**1,055,560,298**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

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

Debt securities and other financial assets at amortised cost	**Stage 1 12-month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**
Credit grade:				
Investment grade	576,239,744	–	–	576,239,744
Non-investment grade	542,888,508	30,588,702	–	573,477,210
Default	–	–	1,111,449	1,111,449
Gross carrying amount	1,119,128,252	30,588,702	1,111,449	1,150,828,403
Loss allowance	(1,034,626)	(2,150,346)	(296,682)	(3,481,654)
Carrying amount as at Dec 31, 2024	**1,118,093,626**	**28,438,356**	**814,767**	**1,147,346,749**
Credit grade:				
Investment grade	703,429,040	-	-	703,429,040
Non-investment grade	540,862,149	30,588,702	-	571,450,851
Default	-	-	1,111,449	1,111,449
Gross carrying amount	1,244,291,189	30,588,702	1,111,449	1,275,991,340
Loss allowance	(1,034,626)	(2,150,346)	(296,682)	(3,481,654)
Carrying amount as at June 30, 2024	**1,243,256,563**	**28,438,356**	**814,767**	**1,272,509,686**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loans and advances to customers	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Credit grade:				
Performing	689,576,762	–	–	689,576,762
Under-performing	–	6,685,101	–	6,685,101
Non-performing	–	–	426,487,489	426,487,489
Gross carrying amount	689,576,762	6,685,101	426,487,489	1,122,749,352
Loss allowance	(5,947,251)	(1,481,396)	(27,767,715)	(35,196,362)
Carrying amount as at Dec 31, 2024	**683,629,511**	**5,203,705**	**398,719,774**	**1,087,552,990**
Credit grade:				
Performing	658,734,191	-	-	670,785,983
Under-performing	-	5,117,472	-	5,117,472
Non-performing	-	-	426,904,997	414,853,205
Gross carrying amount	658,734,191	5,117,472	426,904,997	1,090,756,660
Loss allowance	(5,947,251)	(1,481,396)	(27,767,715)	(35,196,362)
Carrying amount as at June 30, 2024	**652,786,940**	**3,636,076**	**399,137,282**	**1,055,560,298**

Loss allowances

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

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

	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Debt securities and other financial assets at amortised cost				
Loss allowance as at June 30, 2024	1,034,626	2,150,346	296,682	3,481,654
New financial assets originated or purchased	-	–	–	-
Financial assets fully derecognised during the year	-	–	–	-
Changes to inputs used in ECL calculation	-	-	–	-
Loss allowance as at Dec 31, 2024	**1,034,626**	**2,150,346**	**296,682**	**3,481,654**
Loss allowance as at June 30, 2023	736,466	2,318,392	296,682	3,351,540
New financial assets originated or purchased	65,136	-	-	65,136
Financial assets fully derecognised during the year	(25,624)	-	-	(25,624)
Changes to inputs used in ECL calculation	258,648	(168,046)	-	90,602
Loss allowance as at June 30, 2024	**1,034,626**	**2,150,346**	**296,682**	**3,481,654**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Loss allowances *...continued*

	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loans and advances to customers	**5,947,251**	**1,481,396**	**27,767,715**	**35,196,362**
Loss allowance as at June 30, 2024				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets fully derecognised during the year	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-
Loss allowance as at Dec 31, 2024	**5,947,251**	**1,481,396**	**27,767,715**	**35,196,362**

	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at June 30, 2023	6,280,546	1,118,088	26,184,976	33,583,610
Transfers:				
Transfer from stage 1 to stage 2	(34,852)	34,852	–	–
Transfer from stage 1 to stage 3	(43,543)	–	43,543	–
Transfer from stage 2 to stage 1	31,489	(31,489)	–	–
Transfer from stage 2 to stage 3	–	(118,292)	118,292	–
Transfer from stage 3 to stage 1	120,607	–	(120,607)	–
Transfer from stage 3 to stage 2	-	-	-	-
New financial assets originated or purchased	1,039,947	13,739	19,392	1,073,078
Financial assets fully derecognised during the year	(90,353)	(14,203)	(207,928)	(312,484)
Changes to inputs used in ECL calculation	(1,356,590)	478,701	1,730,047	852,158
Loss allowance as at June 30, 2024	**5,947,251**	**1,481,396**	**27,767,715**	**35,196,362**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values

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

	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Debt securities and other financial assets at amortised cost				
Gross carrying amount as at June 30, 2024	1,244,291,189	30,588,702	1,111,449	1,275,991,340
New financial assets originated or purchased	54,067,441	–	–	54,067,441
Financial assets fully derecognised during the year	(180,169,689)	–	–	(180,169,689)
Changes in principal and interest	939,311	–	–	939,311
Gross carrying amount at Dec 31, 2024	**1,119,128,252**	**30,588,702**	**1,111,449**	**1,150,828,403**
Gross carrying amount as at June 30, 2023	1,143,376,360	30,709,154	1,111,449	1,175,196,963
New financial assets originated or purchased	832,958,357	-	-	832,958,357
Financial assets fully derecognised during the year	(744,625,072)	-	-	(744,625,072)
Changes in principal and interest	12,581,544	(120,452)	-	12,461,092
Gross carrying amount at June 30, 2024	**1,244,291,189**	**30,588,702**	**1,111,449**	**1,275,991,340**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

IFRS 9 carrying values *...continued*

	Stage 1 12-month ECL $	Stage 2 lifetime ECL $	Stage 3 lifetime ECL $	Total $
Loans and advances to customers				
Gross carrying amount as at June 30, 2024	658,734,191	5,117,472	426,904,997	1,090,756,660
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New financial assets originated or purchased	34,367,571	-	-	34,367,571
Financial assets fully derecognised	-	-	-	-
Changes in principal and interest	(3,525,000)	1,567,629	(417,508)	(2,374,879)
Gross carrying amount as at Dec 31, 2024	**689,576,762**	**6,685,101**	**426,487,489**	**1,122,749,352**
Gross carrying amount as at June 30, 2023	626,568,498	4,713,372	403,792,580	1,035,074,450
Transfers:				
Transfer from stage 1 to stage 2	(4,205,660)	4,205,660	–	–
Transfer from stage 1 to stage 3	(17,306,234)	–	17,306,234	–
Transfer from stage 2 to stage 1	1,279,857	(1,279,857)	–	–
Transfer from stage 2 to stage 3	–	(4,807,981)	4,807,981	–
Transfer from stage 3 to stage 1	1,981,730	–	(1,981,730)	–
Transfer from stage 3 to stage 2	–	4,178	(4,178)	–
New financial assets originated or purchased	125,492,741	558,435	318,627	126,369,803
Financial assets fully derecognised	(32,262,082)	(577,290)	(3,416,526)	(36,255,898)
Changes in principal and interest	(42,814,659)	2,300,955	6,082,009	(34,431,695)
Gross carrying amount as at June 30, 2024	**658,734,191**	**5,117,472**	**426,904,997**	**1,090,756,660**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.2 Impairment and provisioning *...continued*

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at June 30, 2024 are set out below.

		2023	2024
World GDP growth rate	Base	3.60%	2.90%
	Upside	5.50%	4.70%
	Downside	1.70%	1.10%
US GDP growth rate	Base	3.00%	1.40%
	Upside	5.10%	3.30%
	Downside	0.90%	-0.60%
St. Kitts and Nevis GDP growth rate	Base	7.40%	4.20%
	Upside	12.10%	8.90%
	Downside	2.60%	-0.60%
St. Lucia GDP growth rate	Base	7.90%	2.60%
	Upside	13.50%	9.00%
	Downside	2.20%	-3.80%

The most significant period-end assumptions used for the ECL estimate as at December 31, 2024 are set out below.

		2023	2024
World GDP growth rate	Base	3.60%	2.90%
	Upside	5.50%	4.70%
	Downside	1.70%	1.10%
US GDP growth rate	Base	3.00%	1.40%
	Upside	5.10%	3.30%
	Downside	0.90%	-0.60%
St. Kitts and Nevis GDP growth rate	Base	7.40%	4.20%
	Upside	12.10%	8.90%
	Downside	2.60%	-0.60%
St. Lucia GDP growth rate	Base	7.90%	2.60%
	Upside	13.50%	9.00%
	Downside	2.20%	-3.80%

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.1 Credit risk *…continued*

3.1.2 Impairment and provisioning *…continued*

Economic variable assumptions *…continued*

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

Year	Base	Upside	Downside
Dec 31, 2024	**80%**	**4%**	**16%**
June 30, 2024	80%	4%	16%

Set out below are the changes to the ECL as at June 30, 2024 that would result from reasonably possible variations in the most significant assumptions affecting the ECL allowance for the financial assets in stages 1 to 2 with respect to the credit risk:

	ECL impact of:		
Loss Given Default	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Debt securities – amortised cost	+/- 5%	178,866	(178,866)
Debt securities – FVOCI	+/- 5%	109,014	(109,014)
	ECL impact of:		
Collateral haircut	**Change in threshold**	**Increase in value $**	**Decrease in value $**
Loans	+/- 5%	(3,791,939	3,460,221
Advances	+/- 5%	(2,323,200)	2,120,549

Purchased or originated credit-impaired (POCI) financial assets

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

Loans and advances to customers renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans during the reporting date amounted to $Nil (June 2024: $285,835).

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.1 Credit risk *...continued*

3.1.3 Geographical concentrations of on-statement of financial position and off-statement of financial position assets with credit risk exposure

The Bank operates only one business segment (commercial and retail banking) which is predominantly localised to St. Kitts and Nevis. Commercial banking activities, however, account for a significant portion of credit risk exposure.

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

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of Dec 31, 2024					
Cash and balances with Central Bank	34,800,309	–	–	–	34,800,309
Treasury bills	56,187,210	-	–	–	56,187,210
Deposits with other financial institutions	37,727,324	70,636,581	5,371,964	4,321,849	118,057,718
Financial asset	360,419,280	–	–	–	360,419,280
Loans and advances to customers	992,639,504	68,201,788	1,519,767	25,191,931	1,087,552,990
Originated debts	26,456,756	36,134,413	–	48,426,305	111,017,474
Debt investment securities	–	559,053,748	–	-	559,053,748
Acceptances, guarantees and letters of credit	2,809,017	–	–	–	2,809,017
Other assets	9,340,290	1,659,952	–	–	11,000,242
	1,502,379,690	**735,686,482**	**6,891,731**	**77,940,085**	**2,340,897,988**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.1 Credit risk *…continued*

3.1.3 Geographical concentrations of on-statement of financial position and off-statement of financial position assets with credit risk exposure *…continued*

	St. Kitts & Nevis $	United States & Canada $	Europe $	Other Caribbean Territories $	Total $
As of June 30, 2024					
Cash and balances with Central Bank	26,002,053	–	–	–	26,002,053
Treasury bills	55,084,976	73,075,737	–	–	128,160,713
Deposits with other financial institutions	34,603,601	158,024,545	2,959,279	7,564,607	203,152,032
Financial asset	357,629,437	–	–	–	357,629,437
Loans and advances to customers	960,908,554	66,719,147	1,558,110	26,374,487	1,055,560,298
Originated debts	25,894,054	81,975,925	–	47,771,258	155,641,237
Debt investment securities	–	544,454,441	–	–	544,454,441
Acceptances, guarantees and letters of credit	7,456,067	–	–	–	7,456,067
Other assets	22,898,058	748,150	–	–	23,646,208
	1,490,476,800	924,997,945	4,517,389	81,710,352	2,501,702,486

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.1 Credit risk *…continued*

3.1.4 Economic concentration of risks of financial assets with credit exposure

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

	Public sector	Construction	Tourism	Financial institutions	Individuals	Other industries	Total
	$	$	$	$	$	$	$
As of Dec 31, 2024							
Cash and balances with Central Bank	–	–	–	34,800,309	–	–	34,800,309
Treasury bills	56,187,210	–	–	-	–	–	56,187,210
Deposits with other financial institutions	30,252,604	–	–	87,805,114	–	–	118,057,718
Financial asset	360,419,280	–	–	–	–	–	360,419,280
Loans and advances to customers	234,823,398	117,124,011	207,060,332	48,421,004	378,236,947	101,887,298	1,087,552,990
Originated debts	111,017,474	–	–	-	–	–	111,017,474
Debt investment securities	259,596,608	477,650	274,979	146,668,071	–	152,036,440	559,053,748
Acceptances, guarantees and letters of credit	2,809,017	–	–	–	–	-	2,809,017
Other assets	1,523,232	–	–	3,017,697	3,334,647	3,124,666	11,000,242
	1,056,628,823	**117,601,661**	**207,335,311**	**320,712,195**	**381,571,594**	**257,048,404**	**2,340,897,988**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.1 Credit risk *…continued*

3.1.4 Economic concentration of risks of financial assets with credit exposure *…continued*

	Public sector $	Construction $	Tourism $	Financial institutions $	Individuals $	Other industries $	Total $
As of June 30, 2024							
Cash and balances with Central Bank	–	–	–	26,002,053	–	–	26,002,053
Treasury bills	128,160,713	–	–	–	–	–	128,160,713
Deposits with other financial institutions	29,942,296	–	–	173,209,736	–	–	203,152,032
Financial asset	357,629,437	–	–	-	–	–	357,629,437
Loans and advances to customers	239,634,580	119,458,392	209,523,847	48,396,197	327,309,860	111,237,422	1,055,560,298
Originated debts	155,641,237	–	–	–	–	–	155,641,237
Debt investment securities	260,030,389	465,855	272,403	145,952,523	-	137,733,271	544,454,441
Acceptances, guarantees and letters of credit	3,380,717	–	–	–	–	4,075,350	7,456,067
Other assets	1,187,509	–	–	7,054,805	1,457,962	13,945,932	23,646,208
	1,175,606,878	**119,924,247**	**209,796,250**	**400,615,314**	**328,767,822**	**266,991,975**	**2,501,702,488**

The Government of St. Kitts and Nevis accounts for $586,128,981 (Jun 2024: $583,164,525) or 24% (June 2024: 23%) of the total credit exposure, which represents a significant concentration of credit risk. The amounts due from the Government are included in the Public Sector category.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of the market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank's exposures to market risks primarily arise from the interest rate management of the Bank retail and commercial banking assets and liabilities and equity risks arising from its FVOCI investments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the Board of Directors. The Board of Directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

3.2.1 Price risk

The Bank is exposed to price risk in respect to its investment securities classified on the separate statement of financial position as FVTPL (note 10). If the quoted stock price for these securities increased or decreased by 10%, profit or loss and accumulated deficit would have changed by $71,101,371 (June 2024: $65,453,408).

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

3.2.2 Foreign exchange risk

The Bank is exposed to foreign exchange risk through fluctuation in certain prevailing foreign exchange rates on its financial position and cash flows. The Board of Directors limits 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 Bank uses the mid-rate of exchange ruling on that day to convert all assets and liabilities in foreign currencies to Eastern Caribbean dollars (EC$).

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk *...continued*

3.2.2 Foreign exchange risk *...continued*

Concentration of currency risk

As at Dec 31, 2024	**XCD $**	**USD $**	**EURO $**	**GBP $**	**CAN $**	**BDS $**	**GUY $**	**Total $**
Assets								
Cash and balances with Central Bank	200,222,998	4,482,409	98,169	124,257	91,204	41,806	–	205,060,843
Treasury bills	56,187,210	-	–	–	–	–	–	56,187,210
Deposits with other financial institutions	40,396,301	75,681,478	434,662	575,801	-	946,921	22,555	118,057,718
Financial asset	360,419,280	–	–	–	–	–	–	360,419,280
Loans and advances to customers	685,660,615	401,892,375	–	–	–	–	–	1,087,552,990
Originated debts	35,308,749	75,708,725	–	–	–	–	–	111,017,474
Investment securities FVOCI	7,493,433	559,058,896	–	–	–	–	–	566,552,329
Investment securities FVTPL	1,035,000	709,978,706	–	–	–	–	–	711,013,706
Acceptances, guarantees and letters of credit	2,809,017	–	–	–	–	–	–	2,809,017
Other assets	11,000,242	-	–	–	–	–	–	11,000,242
Total financial assets	**1,400,532,845**	**1,826,802,589**	**532,831**	**700,058**	**91,204**	**988,727**	**22,555**	**3,229,670,809**
Liabilities								
Customers' deposits	2,408,524,605	297,122,771	27,441	188,334	177,139		–	2,706,040,290
Borrowings/Due to Fin Inst.	–	164,183,872	–	-	107,847	–	–	164,291,719
Lease liabilities	833,748	–	–	–	–	–	–	833,748
Acceptances, guarantees and letters of credit	2,809,017	–	–	–	–	–	–	2,809,017
Accumulated provisions, creditors and accruals	30,273,422	4,618,320	993	271,815	95,267	117,699	2,225	35,379,741
Total financial liabilities	**2,442,440,792**	**465,924,963**	**28,434**	**460,149**	**380,253**	**117,699**	**2,225**	**2,909,354,515**
Net on-balance sheet position	**(1,041,907,947)**	**1,360,877,626**	**504,397**	**239,909**	**(289,049)**	**871,028**	**20,330**	**320,316,294**
Credit commitments	**29,295,723**	**25,092,210**	–	–	–	–	–	**54,387,933**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.2 Market risk *…continued*

3.2.2 Foreign exchange risk *…continued*

Concentration of currency risk *…continued*

As at June 30, 2024	XCD $	USD $	EURO $	GBP $	CAN $	BDS $	GUY $	Total $
Assets								
Cash and balances with Central Bank	207,122,873	4,474,982	56,960	85,924	26,633	26,272	–	211,793,644
Treasury bills	55,084,976	73,075,737	–	–	–	–	–	128,160,713
Deposits with other financial institutions	37,852,143	159,556,580	824,875	664,903	716,080	3,516,528	20,923	203,152,032
Financial asset	357,629,437	–	–	–	–	–	–	357,629,437
Loans and advances to customers	642,579,782	412,980,516	–	–	–	–	–	1,055,560,298
Originated debts	34,653,105	120,988,132	–	–	–	–	–	155,641,237
Investment securities FVOCI	7,493,433	544,459,589	–	–	–	–	–	551,953,022
Investment securities FVTPL	1,035,000	653,499,075	–	–	–	–	–	654,534,075
Acceptances, guarantees and letters of credit	7,456,067	-	–	–	–	–	–	7,456,067
Other assets	12,901,024	10,735,327	41	4,565	5,251	–	–	23,646,208
Total financial assets	**1,363,807,840**	**1,979,769,938**	**881,876**	**755,392**	**747,964**	**3,542,800**	**20,923**	**3,349,526,733**
Liabilities								
Borrowings	2,608,752,501	343,105,084	28,196	212,951	188,234	–	–	2,952,286,966
Lease liabilities	833,748	–	–	–	–	–	–	833,748
Acceptances, guarantees and letters of credit	7,456,067	–	–	–	–	–	–	7,456,067
Accumulated provisions, creditors and accruals	28,696,643	35,379,488	3,122	369,031	816,765	117,699	2,225	65,384,973
Total financial liabilities	**2,645,738,959**	**378,484,572**	**31,318**	**581,982**	**1,004,999**	**117,699**	**2,225**	**3,025,961,754**
Net on-balance sheet position	**(1,281,931,119)**	**1,601,285,366**	**850,558**	**173,410**	**(257,035)**	**3,425,101**	**18,698**	**323,564,979**
Credit commitments	**37,321,147**	**24,714,157**	–	–	–	–	–	**62,035,304**

(expressed in Eastern Caribbean dollars)

3 Financial risk management*…continued*

3.2 Market risk *…continued*

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The 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 Board of Directors limits the level of mismatch of interest rates repricing that may be undertaken.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

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

As at Dec 31, 2024	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances with Central Bank	–	–	–	–	–	205,060,843	205,060,843
Treasury bills	-	-	54,760,455	-	–	1,426,755	56,187,210
Deposits with other financial institutions	53,712,712	4,978,458	17,371,907	14,171,174	–	27,823,467	118,057,718
Financial asset	–	–	–	351,491,783	–	8,927,497	360,419,280
Loans and advances to customers	391,796,297	74,357	18,057,482	75,118,447	602,362,049	144,358	1,087,552,990
Originated debts	-	-	-	82,289,107	26,455,210	2,273,157	111,017,474
Investment securities – FVOCI	2,983,791	7,336,615	35,507,342	293,059,551	155,709,078	66,226,278	560,822,655
Investment securities – FVTPL	–	–	-	–	–	716,743,380	716,743,380
Acceptances, guarantees and letters of credit	–	–	–	–	–	2,809,017	2,809,017
Other assets	776,222	–	–	–	–	10,224,020	11,000,242
Total financial assets	**449,269,022**	**12,389,430**	**125,697,186**	**816,130,062**	**784,526,337**	**1,041,658,772**	**3,229,670,809**
Liabilities							
Customers' deposits	1,005,875,514	400,705,192	654,435,493	-	–	645,024,091	2,706,040,290
Borrowings/Due to Fin Inst.	2,545,670	–	–	161,746,049	–	–	164,291,719
Lease liabilities	67,827	126,138	327,784	311,999	-	–	833,748
Acceptances, guarantees and letters of credit	–	–	–	–	–	2,809,017	2,809,017
Accumulated provisions, creditors and accruals	1,731	–	-	–	–	35,378,010	35,379,741
Total financial liabilities	**1,008,490,742**	**400,831,330**	**654,763,277**	**162,058,048**	**-**	**683,211,118**	**2,909,354,515**
Total interest repricing gap	**(559,221,720)**	**(388,441,900)**	**(529,066,091)**	**654,072,014**	**784,526,337**	**358,447,654**	**320,316,294**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.2 Market risk *...continued*

3.2.3 Interest rate risk *...continued*

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

As at June 30, 2024	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances with Central Bank	–	–	–	–	–	211,793,644	211,793,644
Treasury bills	31,832,264	–	93,574,723	–	–	2,753,726	128,160,713
Deposits with other financial institutions	112,883,166	13,511,225	26,818,392	13,868,623	–	36,070,626	203,152,032
Financial asset	–	–	–	351,491,783	–	6,137,654	357,629,437
Loans and advances to customers	365,059,894	594,660	2,630,238	81,096,119	591,580,377	14,599,010	1,055,560,298
Originated debts	-	25,234,604	27,012,943	75,927,460	25,862,284	1,603,946	155,641,237
Investment securities – FVOCI	269,940	1,079,943	24,632,150	297,217,150	158,528,723	70,225,116	551,953,022
Investment securities – FVTPL	–	–	–	–	–	654,534,075	654,534,075
Acceptances, guarantees and letters of credit	–	–	–	–	–	7,456,067	7,456,067
Other assets	751,662	–	–	–	–	22,894,546	23,646,208
Total financial assets	**510,796,926**	**40,420,432**	**174,668,446**	**819,601,135**	**775,971,384**	**1,028,068,410**	**3,349,526,733**
Liabilities							
Customers' deposits	1,112,047,950	216,363,188	859,523,349	20,000	–	764,332,479	2,952,286,966
Borrowings	–	–	–	–	–	–	–
Lease liabilities	67,827	126,138	327,784	311,999	-	-	833,748
Acceptances, guarantees and letters of credit	-	-	-	-	-	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	2,922	-	-	-	-	65,382,051	65,384,973
Total financial liabilities	**1,112,118,699**	**216,489,326**	**859,851,133**	**331,999**	–	**837,170,597**	**3,025,961,754**
Total interest repricing gap	**(601,321,773)**	**(176,068,894)**	**(685,182,687)**	**819,269,136**	**775,971,384**	**190,897,813**	**323,564,979**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.2 Market risk *…continued*

3.2.3 Interest rate risk *…continued*

The Bank's fair value market rate risk arises from debt securities classified as FVOCI and FVTPL. Had market interest rates at the reporting date been 100 basis points higher/lower with all variables held constant, equity for the year would have been $5,590,537 (June 2024: $5,444,544) lower/higher as a result of the decrease/increase in revaluation reserve for FVOCI debt securities and profit or loss for the year would have been $0 (June 2024: $0) lower/higher, there being no debt securities measured at FVTPL at the end of the period.

Cash flow interest rate risk arises from loans and advances to customers at available rates. Had variable rates at the reporting date been 100 basis points higher/lower with all other variables held constant, profits for the year would have been $4,157,632 (June 2024: $4,935,271) higher/lower, mainly as a result of higher/lower interest income from loans and advances (all loans and advances carry variable interest rates).

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, systemic shocks and natural disasters.

3.3.1 Liquidity risk management

The Bank's liquidity is managed and monitored by the Finance Division with guidance, where necessary, from the Board of Directors. 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 due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. This includes:

- Daily monitoring of the Bank's liquidity position to ensure that requirements can be met. These include the replenishment of funds as they mature and/or are borrowed by customers;
- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against unforeseen liquidity problems. Additionally, the investment portfolio is diversified by geography, product, industry and term;
- Daily monitoring of the separate statement of financial position liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Formalised arrangements with non-regional financial institutions to fund any liquidity needs that may arise.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

3.3.2 Funding approach

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.3.3 Cash flows

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

As at Dec 31, 2024	Up to 1 month $	1 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Liabilities						
Customers' deposits, including interest until maturity	1,629,467,781	411,304,094	679,257,478	-	–	2,720,029,353
Borrowings/Due to Fin. Inst.	2,545,670	–	–	161,746,049	–	164,291,719
Lease liabilities	67,827	126,138	327,784	311,999	-	833,748
Acceptances, guarantees and letters of credit	–	–	–	–	2,809,017	2,809,017
Accumulated provisions, creditors and accruals	20,043,793	15,335,948	–	–	–	35,379,741
Total financial liabilities	**1,652,125,071**	**426,766,180**	**679,585,262**	**162,058,048**	**2,809,017**	**2,923,343,578**
Assets held to manage liquidity risk	**1,402,929,711**	**13,249,205**	**168,868,700**	**802,364,841**	**842,258,352**	**3,229,670,809**
Net liquidity gap	**(249,195,360)**	**(414,022,361)**	**(510,716,562)**	**640,306,793**	**839,449,335**	**306,327,231**
As at June 30, 2024						
Liabilities						
Customers' deposits, including interest until maturity	1,864,101,742	221,099,434	890,848,722	–	–	2,976,049,898
Borrowings	–	–	–	–	–	–
Lease liabilities	67,827	126,138	327,784	311,999	-	833,748
Acceptances, guarantees and letters of credit	-	-	-	-	7,456,067	7,456,067
Accumulated provisions, creditors and accruals	46,989,822	18,395,151	–	–	–	65,384,973
Total financial liabilities	**1,911,159,391**	**239,620,723**	**891,191,025**	**323,371**	**7,456,067**	**3,049,750,577**
Assets held to manage liquidity risk	**1,458,648,516**	**42,397,526**	**247,016,517**	**823,230,071**	**778,234,103**	**3,349,526,733**
Net liquidity gap	**(452,510,875)**	**(197,223,197)**	**(644,174,508)**	**822,906,700**	**770,778,036**	**299,776,156**

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.3.4 Off-balance sheet items

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 29), are summarised in the table below:

As of Dec 31, 2024	Up to 1 year $	1 to 3 years $	Over 3 years $	Total $
Loan commitments	12,361,457	21,454	42,198,903	54,581,814
Credit card commitments	16,877,864	–	–	16,877,864
	29,239,321	**21,454**	**42,198,903**	**71,459,678**
As of June 30, 2024				
Loan commitments	9,005,955	389,822	36,324,838	45,720,615
Credit card commitments	16,314,689	–	–	16,314,689
	25,320,644	**389,822**	**36,324,838**	**62,035,304**

3.4 Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, items in transit are assumed to approximate their carrying values due to their short-term nature. The fair values of off-balance sheet commitments are also assumed to approximate the amount disclosed in note 29. Fair values of financial assets and financial liabilities are also determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with pricing models based on discounted cash flow analysis using prices from observable current market transactions.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.4 Fair values of financial assets and liabilities *…continued*

(i) Treasury bills

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

(ii) Deposits with other financial institutions

Deposits with other financial institutions include cash on operating accounts and interest and non-interest-bearing fixed deposits both with original maturity periods under 90 days. These deposits are estimated to approximate their carrying values due to their short-term nature.

(iii) Loans and advances to customers and originated debts

The estimated fair values of loans and advances represent the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rate to determine initial loans values are taken as fair value and where observed values are different adjustments are made.

(iv) Customers' deposits

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

(v) Due to financial institutions

The estimated fair value of 'due to financial institutions' is the amount payable on demand.

(vi) Other borrowed funds

Other borrowed funds are short-term in nature therefore fair value in this category is estimated to approximate carrying value.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

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

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

	Carrying value		Fair value	
	Dec 2024	**June 2024**	**Dec 2024**	**June 2024**
	$	**$**	**$**	**$**
Financial assets				
Cash and balances with Central Bank	**205,060,843**	211,793,644	**205,060,843**	211,793,644
Treasury bills	**56,187,210**	128,160,713	**56,187,210**	128,160,713
Deposits with other financial institutions	**118,057,718**	203,152,032	**118,057,718**	203,152,032
Financial asset	**360,419,280**	357,629,437	**360,419,280**	357,629,437
Loans and advances to customers	**1,087,552,990**	1,055,560,298	**1,087,552,990**	1,056,935,385
Originated debts	**111,017,474**	155,641,237	**111,017,474**	155,641,237
Acceptances, guarantees and letters of credit	**2,809,017**	7,456,067	**2,809,017**	7,456,067
Other assets	**11,000,242**	23,646,208	**11,000,242**	23,646,208
	1,952,104,774	2,143,039,636	**1,952,104,774**	2,144,414,723
Financial liabilities				
Customers' deposits	**2,706,040,290**	2,952,286,966	**2,706,040,290**	2,952,286,966
Borrowings	**164,291,719**		**164,291,719**	
Lease liabilities	**833,748**	833,748	**833,748**	833,748
Acceptances, guarantees and letters of credit	**2,809,017**	7,456,067	**2,809,017**	7,456,067
Accumulated provisions, creditors and accruals	**35,379,741**	65,384,973	**35,379,741**	65,384,973
	2,909,354,515	3,025,961,754	**2,909,354,515**	3,025,961,754

(expressed in Eastern Caribbean dollars)

3 Financial risk management *…continued*

3.4.1 Fair value measurements recognised in the separate statement of financial position

The following tables provide an analysis of financial and non-financial that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observed.

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

3.4.2 Fair value measurements of FVTPL and FVOCI investment securities

	Level 1 $	Level 2 $	Level 3 $	Total $
As at Dec 31, 2024				
Debt securities	501,361,051	–	57,692,697	559,053,748
Equities	620,435,461	927,692	97,149,134	718,512,287
	1,121,796,512	**927,692**	**154,841,831**	**1,277,566,035**
As at June 30, 2024				
Debt securities	488,445,715	–	56,008,726	544,454,441
Equities	579,717,872	912,056	81,402,728	662,032,656
	1,068,163,587	**912,056**	**137,411,454**	**1,206,487,097**

3.4.3 Fair value measurements of non-financial assets

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

	Level 1 $	Level 2 $	Level 3 $	Total $
As at Dec 31, 2024				
Land and property	**–**	**–**	**24,793,713**	**24,793,713**
As at June 30, 2024				
Land and property	–	–	24,793,713	24,793,713

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.4.3 Fair value measurement of non-financial assets *...continued*

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

3.5 Capital management

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

- To comply with the capital requirement set by the 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 stipulated capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

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

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

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

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

The table on the following page summarises the composition of regulatory capital and the ratios of the Bank for the two-year presentation. During those two years, the Bank complied with all of the externally imposed capital requirements.

(expressed in Eastern Caribbean dollars)

3 Financial risk management *...continued*

3.5 Capital management *.... continued*

	Dec 2024 $	June 2024 $
Tier 1 capital		
Share capital	**141,750,000**	141,750,000
Share premium	**3,877,424**	3,877,424
Issued bonus shares from capitalisation of unrealised assets	**(4,500,00)**	(4,500,000)
Reserves	**430,004,866**	426,138,229
Add/(deduct) fair value reserves – FVOCI	**(10,943,608)**	(7,076,972)
Less property revaluation reserve	**(21,296,160)**	(21,296,160)
(Accumulated deficit)/retained earnings	**(90,160,846)**	(99,562,880)
Total qualifying Tier 1 capital	**448,731,676**	439,329,641

	Dec 2024 $	June 2024 $
Tier 2 capital		
Fair value reserves – FVOCI	**10,943,608**	7,076,971
Property revaluation reserve	**21,296,160**	21,296,160
Unaudited Profit/(loss) before tax	**9,402,034**	-
Issued bonus shares from capitalisation of unrealised assets	**4,500,000**	4,500,000
Total qualifying Tier 2 capital	**46,141,802**	32,873,131
Investment in subsidiaries	**(23,112,027)**	(23,112,026)
Total regulatory capital	**471,761,451**	449,090,747

	Dec 2024 $	June 2024 $
Risk-weighted assets:		
On and off statement of financial position	**2,685,280,720**	2,470,077,900
Total risk-weighted assets	**2,685,280,720**	2,470,077,900
Tier 1 capital ratio	**17%**	18%
Basel ratio	**18%**	18%

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements

The Bank's separate financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the separate financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates that have a significant risk of causing material adjustments to the carrying amounts of assets within the next financial year are discussed below:

i) Fair value of financial instruments

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

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

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

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

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

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

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

iii) Measurement of the expected credit loss allowance

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

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

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

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

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences in estimates and actual loss experienced.

(expressed in Eastern Caribbean dollars)

4 Critical accounting estimates and judgements *…continued*

(iv) Pension benefits

The present value of the defined benefit pension obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Additional information is disclosed in note 32.

(v) Estimation of current and deferred income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

5 Cash and balances with Central Bank

	Dec 2024 $	June 2024 $
Cash on hand	**31,173,694**	22,650,366
Balances with Central Bank other than mandatory deposits	**34,800,309**	26,002,053
Included in cash and cash equivalents (note 30)	**65,974,003**	48,652,419
Mandatory deposits with Central Bank	**139,086,840**	163,141,225
	205,060,843	211,793,644

The Bank is required to maintain an Automated Clearing Housing (ACH) collateral amount with the Central Bank. This amount can be in the form of cash and/or ECCU member government securities issued on the Regional Government Securities Market. The Bank's collateral amount held with the Central Bank at December 31, 2024 amounted to $14,130,408 (June 2024: $14,130,408).

(expressed in Eastern Caribbean dollars)

5 Cash and balances with Central Bank *...continued*

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

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

6 Treasury bills

	Dec 2024 $	June 2024 $
SKN Government Treasury bills	**54,817,440**	54,817,440
US Government Treasury bills	**-**	70,646,532
Interest receivable	**1,426,755**	2,753,726
	56,244,195	128,217,698
Less: provision for expected losses	**(56,985)**	(56,985)
	56,187,210	128,160,713

Treasury bills are held with the Government of St. Kitts and Nevis and the Federal Government of the United States with maturities of one year. Interest on SKN treasury bills is accrued at 4.00% per annum (June 2024: 4.00%).

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

	Dec2024 $	June 2024 $
Balance at beginning of year	**128,160,713**	343,913,435
Additions	**-**	220,281,745
Disposals (sales/redemptions)	**(70,646,532)**	(435,606,226)
Movement in interest receivable	**(1,326,971)**	(434,139)
Impairment (charge)/recovery during the year	**-**	5,898
Balance at end of year	**56,187,210**	128,160,713

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

	Dec 2024 $	June 2024 $
Opening provision for expected credit losses	**56,985**	62,883
Expected credit losses/(recoveries) during the year, net	**-**	(5,898)
Ending provision for expected credit losses	**56,985**	56,985

(expressed in Eastern Caribbean dollars)

7 Deposits with other financial institutions

	Dec 2024 $	June 2024 $
Operating cash balances	**67,227,667**	140,012,919
Interest bearing term deposits	**-**	13,513,000
Items in the course of collection	**3,970,272**	2,617,530
Included in cash and cash equivalents (note 30)	**71,197,940**	156,143,449
Interest bearing term deposits	**31,935,490**	31,899,402
Restricted term deposits	**14,171,174**	13,868,623
	117,304,604	201,911,474
Interest receivable	**838,239**	1,325,683
Total deposits with other financial institutions, gross	**118,142,843**	203,237,157
Less: provision for expected credit losses	**(85,125)**	(85,125)
Total deposits with other financial institutions, net	**118,057,718**	203,152,032
Current	**103,886,544**	189,283,409
Non-current	**14,171,174**	13,868,623
	118,057,718	203,152,032

The operating cash balances earn interest at rates of 0% (June 2024: 0%). The amounts held in these accounts are to facilitate the short-term commitments and day-to-day operations of the Bank.

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

Interest earned on 'Restricted term deposits' is credited to the separate statement of income. The effective interest rate on 'Deposits with other financial institutions' at December 31, 2024 is 4.29% (June 2024: 4.29%).

Interest bearing term deposits are interest bearing which earn interest at a rate of 1.5% to 5.04% per annum (June 2024: 1.50% to 5.75%) and have original terms of maturity of six months to one year ending within the period January 11, 2025 to December 30, 2025 (2024: July 9, 2024 to February 24, 2025).

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

	Dec 2024 $	June 2024 $
Opening provision for expected credit losses	**85,125**	63,583
Expected credit losses/(recoveries) during the year, net	**-**	21,542
Ending provision for expected credit losses	**85,125**	85,125

(expressed in Eastern Caribbean dollars)

8 Loans and advances to customers

	Dec 2024 $	June 2024 $
Performing		
Demand	**393,954,443**	402,568,569
Mortgages	**206,883,604**	185,396,053
Other secured	**28,308,056**	27,424,791
Overdrafts	**26,595,232**	17,445,859
Credit cards	**14,877,704**	13,359,907
Consumer	**17,330,468**	10,898,963
Under-performing		
Demand	**3,989,543**	2,914,616
Mortgages	**1,582,003**	1,472,235
Other secured	**-**	-
Overdrafts	**–**	–
Credit cards	**465,642**	465,642
Consumer	**182,271**	264,979
Non-performing	**426,487,489**	426,904,997
Interest receivable	**2,092,897**	1,640,049
Total loans and advances to customers, gross	**1,122,749,352**	1,090,756,660
Less: Provision for expected credit losses	**(35,196,362)**	(35,196,362)
Total loans and advances to customers, net	**1,087,552,990**	1,055,560,298
Current	**410,033,159**	382,883,803
Non-current	**677,519,831**	672,676,495
	1,087,552,990	1,055,560,298

The weighted average effective interest rate on performing loans and advances excluding overdrafts at December 31, 2024 was 5.45% (June 2024: 5.45%) and overdrafts were 7.26% (June 2024: 7.26%).

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

	Dec 2024 $	June 2024 $
Opening provision for expected credit losses	**35,196,362**	33,583,610
Expected credit losses during the year, net (note 24)	**-**	1,925,159
Write offs during the year	**-**	(312,407)
Ending provision for expected credit losses	**35,196,362**	35,196,362

(expressed in Eastern Caribbean dollars)

9 Originated debts

	Dec 2024 $	June 2024 $
Local sovereign bonds	**26,473,479**	25,879,007
International Sovereign bond	**35,221,634**	35,221,634
International Agency bonds	**-**	45,887,446
Regional sovereign bonds	**47,727,653**	47,727,653
	109,422,766	154,715,740
Interest receivable	**2,273,157**	1,603,946
Total originated debts, gross	**111,695,923**	156,319,686
Less: Provision for expected credit losses	**(678,449)**	(678,449)
Total originated debts, net	**111,017,474**	155,641,237
Current	**15,222,710**	53,851,493
Non-current	**95,794,764**	101,789,744
	111,017,474	155,641,237

Originated debts are bonds held with sovereigns in the Eastern Caribbean Currency Union (ECCU), certificates of participation in the Government of Antigua and Barbuda, bonds in a regional financial institution and international financial institutions as well as short term commercial paper in an international financial institution.

a) Local and regional sovereign bonds

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

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

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

(expressed in Eastern Caribbean dollars)

9 Originated debts*...continued*

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

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

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

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

As at June 30, 2021, the Bank's interest under the COP's amounted to $36,242,620. All of the COP's have matured and are past due. As at September 30, 2024, the Bank's financial statements no longer show an interest under COP's. A decision was made and approved by the new Board of Directors to have the COP's which amounted to $36,242,620 written-off at the end of the financial year ended June 2022.

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

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

d) International bonds

The Bank holds a Sovereign bond purchased through Wells Fargo which is denominated in United States dollars and which yields an interest rate of 5.50% (June 2024: 3.0% to 4.75%). The maturity date of the bond is March 5, 2029 (June 2024: December 23, 2024 – March 5, 2029).

(expressed in Eastern Caribbean dollars)

9 Originated debts*...continued*

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

	Dec 2024 $	June 2024 $
Balance at beginning of year	**155,641,237**	119,535,676
Additions	**25,998,912**	68,714,161
Disposals (sales/redemptions)	**(71,291,885)**	(33,145,486)
Direct write off during the year	**–**	-
Impairment (charge)/recovery during the year	**-**	(312,842)
Movement in interest receivable	**669,210**	849,728
Balance at end of year	**111,017,474**	155,641,237

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

	Dec 2024 $	June 2024 $
Opening provision for expected credit losses	**678,449**	365,607
Recovery of expected credit losses during the year	**-**	312,842
Ending provision for expected credit losses	**678,449**	**678,449**

(expressed in Eastern Caribbean dollars)

10 Investment securities

	Dec 2024 $	June 2024 $
FVTPL		
Equity investments	**711,013,706**	654,534,075
Debt investments	**-**	-
	711,013,706	654,534,075
FVOCI – equity securities		
Quoted equity investments	**-**	-
Unquoted equity investments	**7,498,581**	7,498,581
	7,498,581	7,498,581
FVOCI – debt securities		
Quoted corporate bonds	**288,116,462**	271,961,441
Quoted sovereign bonds	**250,292,806**	243,293,324
Government Sponsored Enterprise Debentures	**5,659,746**	12,989,369
Interest receivable	**6,764,673**	6,717,809
Certificates of Deposits	**8,220,061**	9,492,498
Total debt securities – FVOCI	**559,053,748**	544,454,441
Total investment securities	**1,277,566,035**	1,206,487,097
Current	**771,104,708**	745,569,717
Non-current	**506,461,327**	462,286,905
Total investment securities	**1,277,566,035**	1,206,487,097

Borrowings – line of credit

The Bank has an operating line of credit with its investment custodian, Raymond James, to facilitate investment transactions. At the reporting date, the amount used amounted to $161,746,049. The line of credit bears interest at a rate of 5.50% and has a limit of US$90 million or EC$243,234,000.

(expressed in Eastern Caribbean dollars)

10 Investment securities *…continued*

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

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2024	654,534,075	7,498,581	544,454,441	1,206,487,097
Additions	82,101,880	-	28,663,001	110,764,881
Disposals (sales/redemptions)	(48,888,258)	-	(19,739,867)	(68,628,125)
Fair value gains/(losses) on disposal of investment securities	5,255,458	-	(298,589)	4,956,869
Fair value (losses)/gains on existing securities	18,010,551	-	5,927,898	23,938,449
Movement of interest receivable	–	–	46,864	46,864
Balance as at Dec 31, 2024	**711,013,706**	**7,498,581**	**559,053,748**	**1,277,556,035**

	FVTPL $	Equity securities – FVOCI $	Debt securities – FVOCI $	Total $
Balance as at June 30, 2023	890,426,714	20,327,897	245,716,482	1,156,471,093
Additions	218,360,720	-	581,884,972	800,245,692
Disposals (sales/redemptions)	(527,435,905)	(18,539,117)	(297,113,885)	(843,088,907)
Fair value gains/(losses) on disposal of investment securities	41,016,113	7,306,834	(1,220,026)	47,102,921
Fair value gains on existing securities	32,166,434	(1,597,033)	11,214,258	41,783,659
Movement of interest receivable	-	-	3,972,639	3,972,639
Balance as at June 30, 2024	**654,534,075**	**7,498,581**	**544,454,441**	**1,206,487,097**

a) FVTPL – quoted debt and equity instruments

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

b) FVOCI – equity instruments

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

For unquoted securities, the Bank undertakes a fair value assessment at each financial year end to assess the gains or losses attributable to such assets. During the reporting quarter, net fair value losses related to financial assets in equity securities which are not trading in an active market amounted to $nil (June 2024: $1,369,524).

(expressed in Eastern Caribbean dollars)

10 Investment securities *...continued*

c) FVOCI – debt securities – Quoted corporate and sovereign bonds

The Bank has certain investment securities which comprise of quoted corporate and sovereign fixed rate bonds trading. Bonds have coupon rates of 0.949% to 9.70% (June 2024: 0.949% to 9.70%). Bonds have an average term of ten (10) years and will mature between January 2025 and February 2062 and pay semi-annual coupon interest payments until maturity. As at December 31, 2024, the fair values of these amounted to $559,053,748 (June 2024: $544,454,441).

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

	Dec 2024 **$**	**June 2024** **$**
Opening provision for expected credit losses	–	–
Expected recoveries, net	–	–
Ending provision for expected credit losses	–	–

11 Investment in subsidiaries

	Dec 2024 **$**	**June 2024** **$**
St. Kitts and Nevis Mortgage and Investment Company Limited	**12,000,000**	12,000,000
National Caribbean Insurance Company Limited	**9,000,000**	9,000,000
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited	**5,750,000**	5,750,000
Investment in subsidiaries, gross	**26,750,000**	26,750,000
Less: Provision for impairment	**(3,637,973)**	(3,637,973)
Investment in subsidiaries, net	**23,112,027**	23,112,027

All subsidiaries are wholly owned by the Bank. National Caribbean Insurance Company Limited (NCIC) is 90 percent owned directly by the Bank and National Bank Trust Company (St. Kitts-Nevis-Anguilla) Limited, which is a wholly owned subsidiary of the Bank, owns the remaining 10 percent.

The provision for impairment relates to the investment in St. Kitts and Nevis Mortgage and Investment Company Limited.

The movement in the provision for impairment is as follows:

	Dec 2024 **$**	**June 2024** **$**
Balance at beginning of year	**3,637,973**	3,116,562
Impairment loss during the year (note 24)	**-**	521,411
Balance at end of year	**3,637,973**	3,637,973

(expressed in Eastern Caribbean dollars)

12 Property and equipment

	Land and property	Equipment	Furniture & fittings	Motor vehicles	Reference books	Projects ongoing	Total
At June 30, 2023	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Cost or valuation	28,142,057	17,229,480	3,581,338	1,167,127	140,368	489,880	50,750,250
Accumulated depreciation	(2,882,435)	(14,276,409)	(3,184,511)	(521,462)	(140,283)	–	(21,005,100)
Net book value	**25,259,622**	**2,953,071**	**396,827**	**645,665**	**85**	**489,880**	**29,745,150**
Year ended June 30, 2024							
Opening net book value	25,259,622	2,953,071	396,827	645,665	85	489,880	29,745,150
Additions	95,162	1,743,282	450,728	-	-	7,802,691	10,091,863
Disposals	-	(1,999,941)	(447,057)	(190,000)	-	-	(2,636,998)
Transfer	–	–	–	–	–	-	-
Write back of depreciation on disposals	-	1,999,311	446,423	148,833	-	-	2,594,567
Depreciation charge	(561,071)	(1,114,246)	(145,157)	(187,066)	-	-	(2,007,540)
Closing net book value	**24,793,713**	**3,581,477**	**701,764**	**417,432**	**85**	**8,292,571**	**37,787,042**
At June 30, 2024							
Cost or valuation	28,237,219	16,972,821	3,585,010	977,127	140,368	8,292,571	58,205,116
Accumulated depreciation	(3,443,506)	(13,391,344)	(2,883,246)	(559,695)	(140,283)	-	(20,418,074)
Net book value	**24,793,713**	**3,581,477**	**701,764**	**417,432**	**85**	**8,292,571**	**37,787,042**

(expressed in Eastern Caribbean dollars)

12 Property and equipment *...continued*

	Land and property $	Equipment $	Furniture & fittings $	Motor vehicles $	Reference books $	Projects ongoing $	Total $
Year ended Dec 31, 2024							
Opening net book value	24,793,713	3,581,477	701,764	417,432	85	8,292,571	37,787,042
Additions	–	508,308	266,854	441,008	–	4,241,987	5,458,157
Disposals	–	–	–	-	–	–	-
Transfer	–	–	–	–	–	-	-
Write back of depreciation on disposals	–	–	–	-	–	–	-
Depreciation charge	(502,825)	(587,260)	(246,355)	(170,065)	–	–	(1,506,505)
Closing net book value	**24,290,888**	**3,502,525**	**722,263**	**688,375**	**85**	**12,534,558**	**41,738,694**
At Dec 31, 2024							
Cost or valuation	28,237,219	17,481,129	3,851,864	1,418,135	140,368	12,534,558	63,663,273
Accumulated depreciation	(3,946,331)	(13,978,604)	(3,129,601)	(729,760)	(140,283)	–	(21,924,579)
Net book value	**24,290,888**	**3,502,525**	**722,263**	**688,375**	**85**	**12,534,558**	**41,738,694**

(expressed in Eastern Caribbean dollars)

12 Property and equipment *...continued*

Included in Property is land at a carrying value of $6,101,132. This is made up as follows:

	Dec 2024 $	**June 2024** $
Headquarters (Basseterre)	**2,206,000**	2,206,000
Nevis	**1,120,000**	1,120,000
West Independence Square	**900,000**	900,000
Saddlers – Lavington	**864,832**	864,832
Rosemary Lane (#1)	**500,000**	500,000
Rosemary Lane (#2)	**412,000**	412,000
Sandy Point (#1)	**44,000**	44,000
Saddlers	**30,000**	30,000
Sandy Point (#2)	**24,300**	24,300
Total	**6,101,132**	6,101,132

In 2020, the Bank's land and property were revalued based on the appraisal made by an independent firm of appraisers. Valuations were made on the basis of comparative recent market transactions on arm's length terms. The revaluation surplus was credited to 'property revaluation reserve' in shareholders' equity.

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

	Land $	**Buildings** $	**Total** $
At Dec 31, 2024			
Cost	3,793,203	13,817,361	17,610,564
Accumulated depreciation	-	(5,894,352)	(5,894,352)
Net book value	**3,793,203**	**7,923,009**	**11,716,212**

	Land $	**Buildings** $	**Total** $
At June 30, 2024			
Cost	3,793,203	13,817,361	17,610,564
Accumulated depreciation	-	(5,894,352)	(5,894,352)
Net book value	**3,793,203**	**7,923,009**	**11,716,212**

(expressed in Eastern Caribbean dollars)

13 Intangible assets

	Computer software $
At June 30, 2023	
Cost	8,485,455
Accumulated amortisation	(7,481,593)
Net book value	**1,003,862**
Year ended June 30, 2024	
Opening balance	1,003,862
Additions	134,399
Amortisation charge	(430,382)
Closing net book value	**707,879**
At June 30, 2024	
Cost	8,619,854
Accumulated amortisation	(7,911,975)
Net book value	**707,879**
Year ended Dec 31, 2024	
Opening balance	707,879
Additions	54,052
Amortisation charge	(170,014)
Closing net book value	**591,917**
At Dec 31, 2024	
Cost	8,673,906
Accumulated amortisation	(8,081,989)
Net book value	**591,917**

(expressed in Eastern Caribbean dollars)

14 Leases

The Bank leases properties and equipment for its operations with lease terms ranging from 3 to 8 years. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets.

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

(a) Amounts recognised in the separate statement of financial position:

Right-of-use assets	**$**
Cost	2,831,659
Accumulated depreciation	(2,396,388)
Balance as at June 30, 2023	**435,271**
Year ended June 30, 2024	
Opening net book value	435,271
Additions	1,108,506
Depreciation charge	(722,156)
Closing net book value	**821,621**
Cost	4,111,059
Accumulated depreciation	(3,289,438)
Balance as at June 30, 2024	**821,621**
Year ended Dec 31, 2024	
Opening net book value	821,621
Additions	-
Depreciation charge	-
Closing net book value	**821,621**
Cost	4,111,059
Accumulated depreciation	(3,289,438)
Balance as at Dec 31, 2024	**821,621**

(expressed in Eastern Caribbean dollars)

14 Leases *...continued*

(a) Amounts recognised in the separate statement of financial position: *…continued*

Lease liabilities	**Dec 2024** **$**	**June 2024** **$**
Opening balance	**833,748**	443,880
Additions	**-**	1,108,506
Interest expense	**-**	21,752
Lease payments	**-**	(740,390)
Total lease liabilities	**833,748**	833,748
Current	**521,749**	521,749
Non-current	**311,999**	311,999
	833,748	833,748

(b) Amounts recognised in the separate statement of income:

	Dec 2024 **$**	**June 2024**
Depreciation charge on right-of-use assets	**-**	722,156
Interest expense on lease liabilities (note 21)	**-**	21,752
	-	743,908

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

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

Dec 31, 2024

Right-of-use asset	**No. of right-of-use assets leased**	**Range of remaining term**	**Average remaining lease term**	**No. of leases with extension option**	**No. of leases with termination options**
Office buildings	10	Up to 5 years	1.9 years	8	7
Storage facilities	2	0	0	2	1
IT Equipment	8	Up to 3 years	2.5 years	8	-

(expressed in Eastern Caribbean dollars)

14 Leases *…continued*

(b) Amounts recognised in the separate statement of income: …*continued*

June 30, 2024

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension option	No. of leases with termination options
Office buildings	10	Up to 5 years	1.9 years	8	7
Storage facilities	2	0	0	2	1
IT Equipment	8	Up to 3 years	2.5 years	8	-

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

Dec 31, 2024	Within 1 year $	1 – 2 years $	3 years $	3 – 4 years $	4 – 5 years $	After 5 years $	Total $
Lease payments	536,268	167,356	86,565	39,319	30,131	-	859,639
Finance charges	(14,519)	(6,693)	(2,955)	(1,367)	(357)	-	(25,891)
Net present values	**521,749**	**160,663**	**83,610**	**37,952**	**29,774**	**-**	**833,748**
June 30, 2024							
Lease payments	536,268	167,356	86,565	39,319	30,131	-	859,639
Finance charges	(14,519)	(6,693)	(2,955)	(1,367)	(357)	-	(25,891)
Net present values	**521,749**	**160,663**	**83,610**	**37,952**	**29,774**	**-**	**833,748**

Lease payments not recognised as a liability

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

(expressed in Eastern Caribbean dollars)

15 Other assets

	Dec 2024 $	June 2024 $
Other receivables, gross	**9,298,043**	6,880,730
Less: Provision for expected credit losses	**(296,682)**	(296,682)
Other receivables, net	**9,001,361**	6,584,048
Net defined benefit asset (note 32)	**8,563,242**	8,563,242
Suspense assets and prepayments	**2,030,455**	12,174,401
Stationery	**997,872**	946,662
	20,592,930	28,268,353
Current	**12,029,688**	19,705,112
Non-current	**8,563,242**	8,563,242
	20,592,930	28,268,353

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

	Dec 2024 $	June 2024 $
Opening provision for expected credit losses	**296,682**	**296,682**
Impairment (recoveries)/charges, net (note 24)	–	–
Ending provision for expected credit losses	**296,682**	**296,682**

16 Customers' deposits

	Dec 2024 $	June 2024 $
Fixed deposit accounts	**1,318,128,948**	1,364,266,115
Savings accounts	**701,833,067**	697,169,432
Direct demand accounts	**621,094,972**	749,228,120
Call accounts	**41,054,184**	126,518,940
	2,682,111,171	2,937,182,607
Interest payable	**23,929,119**	15,104,359
	2,706,040,290	2,952,286,966

Customers' deposits represent all types of deposit accounts held by the Bank on behalf of its customers. The deposits include demand deposit accounts, call accounts, savings accounts and fixed deposits. All customers' deposits were current for both years.

The Bank pays interest on all categories of customers' deposits except demand deposits. At the reporting date, total interest expense on interest bearing deposit accounts for the year amounted to $31,328,974 (Dec 2023: $29,267,822). The average effective rate of interest paid on customers' deposits was 2.66%.

(expressed in Eastern Caribbean dollars)

17 Accumulated provisions, creditors and accruals

	Dec 2024 $	June 2024 $
Other payables	**16,997,267**	15,413,073
Employee related payables	**8,751,089**	11,979,063
Unpaid drafts on other banks	**3,102,863**	3,072,683
Suspense liabilities	**2,956,732**	31,937,444
Managers’ cheques and bankers’ payments	**3,571,790**	2,982,710
	35,379,741	65,384,973

18 Taxation

18.1 Deferred tax asset/(liability)

The movements on the deferred tax asset are as follows:

	Dec 2024 $	June 2024 $
Balance, beginning of year	**32,597,277**	17,804,788
Movement in decelerated depreciation	**-**	(29,005)
Unutilised capital cost allowances	–	–
Movement in net unrealised losses on investment securities	**(1,288,878)**	(5,061,751)
Unutilised tax losses	**-**	18,724,000
Movement in re-measurement of defined benefit asset	**-**	1,159,245
Balance, end of year	**31,308,399**	32,597,277

18.2 Income tax recoverable

Included in the separate statement of financial position is an amount of $58,912,551 (June 2024: $49,912,551) that relates to income tax credits/advance tax payments due from the Inland Revenue Department in respect of tax assessments that were finalised up to the year ended June 30, 2020, and the change in the Bank’s estimate of the current income tax expense based on a settlement agreement with the IRD. The amount may be applied against any future taxes payable by the Bank, with certain agreed restrictions.

(expressed in Eastern Caribbean dollars)

The movement in the income tax recoverable is as follows during the year:

	Dec 2024 $	June 2024 $
Balance, beginning of year	**49,912,551**	34,391,873
Current year's income tax credit	**-**	7,211,671
Advance taxes paid during the year	**9,000,000**	12,000,000
Prior year over-provision in tax liability offset amount	–	–
Current year's tax liability offset (limited to 80%)	**-**	(3,690,993)
Balance, end of year	**55,912,551**	49,912,551

18.3 Income tax payable

	Dec 2024 $	June 2024 $
Balance, beginning of year	**922,748**	1,046,722
Income tax payments made during year	–	(1,046,722)
Payment previously applied to tax recoverable reclassified	–	–
Prior year over-provision in tax payable	–	–
Current year's tax liability (limited to 20%)	**-**	922,748
Transfer of advance tax overpayment to tax recoverable	–	–
Balance, end of year	**922,748**	922,748

19 Share capital

	Dec 2024 $	June 2024 $
Authorised		
270,000,000 Ordinary shares of $1 each	**270,000,000**	270,000,000
Issued and fully paid		
141,750,000 (2021: 135,000,000) Ordinary shares of $1 each	**141,750,000**	141,750,000

(expressed in Eastern Caribbean dollars)

20 Reserves

	Dec 2024 $	June 2024 $
Statutory reserve	**144,456,807**	144,456,807
Property revaluation reserve (note 12)	**21,296,160**	21,296,160
Fair value reserves – FVOCI	**10,943,608**	7,076,972
Other reserves	**253,308,290**	253,308,290
	430,004,865	426,138,229

a) Statutory reserve

	Dec 2024 $	June 2024 $
Balance at beginning of year	**144,456,807**	**144,456,807**

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

The reserve requirement was met as at year ended June 30, 2020. Accordingly, no additional transfers were made subsequently.

b) Fair value reserves - FVOCI reserves

	Dec 2024 $	June 2024 $
Balance at beginning of year	**7,076,972**	(3,708,327)
Movement in market value of securities, net	**3,866,636**	3,367,036
Expected credit losses recognised on investment securities	**-**	111,429
Realised losses transferred to retained earnings, net of tax	**–**	7,306,834
Balance at end of year	**10,943,608**	**7,076,972**

(expressed in Eastern Caribbean dollars)

20 Reserves *...continued*

b) Fair value reserves - FVOCI reserves *...continued*

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

	Dec 2024 $	June 2024 $
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		
Net unrealised (losses)/gains on investment securities, net of tax	**11,435,229**	8,215,266
Net realised losses on investment securities, net of tax	**60,716**	(915,019)
	11,495,945	7,300,247
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		
Net unrealised gains on investment securities, net of tax	**-**	3,373,623
Net realised losses on investment securities, net of tax	**-**	(7,306,834)
	-	(3,933,211)
	11,495,945	3,367,036

c) Other reserves

	Dec 2024 $	June 2024 $
Balance at beginning of year	**253,308,290**	244,317,961
Transfer (from)/to general reserves to regulatory reserves	**–**	(3,893,243)
Transfer to regulatory reserve for interest accrued on NPLs	**–**	3,485,274
Remeasurement loss on defined benefit asset, net of tax	**-**	(1,726,019)
Transfer to/(from) regulatory reserve for loan impairment	**–**	7,863,616
Transfer from retained earnings to reserve for interest accrued on non-performing loans	**–**	3,260,702
Balance at end of year	**253,308,290**	253,308,290

(expressed in Eastern Caribbean dollars)

20 Reserves *...continued*

a) Other reserves *...continued*

	Sept 2024 $	June 2024 $
Other reserves is represented by:		
Regulatory reserve for interest accrued on non-performing loans (note 3.1.2)	**80,532,959**	80,532,959
Regulatory reserve for loan impairment (note 3.1.2)	**170,836,976**	170,836,976
Defined benefit pension plan reserve	**1,938,356**	1,938,356
General reserve	**-**	–
	253,308,290	253,308,290

Included in these reserves are the following individual reserves:

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

Regulatory reserve for loan impairment
Regulatory reserve represents cumulative amounts appropriated from retained earnings based on the prudential guidelines of the ECCB. When the ECCB loan provision is greater than the loan provision calculated under IFRS 9 the difference is set aside in a reserve in equity.

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

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

(expressed in Eastern Caribbean dollars)

21 Net interest income

	Dec 2024 $	Dec 2023 $
Interest income		
Loans and advances to customers	**20,339,236**	18,391,713
Investment securities at FVTPL & FVOCI debt	**12,933,073**	7,478,939
Treasury bills	**1,126,386**	7,589,901
Originated debts	**4,011,213**	3,092,149
Financial asset (note 30)	**2,789,843**	2,789,843
Deposits with other financial institutions	**954,724**	1,081,924
Interest income for the year	**42,154,475**	40,424,469

	Dec 2024 $	Dec 2023 $
Interest expense		
Fixed deposits	**21,045,383**	22,193,097
Savings accounts	**6,706,298**	6,383,556
Debt and other related accounts	**409,731**	561,230
Line of credit	**2,519,286**	-
Call accounts	**648,276**	118,242
Lease liabilities (note 14)	**-**	11,697
Interest expense for the year	**31,328,974**	29,267,822
Net interest income	**10,825,501**	11,156,647

22 Net fees and commission expense

	Dec 2024 $	Dec 2023 $
Fees and commission income		
International business and foreign exchange	**10,055,844**	7,802,453
Credit related fees and commission	**2,477,683**	1,987,812
Brokerage and other fees and commission	**2,300,395**	1,608,900
Fees and commission income for year	**14,833,922**	11,399,165
Fee expenses		
International business and foreign exchange	**11,731,726**	7,515,651
Other fee expenses	**1,085,281**	1,298,225
Brokerage and other related fee expenses	**54,698**	35,432
Fee expenses for year	**12,871,705**	8,849,308
Net fees and commission income	**1,962,217**	2,549,857

(expressed in Eastern Caribbean dollars)

23 Net gains/(losses) from investments in debt and equity instruments

	Dec 2024 $	Dec 2023 $
Net gains/(losses) on FVTPL investment securities	**18,243,941**	2,189,039
Net gains/(losses) on financial assets measured at FVOCI reclassified to profit or loss	**(223,942)**	(107,249)
Net gains/(losses) from investment securities	**18,019,999**	2,081,790

24 Credit and other impairment charges

	Dec 2024 $	Dec 2023 $
Investments and other financial assets at amortised cost	**-**	-
Loans and advances to customers (note 8)	-	-
Other assets (note 15)	–	-
Investment in subsidiaries (note 11)	-	-
Total credit and other impairment charges	-	-

25 Administrative and general expenses

	Dec 2024 $	Dec 2023 $
Employee costs (note 25.1)	**13,268,874**	12,334,731
Management fees on investments	**4,535,613**	4,989,624
Repairs and maintenance	**3,456,310**	5,033,809
Advertisement and marketing	**978,065**	1,428,050
Other general	**314,853**	381,907
Communication	**507,781**	475,456
Insurance	**493,762**	463,677
Utilities	**341,749**	351,640
Stationery and supplies	**305,700**	307,721
Security services	**380,056**	334,383
Legal fees and expenses	**1,890,652**	734,942
Taxes and licences	**218,670**	65,305
Shareholders' expenses	**63,635**	133,402
Premises upkeep	**130,074**	65,631
Rent and occupancy	**247,704**	3,174
Sundry losses	**38,047**	263,647
	27,171,545	27,367,099

(expressed in Eastern Caribbean dollars)

25 Administrative and general expenses *... continued*

25.1 Employee costs

The details of the employee costs are shown below.

	Dec 2024 $	Dec 2023 $
Salaries and wages	**10,325,095**	9,530,914
Other staff cost	**2,943,779**	2,803,817
Insurance and other benefits	**-**	-
Pension expense (note 32)	**-**	-
	13,268,874	12,334,731

26 Dividends

The separate financial statements for the quarter ended December 2024 do not reflect dividends.

27 Related parties, balances and transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making operational or financial decisions. A number of banking transactions are entered into with subsidiaries and directors in the normal course of business. These transactions, which include deposits, loans and other transactions, are carried out on commercial terms and conditions, at market rates.

(expressed in Eastern Caribbean dollars)

27 Related parties, balances and transactions *...continued*

Government of St. Kitts and Nevis

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

	Dec 2024 $	June 2024 $
Central Government and statutory bodies (public sector)		
Deposits	**1,110,251,422**	1,332,972,005
Financial asset	**360,419,280**	357,431,065
Loans and advances	**353,890,364**	358,297,729
Interest on deposits	**15,686,521**	33,222,901
Interest on financial asset	**2,789,843**	5,672,680
Interest on loans and advances	**5,704,335**	11,438,586
Subsidiaries		
Deposits	**270,151,464**	271,740,762
Loans and advances	**12,358,771**	12,051,792
Interest on deposits	**4,879,385**	10,008,953
Interest from loans and advances	**310,071**	588,666
Associated companies		
Loans and advances	**51,251,703**	51,251,703
Deposits	**22,190,557**	15,669,659
Interest on deposits	**44,168**	86,656
Interest from loans and advances	**–**	-
Directors and associates		
Loans and advances	**1,220,484**	1,354,962
Directors' fees and expenses	**580,152**	1,144,526
Deposits	**1,832,169**	1,949,014
Interest from loans and advances	**25,398**	51,797
Interest on deposits	**20,545**	43,890
Key management		
Loans and advances	**1,305,530**	1,388,335
Total remuneration	**2,274,548**	5,343,433
Deposits	**938,794**	1,308,247
Interest from loans and advances	**28,766**	55,530
Interest on deposits	**9,363**	20,191

(expressed in Eastern Caribbean dollars)

27 Related parties, balances and transactions *...continued*

As at December 31, 2024, directors held total shares in the Bank of 79,813 (June 2024: 79,813) and other key management held total shares in the Bank of 11,256 (June 2024: 11,256).

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

No provision (2024: $0) has been recognised as at December 31, 2024 in respect of advances made to a related party (associated company).

28 Commitments and contingencies

Commitments
At the reporting date, the Bank had contractual commitments to extend credit to customers, guarantee and other facilities as follows:

	Dec 2024 **$**	**June 2024** **$**
Loan commitments	**54,581,814**	45,720,615
Credit card commitments	**16,877,864**	16,314,689
	71,459,678	62,035,304

29 Financial asset

	Dec 2024 **$**	**June 2024** **$**
Financial asset	**352,284,124**	352,284,124
Interest receivable	**10,499,569**	7,709,726
Financial asset, gross	**362,783,693**	359,993,850
Less provision for expected credit losses	**(2,364,413)**	(2,364,413)
Financial asset, net	**360,419,280**	357,629,437

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

	Dec 2024 **$**	**June 2024** **$**
Beginning provision	**2,364,413**	2,562,785
Expected credit losses for the year	**-**	(198,372)
Ending provision	**2,364,413**	2,364,413

(expressed in Eastern Caribbean dollars)

29 Financial asset *…continued*

The financial asset of $360,419,280 (June 2024: $357,629,437) along with the provision for expected credit losses of $2,364,413 (June 2024: $2,364,413) represents the Bank's right to that amount of cash flows from the sale of certain lands pursuant to a Shareholder's Agreement (Agreement) dated April 18, 2012 and September 4, 2014 between the Bank and its majority shareholder, the Government of St. Kitts & Nevis ("GOSKN"), and the Nevis Island Administration ("NIA"), respectively. Under the terms of the Agreement, the secured debt obligations owed to the Bank by the GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain land assets to the Bank. Further, the unsecured debt obligations owed to the Bank by GOSKN, NIA and certain public corporations would be irrevocably released and discharged by the Bank in exchange for the transfer of certain unencumbered land assets to a specially created entity, Special Land Sales Company (St. Kitts) Limited ("SLSC") and the allocation of certain shares in SLSC to the Bank. SLSC was incorporated for the purpose of selling land assets in order to fulfill the terms of the Agreement of the contracting parties. Other lands would be transferred to the SLSC for sale, if necessary, in order to satisfy the agreement of the contracting parties.

By way of supplemental agreements, the effective date of the Agreement was amended to July 1, 2013. Accordingly, the first step in the 'Land for Debt' swap took place on July 1, 2013 in the amount of $565,069,905, which is the value of the 1,200 acres of land in the first tranche based on an independent valuation. The second and third tranches were completed during 2015 and the amounts swapped amounted to $230,950,666 which is the value of 735 acres of land.

Based on the terms of the Agreement:

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

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

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

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

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

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

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

For the quarter ended December 31, 2024, the Bank's separate statement of income includes interest income amounting to $2,789,843 (Dec 2023: $2,789,813) (see note 21). Further, as of December 31, 2024, net interest receivable of $10,499,569 (June 2024: $7,709,726) was pending from the GOSKN.

(expressed in Eastern Caribbean dollars)

29 Financial asset *...continued*

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

The Bank has not included in these separate financial statements any investment in SLSC and the Bank has not invested any funds in SLSC.

30 Cash and cash equivalents

	Dec 2024 $	June 2024 $
Deposits with other financial institutions (note 7)	**71,197,940**	156,143,449
Cash and balances with Central Bank (note 5)	**65,974,003**	48,652,419
	137,171,943	204,795,868